FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

DREYERS GRAND ICE CREAM INC

CIK:**352305**| IRS No.: **942967523** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **000-14190** | Film No.: **99573401**
SIC: **2024** Ice cream & frozen desserts

Business Address
5929 COLLEGE AVE
OAKLAND CA 94618
5106528187

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 26, 1998

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ____________ TO ____________

COMMISSION FILE NUMBER: 0-14190

DREYER'S GRAND ICE CREAM, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>

<S>	<C>
DELAWARE	NO. 94-2967523
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

</TABLE>

5929 COLLEGE AVENUE, OAKLAND, CALIFORNIA 94618
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (510) 652-8187

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

<TABLE>
<CAPTION>

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
<S>	<C>
Not applicable	Not applicable

</TABLE>

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

COMMON STOCK, $1.00 PAR VALUE
PREFERRED STOCK PURCHASE RIGHTS

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

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

The aggregate market value (based on the average of the high and low sales prices on March 18, 1999, as reported by NASDAQ) of the Common Stock held by non-affiliates was approximately $321,211,655. (Such amount excludes the aggregate market value of shares beneficially owned by the executive officers and members of the Board of Directors of the registrant.)

As of March 18, 1999, the latest practicable date, 27,490,677 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Dreyer's Grand Ice Cream, Inc. Annual Report to Stockholders for the fiscal year ended December 26, 1998, filed as Exhibit 13 to this Annual Report on Form 10-K, are incorporated by reference into Part IV of the Annual Report on Form 10-K. With the exception of those portions which are specifically incorporated by reference in this Annual Report on Form 10-K, the Dreyer's Grand Ice Cream, Inc. Annual Report to Stockholders for the fiscal year ended December 26, 1998 is not to be deemed filed as part of this Report.

Portions of the Dreyer's Grand Ice Cream, Inc. Proxy Statement for the 1999 Annual Meeting of Stockholders to be filed with the Commission on or before April 25, 1999 are incorporated by reference into Part III of this Annual Report on Form 10-K. With the exception of those portions which are specifically incorporated by reference in this Annual Report on Form 10-K, the Dreyer's Grand Ice Cream, Inc. Proxy Statement for the 1999 Annual Meeting of Stockholders is not to be deemed filed as part of this Report.

PART I

ITEM 1. BUSINESS

GENERAL

Dreyer's Grand Ice Cream, Inc. and its consolidated subsidiaries are, unless the context otherwise requires, sometimes referred to herein as "Dreyer's" or the "Company." The Company, successor to the original Dreyer's Grand Ice Cream business, was originally incorporated in California on February 23, 1977 and reincorporated in Delaware on December 28, 1985.

Dreyer's, a single segment industry company, manufactures and distributes premium ice cream and other frozen dessert products. Since 1977, Dreyer's has developed from a specialty ice cream sold principally in selected San Francisco Bay Area grocery and ice cream stores to a broad line of frozen dairy and other frozen desserts sold under the Dreyer's and Edy's brand names in retail outlets serving more than 87% of the households in the United States. The Dreyer's line of products are available in the thirteen western states, Texas, certain markets in the Far East and South America. The Company's products are sold under the Edy's brand name generally throughout the remaining regions of the United States. The Dreyer's and Edy's line of products are distributed through a direct-store-delivery system further described below under the caption "Marketing, Sales and Distribution." The Company also distributes and, in certain instances, manufactures branded ice cream and frozen dessert products of other companies. The Dreyer's and Edy's line of ice cream and related products is relatively expensive and is sold by the Company and its independent distributors to grocery stores, convenience stores, club stores, ice cream parlors, restaurants, hotels and certain other accounts. The Dreyer's and Edy's brands enjoy strong consumer recognition and loyalty.

MARKETS

Ice cream was traditionally supplied by dairies as an adjunct to their basic milk business. Accordingly, ice cream was marketed like milk, as a fungible commodity, and manufacturers competed primarily on the basis of price. This price competition motivated ice cream producers to seek economies in their formulations. The resulting trend to lower quality ice cream created an opportunity for the Company and other producers of premium ice creams, whose products can be differentiated on the basis of quality, technological sophistication and brand image, rather than price. Moreover, the market for all packaged ice creams was influenced by the steady increase in market share of "private label" ice cream products owned by the major grocery chains and the purchase or construction by the chains of their own milk and ice cream plants. The resulting reduction in the demand for milk and the "regular" ice cream brands produced by the independent dairies has caused many such dairies to withdraw from the market. Manufacturing and formulation complexities, broader flavor requirements, consumer preference and brand identity, however, make it more difficult for the chains' private label brands to compete effectively in the premium market segment. As a result, independent premium brands such as the Company's are normally stocked by major grocery chains.

While many foodservice operators, including hotels, schools, hospitals and other institutions, buy ice cream primarily on the basis of price, there are also those in the foodservice industry who purchase ice cream based on its quality. Operators of ice cream shops wanting to feature a quality brand, restaurants that include an ice cream brand on their menu and clubs or chefs concerned with the quality of their fare are often willing to pay for Dreyer's quality, image and brand identity.

PRODUCTS

The Company and its predecessors have always been innovators of flavor, package development and formulation. William A. Dreyer, the founder of Dreyer's and the creator of Dreyer's Grand Ice Cream, is credited with inventing many popular flavors including Rocky Road. Dreyer's was the first to produce an ice cream lower in calories. The Company's Grand Light(R) formulation was a precursor to the reduced fat, reduced sugar and low cholesterol products in the Company's current product line.

The Company uses only the highest quality ingredients in its products. The Company's philosophy is to make changes in its formulations or production processes only to the extent that such changes do not

compromise quality for cost even though the industry in general may adopt such new formulation or process compromises.

Dreyer's and Edy's Grand Ice Cream is the Company's flagship product which utilizes traditional formulations with all natural flavorings and is characterized by premium quality taste and texture, and diverse flavor selection. The flagship product is complimented by Dreyer's and Edy's Homemade Ice Cream, a product formulated for regional taste preferences and now distributed on a nationwide basis, and the Company's reduced fat, low cholesterol products such as Frozen Yogurt; Grand Light(R); No Sugar Added and Fat Free ice creams; and the Company's Sherbet and Whole Fruit Sorbet products. The Company believes these "better for you" products are well positioned in the market where products are characterized by lower levels of fat, sugar and cholesterol than those of regular ice cream. The Company also produces Portofino(R) brand Italian style ice cream which is distributed in selected western markets, and manufactures and distributes Starbucks(R) Ice Cream products for its joint venture with Starbucks Coffee Company. The Company also produces a premium soft serve product, Grand Soft(R), which is available as ice cream or frozen yogurt. The Company's novelty line features Dreyer's and Edy's Ice Cream Bars, Fruit Bars, and Sundae Cones. The Company has launched Godiva(R)

Ice Cream, a ultra-premium product produced by the Company under a long-term license with Godiva Chocolatier. The Company also distributes and, in some instances, manufactures selected branded frozen dessert products of other companies.

The Company's product lines now include over 110 flavors that are selected both on the basis of general popularity and on the intensity of consumer response. Some flavors are seasonal and are produced only as a featured flavor during particular months. The Company operates a continuous flavor development and evaluation program.

The Company holds registered trademarks on many of its products. Dreyer's believes that consumers associate the Company's trademarks, distinctive packaging and trade dress with its high quality products. The Company does not own any patents that are material to its business. Research and development expenses are not significant, nor have they been significant in the past.

MARKETING, SALES AND DISTRIBUTION

The Company's marketing strategy is based upon management's belief that a significant number of people prefer a quality product and quality image in ice cream just as they do in other product categories. A quality image is communicated in many ways -- taste, packaging, flavor selection, price and often through advertising and promotion. If consistency in the product's quality and image are strictly maintained, a brand can develop a clearly defined and loyal consumer following. It is the Company's goal to develop such a consumer following in each major market in which it does business.

In fiscal 1994 the Company adopted a strategic plan to accelerate the sales of its brand throughout the country (the Strategic Plan). The key elements of this plan are: 1) to build high margin brands with leading market shares through effective consumer marketing activities, 2) to expand the Company's direct-store-delivery distribution network to national scale and enhance this capability with sophisticated information and logistics systems and 3) to introduce innovative new products. The potential benefits of the Strategic Plan are increased market share and future earnings above those levels that would be attained in the absence of the Strategic Plan.

In accordance with the Strategic Plan, the Company embarked on an aggressive national expansion. This expansion involved the entry into 34 new markets, which included the opening of a major manufacturing and distribution center in Texas, a significant increase in marketing spending and the introduction of several new products. At the same time, the Company invested in its soft-serve equipment manufacturing business (Grand Soft). The investments required to fund the brand building actions and national expansion and to support the Grand Soft business substantially increased the Company's cost structure.

Beginning in late fiscal 1997 and continuing into fiscal 1998, the cost of dairy, the primary ingredient in ice cream, increased significantly. These costs peaked in fiscal 1998 at a rate more than double that experienced in the prior year. This increase reduced the Company's fiscal 1998 gross margin by approximately

$22,000,000 when compared to fiscal 1997. Aggressive discounting by the Company's competitors made it difficult to raise prices by an amount sufficient to compensate for these higher dairy costs. During this same period, sales volumes of the Company's "better for you" products continued the significant decline that began in fiscal 1997, consistent with an industry-wide trend. These "better for you" products enjoy a higher margin than the Company's classic ice cream and the volume decline had a significant impact on the Company's profitability in fiscal 1998. Finally, in August of 1998, Ben & Jerry's

Homemade, Inc. (Ben & Jerry's) informed the Company of its intention to terminate its distribution contract. Subsequent negotiations with Ben & Jerry's yielded revisions to the original contract terms which will reduce the Company's distribution gross margin of Ben & Jerry's products by approximately 54% starting September 1, 1999. The Company estimates that the markets where it will stop distributing Ben & Jerry's products contributed approximately 6% of its gross margin, or $13,000,000, in fiscal 1998.

The above factors: the higher dairy costs; the decline in "better for you" volumes; and the reduction in future Ben & Jerry's sales; had and will have a negative effect on the Company's gross margin and its ability to successfully implement the Strategic Plan. The Company, therefore, concluded that a thorough reassessment of its cost structure and strategy was necessary. This reassessment yielded a restructuring program designed to improve profitability and accelerate cost reductions by increasing focus on the core elements of the Strategic Plan. The reassessment also addressed the need to review the valuation of certain assets unfavorably impacted by Ben & Jerry's decision to change its distribution agreement with the Company. On October 16, 1998, the board of directors approved the restructuring program.

For additional information see the discussion set forth in Note 3 which appears on pages 22-24 of the Company's 1998 Annual Report to Stockholders which is incorporated herein by reference. In addition, see the discussions set forth under the captions "Background," "Revision of Ben & Jerry's Distribution Agreement" and "Restructuring Program and Other Actions" in "Management's Discussion and Analysis" which appear on pages 34-37 of the Company's 1998 Annual Report to Stockholders and are incorporated herein by reference.

Unlike most other ice cream manufacturers, the Company uses a direct-store-delivery system to distribute the Company's products directly to the retail ice cream cabinet by either the Company's own personnel or independent distributors who primarily distribute the Company's products. This store level distribution allows service to be tailored to the needs of each store. Dreyer's believes this service ensures proper product handling, quality control, flavor selection and retail display. The implementation of this system has resulted in an ice cream distribution network capable of providing frequent direct service to grocery stores in every market where the Company's products are sold. Under the Strategic Plan, the Company's distribution network has been significantly expanded to where the Company's products are available to grocery stores serving approximately 87% of the households in the United States. This distribution system is considerably larger than any other direct-store-delivery system for ice cream products currently operating in the United States.

The distribution network in the West now includes twelve distribution centers operated by the Company in large metropolitan areas such as Los Angeles, the San Francisco Bay Area, Phoenix, San Diego, Seattle and Denver. The Company also has independent distributors handling the Company's product in various areas of the thirteen western states, Texas, the Far East and South America.

Distribution in the remainder of the United States is under the Edy's brand name with most of the distribution handled through seventeen Company-owned distribution centers, including centers in the New York/New Jersey metropolitan area, Chicago, the Washington/Baltimore metropolitan area, Atlanta, Tampa and Kansas City. The Company also has independent distributors handling the Company's products in certain market areas east of the Rocky Mountains.

Taken together, independent distributors accounted for approximately 21% of the Company's consolidated sales in fiscal 1998. The Company's agreements with its independent distributors are generally terminable upon 30 days notice by either party.

Each distributor, whether Company-owned or independent, is primarily responsible for sales of all products within its respective market area. However, the Company provides sales and marketing support to its independent distributors, including training seminars, sales aids of many kinds, point of purchase materials, assistance with promotions and other sales support.

For fiscal 1998, one customer, Safeway, Inc., accounted for 10% of consolidated sales of the Company. No other customers accounted for 10% or more of consolidated sales. The Company's export sales were about 1% of fiscal 1998 consolidated sales.

The Company experiences a seasonal fluctuation in sales, with more demand for its products during the spring and summer than during the fall and winter.

MANUFACTURING

The Company manufactures its products at its plants in Union City, California; City of Commerce, California; Fort Wayne, Indiana; Houston, Texas; and Salt Lake City, Utah. The Company has a manufacturing agreement with one ice cream manufacturer to produce Dreyer's line of products serving high altitude markets and to occasionally meet peak periods of demand in accordance with specifications and quality control provided by Dreyer's. Of the approximately 93 million gallons of the Company's products sold in fiscal 1998, approximately two million gallons were manufactured under this agreement. The Company also has manufacturing agreements with six different companies to produce a portion of its novelty products. During fiscal 1998, approximately two million cases (45% of total production) of Dreyer's and Edy's Ice Cream Bars and Fruit Bars were produced under these agreements. In addition, the Company has agreements to produce products for other manufacturers. In fiscal 1998, the Company manufactured approximately 14 million gallons of product under these agreements.

The primary factor in the Company's product costs is the price of basic dairy ingredients (cream, milk and skim milk) and sugar. The minimum prices paid for dairy ingredients are established by the market under the Federal Milk Price Support Program. In fiscal 1997, dairy raw material prices decreased from 1996 resulting in a favorable impact of approximately $3,800,000 in gross margin. In fiscal 1998, the Company experienced a significant increase of approximately $22,000,000 in dairy raw materials costs, when compared to fiscal 1997, which negatively impacted the Company's gross margin.

In order to ensure consistency of flavor, each of the Company's manufacturing plants purchases, to the extent practicable, all of its required dairy ingredients from a limited number of suppliers. These dairy products and most other ingredients or their equivalents are available from multiple sources. The Company maintains a rigorous process for evaluating qualified alternative suppliers of its key ingredients.

COMPETITION

The Company's manufactured products compete on the basis of brand image, quality and breadth of flavor selection. The ice cream industry is highly competitive and most ice cream manufacturers, including full line dairies, the major grocery chains and the other independent ice cream processors, are capable of manufacturing and marketing high quality ice creams. Furthermore, there are relatively few barriers to new entrants in the ice cream business. However, reduced fat, reduced sugar and low cholesterol ice cream products generally require technologically sophisticated formulations and production in comparison to standard or "regular" ice cream products.

Much of the Company's competition comes from the "private label" brands produced by or for the major supermarket chains and which generally sell at prices below those charged by the Company for its products. Because these brands are owned by the retailer, they often receive preferential treatment when the retailers allocate available freezer space. The Company's competition also includes premium ice creams produced by other ice cream manufacturers, some of whom are owned by parent companies much larger than Dreyer's.

EMPLOYEES

On December 26, 1998, the Company had approximately 3,450 employees. The Company's Union City manufacturing and distribution employees are represented by the Teamsters Local 853, whose contract with the Company expires between September 1999 and December 2000 for different types of employees, and the International Union of Operating Engineers, Stationary Local No. 39, whose contract with the Company expires in August 2001. The Sacramento distribution employees are represented by the Chauffeurs, Teamsters and Helpers Union, Local 150 whose contract with the Company expires in August 1999. The St. Louis distribution employees are represented by the United Food & Commercial Workers Union, Local 655 whose contract with the Company expires in December 2000. The Company has never experienced a strike by any of its employees.

ITEM 2. PROPERTIES

The Company owns its headquarters located at 5929 College Avenue in Oakland, California. The headquarters buildings include 54,000 square feet of office space utilized by the Company and 10,000 square feet of retail space leased to third parties.

The Company owns a manufacturing and distribution facility in Union City, California. This facility has approximately 60,000 square feet of manufacturing and dry storage space, 40,000 square feet of cold storage warehouse space and 15,000 square feet of office space. The plant has the current production capacity of 28 million gallons per year. During fiscal 1998, the facility produced approximately 19 million gallons of ice cream and related products.

The Company leases an ice cream manufacturing plant with an adjoining cold storage warehouse located in the City of Commerce, California. This facility has approximately 76,000 square feet of manufacturing and dry storage space, 25,000 square feet of cold storage space and 19,000 square feet of office space. The lease on this property, including renewal options, expires in 2022. The plant has the current production capacity of 22 million gallons per year. During fiscal 1998, the facility produced approximately 18 million gallons of ice cream and related products.

The Company owns a cold storage warehouse facility located in the City of Industry, California. This facility includes 52,000 square feet of cold and dry storage warehouse space and 13,000 square feet of office space. This facility supplements the cold storage warehouse and office space leased in the City of Commerce.

The Company owns a manufacturing plant with an adjoining cold storage warehouse in Fort Wayne, Indiana. This facility has approximately 74,000 square feet of manufacturing and storage space and 16,000 square feet of office space. In January 1998, the Company completed construction of an additional warehouse on land adjacent to the Ft. Wayne manufacturing facility. The newly constructed warehouse has cold storage space of 109,000 square feet. The plant has the current production capacity of 64 million gallons per year. During fiscal 1998, the facility produced approximately 49 million gallons of ice cream and related products. The Company's original purchase and development of the Fort Wayne facility was financed by industrial development bonds and the property is pledged as collateral to secure payment of the Company's obligations to the issuer of the irrevocable letter of credit established for the benefit of the bondholders.

The Company owns a manufacturing and distribution facility in Houston, Texas. This facility has approximately 68,000 square feet of manufacturing and dry storage space, 46,000 square feet of cold storage warehouse space and 20,000 square feet of office space. The plant has the current production capacity of approximately 30 million gallons per year. During fiscal 1998, this facility produced approximately 19 million gallons of ice cream and related products. As a result of the restructuring program, the Company will realize substantially lower production volumes over the remaining useful life of its Houston, Texas manufacturing plant than originally contemplated. For additional information see the discussion set forth under the caption "Restructuring Program and Other Actions" in "Management's Discussion and Analysis" which appears on pages 35-37 of the Company's 1998 Annual Report to Stockholders which is incorporated herein by reference.

The Company owns a manufacturing and distribution facility in Salt Lake City, Utah. This facility has approximately 12,000 square feet of manufacturing and dry storage space, 13,000 square feet of cold storage space and 1,000 square feet of office space. Another 4,000 square feet of office space is leased. The plant has

the current production capacity of 5 million gallons per year. During fiscal 1998, the facility produced approximately 5 million gallons of ice cream and related products.

The Company intentionally acquires, designs and constructs its manufacturing and distribution facilities with a capacity greater than current needs require. This is done to facilitate growth and expansion and minimize future capital outlays. The cost of carrying this excess capacity is not significant.

The Company leases or rents various local distribution and office facilities with leases expiring through the year 2022, including options to renew, except for one that has 89 years remaining on the lease.

ITEM 3. LEGAL PROCEEDINGS

During the third quarter of fiscal 1998, Ben & Jerry's notified the Company of its intention to terminate the distribution agreement between the Company and Ben & Jerry's. The Company subsequently entered into negotiations with Ben & Jerry's to resolve issues associated with the pending termination. In the first quarter of 1999, the companies announced that they reached a resolution regarding these issues by amending the existing distribution agreement and entering into a new distribution agreement. As a result, the Company will continue to distribute Ben & Jerry's products until August 31, 1999 in all existing markets, except the New York metropolitan area, and on terms and conditions different in some respects from those in place prior to the amendment. The Company will stop distributing Ben & Jerry's products in New York on April 1, 1999. Starting September 1, 1999, the Company's distribution of Ben & Jerry's products will continue in a smaller geographic region pursuant to the terms of the new distribution agreement.

For additional information see the discussion set forth under the caption "Revision of Ben & Jerry's Distribution Agreement" in Note 3 which appears on page 22 of the Company's 1998 Annual Report to Stockholders which is incorporated herein by reference.

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

Not Applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The Company's executive officers and their ages are as follows:

<TABLE>
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NAME	POSITION	AGE
T. Gary Rogers	Chairman of the Board and Chief Executive Officer	56
William F. Cronk, III	President	56
Edmund R. Manwell	Secretary	56
Thomas M. Delaplane	Vice President -- Sales	54
J. Tyler Johnston	Vice President -- Marketing	45
Timothy F. Kahn	Vice President -- Finance and Administration and Chief Financial Officer	45
William R. Oldenburg	Vice President -- Operations	52

All officers hold office at the pleasure of the Board of Directors. There is no family relationship among the above officers.

Mr. Rogers has served as Dreyer's Chairman of the Board and Chief Executive Officer since its incorporation in February 1977.

Mr. Cronk has served as a director of the Company since its incorporation in February 1977 and has been the Company's President since April 1981.

Mr. Manwell has served as Secretary of the Company since its incorporation and as a director of the Company since April 1981. Since March 1982, Mr. Manwell has been a partner in the law firm of Manwell & Milton, general counsel to the Company.

Mr. Delaplane has served as Vice President -- Sales of the Company since May 1987.

Mr. Johnston has served as Vice President -- Marketing of the Company since March 1996. From September 1995 to March 1996, he served as the Company's Vice President -- New Business. From May 1988 to August 1995, he served as the Company's Director of Marketing.

Mr. Kahn has served as Vice President -- Finance and Administration and Chief Financial Officer since March 1998. In 1994 through October 1997, Mr. Kahn served in the positions of Senior Vice President, Chief Financial Officer and Vice President for several divisions of PepsiCo, Inc., which included Pizza Hut Restaurants.

Mr. Oldenburg has served as Vice President -- Operations of the Company since September 1986.

PART II

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

The information set forth in Note 16 under the caption "Price Range Per Common Share (NASDAQ)" which appears on page 31 of the Company's 1998 Annual Report to Stockholders is incorporated herein by reference. The bid and asked quotations for the Company's Common Stock are as reported by NASDAQ.

On March 18, 1999, the number of holders of record of the Company's common stock was 5,114.

On November 18, 1997, the Company issued shares of common stock to holders of record on October 30, 1997 to effect a two-for-one common stock split. Unless otherwise indicated, all share information appearing in this report has been restated to reflect this stock split on a retroactive basis.

The Company paid a regular quarterly dividend of $.03 per share of common stock for each quarter of fiscal 1997 and fiscal 1998. On February 23, 1999, the Board of Directors, subject to compliance with law, contractual restrictions and future review of the condition of the Company, declared its intention to issue regular quarterly dividends of $.03 per share of common stock for each quarter of fiscal 1999. Also on February 23, 1999, the Board of Directors declared a dividend of $.03 per share of common stock for the first quarter of fiscal 1999 for stockholders of record on March 26, 1999.

ITEM 6. SELECTED FINANCIAL DATA

The information set forth under the caption "Five Year Summary of Significant Financial Data" which appears on page 33 of the Company's 1998 Annual Report to Stockholders is incorporated herein by reference.

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

Certain statements contained in this report are forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks and uncertainties, which may cause the Company's actual actions or results to differ materially from those contained in the forward-looking statements. The Company believes that the benefits under the Strategic Plan will be realized in future years, although no assurance can be given that the expectations relative to future market share and earnings benefits of the strategy will be achieved. Specific factors that might cause such a difference include, but are not limited to, the Company's ability to achieve the cost reductions anticipated from its restructuring program and to achieve efficiencies in its manufacturing and distribution operations without negatively affecting sales, the cost of dairy and other commodities used in the Company's products, competitors' marketing and promotion responses, market conditions affecting the price of the Company's products, the Company's ability to increase sales of its branded products and responsiveness of the trade and consumers to the Company's new products and increased marketing and promotional expenses.

The information set forth under the caption "Risks and Uncertainties" in "Management's Discussion and Analysis" which appears on page 37 of the Company's 1998 Annual Report to Stockholders is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth under the caption "Market Risk" in "Management's Discussion and Analysis" which appears on page 39 of the Company's 1998 Annual Report to Stockholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 22, 1999 appearing on pages 16-32 of the Company's 1998 Annual Report to Stockholders are incorporated herein by reference.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information set forth under the captions "Board of Directors -- Nominees for Director" and "Board of Directors -- Continuing Directors," "Matters Submitted to the Vote of Stockholders -- Election of Directors," "Executive Compensation -- Compensation Committee Interlocks and Insider Participation" and "Security Ownership of Certain Beneficial Owners and Management -- Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for the 1999 Annual Meeting of Stockholders to be filed with the Commission on or before April 25, 1999, and the information contained in Part I of this Annual Report on Form 10-K under the caption "Executive Officers of the Registrant," is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the captions "Executive Compensation" and "Board of Directors -- Remuneration of Directors" in the Company's Proxy Statement for the 1999 Annual Meeting of Stockholders to be filed with the Commission on or before April 25, 1999 is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Company's Proxy Statement for the 1999 Annual Meeting of Stockholders to be filed with the Commission on or before April 25, 1999 is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under the captions "Executive Compensation -- Compensation Committee Interlocks and Insider Participation" and "Executive Compensation -- Other Relationships" in the Company's Proxy Statement for the 1999 Annual Meeting of Stockholders to be filed with the Commission on or before April 25, 1999 is incorporated herein by reference.

PART IV

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

(a) FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE:

The following documents are filed as part of this report:

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		PAGE(S)
<S>	<C>	<C>
2.	Financial Statement Schedule:	
	Report of Independent Accountants on Financial Statement Schedule for each of the three years in the period ended December 26, 1998...............................	18
	Schedule II. Valuation and Qualifying Accounts.............	19

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* Incorporated by reference to the indicated pages of the Company's 1998 Annual Report to Stockholders.

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

Financial statements of any other 50 percent or less owned company have been omitted because the Registrant's proportionate share of income from continuing operations before income taxes and cumulative effect of change in accounting principle is less than 20 percent of the respective consolidated amounts, and the investment in and advances to any such company is less than 20 percent of consolidated total assets.

3. List of Management Compensation Agreements

(i) Dreyer's Grand Ice Cream, Inc. Incentive Stock Option Plan (1982) referenced in Exhibit 10.3 herein.

(ii) Indemnification Agreements by and between Dreyer's Grand Ice Cream, Inc. and each of its directors, executive officers and certain other officers referenced in Exhibit 10.10 herein.

(iii) Dreyer's Grand Ice Cream, Inc. Stock Option Plan (1992) referenced in Exhibit 10.16 herein.

(iv) Dreyer's Grand Ice Cream, Inc. Incentive Bonus Plan referenced in Exhibit 10.19 herein.

(v) Dreyer's Grand Ice Cream, Inc. Stock Option Plan (1993) referenced in Exhibit 10.20 herein.

(vi) Dreyer's Grand Ice Cream, Inc. Income Swap Plan referenced in Exhibit 10.21 herein.

(b) REPORTS ON FORM 8-K

Not applicable.

(c) EXHIBITS

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
2.1	Securities Purchase Agreement dated June 24, 1993 by and among Dreyer's Grand Ice Cream, Inc., Trustees of General

Electric Pension Trust, GE Investment Private Placement Partners, I and General Electric Capital Corporation (Exhibit 2.1(11)).

2.2	Amendment to Securities Purchase Agreement dated May 6, 1994 by and among Dreyer's Grand Ice Cream, Inc., Trustees of General Electric Pension Trust, GE Investment Private Placement Partners, I and General Electric Capital Corporation, amending Exhibit 2.1 (Exhibit 2.1(14)).
2.3	Stock and Warrant Purchase Agreement dated as of May 6, 1994 by and between Dreyer's Grand Ice Cream, Inc. and Nestle Holdings, Inc. (Exhibit 2.1(15)).
2.4	First Amendment to Stock and Warrant Purchase Agreement dated as of June 14, 1994 by and between Dreyer's Grand Ice Cream, Inc. and Nestle Holdings, Inc., amending Exhibit 2.3 (Exhibit 2.1(16)).
2.5	Second Amendment to Securities Purchase Agreement dated July 28, 1995 and effective as of June 1, 1995 by and among Dreyer's Grand Ice Cream, Inc., Trustees of General Electric Pension Trust, GE Investment Private Placement Partners, I and General Electric Capital Corporation, amending Exhibit 2.1 (Exhibit 10.2(18)).
2.6	Third Amendment to Securities Purchase Agreement dated October 30, 1995 and effective as of September 30, 1995 by and among Dreyer's Grand Ice Cream, Inc., Trustees of General Electric Pension Trust, GE Investment Private Placement Partners, I and General Electric Capital Corporation, amending Exhibit 2.1 (Exhibit 10.1(19)).
2.7	Amended and Restated Fourth Amendment to Securities Purchase Agreement dated March 12, 1996 and effective as of October 1, 1995 by and among Dreyer's Grand Ice Cream, Inc., Trustees of General Electric Pension Trust, GE Investment Private Placement Partners, I and General Electric Capital Corporation, amending Exhibit 2.1 (Exhibit 2.8(20)).
3.1	Certificate of Incorporation of Dreyer's Grand Ice Cream, Inc., as amended, including the Certificate of Designation of Series A Convertible Preferred Stock, as amended, setting forth the Powers, Preferences, Rights, Qualifications, Limitations and Restrictions of such series of Preferred Stock and the Certificate of Designation of Series B Convertible Preferred Stock, as amended, setting forth the Powers, Preferences, Rights, Qualifications, Limitations and Restrictions of such series of Preferred Stock (Exhibit 3.1(16)).
3.2	Certificate of Designation, Preferences and Rights of Series A Participating Preference Stock (Exhibit 3.2(17)).
3.3	By-laws of Dreyer's Grand Ice Cream, Inc., as last amended May 2, 1994 (Exhibit 3.2(16)).
4.1	Amended and Restated Rights Agreement dated March 4, 1991 between Dreyer's Grand Ice Cream, Inc. and Bank of America, NT & SA (Exhibit 10.1(6)).
4.2	Registration Rights Agreement dated as of June 30, 1993 among Dreyer's Grand Ice Cream, Inc., Trustees of General Electric Pension Trust, and GE Investment Private Placement Partners, I and General Electric Capital Corporation (Exhibit 4.1(12)).
4.3	Amendment to Registration Rights Agreement dated May 6, 1994 by and among Dreyer's Grand Ice Cream, Inc., Trustees of General Electric Pension Trust, GE Investment Private Placement Partners, I and General Electric Capital Corporation, amending Exhibit 4.2 (Exhibit 4.1(14)).
4.4	First Amendment to Amended and Restated Rights Agreement dated as of June 14, 1994 between Dreyer's Grand Ice Cream, Inc. and First Interstate Bank of California (as successor Rights Agent to Bank of America NT & SA), amending Exhibit 4.1 (Exhibit 4.1(16)).
4.5	Registration Rights Agreement dated as of June 14, 1994

between Dreyer's Grand Ice Cream, Inc. and Nestle Holdings, Inc. (Exhibit 4.2(16)).
</TABLE>

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<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
4.6	Warrant Agreement dated as of June 14, 1994 between Dreyer's Grand Ice Cream, Inc. and Nestle Holdings, Inc. (Exhibit 4.3(16)).
4.7	Second Amendment to Amended and Restated Rights Agreement dated March 17, 1997 between Dreyer's Grand Ice Cream, Inc. and ChaseMellon Shareholder Services, LLC, as Rights Agent, amending Exhibit 4.1 (Exhibit 10.1 (24)).
4.8	Third Amendment to Amended and Restated Rights Agreement dated May 15, 1997 between Dreyer's Grand Ice Cream, Inc. and ChaseMellon Shareholder Services, LLC, as Rights Agent, amending Exhibit 4.1 (Exhibit 10.1 (25)).
10.1	Agreement dated September 18, 1978 between Dreyer's Grand Ice Cream, Inc. and Kraft, Inc. (Exhibit 10.8(1)).
10.2	Agreement and Lease dated as of January 1, 1982 and Amendment to Agreement and Lease dated as of January 27, 1982 between Jack and Tillie Marantz and Dreyer's Grand Ice Cream, Inc., as amended (Exhibit 10.2(17)).
10.3	Dreyer's Grand Ice Cream, Inc. Incentive Stock Option Plan (1982), as amended. (Exhibit 10.6(13)).
10.4	Loan Agreement between Edy's and City of Fort Wayne, Indiana dated September 1, 1985 and related Letter of Credit, Letter of Credit Agreement, Mortgage, Security Agreement, Pledge and Security Agreement and General Continuing Guaranty of Dreyer's Grand Ice Cream, Inc. (Exhibit 10.33(2)).
10.5	Distribution Agreement between Dreyer's Grand Ice Cream, Inc. and Ben & Jerry's Homemade, Inc. dated January 6, 1987 (Exhibit 10.1(3)).
10.6	Amendment and Waiver dated July 17, 1987 between Dreyer's Grand Ice Cream, Inc. and Security Pacific National Bank, amending the General Continuing Guaranty referenced in Exhibit 10.4 (Exhibit 10.44(7)).
10.7	Amendment and Waiver dated December 24, 1987 between Dreyer's Grand Ice Cream, Inc. and Security Pacific National Bank, amending the General Continuing Guaranty referenced in Exhibit 10.4 (Exhibit 10.45(7)).
10.8	Agreement for Amendments to Distribution Agreement dated as of January 20, 1989 among Dreyer's Grand Ice Cream, Inc., Edy's Grand Ice Cream, Edy's of New York, Inc., and Ben & Jerry's Homemade, Inc., amending Exhibit 10.5 (Exhibit 10.46 (4)).
10.9	Amendment to the Distribution Agreement dated as of April 11, 1989 by and among Dreyer's Grand Ice Cream, Inc., Edy's Grand Ice Cream, Edy's of New York, Inc., and Ben & Jerry's Homemade, Inc., amending Exhibit 10.5 (Exhibit 10.46(5)).
10.10	Form of Indemnification Agreement between Dreyer's Grand Ice Cream, Inc. and each officer and director of Dreyer's Grand Ice Cream, Inc. (Exhibit 10.47(4)).
10.11	Assignment of Lease dated as of March 31, 1989 among Dreyer's Grand Ice Cream, Inc., Smithway Associates, Inc. and Wilsey Foods, Inc. (Exhibit 10.52(5)).
10.12	Amendment of Lease dated as of March 31, 1989 between Dreyer's Grand Ice Cream, Inc. and Smithway Associates,

	Inc., as amended by letter dated April 17, 1989 between Dreyer's Grand Ice Cream, Inc. and Wilsey Foods, Inc., amending Exhibit 10.11 (Exhibit 10.53(5)).
10.13	Third Amendment to General Continuing Guaranty and Waiver dated January 29, 1991 between Dreyer's Grand Ice Cream, Inc. and Security PacificNational Bank, amending the General Continuing Guaranty referenced in Exhibit 10.4 (Exhibit 10.46(7)).
10.14	$25,000,000 9.3% Senior Notes: Form of Note Agreement dated as of March 15, 1991, and executed on April 12, 1991 between Dreyer's Grand Ice Cream, Inc. and each of Massachusetts Mutual Life Insurance Company, Massachusetts Mutual Life Pension Insurance Company, Connecticut Mutual Life Insurance Company, the Equitable Life Assurance Society of the United States, and Transamerica Occidental Life Insurance Company (Exhibit 19.1(8)).

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
10.15	Second Amendment to Distribution Agreement dated as of August 31, 1992 between Dreyer's Grand Ice Cream, Inc. and Ben & Jerry's Homemade, Inc., amending Exhibit 10.5 (Exhibit 19.6(9)).
10.16	Dreyer's Grand Ice Cream, Inc. Stock Option Plan (1992) (Exhibit 10.35(13)).
10.17	Agreement of Amendment and Waiver, dated as of September 30, 1992, between Dreyer's Grand Ice Cream, Inc. and each of Massachusetts Mutual Life Insurance Company, MML Pension Insurance Company, the Connecticut Mutual Life Insurance Company, the Equitable Life Assurance Society of the United States, and Transamerica Occidental Life Insurance Company (together, the "Lenders") regarding the Note Agreements dated as of March 15, 1991 between Dreyer's Grand Ice Cream, Inc. and each of the Lenders, which Note Agreements are referenced in Exhibit 10.14 (Exhibit 19.5(9)).
10.18	Second Amendment to Note Agreements dated as of September 30, 1992, between Dreyer's Grand Ice Cream, Inc. and each of Massachusetts Mutual Life Insurance Company, MML Pension Insurance Company, the Connecticut Mutual Life Insurance Company, the Equitable Life Assurance Society of the United States, and Transamerica Occidental Life Insurance Company (together, the "Lenders") regarding the Note Agreements dated as of March 15, 1991 between Dreyer's Grand Ice Cream, Inc. and each of the Lenders, which Note Agreements are referenced in Exhibit 10.14 (Exhibit 10.58(10)).
10.19	Description of Dreyer's Grand Ice Cream, Inc. Incentive Bonus Plan (Exhibit 10.57(10)).
10.20	Dreyer's Grand Ice Cream, Inc. Stock Option Plan (1993), as amended May 1, 1996.
10.21	Dreyer's Grand Ice Cream, Inc. Income Swap Plan (Exhibit 10.38(13)).
10.22	Amendment to Distribution Agreement dated April 18, 1994, and Letter Agreement modifying such Amendment to Distribution Agreement dated April 18, 1994 between Dreyer's Grand Ice Cream, Inc. and Ben & Jerry's Homemade, Inc., amending Exhibit 10.5 (Exhibit 10.3(14)).
10.23	Amendment to Distribution Agreement dated December 12, 1994

	between Dreyer's Grand Ice Cream, Inc. and Ben & Jerry's Homemade, Inc., amending Exhibit 10.5 (Exhibit 10.27(17)).
10.24	Third Amendment to Note Agreement dated as of June 5, 1995 between Dreyer's Grand Ice Cream, Inc. and each of Massachusetts Mutual Life Insurance Company, MML Pension Insurance Company, the Connecticut Mutual Life Insurance Company, the Equitable Life Assurance Society of the United States, and Transamerica Occidental Life Insurance Company (together, the "Lenders"), regarding the Note Agreements dated as of March 15, 1991 between Dreyer's Grand Ice Cream, Inc. and each of the Lenders, which Note Agreements are referenced in Exhibit 10.14 (Exhibit 10.3(18)).
10.25	Letter Agreement dated August 4, 1995 between Dreyer's Grand Ice Cream, Inc. and Smithway Associates, Inc., amending Exhibits 10.2 and 10.11 (Exhibit 10.29(20)).
10.26	Credit Agreement dated as of December 22, 1995 among Dreyer's Grand Ice Cream, Inc., Bank of America NT & SA (as a Bank and as Agent), ABN-AMRO Bank N.V. (as a Bank and as Co-Agent), Credit Suisse and The Bank of California (Exhibit 10.30(20)).
10.27	Participation Agreement dated March 29, 1996 among Dreyer's Grand Ice Cream, Inc., Edy's Grand Ice Cream, BA Leasing & Capital Corporation (as Agent and as a Participant), ABN-AMRO Bank, NV and Credit Suisse (Exhibit 10.2(21)).
10.28	First Amendment to Credit Agreement dated April 15, 1996 among Dreyer's Grand Ice Cream, Inc., Bank of America, NT & SA (as Agent and as a Bank), ABN-AMRO Bank, NV (as Co-Agent and as a Bank), Credit Suisse and Union Bank of California, NA, amending Exhibit 10.26 (Exhibit 10.1(21)).
10.29	April 1996 Amendment to Commerce Lease dated April 23, 1996 between Dreyer's Grand Ice Cream, Inc. and Smithway Associates, Inc., amending Exhibits 10.2 and 10.11 (Exhibit 10.29(23)).

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
10.30	Letter Agreement dated April 23, 1996 between Dreyer's Grand Ice Cream, Inc. and Smithway Associates, Inc., amending Exhibits 10.2 and 10.11 (Exhibit 10.30(23)).
10.31	$15,000,000 7.86% Series A Senior Notes Due 2002, $15,000,000 8.06% Series B Senior Notes Due 2006 and $20,000,000 8.34% Series C Senior Notes Due 2008: Form of Note Agreement dated as of June 6, 1996 between Dreyer's Grand Ice Cream, Inc. and each of The Prudential Insurance Company of America, Pruco Life Insurance Company, and Transamerica Life Insurance and Annuity Company (Exhibit 10.1(22)).
10.32	Fourth Amendment to Note Agreement dated as of June 10, 1997 between Dreyer's Grand Ice Cream, Inc. and each of Massachusetts Mutual Life Insurance Company, MML Pension Insurance Company, the Connecticut Mutual Life Insurance Company, the Equitable Life Assurance Society of the United States, and Transamerica Occidental Life Insurance Company, (together, the "Lenders"), regarding the Note Agreements dated as of March 15, 1991 between Dreyer's Grand Ice Cream, Inc. and each of the Lenders, which Note Agreements are

	reference in Exhibit 10.14 (Exhibit 10.1(26)).
10.33	Second Amendment to Credit Agreement dated as of December 26, 1997 among Dreyer's Grand Ice Cream, Inc., Bank of America, NT&SA (as Agent and as a bank), ABN-AMRO Bank, NV (as Co-Agent and as a bank), Credit Suisse First Boston and Union Bank of California, NA, amending Exhibit 10.26. (Exhibit 10.33(27)).
10.34	Amended and Restated Credit Agreement dated as of March 27, 1998 by and among Dreyer"s Grand Ice Cream, Inc., Bank of America National Trust and Savings Association, as one of the Banks and as Agent, ABN AMRO Bank, N.V., as one of the Banks and as Co-Agent, Credit Suisse First Boston and Union Bank of California, N.A. (Exhibit 10.1(28)).
10.35	First Amendment to Amended and Restated Credit Agreement dated as of November 3, 1998 and effective as of September 25, 1998, among Dreyer's Grand Ice Cream, Inc. and Bank of America National Trust and Savings Association, as a bank as Agent, ABN-AMRO Bank N.V., San Francisco International Branch as a bank and as Co-Agent, Credit Suisse First Boston and Union Bank of California, N.A. (collectively the "Banks"), amending the Amended and Restated Credit Agreement dated as of March 27, 1998 among Dreyer's Grand Ice Cream, Inc. and the Banks. (Exhibit 10.1(29)).
10.36	Fourth Amendment to General Continuing Guaranty and Waiver dated November 12, 1998, between Dreyer's Grand Ice Cream, Inc. and Bank of America National Trust and Savings Association, amending the General Continuing Guaranty referenced in Exhibit 10.4.
10.37	First Amendment dated as of November 17, 1998 to Note Purchase Agreements dated as of June 6, 1996 between Dreyer's Grand Ice Cream, Inc. and each of The Prudential Insurance Company of America, Pruco Life Insurance Company, and Transamerica Life Insurance and Annuity Company amending Exhibit 10.31.
10.38	First Amendment to Participation Agreement dated December 21, 1998 among Dreyer's Grand Ice Cream, Inc., Edy's Grand Ice Cream, BA Leasing & Capital Corporation (as Agent and as a Participant), ABN-AMRO Bank, NV and Credit Suisse First Boston (formerly Credit Suisse) amending Exhibit 10.27.
10.39	Letter Amendment Agreement dated as of January 11, 1999 to that certain Distribution Agreement between Ben & Jerry's Homemade, Inc., and Dreyer's Grand Ice Cream, Inc. and certain of its subsidiaries, amending Exhibit 10.5.(**)
10.40	New Distribution Agreement between Dreyer's Grand Ice Cream, Inc. and Ben & Jerry's Homemade, Inc. dated as of January 11, 1999 and related Addendum dated as of January 11, 1999.(**)

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
10.41	Secured Promissory Notes dated October 5, 1998 and December 11, 1998 in the principal sum of $95,000 and $186,000, respectively, with Thomas M. Delaplane as Maker and Dreyer's Grand Ice Cream, Inc. as Payee, and related Pledge Agreement dated October 5, 1998 by and between Thomas Miller Delaplane, as Trustee of the Delaplane Family Trust UAD 6/22/95 and Dreyer's Grand Ice Cream, Inc.

13	Those portions of the Dreyer's Grand Ice Cream, Inc. 1998 Annual Report to Stockholders which are incorporated by reference into this Annual Report on Form 10-K.
21	Subsidiaries of Registrant.
23	Consent of Independent Accountants.
27	Financial Data Schedule.

</TABLE>

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(1) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Registration Statement on Form S-1 and Amendment No. 1 thereto, filed under Commission File No. 2-71841 on April 16, 1981 and June 11, 1981, respectively.

(2) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Annual Report on Form 10-K and Amendment No. 1 thereto for the fiscal year ended December 28, 1985 filed under Commission File No. 0-10259 on March 28, 1986 and April 14, 1986, respectively.

(3) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Current Report on Form 8-K filed under Commission File No. 0-10259 on January 23, 1987.

(4) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 1988 filed under Commission File No. 0-10259 on March 31, 1989.

(5) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 1989 filed under Commission File No. 0-10259 on March 30, 1990.

(6) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Current Report on Form 8-K filed under Commission File No. 0-10259 on March 20, 1991.

(7) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 29, 1990 filed under Commission File No. 0-10259 on March 29, 1991.

(8) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended on June 29, 1991 filed under Commission File No. 0-10259 on August 13, 1991.

(9) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended on September 26, 1992 filed under Commission File No. 0-10259 on November 10, 1992.

(10) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 26, 1992 filed under Commission File No. 0-10259 on March 26, 1993.

(11) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Current Report on Form 8-K filed under Commission File No. 0-10259 on June 25, 1993.

(12) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended on June 26, 1993 filed under Commission File No. 0-10259 on August 10, 1993.

(13) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 1993 filed under Commission File No. 0-14190 on March 25, 1994.

(14) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 26, 1994 filed under Commission File No. 0-14190 on May 10, 1994.

(15) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Current Report on Form 8-K filed under Commission File No. 0-14190 on May 9, 1994.

(16) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 25, 1994 filed under Commission File No. 0-14190 on August 9, 1994.

(17) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 1994 filed under Commission File No. 0-14190 on March 30, 1995.

(18) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended July 1, 1995 filed under Commission File No. 0-14190 on August 15, 1995.

(19) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1995 filed under Commission File No. 0-14190 on November 14, 1995.

(20) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 1995 filed under Commission File No. 0-14190 on March 29, 1996.

(21) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 30, 1996 filed under Commission File No. 0-14190 on May 14, 1996.

(22) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1996 filed under Commission File No. 0-14190 on August 13, 1996.

(23) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 28, 1996 filed under Commission File No. 0-14190 on March 28, 1997.

(24) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Current Report on Form 8-K filed under Commission File No. 20-14190 on March 21, 1997.

(25) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Current Report on Form 8-K filed under Commission File No. 0-14190 on May 19, 1997.

(26) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 27, 1997 filed under Commission File No. 0-14190 on November 11, 1997.

(27) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 27, 1997 filed under Commission File No. 0-14190 on March 26, 1998.

(28) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 28, 1998 filed under Commission File No. 0-14190 on May 12, 1999.

(29) Incorporated by reference to the designated exhibit to Dreyer's Grand Ice Cream, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 26, 1998 filed under Commission File No. 0-14190 on November 10, 1998.

(**) Confidential treatment requested as to certain portions. The term "confidential treatment" and the mark "*" used throughout the indicated exhibits means that material has been omitted and separately filed with the Commission.

SIGNATURES

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

DREYER'S GRAND ICE CREAM, INC.

By: /s/ T. GARY ROGERS

(T. Gary Rogers)
Chairman of the Board and
Chief Executive Officer and Director
(Principal Executive Officer)

Date: March 25, 1999

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

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<C>	<C>	<S>
/s/ T. GARY ROGERS (T. Gary Rogers)	Chairman of the Board and Chief Executive Officer and Director (Principal Executive Officer)	March 25, 1999
/s/ WILLIAM F. CRONK, III (William F. Cronk, III)	President and Director	March 25, 1999
/s/ EDMUND R. MANWELL (Edmund R. Manwell)	Secretary and Director	March 25, 1999
/s/ TIMOTHY F. KAHN (Timothy F. Kahn)	Vice President -- Finance and Administration and Chief Financial Officer (Principal Financial Officer)	March 25, 1999
/s/ JEFFREY P. PORTER (Jeffrey P. Porter)	Corporate Controller (Principal Accounting Officer)	March 25, 1999
/s/ JAN L. BOOTH	Director	March 25, 1999

(Jan L. Booth)		
/s/ ROBERT A. HELMAN (Robert A. Helman)	Director	March 25, 1999
/s/ M. STEVEN LANGMAN (M. Steven Langman)	Director	March 25, 1999
/s/ JOHN W. LARSON (John W. Larson)	Director	March 25, 1999
/s/ JACK O. PEIFFER (Jack O. Peiffer)	Director	March 25, 1999
/s/ TIMOTHY P. SMUCKER (Timothy P. Smucker)	Director	March 25, 1999

</TABLE>

Supplemental Information to be Furnished With Reports Filed Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act:

Not applicable.

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of Dreyer's Grand Ice Cream, Inc.

Our audits of the consolidated financial statements referred to in our report dated February 22, 1999 appearing in the 1998 Annual Report to Stockholders of Dreyer's Grand Ice Cream, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a)2 of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP
San Francisco, California
February 22, 1999

SCHEDULE II

DREYER'S GRAND ICE CREAM, INC.

VALUATION AND QUALIFYING ACCOUNTS
(TABLE AND FOOTNOTES IN THOUSANDS)

<TABLE>
<CAPTION>

		ADDITIONS		
	BALANCE AT	CHARGED TO		BALANCE AT

CLASSIFICATION	BEGINNING OF PERIOD	COSTS AND EXPENSES	DEDUCTIONS	END OF PERIOD
<S>	<C>	<C>	<C>	<C>
Fiscal year ended December 28, 1996:				
Allowance for doubtful accounts............	$ 698	$ 891	$ 834(1)	$ 755
Amortization of goodwill and distribution rights..................................	13,414	3,202	--	16,616
Amortization of other assets...............	4,197	992	191(2)	4,998
	$18,309	$ 5,085	$1,025	$22,369
Fiscal year ended December 27, 1997:				
Allowance for doubtful accounts............	$ 755	$ 1,463	$1,508(1)	$ 710
Amortization of goodwill and distribution rights..................................	16,616	3,201	--	19,817
Amortization of other assets...............	4,998	923	--	5,921
	$22,369	$ 5,587	$1,508	$26,448
Fiscal year ended December 26, 1998:				
Allowance for doubtful accounts............	$ 710	$ 6,498(3)	$1,498(1)	$ 5,710
Amortization of goodwill and distribution rights..................................	19,817	12,603(4)	2,208(2,4)	30,212
Amortization of other assets...............	5,921	1,001	1,061(2)	5,861
	$26,448	$20,102	$4,767	$41,783

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(1) Write-off of receivables considered uncollectible.

(2) Removal of fully-amortized assets.

(3) Includes reserve of $5,000 for trade receivables related to a Texas distributor.

(4) Includes goodwill and distribution rights impairment related to the restructuring program and other actions.

EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
10.36	Fourth Amendment to General Continuing Guaranty and Waiver dated November 12, 1998, between Dreyer's Grand Ice Cream, Inc. and Bank of America National Trust and Savings Association, amending the General Continuing Guaranty referenced in Exhibit 10.4.
10.37	First Amendment dated as of November 17, 1998 to Note Purchase Agreements dated as of June 6, 1996 between Dreyer's Grand Ice Cream, Inc. and each of The Prudential Insurance Company of America, Pruco Life Insurance Company, and Transamerica Life Insurance and Annuity Company amending Exhibit 10.31.
10.38	First Amendment to Participation Agreement dated December 21, 1998 among Dreyer's Grand Ice Cream, Inc., Edy's Grand

	Ice Cream, BA Leasing & Capital Corporation (as Agent and as a Participant), ABN-AMRO Bank, NV and Credit Suisse First Boston (formerly Credit Suisse) amending Exhibit 10.27.
10.39	Letter Amendment Agreement dated as of January 11, 1999 to that certain Distribution Agreement between Ben & Jerry's Homemade, Inc., and Dreyer's Grand Ice Cream, Inc. and certain of its subsidiaries, amending Exhibit 10.5.(**)
10.40	New Distribution Agreement between Dreyer's Grand Ice Cream, Inc. and Ben & Jerry's Homemade, Inc. dated as of January 11, 1999 and related Addendum dated as of January 11, 1999.(**)
10.41	Secured Promissory Notes dated October 5, 1998 and December 11, 1998 in the principal sum of $95,000 and $186,000, respectively, with Thomas M. Delaplane as Maker and Dreyer's Grand Ice Cream, Inc. as Payee, and related Pledge Agreement dated October 5, 1998 by and between Thomas Miller Delaplane, as Trustee of the Delaplane Family Trust UAD6/22/95 and Dreyer's Grand Ice Cream, Inc.
13	Those portions of the Dreyer's Grand Ice Cream, Inc. 1998 Annual Report to Stockholders which are incorporated by reference into this Annual Report on Form 10-K.
21	Subsidiaries of Registrant.
23	Consent of Independent Accountants.
27	Financial Data Schedule.

</TABLE>

(**) Confidential treatment requested as to certain portions. The term "confidential treatment" and the mark "*" used throughout the indicated exhibits means that material has been omitted and separately filed with the Commission.

EXHIBIT 10.36

FOURTH AMENDMENT TO GENERAL CONTINUING GUARANTY

THIS FOURTH AMENDMENT TO GENERAL CONTINUING GUARANTY (the "Amendment"), dated as of November 12, 1998, is entered into by and between DREYER'S GRAND ICE CREAM, INC. (the "Guarantor") and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION (the "Bank").

RECITALS

A. The Guarantor and the Bank (as successor by merger to Security Pacific National Bank) are parties to a General Continuing Guaranty dated as of September 1, 1985, as amended by an Amendment and Waiver dated July 17, 1987 effective as of January 1, 1987, a second Amendment and Waiver dated December 25, 1987 and effective as of January 1, 1987, and a Third Amendment and Waiver dated as of January 9, 1991 (as in effect as of the date of this Amendment, the "Guaranty").

B. The Guarantor and the Bank have agreed to certain amendments of the Guaranty as set forth in and subject to the terms of this Amendment.

C. The Guarantor and the Bank are entering into this Amendment to evidence such agreement.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein shall have the meanings, if any, assigned to them in the Guaranty.

2. Amendments to Guaranty.

(a) Section 3 of the Guaranty is amended:

(1) by inserting "(1)" before the current text of Section 3.

(2) by inserting the following as new Subsections (2) through (8) to Section 3:

"(2) The Guarantor authorizes the Bank, without notice or demand and without affecting the Guarantor's liability hereunder, from time to time, either before or after revocation hereof, to renew, compromise, extend, accelerate, or otherwise change the time for payment of, or otherwise change the terms of the guaranteed indebtedness or any part thereof.

"(3) The Guarantor waives any defense arising by reason of any disability or other defense of the Debtor, or the cessation from any cause whatsoever of the

liability of the Debtor, or any claim that the Guarantor's obligations exceed or are more burdensome than those of the Debtor. Until the guaranteed indebtedness shall have been paid in full, the Guarantor waives any right of subrogation, reimbursement, indemnification, and contribution (contractual, statutory, or otherwise), including without limitation, any claim or right of subrogation under the Bankruptcy Code (Title 11 of the U.S. Code) or any successor statute, arising from the existence or performance of this guaranty, and the Guarantor waives any right to enforce any remedy which the Bank now has or may hereafter have against the Debtor and waives any benefit of and any right to participate in any security now or hereafter held by the Bank.

(4) The Guarantor understands and acknowledges that if the Bank forecloses, either by judicial foreclosure or by exercise of power of sale, any deed of trust securing all or any part of the guaranteed indebtedness, that foreclosure could impair or destroy any ability that the Guarantor may have to seek reimbursement, contribution, or indemnification from the Debtor or others based on any right the Guarantor may have of subrogation, reimbursement, contribution, or indemnification for any amounts paid by the Guarantor under this guaranty. The Guarantor further understands and acknowledges that in the absence of this paragraph, such potential impairment or destruction of the Guarantor's rights, if any, may entitle the Guarantor to assert a defense to this guaranty based on Section 580d of the California Code of Civil Procedure as interpreted in Union Bank v. Gradsky, 265 Cal. App. 2d. 40 (1968). By executing this guaranty, the Guarantor freely, irrevocably, and unconditionally: (i) waives and relinquishes that defense and agrees that the Guarantor will be fully liable under this guaranty even though the Bank may foreclose, either by judicial foreclosure or by exercise of power of sale, any deed of trust securing all or any part of the guaranteed indebtedness; (ii) agrees that the Guarantor will not assert that defense in any action or proceeding which the Bank may commence to enforce this guaranty; (iii) acknowledges and agrees that the rights and defenses waived by the Guarantor in this guaranty include any right or defense that the Guarantor may have or be entitled to assert based upon or arising out of any one or more of Sections 580a, 580b, 580d, or 726 of the California Code of Civil Procedure or Section 2848 of the California Civil Code; and (iv) acknowledges and agrees that the

Bank is relying on this waiver in creating or continuing the guaranteed indebtedness and amending this guaranty, and that this waiver is a material part of the consideration which the Bank is receiving for creating or continuing the guaranteed indebtedness and amending this guaranty.

(5) The Guarantor waives any rights and defenses available to the Guarantor by reason of Sections 2787 to 2855, inclusive, of the California Civil Code including, without limitation, (1) any defenses the Guarantor may have to its obligations under this guaranty by reason of an election of remedies by the Bank and (2) any rights or defenses the Guarantor may have by reason of protection afforded to the Debtor with respect to any of the guaranteed indebtedness pursuant

to the antideficiency or other laws of California limiting or discharging any of the guaranteed indebtedness, including, without limitation, Section 580a, 580b, 580d, or 726 of the California Code of Civil Procedure.

(6) The Guarantor waives all rights and defenses arising out of an election of remedies by the Bank, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed the Guarantor's rights of subrogation and reimbursement against the Debtor by the operation of Section 580d of the California Code of Civil Procedure or otherwise.

(7) The Guarantor waives all rights and defenses, whether based in law or in equity, arising from or related to the antideficiency, security first, single action, or any other applicable laws limiting or discharging this guaranty or any of the guaranteed indebtedness, including, without limitation, Section 580a, 580b, 580d, or 726 of the California Code of Civil Procedure. Without limiting the generality of the foregoing, the Guarantor waives all rights to have the fair market value of any security for a guaranteed obligation, or the size of any deficiency judgment, determined by a hearing pursuant to Section 580a of the California Code of Civil Procedure following a foreclosure or other disposition of such security, and waives all defenses arising from or related to such rights. Any controversy or claim between the Guarantor and the Bank regarding the foregoing shall be determined according to Paragraph (17) below regarding reference and arbitration.

(8) No provision or waiver in this guaranty shall be

construed as limiting the generality of any other waiver contained in this guaranty."

(b) The fifth line of Section 6 of the Guaranty is amended in its entirety to provide as follows:

"contingent, determined or inchoate, whether the Debtor may be liable individually or jointly with others, or whether recovery upon such indebtedness may be or hereafter become barred by any statute of limitations, or whether such indebtedness may be or hereafter become otherwise unenforceable, and this guaranty shall"

(c) Section 8 of the Guaranty is amended as follows:

(1) by deleting the definitions of:

(A) Consolidated Current Assets
(B) Consolidated Current Liabilities
(C) Consolidated Total Liabilities
(D) Effective Consolidated Tangible Net Worth
(E) Fixed Charge Coverage

(2) by adding the following definitions in the proper alphabetical locations:

"'attorneys' fees' means and includes all fees and disbursements of any law firm or other external counsel, the allocated cost of internal legal services and all disbursements of internal counsel."

"'Credit Agreement' means the credit agreement entered into as of December 22, 1995 among Dreyer's Grand Ice Cream, Inc., the several financial institutions from time to time party to the Credit Agreement (collectively, the "Banks"), and ABN-AMRO Bank N.V., San Francisco International Branch as Co-Agent, and Bank of America National Trust and Savings Association, as Agent for the Banks, as in effect from time to time."

(d) Section 10 of the Guaranty is amended as follows:

(1) by amending Subsection 10D in its entirety to provide as follows:

"10D. Incorporation of Certain Covenants by Reference to Credit Agreement. Reference is hereby made to the Credit Agreement and specifically, to the agreements and covenants contained in Sections 7.01; 7.03; 7.13; 7.14; 7.15; and 7.16 of the Credit Agreement, which agreements and covenants, together with any defined terms used therein, are hereby incorporated by reference with full force and effect as if set forth in full herein (collectively, the "Incorporated Provisions"), and provided, that each amendment, modification, or supplement to such Incorporated Provisions subsequent to the date of this Agreement shall automatically be deemed to be incorporated herein, without the requirement of any further action or approval by the parties hereto, and shall be of full force and effect; provided, however, that the termination of the Credit Agreement or the Incorporated Provisions, including, without limitation, due to the repayment of the indebtedness thereunder, shall have no effect on this Subsection for any purpose whatsoever, rather, the Incorporated Provisions, in the form in effect immediately prior to the termination of the Credit Agreement or the Incorporated Provisions, continuing to survive as so incorporated by reference herein."

(2) by amending clauses (1), (2), and (3) of Subsection 10E in their entirety to provide as follows:

"(1) as soon as available, but not later than 100 days after the end of each fiscal year, a copy of the audited consolidated balance sheet of the Guarantor and its Subsidiaries as at the end of such year and the related consolidated statements of income or operations, shareholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of Price Waterhouse or another nationally-recognized independent public accounting firm ("Independent Auditor") which report shall state that such consolidated financial statements present fairly, in all material

respects, the financial position for the periods indicated in conformity with GAAP applied on a basis consistent with prior years. Such opinion shall not be qualified or limited because of a restricted or limited examination by the Independent Auditor of any material portion of the Guarantor's or any of its Subsidiary's records;"

"(2) as soon as available, but not later than 60 days after the end of each of the first three fiscal quarters of each fiscal year, a copy of the unaudited consolidated balance sheet of the Guarantor and its Subsidiaries as of the end of such quarter and the related consolidated statements of income, shareholders' equity and cash flows for the period commencing on the first day and ending on the last day of such quarter, and certified by a Responsible Officer (as defined in the Credit Agreement) as fairly presenting, in all material respects, in accordance with GAAP (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of the Guarantor and its Subsidiaries;"

"(3) The Guarantor shall furnish to the Bank:

(a) concurrently with the delivery of the financial statements referred to in clause (1) of this Subsection, a certificate of the Independent Auditor stating that in making the examination necessary therefor no knowledge was obtained of any event which is, or with the lapse of time or notice or both would be, an Event of Default, except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in clauses (1) and (2) of this Subsection, a Compliance Certificate (as defined in the Credit Agreement) executed by a Responsible Officer."

(3) by adding the following as the last and unnumbered paragraph of the Section:

"To the extent that the Bank has timely received from the Guarantor pursuant to the Credit Agreement, any reports, financial statements or certificates which are substantially similar to reports, financial statements or certificates required to be delivered pursuant to this Section, the Guarantor shall be deemed to have satisfied the delivery requirements of this Section with respect to each such item."

(e) Section 11 of the Guaranty is deleted in its entirety.

(f) Section 12 of the Guaranty is amended as follows:

(1) By amending Section 12C in its entirety to provide as follows:

"12C. Guarantor shall fail to pay when due any of its indebtedness to the Bank, including without limitation the loans or lines of credit evidenced by the Credit Agreement, and any such failure shall remain unremedied for 15 days, or fail to observe or

perform any term, covenant, or agreement set forth in the documents evidencing or relating to any such indebtedness."

(2) Inserting the following as the last paragraphs of Section 12:

"If any Event of Default occurs, the Bank:
(A) may declare an amount equal to the sum of:

(1) the maximum aggregate amount that is or at any time thereafter may become outstanding from the Debtor to the Bank under all letters of credit issued by the Bank for the account of the Debtor (whether or not any beneficiary under such letters of credit shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under any such letters of credit); plus

(2) the unpaid principal amount of all outstanding credit extended by the Bank to the Debtor plus all interest accrued and unpaid thereon; plus

(3) all other amounts owing or payable to the Bank by the Debtor "to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Guarantor. The Bank may elect, in its sole discretion to hold all or part of sums paid hereunder as cash collateral for such obligations, and

(B) exercise on behalf of itself all rights and remedies available to it under applicable law."

3. Representations and Warranties. The Guarantor hereby represents and warrants to the Bank as follows:

(a) No event which is, or with the lapse of time or notice or both would be, an Event of Default (as defined in the Guaranty) has occurred and is continuing.

(b) The execution, delivery and performance by the Guarantor of this Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable. The Guaranty as amended by this Amendment constitutes the legal, valid and binding obligations of the Guarantor, enforceable against it in accordance with its respective terms, without defense, counterclaim or offset.

(c) All representations and warranties of the Guarantor contained in the Guaranty are true and correct.

(d) The Guarantor is entering into this Amendment on the basis of its own investigation and for its own reasons, without reliance upon the Bank or any other Person.

(e) The Guarantor reaffirms and agrees that the Guaranty is in full force and effect, without defense, offset or counterclaim and applies to all indebtedness of the Debtor to the Bank, including but not limited to the obligations of the Debtor under that certain Letter of Credit Agreement dated as of September 1, 1985 (as modified by a consent and waiver and a waiver and amendment set forth in letters dated April 10, 1991 and October 29, 1991 from Security Pacific National Bank to the Debtor, a Third Amendment to Letter of Credit Agreement between the Debtor and the Bank dated as of July 19, 1995, and a Fourth Amendment to Letter of Credit Agreement between the Debtor and the Bank dated as of July 16, 1996, and as in effect as of the date of this Amendment.)

4. Effective Date. This Amendment will become effective as of December 22, 1995 (the "Effective Date"), provided that each of the following conditions precedent is satisfied:

(a) The Bank has received from the Guarantor a duly executed original (or, if elected by the Bank, an executed facsimile copy) of this Amendment.

(b) The Bank has received from Manwell & Milton, counsel for the Guarantor, a favorable written opinion in form and substance acceptable to the Bank covering the matters in Paragraph 3(b) of this Amendment and such other matters as the Bank may reasonably request.

5. Reservation of Rights. The Guarantor acknowledges and agrees that the execution and delivery by the Bank of this Amendment shall not be deemed to create a course of dealing or otherwise obligate the Bank to forbear or execute similar amendments under the same or similar circumstances in the future.

6. Miscellaneous.

(a) Except as herein expressly amended, all terms, covenants and provisions of the Guaranty are and shall remain in full force and effect and all references therein to such Guaranty shall henceforth refer to the Guaranty as amended by this Amendment. This Amendment shall be deemed incorporated into, and a part of, the Guaranty.

(b) This Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns. No third party beneficiaries are intended in connection with this Amendment.

(c) This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Each of the parties hereto understands and agrees that this document (and any other document required herein) may be delivered by any party thereto either in the form of an executed original or an executed original sent by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by the Bank of a facsimile transmitted document purportedly bearing the signature of the Guarantor shall bind the Guarantor with the same force and effect as the delivery of a hard copy original. Any failure by the Bank to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the

facsimile transmitted executed original of such document which hard copy page was not received by the Bank.

(d) This Amendment supersedes all prior drafts and communications with respect thereto. This Amendment may not be amended except in a writing signed by the Bank and the Guarantor.

(e) If any term or provision of this Amendment shall be deemed prohibited by or invalid under any applicable law, such provision shall be invalidated without affecting the remaining provisions of this Amendment or the Guaranty, respectively.

(f) The Guarantor covenants to pay to or reimburse the Bank, upon demand, for all costs and expenses (including allocated costs of in-house counsel) incurred in connection with the preparation, negotiation, execution and delivery of this Amendment.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first above written.

DREYER'S GRAND ICE CREAM, INC.

By: /s/ WILLIAM C. COLLETT

Name: William C. Collett
Title: Treasurer

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By: /s/ JAMES JOHNSON

Name: James P. Johnson
Title: Managing Director

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EXHIBIT 10.37

DREYER'S GRAND ICE CREAM, INC.

FIRST AMENDMENT

Dated as of November 17, 1998

to

Note Purchase Agreements
Dated June 6, 1996

Re: $15,000,000 7.68% Series A Senior Notes Due 2002
$15,000,000 8.06% Series B Senior Notes Due 2006
$20,000,000 8.34% Series C Senior Notes Due 2008

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FIRST AMENDMENT TO NOTE PURCHASE AGREEMENTS

THIS FIRST AMENDMENT dated as of November 17, 1998 (the or this "FIRST AMENDMENT") to the Note Purchase Agreements dated June 6, 1996 is between Dreyer's Grand Ice Cream, Inc., a Delaware corporation (the "COMPANY"), and each of the institutions which is a signatory to this First Amendment (collectively, the "NOTEHOLDERS").

RECITALS:

A. The Company and each of the Noteholders have heretofore entered into separate and several Note Purchase Agreements each dated June 6, 1996 (collectively, the "NOTE AGREEMENTS;" capitalized terms used herein shall have the respective meanings ascribed thereto in the Note Agreements unless herein defined or the context shall otherwise require). The Company has heretofore issued $50,000,000 aggregate principal amount of Senior Notes consisting of its $15,000,000 7.68% Series A Senior Notes due 2002, $15,000,000 8.06% Series B Senior Notes due 2006 and $20,000,000 8.34% Series C Senior Notes due 2008 (collectively the "NOTES") pursuant to the Note Agreements. The Noteholders are, collectively, the holders of at least 51% of the outstanding principal amount of the Notes.

B. The Company and the Noteholders now desire to amend the Note Agreements in the respects, but only in the respects, hereinafter set forth.

C. All requirements of law have been fully complied with and all other acts and things necessary to make this First Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

NOW, THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this First Amendment set forth in Section 3.1 hereof, and for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company and the Noteholders do hereby agree as follows:

SECTION 1. AMENDMENTS

1.1 Section 10.5(b) of the Note Agreements shall be and is hereby amended in its entirety to read as follows:

Limitation on Consolidated Funded Debt. The Company will not, at any time, permit the ratio of Consolidated Funded Debt plus, without duplication, Funded Debt of the Company owed to Restricted Subsidiaries, to Total Capitalization to be more than (i) .55 to 1.00 from the date of Closing through September 26, 1998, (ii) .60 to 1.00 from September 27, 1998 to September 25, 1999 and (iii) .55 to 1.00 thereafter.

1.2 Section 10.5(c) of the Note Agreements shall be and is hereby amended in its entirety to read as follows:

Minimum Consolidated Net Worth. The Company will not, at any time, permit Consolidated Net Worth to be less than the sum of (a) $140,000,000 plus (b) an aggregate

amount equal to 50% of Consolidated Net Income (but, in each case, only if a positive number) for each completed fiscal year ending after December 26, 1998.

1.3 Section 10.5(d) of the Note Agreements shall be and is hereby amended in its entirety to read as follows:

The Company will not permit (i) the ratio of (w) Consolidated Income Available for Fixed Charges to (x) Fixed Charges to be less than 1.50 to 1.00 as of the end of each fiscal quarter of the Company from the date of Closing until December 31, 1996 and 2.00 to 1.00 thereafter through the end of the fiscal quarter ended June 27, 1998, for a period consisting of four consecutive fiscal quarters selected by the Company out of the immediately preceding five fiscal quarters, and (ii) the ratio of (y) Consolidated Income Available for Fixed Charges to (z) Fixed Charges for the period consisting of the Company's four consecutive fiscal quarters ending on the last day of the relevant fiscal quarter (the "Four Quarter Period") to be less than (A) 2.00 to 1.00 for the Four Quarter Period ending on September 26, 1998; (B) 1.50 to 1.00 for each Four Quarter Period ending on December 26, 1998, March 27, 1999, June 26, 1999 and September 25, 1999; (C) 2.00 to 1.00 for the Four Quarter Period ending on December 25, 1999 and (D) 2.25 to 1.00 for each Four Quarter Period ending on the last day of each fiscal quarter after December 25, 1999. For purposes of this Section 10.5(d)(ii), in any Four Quarter Period that includes the fiscal quarters ending September 26, 1998 or December 26, 1998, the calculation of Consolidated Income Available for Fixed Charges shall be made by adding back all non-recurring charges taken in such quarter or quarters (as applicable), provided that the non-recurring charges so added back in respect of such fiscal quarters shall not exceed $70,000,000 in the aggregate.

SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

2.1. To induce the Noteholders to execute and deliver this First Amendment, the Company represents and warrants to the Noteholders that (which representations and warranties shall survive the execution and delivery of this First Amendment):

(a) this First Amendment has been duly authorized, executed and delivered by the Company and constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(b) the Note Agreements, as amended by this First Amendment, constitute the legal, valid and binding obligations, contracts and agreements of the Company enforceable against it in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(c) the execution, delivery and performance by the Company of this First Amendment (i) has been duly authorized by all requisite action on the part of the Company, (ii) does not require the consent or approval of any governmental or regulatory body or agency, and (iii) will not (A) violate (1) any provision of law, statute, rule or regulation or its articles of incorporation or bylaws, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon it, or (3) any provision of any material indenture, agreement or other instrument to which it is a party or by which its properties or assets are or may be bound, or (B) result in a breach or constitute (alone or with due notice or lapse or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this Section 2.1(c);

(d) as of the date hereof and after giving effect to this First Amendment, no Default or Event of Default has occurred which is continuing; and

(e) all the representations and warranties contained in Section 5 of the Note Agreements are true and correct in all material respects with the same force and effect as if made by the Company on and as of the date hereof.

SECTION 3. CONDITIONS TO EFFECTIVENESS OF THIS FIRST AMENDMENT.

3.1. This First Amendment shall become effective as of September 25, 1998 upon the satisfaction in full of each of the following conditions:

(a) executed counterparts of this First Amendment, duly executed by the Company and the Required Holders, shall have been delivered to the Noteholders;

(b) each Noteholder shall have received from the Company a check in the amount set forth opposite its name below as a fee for reviewing and processing this First Amendment:

The Prudential Insurance Company of America:	$33,350
Pruco Life Insurance Company:	$ 1,650
Transamerica Life Insurance and Annuity Company	$15,000

(c) (i) the representations and warranties of the Company set forth in Section 2 hereof shall be true, correct and complete on and with respect to the date hereof and (ii) no Default or Event of Default shall have occurred and be continuing on the date hereof or would result from this First Amendment becoming effective in accordance with the terms hereof, and the Noteholders shall have received an Officer's Certificate certifying to the effects set forth in clauses (i) and (ii) above; and

(d) the Company shall have paid the reasonable fees and expenses of O'Melveny & Myers LLP, counsel to the Noteholders, in connection with the negotiation, preparation, approval, execution and delivery of this First Amendment.

Upon receipt of all of the foregoing, this First Amendment shall become effective.

SECTION 4. MISCELLANEOUS

4.1. This First Amendment shall be construed in connection with and as part of each of the Note Agreements, and except as modified and expressly amended by this First Amendment, all terms, conditions, and covenants contained in the Note Agreements and the Notes are hereby ratified and shall be and remain in full force and effect.

4.2. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this First Amendment may refer to the Note Agreements without making specific reference to this First Amendment but nevertheless all such references shall include this First Amendment unless the context otherwise requires.

4.3. The descriptive headings of the various Sections or parts of this First Amendment are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

4.4. This First Amendment shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of California excluding choice-of-law principles of the law of such State which would require the application of the laws of a jurisdiction other than such State.

4.5. The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this First Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

DREYER'S GRAND ICE CREAM, INC.

By: /s/ William C. Collett

Name: William C. Collett

Title: Treasurer

Percentage of Principal of Notes Held:	Noteholders:
66.7%	THE PRUDENTIAL INSURANCE COMPANY OF AMERICA By: /s/ Joseph Alouf Name: Joseph Alouf Title: Vice President
3.3%	PRUCO LIFE INSURANCE COMPANY By: /s/ Joseph Alouf Name: Joseph Alouf Title: Vice President
30%	TRANSAMERICA LIFE INSURANCE AND ANNUITY COMPANY By: /s/ John Casparian

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Name: John Casparian

Title: Investment Officer

EXHIBIT 10.38

FIRST AMENDMENT
TO PARTICIPATION AGREEMENT

THIS FIRST AMENDMENT TO PARTICIPATION AGREEMENT (this "Amendment"), dated as of December 21, 1998, is entered into among: (a) Dreyer's Grand Ice Cream, Inc., a Delaware corporation ("Dreyer's"), and Edy's Grand Ice Cream, a California corporation ("Edy's"), as Lessees (collectively, the "Lessees"); (b) BA Leasing & Capital Corporation, a California corporation, not in its individual capacity except to the extent expressly set forth herein, but solely in its capacity as Agent for the Participants from time to time hereunder, as Lessor (the "Agent"), and (c) the several Participants listed on the signature pages hereto (together with their respective permitted successors, assigns and transferees, collectively, the "Participants").

WHEREAS, Lessees, Agent and the Participants are parties to that certain Participation Agreement, dated as of March 29, 1996 (the "Participation Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in Schedule X to the Participation Agreement;

WHEREAS, simultaneously with execution of the Participation Agreement, Lessees and the Agent, as lessor, entered into a Master Lease Intended as Security (the "Lease") and the other Operative Documents;

WHEREAS, Dreyer's, certain financial institutions party thereto (collectively, the "Banks"), Bank of America National Trust and Savings Association ("BofA"), as agent for the Banks, ABN-AMRO Bank N.V., San Francisco International Branch, as co-agent, entered into that certain Credit Agreement, dated as of December 22, 1995 (such Credit Agreement, as amended as of April 15, 1996, December 26, 1997, March 27, 1998 and November 3, 1998, is referred to herein as the "Revolving Credit Facility"), pursuant to which BofA and the Banks have extended certain credit facilities to Dreyer's;

WHEREAS, the Participation Agreement incorporates by reference the Financial Covenants set forth in the Revolving Credit Facility and certain definitions set forth in Schedule X to the Participation Agreement; and

WHEREAS, the parties hereto desire to enter into this Amendment in order to amend Schedule X to the Participation Agreement and to confirm certain amendments recently made to the Revolving Credit Facility.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual terms and conditions herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

i. Modifications to Schedule X to Participation Agreement. The parties hereto amend Schedule X to the Participation Agreement as follows, and all references to "Schedule X" or "Schedule X to the Participation Agreement" or "Schedule X hereto" shall hereinafter refer to Schedule X as amended hereby:

(a) The following definition is hereby added to Schedule X to the Participation Agreement in the proper alphabetical order:

"Adjusted EBITDA" of Dreyer's means Dreyer's EBITDA computed on a rolling four quarter basis, adding back amounts related to non-recurring charges taken in the third and fourth quarter of 1998, not to exceed $70,000,000 (collectively, the "Add-back Charges"). An amount of $13,000,000 of Add-back Charges shall be added back in the calculation of Adjusted EBITDA for the third quarter of 1998, an amount equal to the total Add-back Charges shall be added back for the fourth quarter of 1998 and the first, second, and third quarter of 1999 calculations of Adjusted EBITDA, with no amounts added back for the fourth quarter of 1999 and thereafter. For the avoidance of doubt, it is understood and agreed that in each calculation of Adjusted EBITDA, the aggregate Add-back Charges added back for such calculation shall not exceed an aggregate amount of $70,000,000.

(b) The definition of "Base Rate" is deleted in its entirety and replaced with the following:

"Base Rate" means, for the initial Rent Period, the Reference Rate, and for each Rent Period thereafter with respect to the Lease Balance and each Supplement Balance, the higher of (a) 0.50% per annum above the Federal Funds Rate for such day and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America National Trust and Savings Association ("BofA") in San Francisco, California, as its "Reference Rate." The "Reference Rate" is a rate set by BofA based upon various factors including BofA's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in the Reference Rate announced by BofA shall take effect at the opening of business on the day specified in the public announcement of such change.

(c) The following definition is hereby added to Schedule X to the Participation Agreement in the proper alphabetical order:

"Funded Debt/Adjusted EBITDA Ratio" of any Person means the ratio of such Person's Funded Debt to its Adjusted EBITDA.

(d) The definition of "Interest Rate" is deleted in its entirety and replaced with the following:

"Interest Rate" means (a) for the initial Rent Period, the Reference Rate (as defined in the definition of "Base Rate" set forth above), (b) for the second Rent Period, the rate per annum equal to the sum of the LIBO Rate for such Rent Period plus 1.250%, (c) for each Rent Period thereafter until December 28, 1998, the rate per annum equal to the sum of the LIBO Rate for such Rent Period plus the percentage set forth below opposite Dreyer's Funded Debt/EBITDA Ratio as of the most recently ended fiscal quarter reported prior to the commencement of such Rent Period:

Ratio	Percentage
Below 2.50	0.500%
2.50 or greater but less than 3.0	0.625%
3.0 or greater but less than 3.5	0.750%
3.5 or greater but less than 4.0	0.875%
4.0 or greater but less than 4.5	1.000%
4.5 or greater	1.250%;

and (d) for each Rent Period after December 28, 1998, the rate per annum equal to the sum of the LIBO Rate for such Rent Period plus the percentage set forth below opposite Dreyer's Funded Debt/Adjusted EBITDA Ratio as of the most recently ended fiscal quarter reported prior to the commencement of such Rent Period:

Ratio	Percentage
Below 2.50	0.750%
2.50 or greater but less than 3.0	0.875%
3.0 or greater but less than 3.5	1.000%
3.5 or greater but less than 4.0	1.125%
4.0 or greater but less than 4.25	1.375%
4.25 or greater but less than 5.00	2.000%
5.00 or greater but less than 5.50	2.250%
5.50 or greater	2.750%

(e) The definition of "Revolving Credit Facility" is deleted in its entirety and replaced with the following:

"Revolving Credit Facility" shall mean that certain Credit Agreement dated as of December 22, 1995, among Dreyer's, the Banks listed therein, Bank of America National Trust and Savings Association, as Agent, and ABN Amro Bank N.V., as Co-Agent, as amended as of April 15, 1996, December 26, 1997, March 27, 1998, November 3, 1998, and as the same may be further amended, restated, replaced, refinanced, supplemented, waived and otherwise in effect from time to time, including any similar successor agreement or agreements or arrangement or arrangements providing for revolving or working capital indebtedness, whether or not secured; provided that if at any time there shall exist no such arrangement or agreement, the term "Revolving Credit Facility" shall

be deemed to refer to the last such agreement or arrangement to have been in effect, exclusive of any modification to the terms of such agreement or arrangement that were made in contemplation of the termination thereof.

ii. Inducing Representations. As an inducement to the Agent and the Participants to execute and deliver this Amendment, the Lessees represent and warrant that (i) immediately before and after giving effect to this Amendment, no default under the Revolving Credit Facility, the Lease or any of the Operative Documents shall have occurred and be continuing and (ii) it has full corporate power and authority to execute, deliver and perform its obligations under this Amendment; its execution, delivery and performance of this Amendment have been duly authorized by all necessary actions to be taken; and this Amendment constitutes its legal, valid and binding obligation, enforceable against it in accordance with the terms hereof, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

iii. Effectiveness. This Amendment shall be effective as of December 28, 1998 (the "Effective Date") provided that each of the following conditions precedent is satisfied on or before the date set forth in the preamble to this Amendment:

(a). The Agent has received from each of the Lessees and the Participants a duly executed original (or, if elected by the Agent, an executed facsimile copy) of this Amendment;

(b). The Agent has received from each of the Lessees a copy of the resolution passed by the board of directors of such corporation, certified by the Secretary or an Assistant Secretary of such corporation as being in full force and effect, authorizing the execution, delivery and performance of this Amendment; and

(c). The payment by the Lessees of all expenses incurred by the Agent and the Lessors (including the fees and expenses of Mayer, Brown & Platt, counsel to the Agent and the Participants and allocated costs of internal counsel to the Agent) incurred in connection herewith.

iv. APPLICABLE LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO THE CHOICE OF LAW PROVISIONS THEREOF.

v. Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each executed counterpart constituting an original but all together one agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

DREYER'S: DREYER'S GRAND ICE CREAM, INC., as Lessee

By: /s/ William C. Collett

Name Printed: William C. Collett

Title: Treasurer

EDY'S: EDY'S GRAND ICE CREAM, as Lessee

By: /s/ William C. Collett

Name Printed: William C. Collett

Title: Treasurer

[signatures continue on following page]

LESSOR: BA LEASING & CAPITAL CORPORATION,
not individually except as set forth herein, but
solely in its capacity as Agent

By: /s/ Christine Lee

Name Printed: Christine Lee

Title: Vice President

[signatures continue on following page]

PARTICIPANTS: BA LEASING & CAPITAL CORPORATION,
as Participant

By: /s/ Sonia T. Delen

Name Printed: Sonia T. Delen

Title: Vice President

[signatures continue on following page]

ABN AMRO BANK N.V.
San Francisco International Branch, as
Participant

By: /s/ Matthew Harvey

Name Printed: Matthew Harvey

Title: Vice President

By: /s/ Diane D. Barkley

Name Printed: Diane D. Barkley

Title: Group Vice President

[signatures continue on following page]

CREDIT SUISSE FIRST BOSTON, formerly
Credit Suisse, as Participant

By: /s/ Thomas G. Muoio

Name Printed: Thomas G. Muoio

Title: Vice President

By: /s/ William S. Lutkins

Name Printed: William S. Lutkins

Title: Vice President

Reference is made to the Guarantee, dated as of March 29, 1996 (the "Guarantee"), made by DREYER'S GRAND ICE CREAM, INC., a Delaware corporation (the "Guarantor"), in favor of the Beneficiaries identified therein and delivered to BA Leasing & Capital Corporation, not individually, but solely in its capacity as Agent (the "Agent") for the Participants party to the Participation Agreement. Guarantor hereby consents to the foregoing amendments, and acknowledges and agrees that all references in the Guarantee to the "Participation Agreement" or to the "Participation Agreement, dated as of March 29, 1996," will hereafter refer to such Participation Agreement, as the case may be, as respectively amended by this First Amendment to Participation Agreement, dated as of the date of the foregoing amendment, among the Guarantor, Edy's Grand Ice Cream, a California corporation, the Agent and the Participants listed on the signature pages thereto. Except as modified by this paragraph, the Guarantee is unmodified; and, as modified by this paragraph, the Guarantee remains in full force and effect and is hereby reaffirmed by the Guarantor.

Guarantor:

DREYER'S GRAND ICE CREAM, INC.

By: /s/ William C. Collett

Name Printed: William C. Collett

Title: Treasurer

Date: December 21, 1998

EXHIBIT 10.39

Final

LETTER AMENDMENT AGREEMENT

Letter Amendment Agreement entered into as of January 11, 1999 to that certain Distribution Agreement between Ben & Jerry's Homemade, Inc., a Vermont corporation headquartered at 30 Community Drive, South Burlington, Vermont 05403 (the "Manufacturer") and Dreyer's Grand Ice Cream, Inc., a California corporation located at 5929 College Avenue, Oakland, California 94618 and certain of its subsidiaries (collectively, the "Distributor") dated as of January 6, 1987 and as amended from time to time prior to the date hereof (such Agreement as in effect immediately prior to this Letter Amendment Agreement being sometimes referred to as the "Prior Agreement").

WHEREAS, the parties have agreed on certain amendments to the Prior Agreement contained below, which shall be applicable to the distribution of the Manufacturer's Products by Distributor during the period September 1, 1998 through August 31, 1999 (said period sometimes being referred to as the "Interim Period");

WHEREAS, the parties have agreed that the Prior Agreement as further amended hereby (the Prior Agreement as so further amended hereby being sometimes referred to as the "Old Agreement") shall automatically expire, without any further notice or actions, at the close of business on August 31, 1999 as more fully set forth herein;

WHEREAS, the parties have simultaneously entered into a new distribution agreement of even date (the "New Distribution Agreement") providing for the purchase, commencing September 1, 1999, by Distributor of products of the Manufacturer for resale and distribution in the territory specified in said New Distribution Agreement (a copy of which is attached hereto); and

WHEREAS, the parties have simultaneously terminated, by stipulation of dismissal, with prejudice, the litigation entitled Dreyer's Grand Ice Cream, Inc. and Edy's Grand Ice Cream vs. Ben & Jerry's Homemade, Inc. pending in the United States District Court for the northern District of California.

NOW THEREFORE, in consideration of these premises and the mutual promises of the parties and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

1. PRIOR NOTICES. No effect shall be given to the termination notice dated August 31, 1998 from Manufacturer to Distributor and the related notices of the Distributor to Manufacturer dated September 22, 1998 and of the Manufacturer to Distributor dated August 26, 1998 and October 12, 1998.

Definitions used in the Prior Agreement are used herein with such defined meanings, except as otherwise expressly provided herein.

2. AMENDMENTS TO THE PRIOR AGREEMENT. The parties agree that the following amendments (or confirmations in some cases) to the Prior Agreement are effective from and after this date and shall control, notwithstanding any provisions of the Prior Agreement.

(i) The area within which Distributor shall purchase and resell Manufacturer's Products under the Old Agreement shall continue to be the Territory set forth in the Prior Agreement, subject to the following provisions of this Letter Amendment Agreement. Distributor's rights in all portions of the Territory (other than the New York Territory) shall be exclusive to the extent they were exclusive under the Prior Agreement on August 30, 1998 and shall be non-exclusive to the extent they were non-exclusive under the Prior Agreement on August 30, 1998.

Subject to the terms of the existing agreements with such parties, including the Prior Agreement, as applicable, during the Interim Period, Manufacturer agrees to maintain or cause to be maintained on essentially the same terms and conditions, the current distribution relationships with Sunbelt Distributors Inc. of Houston, Texas, and with Rainbo Distributors of San Leandro, California, which serves the out-of-home markets in Northern California.

(ii) Distributor's exclusive rights to purchase and distribute Manufacturer's Products to the supermarket trade (three cash registers or more) in the New York Territory (the New York City metropolitan area, including the five boroughs of New York, Nassau County, Suffolk County, Westchester County and Northern New Jersey) are hereby agreed to terminate automatically, without any further notice or action, on April 15, 1999 and Distributor agrees that it will not make any sales of Manufacturer's Products, directly or indirectly, in such supermarket trade in the New York Territory or to any person for resale in such supermarket trade in the New York Territory after April 15, 1999. The parties understand that the remaining channels of distribution in the New York Territory remain exclusive until April 15, 1999 and will then continue on a non-exclusive basis until August 31, 1999. The parties confirm that, notwithstanding any provision of the Old Agreement, the Manufacturer has no right to make Distributor's distribution rights non-exclusive in any channel of distribution in the New

York Territory prior to April 15, 1999.

(iii) The parties confirm that, without limiting Distributor's best efforts obligations under the Prior Agreement to distribute Manufacturer's Products, Distributor shall, during the Interim Period, be required to

purchase Manufacturer's Products in at least an amount equal to the volume purchase commitment set forth in Section 8 of the Prior Agreement (which commitment became applicable as a result of Manufacturer's notice of August 31, 1998 and Distributor's election of September 22, 1998 and which is hereby confirmed to remain a commitment binding Distributor during the Interim Period; provided, however, that this volume purchase commitment shall not be applicable with respect to the Territory described in Schedule 2A to the New Distribution Agreement. The parties understand that such commitment shall be adjusted to reflect changes in the Territory herein and the method of selling hereunder. Distributor recognizes that this commitment forms part of the Prior Agreement and is subject to the "for cause" termination provisions thereof.

(iv) In addition to the purchase prices payable by Distributor for Manufacturer's Products specified in the Old Agreement, for the period beginning January 5, 1999 Distributor shall pay a rebate to Manufacturer, payable every month in arrears 28 days after the end of each month, equal to (*) of the amount of the Distributor's monthly sales of all Products to all customers including (without duplication) sales by subdistributors (but excluding sales to or by those Non-affiliated subdistributors making purchases in smaller quantities [i.e., 10 pallets or less on an occasional basis] up to an aggregate of (*) of Distributor's total monthly sales). The term "Non-affiliated subdistributors" shall mean subdistributors in which Distributor does not own more than 20% of the equity interests. As used in this Section, Distributor's monthly sales shall mean gross revenues less returns and allowances for damaged goods. Distributor's failure to make rebate payments when due shall constitute a failure to comply by Distributor which will permit termination of the Old Agreement by Manufacturer under Section 8 of the Old Agreement unless cured within 30 days after notice of such failure from Manufacturer to Distributor.

(v) The parties have previously agreed under the Prior Agreement that Distributor will pay Manufacturer (*) of the cost of the trade promotions on the Manufacturer's Products that have been mutually agreed for the remaining months of the year 1998. With respect to the period January 1, 1999 through August 31, 1999 Distributor agrees to pay Manufacturer (*) of the trade promotion dollars in an amount equal to the cost for the same months in 1998 (which are hereby deemed to be mutually agreed in advance through August 31, 1999 and agreed through April 15, 1999 in the case of the supermarket channel in the New York Territory) provided that Manufacturer pays the remaining (*) of the cost of such promotions. The parties confirm that payments shall be made by Distributor in the manner that has been the current practice under the Prior Agreement in 1998, namely promptly by way of off-invoice credits and debits.

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*This confidential portion has been omitted and filed separately with the Commission.

For these purposes, trade promotions on the Manufacturer's Products shall not include print, radio, television or other media advertising placed by the Manufacturer and all consumer promotions, i.e. scoop trucks, marketing agents and community agents or slotting, but shall include off-invoice, retailer ads, retailer display specials, bunker programs, etc. and other trade promotional techniques which may be used in lieu of such conventional trade promotions. If Manufacturer wishes to conduct additional trade promotions for the period January 1, 1999 through August 31, 1999, Distributor shall not be required to make any (*) payment of the cost of such additional trade promotions unless Distributor has given its express consent. If the Distributor does not give its consent, then Manufacturer may continue such additional trade promotions and bear (*) of the cost thereof.

(vi) During the Interim Period, Distributor shall pay its portion of the cost of all slotting on the Manufacturer's Products in accordance with Section 4(c) of the Prior Agreement.

(vii) With respect to "selling" activities pertaining to the Products of the Manufacturer during the Interim Period, it is agreed that Manufacturer shall take over on January 5, 1999, the "corporate selling", which means selling to all chain accounts and headquarters selling; provided, however, that Distributor will continue to provide such services so as to work with Manufacturer to provide a smooth transition from

Distributor to Manufacturer but in no event shall this continued support last more than three to four weeks after the execution of this Letter Amendment. Distributor will continue to do the selling activities "up and down the street" trade at the store level through its route salesmen and other personnel.

(viii) During the Interim Period, Distributor shall not, directly or indirectly manufacture, test market, market, promote or sell super premium ice cream or products as previously defined in the Prior Agreement (and for convenience, set forth below) except as follows:

Manufacturer agrees that the provisions of the Old Agreement relating to super premium ice cream or products, including, without limitation, the provisions of Section 8A thereof, shall not apply to the following activities of Distributor and that the following activities shall be permitted and shall not be deemed inconsistent with the performance by Distributor of its best efforts obligations under the Old Agreement:

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*This confidential portion has been omitted and filed separately with the Commission.

1. The development of formulae, processes, marketing and sales plans and other plans relating to super premium ice cream or products;

2. Test-marketing, promoting, selling and manufacturing (to the extent appropriate to test-marketing) super premium ice cream or products within the territory described in Schedule 2A to the New Distribution Agreement, within the State of California or, beginning April 15, 1999, within the State of New York;

3. Distribution of super premium ice cream or products of another manufacturer.

For this purpose, the parties confirm that a super premium ice cream is defined as:

"ice cream, frozen yogurt, sorbets, ices or other frozen dessert products whether dairy based or not (although not to include super premium novelties) primarily sold in pint-size containers for a current retail price equal to or greater than an average of $2.19 per pint over a 52 week period adjusted by the CPI Index (December 1993 to equal 100 for this purpose), and including quart or half-gallon sizes of such products."

(ix) The Old Agreement, including without limitation the provisions relating to the New York Territory, shall automatically, without any further notice or actions, expire at the close of business on August 31, 1999 unless sooner terminated in accordance with its provisions. Notwithstanding this agreed expiration of the Old Agreement, all claims arising prior to such expiration for any breach of or for any amount due under the Old Agreement (excluding any such claims that have been satisfied, waived or released prior to such expiration) shall survive such expiration in each case.

(x) All sums payable to Manufacturer for Manufacturer's Products purchased hereunder shall be paid in arrears 21 days from the date of Manufacturer's invoice (which shall be the post-marked date of the invoice or any earlier date of facsimile transmission or other delivery to Distributor) with a 7-day grace period. As to all sums not paid within such 28 day period, Distributor shall in addition pay a (*) late payment premium.

(xi) The amount of credit available under paragraph 9 of the Old Agreement shall be changed to (*) and all other provisions of the line of credit and its workings will remain as in the Old Agreement. Said credit line shall be available

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*This confidential portion has been omitted and filed separately with the Commission.

unless Distributor is in breach of a material provision of the Old Agreement or unless Manufacturer determines, pursuant to the exercise of its regular credit policy, that Distributor's financial condition warrants a change in the said credit line.

3. THE PARTIES' CURRENT COMPLIANCE; BEST EFFORTS STANDARD. The parties

acknowledge and agree that as of the date of this Letter Amendment Agreement each party is in full compliance with all of the terms of Prior Agreement, including, without limitation, each party's best efforts obligations, and each party hereby waives any non-compliance (to the extent the relevant party knows or has reason to know of non-compliance) by the other under the Prior Agreement prior to the date of this Letter Amendment Agreement. Notwithstanding any other provision of the Old Agreement, Distributor shall not be in breach of any of its best efforts obligations under the Old Agreement if Distributor is performing under the Old Agreement in a manner substantially consistent with its performance during the twelve (12) month period immediately preceding the date of execution of this Letter Amendment Agreement (the "Comparison Period"). Nothing herein shall be deemed to waive compliance with the "best efforts" commitment under the Prior Agreement.

4. NEGOTIATION OF AGREEMENT. Each party and its counsel have cooperated in the drafting and preparation of this Letter Amendment Agreement and the documents referred to herein, and any and all drafts relating thereto shall be deemed the work product of the parties and may not be construed against any party by reason of its preparation. Accordingly, any rule of law or any legal decision that would require interpretation of any ambiguities in this Letter Amendment Agreement against the party that drafted it is of no application and is hereby expressly waived.

5. REPRESENTATION AND COVENANT. Distributor hereby represents that as of the date hereof it is not in default in any respect under, and will not be in default in any respect but for the running of any applicable grace period under, any loan agreement or other agreement for the borrowing of money or capitalized leases (collectively referred to as the "Financing Agreements").

6. ENTIRE AGREEMENT; AMENDMENTS. The Prior Agreement as amended hereby and the New Distribution Agreement constitute the entire agreement between the parties, and there are no representations, warranties or conditions or agreements (other than invoices, purchase orders and the like necessary to implement said agreements) not contained herein (or in any document not referred to herein) that constitutes any part hereof or that are being relied upon by any party hereunder. If any provision of this Letter Agreement is held by a court of competent judgment to be invalid, void or unenforceable, the other provisions shall nevertheless be in full force and effect without being impaired or invalidated in any way.

Except as expressly amended hereby, the Prior Agreement shall continue in full force and effect.

No provisions of the Old Agreement may be modified or amended except by a written instrument signed by each of Manufacturer and Distributor.

7. GOVERNING LAW. This Letter Amendment Agreement shall be binding on the parties and successors and assigns, as provided in the Prior Agreement. This Letter Amendment Agreement and all actions related hereto shall be governed by, and any dispute relating to this Letter Amendment Agreement or the Prior Agreement or the entering into of this Letter Amendment Agreement or the expiration of the Old Agreement shall be resolved in accordance with, the provisions of the Old Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed and delivered by its duly authorized representative as of the day and year first above- written.

BEN & JERRY'S HOMEMADE, INC.

By: /s/ PERRY ODAK

Title: CEO

DREYER'S GRAND ICE CREAM, INC.

By: /s/ THOMAS DELAPLANE

Title: V.P. Sales

EDY'S GRAND ICE CREAM

By: /s/ THOMAS DELAPLANE

Title: V.P. Sales

EXHIBIT 10.40
FINAL

NEW DISTRIBUTION AGREEMENT

This Distribution Agreement (sometimes referred to as the "New Distribution Agreement" or this "Agreement") is entered into as of this 11th day of January, 1999 by and between Dreyer's Grand Ice Cream, Inc., a Delaware corporation headquartered at 5929 College Avenue, Oakland, California 94618 ("Distributor") and Ben & Jerry's Homemade, Inc., a Vermont corporation headquartered at 30 Community Drive, South Burlington, Vermont 05403-6828 ("Manufacturer").

WHEREAS, the parties wish to confirm that a certain Distribution Agreement dated as of January 6, 1987, as amended, including by a Letter Amendment Agreement dated on the date hereof (the "Letter Amendment Agreement", and such 1987 Agreement as so amended by the Letter Amendment Agreement being sometimes referred to as the "Old Agreement"), will automatically expire, without further notice or actions, as of the close of business on August 31, 1999, and wish, simultaneously with the entering into the Letter Amendment Agreement and the filing of the Stipulation of dismissal with prejudice in the pending case of Dreyer's Grand Ice Cream, Inc. and Edy's Grand Ice Cream vs. Ben & Jerry's Homemade, Inc., to enter into this Agreement effective today, but providing for the distribution upon the terms and conditions set forth below, commencing on September 1, 1999, of the Manufacturer's Products by Distributor in the Distributor Territory as defined below and for certain related matters set forth below.

NOW THEREFORE, in consideration of these premises, the mutual promises of the parties and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

1. Purposes of Agreement. Manufacturer is engaged in the manufacture, sale and distribution of ice cream and frozen dessert products manufactured and sold under the trade name "Ben & Jerry's" and in some cases other names. Distributor is engaged in the manufacture, sale and distribution of ice cream products and frozen desserts sold under several brand names including "Dreyer's" and "Edy's" and including ice cream products manufactured by or for others. The use of the term "Distributor" in this Agreement means Dreyer's Grand Ice Cream, Inc. and any controlled subsidiaries thereof engaged in ice cream operations in the United States (production or distribution). The term "Manufacturer" shall mean Ben & Jerry's Homemade, Inc. and any controlled subsidiaries thereof engaged in the United States.

Distributor and Manufacturer desire to enter into this Agreement setting forth the mutual rights and responsibilities of the parties with respect to the distribution, resale and promotion of Products (as defined) of the Manufacturer through the distribution system of the Distributor, being the Distributor's owned and operated distribution system and its authorized subdistributors.

It is understood that such distribution will commence September 1, 1999, and that all of the provisions of this Agreement shall only be effective commencing September 1, 1999, provided, however, that the provisions of Section 13 hereof shall be effective immediately.

"Best efforts" as used in this Agreement means commercially reasonable use of available resources to accomplish the specified objectives.

1.1. Representation. Distributor hereby represents that as of the date hereof it is not in default in any respect under, and will not be in default in any respect but for the running of any applicable grace period under, any loan agreement or other agreement for the borrowing of money or capitalized leases.

2. Distribution.

2.1. Appointment of Distributor. Subject to all of the terms hereof, Manufacturer hereby appoints Distributor, commencing September 1, 1999, as a non-exclusive distributor for the Products (as defined below) in the Distributor Territory within the United States as set out in Schedule 2A (the "Distributor Territory"), which Distributor Territory may be changed by mutual written consent of the parties.

The Products distributed by Distributor hereunder include (i) Ben & Jerry's brand items which are pints, quarts, half gallons, single serve and including bulk sizes of ice cream, frozen yogurt, sorbet, novelties and other frozen desserts manufactured by the Manufacturer and (ii) subject to the effect of distribution agreements between Distributor and third parties effective prior to a designation by Manufacturer adding Products hereunder, such other brand ice cream, frozen yogurt, sorbet, novelties and other frozen desserts of other persons as are involved in a significant relationship with Manufacturer as may be designated by Manufacturer from time to time, all as set forth in Schedule 2B as supplemented or revised by Manufacturer from time to time with reasonable notice to Distributor (collectively, the "Products").

Subject to all of the terms hereof, Distributor accepts such appointment and agrees to use its best efforts to distribute, resell, and deliver the Products in all flavors and sizes to all types of retail stores and all other types of accounts in this Distributor Territory and to promote the Products in accordance with the terms of this Agreement throughout the Distributor Territory.

In accordance with the foregoing, Distributor will use its best efforts to meet the distribution performance standards set out in Schedule 2C, and with such updates and revisions as shall be agreed at least annually with respect to each ADI or other market area listed on Schedule 2A (the "Performance Requirements"). It is understood that the Distributor is responsible for meeting the Performance Requirements on an annual basis on a market by market basis within the Distributor Territory for the Distributor Territory served directly (and if expressly applicable under Section 2 of this Agreement, geographic areas within the Distributor Territory served indirectly, by using authorized subdistributors). It is understood that, in the event that the Manufacturer adds an additional distributor in part of the Distributor Territory, the volume levels contained in the Performance Requirements shall be appropriately reduced to reflect such appointment.

The performance goals, i.e. annual business plan volume, etc. (the "Performance Goals") for any given calendar year, determined as provided below, shall include the performance matters

referred to in the immediately preceding paragraph that the Distributor reasonably should be expected to achieve in the Distributor Territory for such year and shall be determined by taking into account (a) the Performance Goals for the immediately preceding year, (b) actual performance of the Distributor during the immediately preceding year, (c) any events or situations out of the ordinary that have occurred in the immediately preceding year or are reasonably expected to occur in the marketplace in the following year, which affected or would reasonably be expected to affect Distributor's performance, and (d) any reasonably reliable market performance data for the various markets in which the Distributor and other distributors distribute substantially the same products of the Manufacturer.

The Performance Requirements and the Performance Goals for each calendar year commencing 2000 shall be proposed no later than October 1 of the preceding year by Manufacturer, after prior consultation with Distributor, and thereafter shall be the subject of good faith negotiations by the parties. In the event the parties fail to reach agreement by October 15 in any year on the Performance Requirements and Performance Goals for the next calendar year, then the Performance Requirements and Performance Goals for the next calendar year shall be determined by the averaging of the Performance Requirements and Performance Goals (where applicable) for the top four (other than those to be applicable under this Agreement) of the major national markets used by the Manufacturer for distribution, planning and operational purposes, provided that, as to 1999 (which consists of the months of September - December), the parties commit to reach agreement on the 1999 Performance Requirements and Performance Goals by no later than March 31, 1999.

Distributor confirms that it will, except as otherwise specified in this Agreement, use its best efforts to follow Manufacturer's general distribution policies (the "Distribution Policies") as now in effect and as reasonably amended for application to Manufacturer's distributors generally upon reasonable written notice to Distributor (see Schedule 2D for the Distribution Policies as in effect on the date hereof).

2.2. Accounts. It is agreed that Distributor Territory will include, for all Products except bulk, any and all channels and all retail outlets, including, but not limited to, supermarkets, A and B stores/supermarkets, military bases, food service accounts and concession areas, Distributor owned push carts and bunker promotions in supermarkets, convenience stores, Mom and Pops and specialty food stores and club stores (including those served on a consignment basis as provided below). Except for mutually agreed authorized subdistributors (whether or not Distributor owns a minority interest therein), Distributor will establish, maintain and operate company-owned and operated trucks, warehouse and related assets as necessary to obtain the distribution coverage needed to carry out Distributor's obligations to distribute the Products. Distributor will sell the Products to accounts whether or not the account wishes to purchase any other products distributed by Distributor.

Distributor agrees that it will not knowingly, directly or indirectly, through independent distributors or otherwise, sell, market or distribute the Products to any person outside the Distributor Territory or for sale outside the Distributor Territory.

2.3. Sales in Distributor Territory and Authorized Accounts; Food Service Accounts. With respect to distribution of Food Service (which shall include novelties that are also distributed as provided in Section 2.2 above and bulk) which shall consist of sales to non-grocery channels, including, but not limited to, concessionaires, captive accounts, institutional accounts, restaurants and the like and shall also include such scooping venues (other than franchises) as may be established from time to time by the Manufacturer, the Distributor shall sell to such Food Service accounts as the Manufacturer may reasonably designate from time to time. It is understood that there may be changes in the Manufacturer's designation of Food Service accounts which are to be handled by the Distributor, and the parties agree to reach reasonable accommodations in order to realize the potential for sales of the Products to Food Service accounts.

Distributor agrees to distribute only to the authorized types of accounts in the Distributor Territory in accordance with this Agreement, including Sections 2.2 - 2.4. In order to carry out the provisions of this Agreement, Distributor will abide by and, where applicable, impose these contractual restrictions on all the persons distributing Products under this Agreement who are not presently bound by an agreement with Distributor, except when otherwise authorized in writing by the Manufacturer. Notwithstanding the foregoing, nothing herein shall permit enlargement of the Distributor Territory. Nonetheless, in the event that the Products are made available to a non-permitted account, Distributor agrees to use its best efforts to remedy the situation. Distributor, consistent with applicable law, will use its best efforts to terminate any distributor or other person who continues to sell unauthorized accounts. It is understood that the best efforts obligations of Distributor with respect to the customer/territorial limitations are to use best efforts, consistent with law, in enforcing such customer/territorial restrictions under this Agreement and that Distributor shall not be liable to the Manufacturer for any unauthorized sales or resales by the other distributors as long as Distributor has not authorized any sales by other distributors in derogation of the rights retained by the Manufacturer.

2.4. Distribution to Franchisees, etc. To the extent Manufacturer supplies the Products to Distributor, Distributor agrees to supply the Products, including bulk, to Manufacturer's franchised, licensed and company-owned scoop shops in the Distributor Territory on a drayage basis. Distributor understands that Manufacturer's franchise agreements require it to serve franchise customers first in the event of product shortage. Distributor will receive a handling fee per item delivered as established by Manufacturer, that fee currently being (*) per 2 1/2 gallon bulk tub and (*) per sleeve of pints and miscellaneous boxed goods, with (*) of the freight to the Distributor to be the responsibility of Distributor.

2.5. No Exclusive Rights. As of the date of this Agreement, Manufacturer has no other distributors in the Distributor Territory for the supermarket channels of distribution. Before Manufacturer grants any other person a right to distribute the Products in the Distributor Territory, Manufacturer shall first give not less than 30 days prior written notice to Distributor and shall consult with Distributor. Before Distributor commences the distribution of any ice cream products of another person not being distributed by Distributor on the date hereof, Distributor will give Manufacturer not less than 30 days prior written notice and shall consult with Manufacturer.

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*This confidential portion has been omitted and filed separately with the Commission.

2.6. Distributor's Directly Owned and Operated Distribution System. It is understood that in the Distributor Territory Manufacturer shall sell the Products to Distributor for distribution through Distributor's distribution system (as more specifically described in Section 5.2 hereof ("DSD")) and with a small percentage distributed by authorized subdistributors of the Distributor. Distributor agrees that its maximum resale prices on Products resold to subdistributors will not exceed (*) above the prices paid by Distributor for such Products to the Manufacturer, including freight, under Section 9.

Distributor agrees that all subdistributors shall be subject to the approval of the Manufacturer, which may not be unreasonably denied. All current subdistributors are hereby approved by Manufacturer and will be listed on a Schedule 2.6 to be delivered by Distributor to Manufacturer as soon as practicable after execution of this Agreement by the parties. Manufacturer shall have the right to suggest subdistributors subject to the approval of Distributor, which may not be unreasonably denied. Without limiting any other provision of this Agreement, the Manufacturer shall also have the right to appoint an additional subdistributor or, if Distributor does not accept a designated subdistributor, a co-distributor in an area if Distributor is unable to sell any Products into a particular class of trade (such as Mom & Pops) or a particular account of significance (an account with at least six stores) and, provided that this right shall be limited to sales to such account(s) or class of trade.

2.7. Supply of Products for Distribution. Manufacturer agrees to use its best efforts to make the Products available to Distributor hereunder F.O.B. Manufacturer's plants in Vermont, in such quantities and flavor assortments as Distributor may reasonably require, subject only to Manufacturer's right, if reasonably required by force majeure or other unforeseen circumstances affecting production delays (subject to any priority contractually required by the franchise agreements referred to above) to allocate Products between all distributors and franchisees, including Distributor and Manufacturer's other distributors (independent or company-owned) in this country or those buying for distribution in foreign countries. Distributor shall purchase on full pallet basis (or on a split pallet basis with a picking charge), one flavor per pallet and on half-trailer load minimum basis.

2.8. No Discrimination. In order to ensure that competition for the Products and products of the Distributor is vigorous, Distributor agrees that all incentive, commission or other compensation programs or benefits for its route salesmen or other sales and sales-type employees and other employees directly involved in the distribution function shall have incentive/commission/compensation/benefit terms relating to distribution of the Products of the Manufacturer that are at least equal to those relating to distribution of products manufactured by Distributor or other products distributed by Distributor and that the instructions to and conduct of the Distributor's personnel in the Distributor Territory shall be implemented so as not to discriminate, directly or indirectly, against distribution of the Products of the Manufacturer.

2.9. Co-distribution, etc. As to all ADI's within the Distributor Territory where Distributor distributes products directly (or through independent distributors and subdistributors, if and where so permitted by the express terms of this Agreement) and where Manufacturer may be selling to other distributors, Distributor will be co-distributors with Manufacturer's other

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*This confidential portion has been omitted and filed separately with the Commission.

distributors, and, as between the Manufacturer and Distributor, Distributor will not commit any material unfair trade practices as to such other distributors or attempt to unlawfully interfere with their customers, and Manufacturer, when acting as a distributor, will not commit any material unfair trade practices as to Distributor or attempt to unlawfully interfere with Distributor's customers, it being understood that neither Distributor nor Manufacturer shall be responsible for actions taken or not taken by any of the other distributors or subdistributors used by them.

3. Marketing and Sales. Manufacturer shall be responsible for marketing of the Products in accordance with the provisions of this Agreement, subject to the following:

3.1. Manufacturer and Distributor shall regularly exchange by electronic means any information necessary to the performance of their respective responsibilities and roles hereunder. Manufacturer will receive from Distributor data provided through the standard UCS 867 product transfer/resale set. The data, provided weekly, will be of the same quality and coverage as has been supplied by Distributor in 1998 under the Old Agreement. Each party will cooperate with the other to be able to receive and transmit data through the standard UCS 867 protocol as soon as practicable.

3.2. Manufacturer will be responsible for the generation and (*) of the cost of the following: all print, radio, tv or other media advertising placed by the Manufacturer and all consumer promotions, i.e., scoop trucks, marketing events and community events. Each party shall promptly pay, subject to the following provisions, (*) of the cost of all slotting and trade promotions on the Manufacturer's Products in the Distributor Territory, which shall not include the foregoing items in the previous sentence, but shall include off-invoice, retailer ads, retailer display specials, bunker programs, etc., other trade promotional techniques which may be used in lieu of such conventional trade promotions. So long as each party's cost of trade promotions and slotting as so defined herein on the Manufacturer's Products does not in the aggregate exceed for all markets in the Distributor Territory (*) per Equivalent Unit (as such term is defined in Schedule 3.2) per year, the Distributor shall pay its (*) share of such trade promotions and slotting, without any requirement for consent by Distributor.

With respect to the second category of trade promotions that would in the aggregate exceed for all markets (*) per EU per year (*) share of trade promotions, the parties must mutually agree on the promotion, in the event of which agreement the cost of the trade promotion shall be shared on a (*) basis, provided that, in the event the parties do not mutually agree on a trade promotion in this second category, then the Manufacturer may require such trade promotion to be carried out as directed, but with (*) of the cost of such trade promotion being the responsibility of Manufacturer, it being understood that

Manufacturer shall first be required to send a notice to Distributor committing to such (*) cost responsibility. It is understood that the provision of (*) per EU per year will be subject to appropriate adjustment in the event of a meaningful change in market conditions for promotion of Manufacturer's Products (for example, if a retailer materially changes its way of doing business). All credits or other payments necessary to carry out the provisions of this Section 3.2 shall be made by the parties on a monthly basis, and any adjustment necessary to "true up" the amounts shall be made on a quarterly basis, with the final adjustment promptly after the end of each calendar year.

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*This confidential portion has been omitted and filed separately with the Commission.

3.3. It is understood that, unless otherwise agreed, Manufacturer's sales representatives shall make presentations and sales calls to Supermarket Channel (three cash registers or more), convenience store chains, national accounts, restaurants, and any other accounts designated by Manufacturer following reasonable notice to Distributor as to presentations and sales calls in the Distributor Territory, provided that Distributor personnel in the distribution system may accompany Manufacturer's personnel, unless inappropriate in Manufacturer's judgment, to assist in the effective promotion of the Products through the distribution system. With respect to other accounts which are to be sold by Distributor under this Agreement, including convenience stores (other than convenience store chains) and Mom & Pops, Manufacturer has determined that it would be most efficient for sales calls to be made by Distributor personnel at the direction of the Manufacturer. In addition, all promotions on the Products must be only those authorized by the Manufacturer, prior to offering these to accounts.

4. Social Mission Activities. Distributor recognizes the benefit of the image and reputation of the Products and of the Manufacturer that has been previously created in the Distributor Territory, including that part of the image and reputation related to the Manufacturer's approach to marketing activities, community oriented events, promotions or benefits and the Manufacturer's Social Mission, as set forth in Schedule 4.1. Distributor acknowledges its responsibility to maintain and sustain that image and reputation in Distributor activities as a distributor of the Manufacturer in the Distributor Territory, including the obligations set forth in Section 4.1 hereof.

4.1. Distributor shall use its best efforts to integrate into its business of distributing the Products of Manufacturer hereunder a reasonable number (given the size of Distributor's operation) of socially responsible activities which are not inconsistent with those activities and programs which Manufacturer conducts to implement its social mission, as described in

Manufacturer's Annual Report for 1997 and other Manufacturer's materials attached as Schedule 4.1 and as reasonably updated from year to year by Manufacturer upon reasonable notice to Distributor. The Manufacturer acknowledges that the activities of the Distributor set forth in Schedule 4.2 are examples of such socially responsible activities and that activities of the Distributor in the "socially responsible" arena have been acceptable overall through the date of execution of this Agreement. However, Distributor as is its custom, will strive to make improvements to the same as may be reasonable in the circumstances. It is also understood that, in completing the Questionnaire furnished under Schedule 4.1 on an annual basis, Distributor shall be entitled not to respond to the extent that the response would include confidential business information of Distributor. Material failure by Distributor to identify and implement such socially responsible activity from time to time, after notice of such failure, in reasonable detail, from Manufacturer and 90 days cure period, shall, unless reasonably cured by Distributor in said cure period, constitute Cause under Section 8.3.

5. Delivery; Other Services.

5.1. Distributor shall be responsible for delivery of the Products and shall provide the same delivery service and care it provides for its own products, including service (such intervals in the week as is necessary, given the retail outlet, to exploit the market potential) for all types of

accounts, products rotation, correct flavor assortment, proper display and pricing of product, removal of damaged product (provided that in the event that Product is required to be removed pursuant to a decision of the Manufacturer, such as discontinuance of a slow moving item, the Distributor shall be solely entitled to credit for the purchase price previously paid for such Product), assurance of adequate back stock where allowed and display of merchandising materials in and around the freezer case. Distributor also agrees to comply with Manufacturer's general service standards for distributors as set forth in the Distribution Policies referred to above and including those in Section 5.2 below.

These services will be provided by Distributor where Distributor delivers its own products. To the extent that the Products are expressly permitted by this Agreement to be delivered by independent distributors (or subdistributors) used by Distributor, Distributor will exercise best efforts to cause such independent distributors (or subdistributors) to provide delivery service and care of the Products as aforesaid but shall in no event be liable to Manufacturer for any act or omission in respect thereof by any such distributor. However, in the event that such independent distributors (or subdistributors) do not provide such delivery and care of the Products, Distributor will take action to correct the deficiency or appoint other distributors (or subdistributors) to provide the required delivery and care of the Products.

5.2. Temperature/Handling. All Products of the Manufacturer must be stored at -15 degrees F. The Products may at no time in the channel of distribution go above -10 degrees F under this Section 5.2 and as provided in the Distribution Policies of Manufacturer. In the event Manufacturer determines that Products are being handled at improper temperatures, Manufacturer reserves the right to insist that Product be destroyed if quality of such Product is affected at any time and Distributor will remain responsible for payment for the destroyed Products.

It is agreed that the required form of market delivery by Distributor under this Agreement is direct store delivery ("DSD"). DSD is the process by which consumer demand is fulfilled and delivered at the store level. As part of this process, Distributor's personnel are directly responsible for developing store specific orders, schematics, and replenishment schedules. Product delivery to the store (non involving a retailer's warehouse) and merchandising may be performed by Distributor or a contracted third party.

6. Other Distribution by the Distributor. Notwithstanding any other provision of this Agreement, the parties acknowledge that Distributor intends to continue its existing business which may be deemed to compete with Manufacturer's Products, and may manufacture, sell and/or distribute additional ice cream products and other products which may compete directly with Manufacturer's Products, in all parts of the United States and abroad, to all classes of trade. Manufacturer agrees that nothing in this Agreement is intended to, or shall limit or affect in any way such activities by Distributor. Nothing herein shall be deemed to waive compliance with the "best efforts" commitment of Section 2 hereof.

7. Relationship of Distributor and Manufacturer. The relationship of Distributor and Manufacturer with respect to sale and purchase of Products is that of distributor (purchaser) and

manufacturer (seller), and nothing in this Agreement shall be construed to create any agency or partnership or any other relationship, except as set forth herein.

Neither Distributor nor Manufacturer shall have, nor shall either represent itself as having, any right, power or authority to create any contract or obligations, either express or implied, on behalf of, in the name of, or binding upon the other party, or to pledge the other's credit or to extend credit in the other's name unless the other party shall consent thereto in advance in writing. Without limitation of the foregoing, Manufacturer shall not make any representation concerning Distributor or use of Distributor name in Manufacturer's marketing and sales effort without Distributor's advance written approval. Manufacturer does have the right without prior approval of Distributor to inform the trade that the Products are being distributed through the Distributor's system, and as is necessary to carry out the purposes of this Agreement. Without limitation to the foregoing, Distributor shall not make any representation concerning Manufacturer or use of Manufacturer's name in Distributor's marketing and sales effort without Manufacturer's advance written approval. Distributor does have the right without prior approval of Manufacturer to inform the trade that the Products are being distributed through the Distributor's system, and as is necessary to carry out the purposes of this Agreement.

8. Term; Termination.

8.1. Term. The term of this Agreement shall start as of September 1, 1999 and shall continue for an indefinite period, unless in any case sooner terminated pursuant to the terms of this Agreement or by mutual agreement; provided, however, that the provisions of Section 13 hereof shall be effective immediately.

8.2. Termination Without Cause. This Agreement may be terminated after September 1, 1999 by either Distributor or Manufacturer without cause on not less than six months prior written notice given to the other party; provided that no such notice may be given during the months of October, November, December, January, February or March in any year.

During the termination notice period under Section 8.2, the following additional obligations set forth in this Section shall apply.

Manufacturer shall not be obligated to appoint additional distributors in any market area during any termination notice period. The below obligations upon termination shall only apply to the market area or areas in which the termination is effective and shall be interpreted accordingly. A "market" or "market areas" shall be any of the areas listed on Schedule 2A.

In the event that Distributor fails to comply in a material respect in a market (as defined above) with its best effort obligation during the termination notice period, this failure shall constitute Cause justifying termination by the Manufacturer under Section 8.3 of this Agreement, effective immediately upon written notice to Distributor (notwithstanding any contrary provision in Section 8.3, including any cure period in which to cure such default that would otherwise be applicable under Section 8.3), or, alternatively, Manufacturer shall have the right, by written notice to Distributor, to shorten the termination notice period to a shorter period (but not less than

30 additional days following the date of the Manufacturer's notice to shorten under this paragraph). In the event of a termination by Distributor without cause, Manufacturer may, by written notice to Distributor, shorten the

termination notice period to a shorter period (but not less than 30 additional days following the date of Manufacturer's notice to shorten under this paragraph).

8.3. Termination for Cause. Either party may at any time terminate this Agreement, either entirely or as to a particular affected portion of the Distributor Territory only (as elected in any case by the terminating party, by written notice to the other party), upon sixty (60) days' written notice to the other for failure of the other party to comply with any of the terms set forth herein (which terms shall include the Distributor's failure to satisfy the Performance Requirements or Performance Goals for Products to be purchased by Distributor for any year), in any material respect, which shall also have a material adverse effect on Distributor's distribution performance in either the Distributor Territory or in the affected area(s) within the Distributor Territory ("Cause"), unless such default shall have been reasonably cured to the satisfaction of the other party within sixty (60) days after receipt of such written notice specifying the failure in reasonable detail. The failure of Distributor to continue DSD as the method of distribution hereunder shall be deemed to be "Cause", entitling Manufacturer to give Distributor the 60 day written notice as specified in this Section. An "affected portion" of the Distributor Territory shall be any of the markets within the Distributor Territory that are specified in Schedule 2A.

8.3.1. Without limiting any of the foregoing provisions of this Agreement, if Manufacturer notifies Distributor with reasonable specificity that a particular account or group of accounts in a specific market in the Distributor Territory is not, in the reasonable judgment of Manufacturer, receiving appropriate distribution (i.e. in accordance with the Performance Requirements or the Performance Goals, as in effect for the applicable period); Distributor shall endeavor to correct the problem. If following sixty (60) days from such notice, Manufacturer is not, in its reasonable judgment, satisfied that the problem has been corrected, Manufacturer may propose a solution. If within a reasonable period (generally thirty (30) days), Distributor agrees to implement such solution and if Distributor in fact implements such solution, such notice shall be of no further effect. If Distributor does not so agree to implement such solution or does not in fact implement such solution, Manufacturer shall have the right to terminate Distributor's distribution rights to such account or group of accounts.

8.4. Termination Upon Change in Control. Upon a Change in Control (as defined below) of the Distributor, the Manufacturer may terminate this Agreement upon 180 days notice, and upon a Change in Control (as defined) of Manufacturer, Distributor may terminate this Agreement upon 180 days notice, in each case given at any time within the nine-month period following the Change in Control of the other party, provided, further, that if notice of termination for Change in Control is given more than six months (but not more than nine months) after the Change in Control, the period of the six month purchase or sales obligation set forth below shall be shortened by the number of days equal to the number of days by which the date of the giving of such notice of termination is later than six months after the date of the Change in Control and the purchase or sale obligation shall be correspondingly adjusted.

A "Change in Control" of a party means a change in control of that party of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934 (the "Act"), whether or not that party is then subject to such reporting requirements; provided, however, that, without limitation, such a Change in Control of that party shall be deemed to have occurred if (a) any "person" (as such term is used in Section 13(d) and 14(d) of the Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of that party representing 50% or more of the combined voting power of that party's then outstanding securities eligible to vote in the election of directors; provided, however, that in the event, with respect to a Change in Control of Distributor, that person (or any entity controlled by or controlling that person) is a manufacturer or distributor of frozen desserts which is a significant competitive factor in the United States or, with respect to a Change in Control of Manufacturer, that person (or any entity controlled by or controlling that person) is a manufacturer or distributor of frozen desserts which is a significant competitive factor in the United States, the "50%" figure shall be "35%" in each case (calculated on a "fully-diluted basis", i.e. assuming issuance of all shares issuable upon exercise or conversion of any outstanding options, warrants or other securities or rights irrespective of the exercise, conversion or exchange price thereof or any term limiting the current exercisability); (b) that party is a party to a merger, consolidation, sale of assets or other reorganization, an issuance of securities or other transaction, or a proxy contest, as a consequence of which members of the Board of Directors of that party in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (c) during any period of twelve consecutive months, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by that party's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors of that party.

Notwithstanding the foregoing provisions of the definition, a "Change of Control" of Distributor will not be deemed to have occurred solely because of (i) the acquisition of securities of Distributor (or any reporting requirement under the Act relating thereto) by an employee benefit plan maintained by Distributor for the benefit of employees or by William F. Cronk or T. Gary Rogers or their "affiliates" or "associates" (as such terms are defined in Rule 12b-2 under the Act) or members of their family (or trusts for their benefit) or (ii) any merger, consolidation or reorganization involving Distributor in which the holders of voting stock having power to cast 80% of the votes in elections of directors of Distributor immediately prior to such merger, consolidation or reorganization hold immediately after such transaction voting stock having power to cast 80% of the votes in elections of directors of the surviving entity in such transaction, and notwithstanding the foregoing provisions of the definition, a "Change in Control" of Manufacturer will not be deemed to have occurred solely because of (i) the acquisition of securities of Manufacturer (or any reporting requirement under the Act relating thereto) by an employee benefit plan maintained by Manufacturer for the benefit of employees or by Ben Cohen, Jerry Greenfield or Perry Odak or other members of the executive management or Board of Directors or their "affiliates" or "associates" (as such terms are defined in Rule 12b-2 under the Act) or members

of their family (or trusts for their benefit) or (ii) any merger, consolidation or reorganization involving Manufacturer in which the holders of voting stock having power to cast 80% of the votes in elections of directors of the Manufacturer immediately prior to such merger, consolidation or reorganization hold immediately after such transaction voting stock having power to cast 80% of the votes in elections of directors of the surviving entity in such transaction.

8.4.1. In the event of termination by Manufacturer for Change in Control of Distributor hereunder, Distributor shall be obligated, during the 180 day period following the date of the giving of notice of termination for Change in Control, to purchase from Manufacturer for resale and resell and, in the event of termination by Distributor for Change in Control of Manufacturer hereunder, Manufacturer shall be obligated, during the 180 day period following the date of giving of such notice, to sell to Distributor, in each case in each market area in the Distributor Territory, where Distributor was a distributor hereunder immediately prior to the termination notice on a quarterly basis, not less than the same amount of the Products as were purchased hereunder for resale and resold in such market area during the comparable calendar quarter of the prior year, provided that the amount required to be purchased and resold by Distributor, during such period shall be reduced by the amount of any increased purchases and resales during the period by such other person (or the Manufacturer) previously distributing in such market area and by the amount of any sales of such other person (or the Manufacturer) making distribution for the first time in such market area of such termination notice period. A "market" or "market area" shall be any of the areas listed on Schedule 2A. It is understood that the amount required to be purchased and resold by Distributor pursuant to this paragraph shall be reduced for adverse changes in market conditions beyond the reasonable control of Distributor, including, for example, failure of the Manufacturer to deliver Product or novelties of the Manufacturer or loss of a chain due to the Manufacturer's action or inaction (and not by Distributor action or inaction), or decline in consumer preference for super premium ice cream or novelties on a market-wide basis, so long as Distributor is fulfilling its applicable best efforts obligations during the applicable period under this paragraph of Section 8.4.1 of this Agreement and that the amount required to be sold by Manufacturer pursuant to this paragraph shall be reduced for adverse changes in market conditions beyond the reasonable control of Manufacturer.

In the event that Distributor fails to comply in a material respect in a market (as defined above) with the purchase obligations set forth above during the termination notice period, this failure shall constitute Cause justifying termination by the Manufacturer under Section 8.3 of this Agreement, effective immediately upon written notice to Distributor (notwithstanding any contrary provision in Section 8.3, including any cure period in which to cure such default that would otherwise be applicable under Section 8.3), or, alternatively, Manufacturer shall have the right, by written notice to the Distributor, to shorten the termination notice period to a shorter period (but not less than 30 additional days following the date of the Manufacturer's notice to shorten under this paragraph).

The provisions of this Section 8.4 shall be in addition to the provisions of Sections 8.2 and 8.3.

8.5. In addition to the applicable provisions of Sections 8.2 and 8.4 above with respect to certain termination notice periods, Distributor agrees to continue to use its best efforts hereunder during all applicable termination notice periods under this Agreement to distribute the Products of the Manufacturer and to preserve Manufacturer's shelf position for the replacement distributor(s) selected by the Manufacturer upon any termination of this Agreement in each market in the Distributor Territory listed in Schedule 2A where Distributor was a distributor hereunder immediately prior to the applicable termination notice.

Upon any termination of this Agreement, all materials and other data submitted to Distributor by Manufacturer and still in Distributor possession shall be returned to Manufacturer and Distributor shall not use the contents thereof.

8.6. Post Termination Obligations. Upon the termination of this Agreement by Manufacturer or by Distributor, Distributor shall return, and Manufacturer agrees to repurchase all Products (other than unsalable Products) at Distributor's original purchase price or in the event of Products close to out-of-code (i.e. less than 60 days before the out of code date) at the appropriate discount from such original purchase price, all in accordance with the industry standards, or, at Manufacturer's option (exercisable by written notice to Distributor), Distributor shall have the right to sell or liquidate in the Distributor Territory in a manner approved by Manufacturer its then-current inventory of Products, but not including unsalables in accordance with the provisions of this Agreement. In the event of any return of Products hereunder, the terminating party shall pay (*) of the applicable reasonable return shipping charges; provided; however, that if either party terminates for cause, then in such incident, the breaching party shall pay (*) of the applicable reasonable return shipping charges. For the purposes of this provision, "unsalables" means damaged or out-of-code Products which shall be destroyed. All amounts due for Products sold to Distributor and all other amounts due under Sections 3.2 and 9 and any other provisions of this Agreement shall be immediately due and payable. Nothing in this Section should affect either party's obligations to the other upon termination, including any claims for damages.

9. Prices for Products; Payment Terms; Resale Prices; Related Matters.

9.1. Prices Payable by Distributor. Manufacturer agrees to sell the Products at the prices determined by Manufacturer from time to time (Manufacturer's regular Distributor Prices), which shall initially be as set forth on Schedule 9.1 attached, F.O.B. Manufacturer's plants in Vermont, with freight arranged by Manufacturer (or as requested by Distributor) using its reasonable efforts to obtain the best possible freight charge available and reimbursed by Distributor. Freight shall be split (*) between the parties, payable within 28 days after receipt of invoice for freight services by the party obligated by this Section to make such (*) reimbursement to the other party. Manufacturer may change prices to the Distributor when it changes price to its other distributors (absent unusual geographic market conditions), upon not less than reasonable notice to Distributor which shall normally be not less than 30 days.

9.1.1. Rebate. Distributor will pay a rebate to Manufacturer in an amount equal to (*) of the Distributor's monthly sales of all Products to all customers, including

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*This confidential portion has been omitted and filed separately with the Commission.

(without duplication) sales by subdistributors (but excluding sales to or by Non-affiliated subdistributors making purchases in smaller quantities [i.e., 10 pallets or less on an occasional basis] up to an aggregate of 10% of Distributor's total monthly sales), payable monthly in arrears 28 days after the end of the month via Electronic Funds Transfer (EFT) [EDI transaction type 820]. The term "Non-affiliated subdistributors" shall mean subdistributors in which Distributor does not own more than 20% of the equity interests.

As used in this Section 9.1.1, Distributor's monthly sales shall mean gross revenues less returns and allowances for damaged goods.

The parties acknowledge that the pricing method they have, for convenience, selected to reflect the sharing of the efficiencies or savings may erroneously be viewed by others as a discriminatory net price charged by Manufacturer to Distributor, when such view is not consistent with the economics of the matter. Accordingly, to eliminate any uncertainty Distributor hereby agrees and confirms that its submission from time to time of any purchase order for Products from Manufacturer shall irrevocably (i) confirm the release of, and constitute a covenant not to sue in respect of, any claim of any kind whatsoever that its payment of such net higher price for the Products covered by such invoice may be in violation of the price discrimination provisions of the Robinson-Patman Act and any state price discrimination or unfair competition law and (ii) confirm the release of, and constitute a covenant not to sue in respect of, any claim of any kind whatsoever that its payment of such higher price in respect of any previously submitted purchase order for Products of the Manufacturer may be in violation of the Robinson-Patman Act or any state price discrimination or unfair competition law. Each release and covenant not to sue by Distributor shall remain in effect notwithstanding any inconsistent or contradictory provision in any purchase order or other instrument unless the provisions of this Section 9.1 are expressly terminated by a written amendment to this Agreement.

9.2. Payment Terms. Payment terms shall be 21 days with a 7-day grace period from the date of Manufacturer's invoice (which shall be the post-marked date of the invoice or any earlier date of facsimile transmission or other delivery to Distributor). Distributor agrees to maintain its internal bill receipt and payment procedures so that it will be able to meet the payment terms in the Agreement, and the parties agree that all payments shall be EFT. It is agreed that these are material terms of this Agreement and that failure of Distributor to make timely payments shall constitute "Cause" under Section 8.3 (unless cured or provided therein). Manufacturer also agrees to notify Distributor of any substantial increase in freight charges before shipment is authorized.

9.3. National Pricing. Notwithstanding the foregoing provisions of Section 2 or this Section 9, it is understood that Manufacturer may, as is common in the food industry, negotiate "national" or "regional" pricing agreements with certain accounts (such as airlines or Wal-Mart, to take two examples) where the Manufacturer's distributors, including the Distributor hereunder, continue to sell to such accounts, but this Agreement is modified to the extent necessary to accommodate such national pricing agreements, subject to reaching mutual agreement between the parties in each case. The parties agree to make such necessary amendments to implement agreements reached under this Section 9.3. In the event that the Distributor does not agree to any such national pricing arrangement within 14 days after a reasonably specific presentation of the arrangement to the Distributor, then the Manufacturer shall have the right to arrange for other distribution for such national pricing arrangement.

9.3.1. Consignment Sales. Notwithstanding the provisions of Section 2 and this Section 9, it is understood that Manufacturer may, as is common in the food industry, negotiate certain consignment arrangements for sales to club stores or Food Service accounts and Distributor will use its best efforts to distribute the Products to such outlets on a consignment basis, provided that consignment sales shall require the mutual agreement of the parties. In the event that the Distributor does not agree to any such consignment arrangement within 14 days after a reasonably specific presentation of the arrangement to the Distributor, then the Manufacturer shall have the right to arrange for other distribution for such consignment arrangement.

9.4. Resale Prices. Distributor shall resell at such prices as it may determine, and Manufacturer retains no control over such resale prices.

9.5. Trade Shows. The parties confirm that the arrangements and practices with respect to trade shows attended by Manufacturer that are currently in effect under the Prior Agreement shall continue under this Agreement, namely that Distributor agrees to provide delivery of Products to Trade Shows in the areas in which Distributor is distributing hereunder at no charge, provided that Manufacturer provides the Products and necessary freezers for such shows.

9.6. Credit Line. Distributor shall have a line of credit under this Agreement which shall be reasonably established by Manufacturer consistent with the payment terms defined herein, and Manufacturer shall have the right, from time to time at its election, to require C.O.D. payment for any Products at any time when outstanding receivables under this Agreement and any that arose under the Old Agreement, for purchase of the Products of the Manufacturer thereunder (whether or not due) exceed the amount of such credit line or at any time when the circumstances of Distributor's financial condition are such that Manufacturer would be entitled under its regular credit policies to reduce this amount of the credit line. Said credit line shall be available unless Distributor is in breach of a material provision of this Agreement or unless Manufacturer determines, pursuant to the exercise of its regular credit policies, that Distributor's financial condition warrants a change in said credit line. Distributor agrees to pay interest on overdue accounts at an annual rate equal to the base rate charged to best commercial customers at BankBoston (or its successor) from time to time plus (*). Interest shall be payable to Manufacturer on the last day of each month.

10. Compliance with Laws: Quality Control. Each party covenants and agrees during the term hereof, that it will fully comply with all applicable laws, ordinances, regulations, licenses and permits of or issued by any federal, state or local government entity, agency or instrumentality applicable to its responsibilities hereunder.

Manufacturer shall be responsible for the quality, including proof of quality and quality control, labeling requirements and truth of labeling, and fitness for human consumption of the

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*This confidential portion has been omitted and filed separately with the Commission.

Products delivered hereunder. Manufacturer warrants and represents that the Products delivered hereunder (1) are not adulterated or misbranded under the Federal Food Drug and Cosmetic Act, as amended (the "Act"); and (2) are not articles which may not be shipped pursuant to Sections 404 or 505 of the Act. Title shall pass upon delivery, F.O.B. Manufacturer's plants in Vermont. Notwithstanding any other provision hereof, the parties understand that loss or damage to the Products during shipment, after delivery F.O.B. Manufacturer's Plant, shall be the responsibility of Distributor.

10.1. Recall Possibility. In the event the Manufacturer determines to recall or withdraw any of its Products (the "Recalled Products"), Distributor will use its personnel (or a third party retrieval service if Distributor reasonably believes the recall or withdrawal will be achieved faster, at less expense or more efficient) to remove any Recalled Products from accounts to which it had delivered the Recalled Products (and, where it uses any other distributors or subdistributors, will use its best efforts to cause such other persons to do likewise) and shall return (or cause to be returned) to Manufacturer or dispose of Recalled Products as directed by Manufacturer. Distributor shall be reimbursed by Manufacturer for all Recalled Products in the amount of the net purchase price previously paid by Distributor for such Recalled Products including freight costs and for its reasonable out-of-pocket expenses for using its personnel or third party service to accomplish such recall or withdrawal, including disposal costs, with payments by Manufacturer for Recalled Products being in cash or replacement Products, at Manufacturer's option. In the event that any recall or withdrawal of either party's products significantly disrupts Distributor's ability to distribute the Manufacturer's Products or Manufacturer's ability to have such distribution occur, then Manufacturer and Distributor agree to discuss in good faith compensation for losses incurred by either party by such disruption.

11. Hold Harmless.

11.1. It is expressly understood and agreed that Distributor shall not be liable for and Manufacturer shall hold Distributor harmless from any obligations, claims, demands, losses, costs, damages, suits, judgments, penalties, expenses and liabilities of any kind or nature to a person not a party to this Agreement ("Third Party") arising directly or indirectly out of or in connection with this Agreement caused by Manufacturer's negligence, willful misconduct or contractual breach, including but not limited to any costs, expenses, court costs and reasonable attorneys' fees incurred by Distributor by reason of any defense to any claims or lawsuits to which Distributor has been named a party.

11.2. It is expressly understood and agreed that Manufacturer shall not be liable for and Distributor shall hold Manufacturer harmless from any obligations, claims, demands, losses, costs, damages, suits, judgments, penalties, expenses and liabilities of any kind or nature to a Third Party arising directly or indirectly out of or in connection with this Agreement caused by Distributor's negligence, willful misconduct or contractual breach, including but not limited to any costs, expenses, court costs and reasonable attorneys' fees incurred by the Manufacturer by reason of any defense to any claims or lawsuits to which Manufacturer has been named a party.

11.3. Third Person Claims. Promptly after a party has received notice of or has knowledge of any claim against it covered by Section 11 by a Third Party or the commencement of any action or proceeding by a Third Person with respect to any such claim, such party (sometimes referred to as the "Indemnitee") shall give the other party (sometimes referred to as the "Indemnitor") written notice of such claim or commencement of such action or proceeding; provided, however, that the failure to give such notice will not affect the right to indemnification hereunder with respect to such claim, action or proceeding, except to the extent that the other party has been actually prejudiced as a result of such failure. If the Indemnitor has notified the Indemnitee within thirty (30) days from the receipt of the foregoing notice that it wishes to defend against the claim by the Third Person, then the Indemnitor shall have the right to assume and control the defense of the claim by appropriate proceedings with counsel reasonably acceptable to Indemnitee, provided that the assumption of such defense by the Indemnitor shall constitute an acknowledgment of the obligation to indemnify the Indemnitee hereunder. The Indemnitee may participate in the defense, at its sole expense, of any such claim for which the Indemnitor shall have assumed the defense pursuant to the preceding sentence, provided, however, that counsel for the Indemnitor shall act as lead counsel in all matters pertaining to the defense or settlement of such claims, suit or proceeding other than claims that in Indemnitee's reasonable judgment could have a material and adverse effect on Indemnitee's business apart from the payment of money damages. The Indemnitee shall be entitled to indemnification for the reasonable fees and expenses of its counsel for any period during which the Indemnitor has not assumed the defense of any claim.

12. Trademarks. Distributor understands and agrees that it has received no right or license, express or implied, to use in any manner the name "Ben & Jerry's" or any other trade name or trademark used or owned by Manufacturer now or in the future with the express written consent of Manufacturer except as set

forth herein. Subject to the terms and conditions of this Agreement and to the continuing performance by Distributor of its obligations hereunder, Manufacturer hereby grants Distributor a non-exclusive, non-transferable and personal license to use Manufacturer's trademarks and logos ("Marks") solely in connection with the distribution, display and sale of the Products pursuant to this Agreement. Distributor agrees that such Marks shall be used only in the forms and manners specified and approved in writing in advance by Manufacturer. All rights granted to Distributor under this Agreement with respect to the Marks shall immediately cease and terminate upon the termination of this Agreement. The provisions of this Section shall survive termination.

13. Standstill. Distributor acknowledges that this Agreement is extremely important to Manufacturer and will involve dependence of Manufacturer upon Distributor's distribution of a significant amount of the total revenues of Manufacturer, and accordingly, the Distributor agrees that until termination of this Agreement, the Distributor and its affiliates (as such term is defined under the Securities Exchange Act of 1934, as amended) ("Affiliates" for purposes of this Agreement) shall not without the consent of Manufacturer (a) in any manner acquire, agree to acquire or make any proposal to acquire, directly or indirectly, any securities or property of the Manufacturer or any of its subsidiaries or divisions, or any rights or options to acquire any such securities or property (other than purchases of products or other properties in the ordinary course of business), (b) propose publicly or otherwise to enter into, directly or indirectly, any merger or

business combination, recapitalization, restructuring or other extraordinary transactions involving the Manufacturer or any of its subsidiaries or divisions or stockholders, (c) otherwise act, alone or in concert with others, to seek to control or influence the executive management (except with respect to the distribution relationship created hereby) or Board of Directors of the Manufacturer, (d) enter into any contract, arrangement or understanding with any person with respect to any securities of the Manufacturer (or any subsidiary of the Manufacturer), including but not limited to any joint venture (other than relating to distribution), loan or option agreement, put or call, guarantee of loans, guarantee of profits or division of losses or profits, (e) make, or in any way participate, directly or indirectly, in any "solicitation" of "proxies" (as such terms are used in the proxy rules of the Securities and Exchange Commission) or consents to vote, or seek to advise or influence any person with respect to the voting of, any voting securities of the Manufacturer, (f) form, join or in any way participate in a "group" (as defined under the Securities Exchange Act of 1934, as amended) with respect to any acquisition of or other action relating to securities or properties (other than purchase and sale of products or properties in the ordinary course) of the Manufacturer, (g) advise, assist or encourage any other person or group in connection with any of the foregoing, (h) disclose any intention, plan or arrangement inconsistent with the foregoing, (i) request the Manufacturer (or its directors, officers, affiliates, stockholders, employees or agents), directly or indirectly, to amend or waive any provision of this paragraph (including this provision), or (j) take any action which might require either party to make a public announcement regarding the possibility of a business combination, merger or joint venture (other than relating to distribution) involving the Manufacturer or any of its subsidiaries or divisions.

The foregoing provisions shall not be applicable to proposals initiated by or on behalf of Manufacturer.

13.1. The provisions of Section 13 shall not be applicable upon the earlier of:

(a) the date on which Manufacturer determines to initiate, solicit or pursue (1) a sale or transfer of all or substantially all of its assets or common shares representing 50% or more of the then outstanding common shares or (2) a merger, reorganization, consolidation or similar transaction between Manufacturer and any other person in which such person would obtain ownership of 50% or more of the then outstanding common shares;

(b) the date on which the Board of Directors of Manufacturer approves of (or approves in principle, by letter of intent, memorandum of understanding or similar instrument) any transaction referred to subparagraph (a) hereof; or

(c) the date on which any person not a member of Manufacturer's Board of Directors at the date hereof acquires common shares if the effect of such acquisition would be to cause such person to become the Beneficial Owner of 40% or more of the then outstanding common shares.

Notwithstanding the foregoing, counsel or other advisors for Distributor shall be entitled to contact Ropes & Gray, outside counsel for Manufacturer, to consider whether a proposal by

Distributor that is prohibited by this Section 13 would, if it were actually made by Distributor to Manufacturer, require public disclosure by Manufacturer to Distributor. It is understood that if, in the judgment of Ropes & Gray as outside counsel for Manufacturer, such a proposal would require such public disclosure, then such proposal shall continue to be prohibited by this Section 13 and cannot be made. If the judgment is that such proposal would not require such public disclosure, then such proposal may be made, but no further proposal (without complying again with this provision) otherwise prohibited by this Section 13 may be made by Distributor.

The same procedure for advisors for Distributor to contact outside counsel for Manufacturer may be used in the circumstances in which Distributor believes that, as a result of prior action taken by the Manufacturer or by a third party unaffiliated with Distributor, Manufacturer may be considered to be "in play" in the securities market. The parties also recognize under such circumstances the Manufacturer may, without being requested to do so, invite a proposal from the Distributor.

Manufacturer will give Distributor immediate notice of the occurrence of any of these three events.

The Distributor acknowledges that money damages would not be an adequate remedy for breach of this Section 13, and accordingly, the Manufacturer shall be entitled to preliminary and permanent injunctive relief without the need to post a bond to enforce these provisions.

14. Stipulation of Dismissal With Prejudice. The parties shall deliver a stipulation of dismissal with prejudice to terminate the case entitled Dreyer's Grand Ice Cream, Inc. and Edy's Grand Ice Cream v. Ben & Jerry's Homemade, Inc. pending in the United States District Court, Northern District of California, Case No. C-98-3357 FMS, in the form of Exhibit I attached hereto. Each party shall be responsible for their own attorney's fees, costs and expenses relating to said litigation. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the other provisions shall nevertheless be in full force and effect without being impaired or invalidated in any way.

15. Confidential Information. Confidential Information about a party learned under this Agreement shall not be used during or after the term of this Agreement except for the purpose of this Agreement and, without limiting the foregoing, such information as to the Manufacturer may not be used by the Distributor in connection with the production, marketing, distribution or sale of Distributor's products. Confidential Information shall, for purposes of this Agreement, include all information relating to a party, its business and prospect, disclosed by such party from time to time to the other party in any manner, whether orally, visually or in tangible form (including, without limitation, documents, devices and computer readable media) and all copies thereof, created by either party. The term "Confidential Information" shall be deemed to include all notes, analyses, compilations, studies, interpretations or other documents prepared by a party which contain, reflect or are based upon the information furnished to such party by the other party pursuant hereto. Confidential Information shall not include any information that:

(a) was in a party's possession prior to disclosure by the other party hereunder, provided such information is not known by such party to be subject to another confidentiality agreement with or secrecy obligation to the other party;

(b) was generally known in the ice cream industry at the time of disclosure to a party hereunder, or becomes so generally known after such disclosure, through no act of such party;

(c) has come into the possession of a party from a third party who is not known by such party to be under any obligation to the other party to maintain the confidentiality of such information; or

(d) was independently developed by a party without the use of any Confidential Information of the other party, to the extent that such independent development is reasonably established by such first party to the other party.

16. Entire Agreement; Survival. This Agreement and the Addendum of even date herewith (and any documents referred to herein) represents the entire agreement and understanding of the parties with respect to the distribution, commencing September 1, 1999, of Products of the Manufacturer by the Distributor, the standstill provisions of Section 13, and the stipulation of dismissal with prejudice provided for above, and there are no representations, warranties or conditions or agreements (other than implementing invoices, purchase orders and the like necessary to implement this Agreement) not contained herein (or in any documents not referred to herein) that constitute any part hereof or that are being relied upon by any party hereunder. Notwithstanding any termination of this Agreement, all claims arising prior to such termination for any breach of or for any amount due under this Agreement (excluding any such claims that have been satisfied, waived or released prior to such termination) under this Agreement shall survive such termination, and in addition, the following sections of this Agreement shall survive any termination of the Agreement: 3.2 (as to Distributor's obligations to pay sums owing for the period through termination), 8.6, 9 (as to Distributor's obligations to pay sums owing for the period through termination), 11, 12, 14, 16 and 19.

17. Negotiation of Agreement. Each party and its counsel have cooperated in the drafting and preparation of this Agreement and the documents referred to herein, and any and all drafts relating thereto shall be deemed the work product of the parties and may not be construed against any party by reason of its preparation. Accordingly, any rule of law or any legal decision that would require interpretation of any ambiguities in this Agreement against the party that drafted it is of no application and is hereby expressly waived.

18. Amendment and Non-assignability of Agreement. This Agreement may not be amended or modified except by an instrument in writing signed by an authorized officer of each party. It is agreed that neither party shall transfer or assign this Agreement or any part hereof or any right arising hereunder, by operation of law or otherwise, without the prior written consent of the other. Any purported assignment without consent shall be void and of no force or effect

or, at the other party's option, shall terminate this Agreement. Subject to the foregoing, this Agreement shall be binding on the respective parties and their successors and assigns.

No waiver by either party of any default or breach of any covenant hereunder shall be implied from any omission by either party to take action on account of such default if such default persists or is repeated. No express waiver shall affect any default other than the default specified in the waiver, and then said waiver shall be operative only for the time and to the extent therein stated. Waivers by either party of any covenant, term or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant term or condition. The consent or approval by either party to or of any act by either party requiring further consent or approval shall not be deemed to waive or render unnecessary consent or approval to or of any subsequent similar acts. If any provision of this Amendment is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

No provision of any other instrument, including purchase orders, invoices, bills of sale or like instrument which is inconsistent or conflicts with this Agreement shall control or override any provision of this Agreement.

19. Waiver of Jury Rights; Governing Law; Jurisdiction. Each of the parties hereto irrevocably waives all rights to a trial by jury with respect to any dispute relating to this Agreement, the subject matter hereof or the entering into or termination of this Agreement (a "Dispute"). This Agreement and all actions related hereto shall be governed by, and any dispute shall be resolved in accordance with, the laws of the State of New York, excluding its internal choice of law principles.

In the event of any Dispute, such Dispute, if not resolved in the ordinary course between representatives of the parties, shall be submitted for settlement negotiation between the Chief Executive Officer of Manufacturer and Chief Executive Officer of Distributor, and if such procedure does not resolve such Dispute within 30 days after a request for such settlement negotiation to the other party, then and only then shall all such Disputes be resolved exclusively by the process of litigation in accordance with this Section. If such litigation is brought by Manufacturer or by Distributor, it shall be brought in the State of New York, New York City (Manhattan), provided that, if such dispute relates to Section 13 of this Agreement, it may be brought without resort to the settlement mechanics described above and it may also be brought by Manufacturer in the State of Vermont and will be resolved under the laws of the State of Vermont.

With respect to any litigation relative to any Dispute (other than disputes arising out of Section 13) that has been commenced in accordance with the foregoing provisions as to where and when such litigation may be brought, the parties each hereby: (i) agree that each party has sufficient contacts with

New York City (Manhattan) and Vermont (with respect to disputes relating to Section 13) to subject it to the personal jurisdiction of the state and federal courts located in New York City (Manhattan) and Vermont (with respect to disputes relating to Section 13) for purposes of any such Proper Action (a "Proper Action"); (ii) agree that venue of any Proper Action properly lies in New York City (Manhattan)and Vermont (with respect to disputes relating

to Section 13); (iii) waives and agrees not to assert in any Proper Action any claim that it is not subject personally to the jurisdiction of the above-named courts, such action should be dismissed on grounds of lack of venue or forum non convenien; should be transferred to any court other than the above-named courts or should be stayed by reason of the pendency of some other proceeding in any court other than the above-named courts; (iv) consents and agrees that service of process in any Proper Action may be made in any manner permitted by law or by registered or certified mail, return receipt requested, at its principal place of business, and that service made in accordance with the foregoing is reasonably calculated to give actual notice of any such action; and (v) waives and agrees not to assert in any Proper Action any claim that service of process made in accordance with the foregoing does not constitute good and sufficient service of process, including upon written notice. Notwithstanding the foregoing, any proceeding for temporary restraining order or preliminary injunction may be brought without resort to the settlement mechanics described but shall only be brought in accordance with the foregoing provisions as to where litigation with respect to any Dispute may be brought.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

20. Publicity. Both parties shall agree on a joint initial press release on the entering into of this Agreement, the entering into of the Letter Amendment Agreement and on the settlement in full, without any payment, of the litigation referred to in Section 14.

21. Notices. Any notices to be given by either party to the other shall be in writing by personal delivery or by mail, registered or certified, postage prepaid with return receipt requested, or by facsimile (only with receipt confirmed). Notices shall be addressed to the parties at the addresses set forth on page one or to said other address as shall have been so notified to the other party in accordance with this Section 21. Notices to Distributor shall be addressed to Chief Executive Officer, with a copy to Manwell & Milton, 20 California Street, Third Floor, San Francisco, CA 94111, Attention: Edmund R.

Manwell, Esq. Notices to Manufacturer shall be addressed to Chief Executive Officer, Ben & Jerry's Homemade, Inc., with a copy to Ropes & Gray, One International Place, Boston, MA 02110, Attention: Howard K. Fuguet, Esq.

IN WITNESS WHEREOF, Dreyer's Grand Ice Cream, Inc. and Ben & Jerry's Homemade, Inc., have each executed and delivered this Agreement as of the day and year first above written.

WITNESSED:	DREYER'S GRAND ICE CREAM, INC.
/s/ DENISE B. MILTON	By: /s/ THOMAS DELAPLANE
	Title: V.P. Sales
WITNESSED:	BEN & JERRY'S HOMEMADE, INC.
/s/ ANGELO M. PEZZANI	By: /s/ PERRY ODAK
Date January 14, 1999 1330 EST	Title: CEO

LIST OF SCHEDULES AND EXHIBITS

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SCHEDULE 2A

DISTRIBUTION TERRITORY

Washington
Illinois
Wisconsin
Colorado
Oregon
Alaska
Arizona
Ohio
North Carolina
South Carolina
Missouri
Oklahoma
Arkansas
Indiana
Tennessee
Iowa
Virginia
Utah
Michigan
Idaho
Nebraska

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SCHEDULE 2B

All presently available "Ben & Jerry's" branded frozen desserts, including pints, quarts, half gallons, bulk, single serve and novelties (including in each case ice cream, yogurt and sorbet); all presently available Newman's Own brand quarts and half gallons (including in each case ice cream and yogurt).

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FINAL

ADDENDUM

Addendum dated as of January 11, 1999 to New Distribution Agreement dated as of January 11, 1999 by and between Dreyer's Grand Ice Cream, Inc. ("Distributor") and Ben & Jerry's Homemade, Inc. ("Manufacturer").

WHEREAS, the parties wish to confirm that the Distributor shall make an additional payment or payments to Manufacturer if additional volume is added to the business carried on by the Distributor under the New Distribution Agreement by not later than September 30, 2000.

NOW, THEREFORE, in consideration of these premises, the mutual promises of the parties and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

1. To the extent that Manufacturer adds volume to the business conducted by the Distributor under said New Distribution Agreement by adding sales of Manufacturer's products in areas not presently included within the term "Distributor Territory" as set forth in Schedule 2A to said New Distribution Agreement, or by adding volume for the Distributor by the addition of Haagen-Dazs products for distribution within Texas and Los Angeles market by Distributor (pursuant to agreement with Haagen-Dazs or otherwise), Distributor will pay Manufacturer the amount required by the formula set forth below in Paragraph 2. For purposes of this Agreement the additional volume of Manufacturer's products and Haagen-Dazs products are collectively referred to as "Replacement Equivalent Units" as the term "Equivalent Unit" ("EU") is defined in Section 3.2 of the New Distribution Agreement.

2. MULTIPLY by (*) the total sales (in dollars) for the time period September 1, 1998 through January 4, 1999 ("Said Time Period") of all Manufacturer's Products sold by Distributor to all customers including (without duplication) sales by subdistributors (but excluding sales to or by non-affiliated subdistributors making purchases in smaller quantities (i.e., 10 pallets or less on an occasional basis) up to an aggregate of (*) of Distributors total sales during Said Time Period). The term "non-affiliated subdistributors" shall mean subdistributors in which Distributor does not own more than 20% of the equity interests.

MINUS (*)

The remainder dollar amount is DIVIDED by the total number of gallons (EU) of Manufacturer's Products sold to Sunbelt and to ICCI for the calendar year 1998.

The RESULT of this division is the dollar value for each Replacement Equivalent Unit which Distributor shall pay to Manufacturer for each Replacement Equivalent Unit that Manufacturer adds as provided in Paragraph 1 above.

By way of illustration only: (*)

This confidential portion has been omitted and filed separately with the commission.

3. Once aggregate payment of an amount equal to the "remainder dollar amount" (as determined in accordance with Paragraph 2 above) is made by Distributor, there shall be no further obligation by Distributor to make any payments under this Addendum. No payments shall be required with respect to any volume that is added on and after October 1, 2000.

4. Payments due under this Addendum shall be made within 30 days after the end of a calendar quarter in which an addition of Manufacturer's or Haagen-Dazs products has first been made.

5. Manufacturer also agrees to provide (*) free goods to Distributor prior to December 31, 1999.

6. This Addendum shall be in addition to the obligations and duties of the parties under the New Distribution Agreement. No provision of this Addendum may be modified or amended except by a written instrument signed by each of Manufacturer and Distributor.

7. This Addendum shall be binding on the parties and their respective successors and assigns. This Addendum and all actions related hereto shall be governed by the laws of the State of New York, excluding its internal choice of law principles. Any dispute or claim relating to this Addendum or the entering into of this Addendum shall be submitted to arbitration in Manhattan in the City of New York, New York conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof. The prevailing party in the arbitration proceeding shall be entitled to recover from the losing party reasonable attorney's fees and other costs incurred in the arbitration proceeding.

IN WITNESS WHEREOF, Dreyer's Grand Ice Cream, Inc. and Ben & Jerry's Homemade, Inc. have each executed and delivered this Addendum as of the day and year first above written.

DREYER'S GRAND ICE CREAM, INC.	BEN & JERRY'S HOMEMADE, INC.
By: /s/ THOMAS DELAPLANE	By: /s/ PERRY ODAK
Name: Thomas Delaplane	Name: Perry Odak
Title: Vice President-Sales	Title: CEO

This confidential portion has been omitted and filed separately with the commission.

EXHIBIT 10.41

SECURED PROMISSORY NOTE

$95,000 Oakland, California

For value received, the undersigned, THOMAS MILLER DELAPLANE, an adult individual ("Maker"), promises to pay to DREYER'S GRAND ICE CREAM, INC., a Delaware corporation ("Payee"), or to order, at such place as Payee may designate by written notice to Maker from time to time, the principal sum of ninety-five thousand dollars ($95,000), together with interest on the principal amount, from the date of this Note until this Note is paid in full, at the rate of six and one-half percent (6 1/2%) per annum, such principal and interest payable in full on the earliest to occur of: (i) the date of the sale, transfer, assignment or other disposition of the primary residence of Maker (such residence located at 1085 Via Media, City of Lafayette, County of Contra Costa, State of California 94549); or (ii) the date upon which Maker ceases to be an employee of Payee for any reason, or (iii) the second anniversary date of this Note. Time is of the essence for every obligation under this Note.

All payments to be made hereunder shall be made in coin or currency of the United States of America, which at the time of payment shall be legal tender for the payment of public and private debts. If any payment hereunder shall become due or payable on a Saturday, Sunday or public holiday, the maturity thereof shall be extended to the next succeeding business day.

Maker may prepay any and all of the principal amount due hereunder at any time or from time to time without penalty. No such partial prepayment shall relieve Maker of its obligation to make succeeding payments of the remaining unpaid principal and interest accrued thereon at the time and in the manner provided in this Note.

This Note is secured pursuant to a pledge agreement dated as of October 5, 1998 (the "Pledge Agreement") for the benefit of Payee, creating a possessory first security interest in the pledged property described therein (the "Collateral"). Reference is made to such document for a description of the nature and extent of the security afforded thereby, the rights of the Payee with respect to such security and the terms and conditions upon which this Note is secured. Payee is entitled to the benefits of the Pledge Agreement and may enforce the agreements of Maker contained therein and exercise the remedies provided therein or otherwise in respect thereof, all in accordance with the terms thereof.

Upon the occurrence of either of the following described events (an "Event of Default"), or an Event of Default as defined in the Pledge Agreement, the entire unpaid principal balance, together with all accrued and unpaid interest payable under this Note, shall, at the option of the Payee, become immediately due and payable without notice to Maker:

(a) Failure shall occur in the payment of any installment or other payment of principal or interest on this Note when the same shall have become due, and such default shall continue for more than five (5) business days; or

(b) Bankruptcy, assignment for the benefit of creditors, insolvency proceedings, or other proceedings for relief under any bankruptcy or similar laws are instituted by Maker.

Maker expressly waives presentment for payment, demand for payment, notice of dishonor, protest and notice of protest, or other notice of dishonor and any right to cure, to the fullest extent permitted by law. To the extent permitted by law, Maker hereby waives and releases all errors, defects and imperfections of the Pledge Agreement, as well as all benefit that might accrue to Maker by virtue of any present or future laws exempting the Collateral, or any of its other property, real or personal, or any part of the proceeds arising from any sale or any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process or extension of time for payment.

Maker agrees to pay the reasonable costs of collection and attorneys' fees paid or incurred by Payee in connection with the collection or enforcement of this Note, whether or not suit is filed or the mater is settled. The remedies provided herein and in the Pledge Agreement shall be cumulative and concurrent and may be pursued successively or concurrently against Borrower and/or the Collateral securing this Note. No failure in exercising any right or remedy hereunder or under the Pledge Agreement shall operate as a waiver or release thereof, nor shall any single partial exercise of any such right or remedy preclude any other future exercise thereof or the exercise of any other right or remedy hereunder or under the Pledge Agreement.

This Note may not be waived, changed, modified or discharged, except by an agreement in writing which is signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

If any term or provision of this Note shall be held to be invalid, illegal or unenforceable, the validity of the other terms and provisions hereof shall in no way be affected thereby. This Note shall be governed by and construed in accordance with the laws of the State of California without reference to its choice of law provisions.

Dated: October 5, 1998

"Maker"

/s/ THOMAS MILLER DELAPLANE

Thomas Miller Delaplane, an adult individual

SECURED PROMISSORY NOTE

$186,000 Oakland, California

For value received, the undersigned, THOMAS MILLER DELAPLANE, an adult individual ("Maker"), promises to pay to DREYER'S GRAND ICE CREAM, INC., a Delaware corporation ("Payee"), or to order, at such place as Payee may designate by written notice to Maker from time to time, the principal sum of one hundred eighty-six thousand dollars ($186,000), together with interest on the principal amount, from the date of this Note until this Note is paid in full, at the rate of six and one-half percent (6 1/2%) per annum, such principal and interest payable in full on the earliest to occur of: (i) the date of the sale, transfer, assignment or other disposition of the primary residence of Maker (such residence located at 1085 Via Media, City of Lafayette, County of Contra Costa, State of California 94549); or (ii) the date upon which Maker ceases to be an employee of Payee for any reason, or (iii) the second anniversary date of this Note. Time is of the essence for every obligation under this Note.

All payments to be made hereunder shall be made in coin or currency of the United States of America, which at the time of payment shall be legal tender for the payment of public and private debts. If any payment hereunder shall become due or payable on a Saturday, Sunday or public holiday, the maturity thereof shall be extended to the next succeeding business day.

Maker may prepay any and all of the principal amount due hereunder at any time or from time to time without penalty. No such partial prepayment shall relieve Maker of its obligation to make succeeding payments of the remaining unpaid principal and interest accrued thereon at the time and in the manner provided in this Note.

This Note is secured pursuant to a pledge agreement dated as of October 5, 1998 (the "Pledge Agreement") for the benefit of Payee, creating a possessory first security interest in the pledged property described therein (the "Collateral"). Reference is made to such document for a description of the nature and extent of the security afforded thereby, the rights of the Payee with respect to such security and the terms and conditions upon which this Note is secured. Payee is entitled to the benefits of the Pledge Agreement and may enforce the agreements of Maker contained therein and exercise the remedies provided therein or otherwise in respect thereof, all in accordance with the terms thereof.

Upon the occurrence of either of the following described events (an "Event of Default"), or an Event of Default as defined in the Pledge Agreement, the entire unpaid principal balance, together with all accrued and unpaid interest payable under this Note, shall, at the option of the Payee, become immediately due and payable without notice to Maker:

(a) Failure shall occur in the payment of any installment or other payment of principal or interest on this Note when the same shall have become due, and such default shall continue for more than five (5) business days; or

(b) Bankruptcy, assignment for the benefit of creditors, insolvency proceedings, or other proceedings for relief under any bankruptcy or similar laws are instituted by Maker.

Maker expressly waives presentment for payment, demand for payment, notice of dishonor, protest and notice of protest, or other notice of dishonor and any right to cure, to the fullest extent permitted by law. To the extent permitted by law, Maker hereby waives and releases all errors, defects and imperfections of the Pledge Agreement, as well as all benefit that might accrue to Maker by virtue of any present or future laws exempting the Collateral, or any of its other property, real or personal, or any part of the proceeds arising from any sale or any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process or extension of time for payment.

Maker agrees to pay the reasonable costs of collection and attorneys' fees paid or incurred by Payee in connection with the collection or enforcement of this Note, whether or not suit is filed or the mater is settled. The remedies provided herein and in the Pledge Agreement shall be cumulative and concurrent and may be pursued successively or concurrently against Borrower and/or the Collateral securing this Note. No failure in exercising any right or remedy hereunder or under the Pledge Agreement shall operate as a waiver or release thereof, nor shall any single partial exercise of any such right or remedy preclude any other future exercise thereof or the exercise of any other right or remedy hereunder or under the Pledge Agreement.

This Note may not be waived, changed, modified or discharged, except by an agreement in writing which is signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

If any term or provision of this Note shall be held to be invalid, illegal or unenforceable, the validity of the other terms and provisions hereof shall in no way be affected thereby. This Note shall be governed by and construed in accordance with the laws of the State of California without reference to its choice of law provisions.

Dated: December 18, 1998

"Maker"

/s/ THOMAS MILLER DELAPLANE

Thomas Miller Delaplane, an adult individual

PLEDGE AGREEMENT

This Pledge Agreement ("Agreement") is entered into as of the 5th day of October, 1998, by and between THOMAS MILLER DELAPLANE, as Trustee of The Delaplane Family Trust UAD 6/22/95 ("Pledgor"), and DREYER'S GRAND ICE CREAM, INC., a Delaware corporation ("Lender").

RECITALS

A. Pledgor has agreed to mortgage and pledge certain stock to Lender as security for the performance of Thomas Miller Delaplane's ("Delaplane") obligations to repay in full all sums due in connection with the loan by Lender to Delaplane in the aggregate principal amount of up to Three Hundred Thousand Dollars ($300,000) (the "Loan"), as evidenced by one (1) or more secured promissory notes in substantially the form attached hereto as Exhibit A (the "Notes") (collectively, the "Secured Obligations"), by conveying to Lender a valid first and prior lien on the Pledged Stock (as hereinafter defined). Pledgor hereby acknowledges that it has derived or expects to derive a financial or other advantage from each and every obligation incurred by Delaplane to Lender. Pledgor agrees that its obligations hereunder are absolute, unconditional and irrevocable, and shall be binding upon Pledgor and its successors and assigns.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants contained herein, the parties hereto agree as follows:

Section 1. Pledge. As security for the due, punctual and full performance of the Secured Obligations, Pledgor hereby grants to Lender for its benefit, a security interest in, and pledges, hypothecates, assigns, transfers, sets over and delivers to Lender, Thirty Thousand (30,000) shares of Common Stock of Dreyer's Grand Ice Cream, Inc., One Dollar ($1.00) par value, registered in the name of Pledgor and more specifically identified and described in Exhibit B attached hereto (the "Pledged Stock"). The certificates representing the Pledged Stock shall be registered in the name of Pledgor but shall be retained by Lender pursuant to the pledge made herein. Pledgor also hereby delivers to Lender a duly executed stock power in substantially the form attached hereto as Exhibit C, duly endorsed in blank by Pledgor and in proper form for transfer. Receipt of such stock power and the Pledged Stock is hereby acknowledged by Lender.

Section 2. Voting Rights; Dividends.

(a) So long as no Event of Default (as defined in Section 3 hereof) shall have occurred and be continuing:

i. Pledgor shall be entitled to exercise any and all voting and consensual rights and powers relating, or pertaining to the Pledged Stock or any part thereof; and

ii. Pledgor shall be entitled to any and all cash dividends made on or in respect of the Pledged Stock.

(b) Any and all non-cash dividends, whether in the form of stock or property or other distributions made on or in respect of the Pledged Stock, whether resulting from a subdivision, combination, redemption or reclassification of the outstanding capital stock of Lender or received in exchange for the Pledged Stock or any part thereof or as a result of any merger, consolidation, acquisition or other exchange of assets to which Lender may be a party or otherwise, shall be and become part of the Pledged Stock and shall be delivered by Pledgor to, and held by Lender subject to the terms of this Pledge Agreement.

(c) Upon the occurrence of an Event of Default, all rights of Pledgor to exercise the voting and consensual rights and powers which it is entitled to exercise pursuant to Section 2(a)(i), and all rights of Pledgor to receive cash dividends pursuant to Section 2(a)(ii) shall cease, and all such rights shall thereupon become vested in Lender, and Lender shall have the sole and exclusive right and authority to exercise such voting and consensual rights and powers and receive such dividends. Thereafter, any and all money and other property paid over to or received by Lender pursuant to the provisions of Section 2(c) shall be retained by Lender and applied in accordance with the provisions of Sections 5 and 6 hereof.

Section 3. Representations and Warranties of Pledgor. Pledgor represents and warrants to Lender that:

(a) This Agreement constitutes the legal, valid and binding obligation of Pledgor, in accordance with the terms hereof, and Pledgor has good and lawful right and authority to execute the pledge provided for herein and to pledge the Pledged Stock; and

(b) As to each share of the Pledged Stock at any time pledged or required to be pledged hereunder:

i. the Pledgor is the sole legal, record and beneficial owner thereof, and the Pledgor has good and marketable title thereto,

ii. the Stock is and will remain free and clear of all security interests, pledges, liens or other encumbrances, and restrictions on the transfer and assignment thereof, except pursuant to this Agreement and those permitted in writing by Lender, and

iii. there are no outstanding options, warrants or other requirements with respect to the Pledged Stock; and

(c) The representations and warranties of Pledgor herein shall survive the date hereof.

Section 4. Event of Default. "Event of Default" shall mean the occurrence of any of the following events:

(a) the failure of Pledgor to make payment of principal and interest on the Note when and as the same shall become due and payable, and such failure continues for more than five (5) business days, or

(b) the breach of any representation, warranty, or covenant of Pledgor contained herein or in the Note, or

(c) the Bankruptcy, assignment for the benefit of creditors, insolvency proceedings, or other proceedings for relief under any bankruptcy or similar laws being instituted by or against Pledgor.

Section 5. Remedies Upon Default.

(a) In case an Event of Default shall have occurred, Lender shall be entitled to exercise all of the rights, powers and remedies (whether vested in it by this Agreement or by law or otherwise, including, without limitation, those of a secured party under the Uniform Commercial Code) for the protection and enforcement of its rights in respect of the Pledged Stock, and the Lender shall be entitled, without limitation:

i. to receive all amounts payable in respect of the Pledged Stock, otherwise payable under Section 2(a) to Pledgor;

ii. to transfer and register all or any part of the Pledged Stock into the Lender's name or the name of its nominee or nominees;

iii. to vote all or any part of the Pledged Stock (whether or not transferred or registered into the name of the Lender) and give all consents, waivers and ratifications in respect thereof and otherwise act with respect to the Pledged Stock as though it were the outright owner thereof pursuant to Section 2(c) hereof;

iv. to sell on a recognized market without liability for any diminution in price which may have occurred, all of the Pledged Stock in such manner, whether in one lot as an entirety, or in separate portions, and for such price and other terms and conditions as are available on such market.

(b) Upon any sale or other disposition, the Lender shall have the right to deliver, assign and transfer to the purchaser thereof the Pledged Stock so sold or disposed of. Each purchaser at any such sale or other disposition (including the Lender) shall hold the Pledged Stock free from any claim or right of whatever kind, including any equity or right of redemption of the Pledgor. The Pledgor specifically waives all rights of redemption, stay or appraisal which it had or may have under any rule of law or statute now existing or hereafter adopted.

(c) Lender shall not be obligated to make any sale or other disposition, unless the terms thereof shall be satisfactory to it. The Lender may, without notice or publication, adjourn any sale, and, may thereafter sell the Pledged Stock at any time or place on a recognized market. In case of any sale of all the Pledged Stock, on credit or future delivery, the Pledged Stock so sold may be retained by the Lender until the selling price is paid by the purchaser thereof, but the Lender shall incur no liability in case of the failure of such purchaser to take up and pay for the Pledged Stock so sold and, in case of any such failure, such Pledged Stock may again be sold as hereinabove provided.

Section 6. Application of Proceeds.

(a) The proceeds of any sale of the Pledged Stock pursuant to the provisions of Section 5 hereof shall be applied in the following order of priority:

i. first, to the payment of the reasonable expenses of holding, preparing for sale, selling, and to the extent not prohibited by law, the reasonable attorney's fees and legal expenses incurred by Lender;

ii. second, to the payment of all amounts owing by Pledgor to Lender for the Secured Obligations; and

iii. third, to Pledgor or as a court of competent jurisdiction may direct.

(b) If the proceeds of the sale are insufficient to cover the Secured Obligations plus the expenses described in Section 6(i) above, Pledgor shall remain liable to the Lender for any deficiency, in accordance with the provisions set forth in the Uniform Commercial Code. No payment of proceeds pursuant to the provisions of Section 6(iii) above shall be made until such time as all of Pledgor's obligations which are secured hereunder are discharged in full; until such time, all proceeds not disposed of as provided in Section 6(i) and (ii) above shall be held by Lender subject to the terms of this Pledge Agreement.

Section 7. Remedies Cumulative. Each right, power and remedy of Lender provided for in this Agreement or in the Notes, now or hereafter existing at law or in equity or by statute or otherwise, shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by Lender of any one or more of the rights, powers or remedies provided for in this Agreement or in the Notes, now or hereafter existing at law or in equity or by statute or otherwise, shall not preclude the simultaneous or later exercise by Lender of all such other rights, powers or remedies, and no failure or delay on the part of Lender to exercise any such right, power or remedy shall operate as a waiver thereof.

Section 8. Pledgor's Obligations Absolute. The obligations of Pledgor under this Agreement shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated, lessened or otherwise

affected by any circumstance or occurrence whatsoever, including, without limitation: (a) any renewal, extension, substitution, amendment or modification of or addition or supplement to or deletion from the Notes or this Agreement, or any assignment or transfer thereof; (b) any waiver, consent, extension, indulgence or other action or inaction under or in respect of the Notes or this Agreement, or any exercise or nonexercise or any right, remedy, power or privilege under or in respect of the Notes or this Agreement; (c) any furnishing of any additional collateral or security to Lender or its assignee or any acceptance thereof or any release of any collateral or security in whole or in part by Lender or its assignee under this Agreement or otherwise; (d) any limitation on any party's liability or obligations under the Notes, or under this Agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or any term thereof; (e) any bankruptcy, insolvency, adjustment or other like proceeding relating to the Pledgor, or any action taken with respect to this Agreement or the Notes by any trustee or receiver, or by any court, in any such proceeding; or (f) any other circumstances; whether or not the Pledgor shall have notice or knowledge of any of the foregoing.

Section 9. Assignment; Successors and Assigns.

(a) Lender may at any time or from time to time sell, assign or transfer to any person all or any part of the obligations of Pledgor under the Note, and the related Secured Obligations. Upon any such sale, assignment or transfer, Lender may sell, assign or transfer this Agreement and all or any part of the Pledged Stock, and Lender shall be fully discharged thereafter from all liability and responsibility with respect to such Pledged Stock as transferred, and the transferee or transferees shall be vested with all the rights, powers and remedies of Lender hereunder with respect to the Pledged Stock transferred.

(b) All the terms, provisions, conditions and covenants herein contained shall be binding upon and shall inure to the benefit of the respective successors, assigns, heirs, estates, executors, administrators, legal representatives and devices of Pledgor and Lender.

Section 10. Further Assurances. Pledgor agrees to do such further acts and to execute and deliver such additional agreements and instruments as Lender may at any time reasonably request in connection with the administration or enforcement of this Pledge Agreement or related to the Pledged Stock or any part thereof or in order better to assure and confirm unto Lender its rights, powers and remedies hereunder.

Section 11. Termination. Upon the payment in full of all sums which may become due under the Notes, and the payment of all other sums payable hereunder (including without limitation, the reasonable expenses and disbursements of Lender), this Agreement shall terminate and Lender, at the request and expense of Pledgor, will execute and deliver to Pledgor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to Pledgor such of the Pledged Shares as have not theretofore been sold or otherwise applied or released pursuant to this Agreement, together with any moneys at the time held by Lender hereunder.

Section 12. Amendment. This Agreement may be amended, modified, waived, discharged or terminated only by an instrument in writing signed by the party against whom enforcement of such is sought. No waiver by Lender of any breach or default by Pledgor hereunder shall be deemed a waiver of any other breach or default.

Section 13. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall be deemed for all purposes one and the same instrument.

Section 14. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California, without reference to its choice of law provisions.

Section 15. Section Headings. The Section headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 16. Notices. All notices and other communications given in connection with this Agreement shall be in writing and shall be conclusively deemed to have been duly given:

(a) when hand delivered to the other party; or

(b) three (3) business days after deposit in a United States post office with first class or certified mail, return receipt requested, postage prepaid and addressed to the other party as set out below; or

(c) the next business day after deposit with a national overnight delivery service reasonably approved by the parties (Federal Express and DHL WorldWide Express being deemed approved by the parties), addressed to the other party as set out below with next-business-day delivery requested, provided that the sending party receives a confirmation of delivery from the delivery service provider. A party may change or supplement the addresses given below for purposes of this Section by giving the other party written notice of the new address in the manner set forth above.

If to Pledgor, to:
Thomas Miller Delaplane, Trustee
The Delaplane Family Trust,
c/o Dreyer's Grand Ice Cream, Inc.
5929 College Avenue
Oakland, California 94618

If to Lender, to:
Dreyer's Grand Ice Cream, Inc.
5929 College Avenue
Oakland, CA 94618-1397
Attention: William C. Collett

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with a copy to:
Manwell & Milton
20 California Street, 3rd Floor
San Francisco, CA 94111
Attention: Edmund R. Manwell

Section 17. Severability. If any term or provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of the other terms and provisions hereof shall in no way be affected thereby.

Section 18. Language. The language of this Agreement shall be construed as a whole and in accordance with the fair meaning of the language used. The parties acknowledge and agree that any ambiguities in the language of this Agreement shall not be strictly construed or resolved against either party based upon the fact that either party drafted or was principally responsible for drafting this Agreement or any specific term or condition hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be fully executed and delivered as of the day and year first written above.

PLEDGOR:

/s/ THOMAS MILLER DELAPLANE

THOMAS MILLER DELAPLANE, Trustee,
The Delaplane Family Trust
UAD 6/22/95

LENDER:

DREYER'S GRAND ICE CREAM, INC.,
a Delaware corporation

By: /s/ TIMOTHY F. KAHN

Its: TIMOTHY F. KAHN, CFO

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EXHIBIT A
TO PLEDGE AGREEMENT

SECURED PROMISSORY NOTE

$ _____________ Oakland, California

For value received, the undersigned, THOMAS MILLER DELAPLANE, an adult individual ("Maker"), promises to pay to DREYER'S GRAND ICE CREAM, INC., a Delaware corporation ("Payee"), or to order, at such place as Payee may designate by written notice to Maker from time to time, the principal sum of ______________________________ dollars ($__________), together with interest on the principal amount, from the date of this Note until this Note is paid in full, at the rate of six and one-half percent (6 1/2%) per annum, such principal and interest payable in full on the earliest to occur of: (i) the date of the sale, transfer, assignment or other disposition of the primary residence of Maker (such residence located at 1085 Via Media, City of Lafayette, County of Contra Costa, State of California 94549); or (ii) the date upon which Maker ceases to be an employee of Payee for any reason, or (iii) the second anniversary date of this Note. Time is of the essence for every obligation under this Note.

All payments to be made hereunder shall be made in coin or currency of the United States of America, which at the time of payment shall be legal tender for the payment of public and private debts. If any payment hereunder shall become due or payable on a Saturday, Sunday or public holiday, the maturity thereof shall be extended to the next succeeding business day.

Maker may prepay any and all of the principal amount due hereunder at any time or from time to time without penalty. No such partial prepayment shall relieve Maker of its obligation to make succeeding payments of the remaining unpaid principal and interest accrued thereon at the time and in the manner provided in this Note.

This Note is secured pursuant to a pledge agreement dated as of October 5, 1998 (the "Pledge Agreement") for the benefit of Payee, creating a possessory first security interest in the pledged property described therein (the "Collateral"). Reference is made to such document for a description of the nature and extent of the security afforded thereby, the rights of the Payee with respect to such security and the terms and conditions upon which this Note is secured. Payee is entitled to the benefits of the Pledge Agreement and may enforce the agreements of Maker contained therein and exercise the remedies provided therein or otherwise in respect thereof, all in accordance with the terms thereof.

Upon the occurrence of either of the following described events (an "Event of Default"), or an Event of Default as defined in the Pledge Agreement, the entire unpaid principal balance, together with all accrued and unpaid interest payable under this Note, shall, at the option of the Payee, become immediately due and payable without notice to Maker:

(a) Failure shall occur in the payment of any installment or other payment of principal or interest on this Note when the same shall have become due, and such default shall continue for more than five (5) business days; or

(b) Bankruptcy, assignment for the benefit of creditors, insolvency proceedings, or other proceedings for relief under any bankruptcy or similar laws are instituted by Maker.

Maker expressly waives presentment for payment, demand for payment, notice of dishonor, protest and notice of protest, or other notice of dishonor and any right to cure, to the fullest extent permitted by law. To the extent permitted by law, Maker hereby waives and releases all errors, defects and imperfections of the Pledge Agreement, as well as all benefit that might accrue to Maker by virtue of any present or future laws exempting the Collateral, or any of its other property, real or personal, or any part of the proceeds arising from any sale or any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process or extension of time for payment.

Maker agrees to pay the reasonable costs of collection and attorneys' fees paid or incurred by Payee in connection with the collection or enforcement of this Note, whether or not suit is filed or the mater is settled. The remedies provided herein and in the Pledge Agreement shall be cumulative and concurrent and may be pursued successively or concurrently against Borrower and/or the Collateral securing this Note. No failure in exercising any right or remedy hereunder or under the Pledge Agreement shall operate as a waiver or release thereof, nor shall any single partial exercise of any such right or remedy preclude any other future exercise thereof or the exercise of any other right or remedy hereunder or under the Pledge Agreement.

This Note may not be waived, changed, modified or discharged, except by an agreement in writing which is signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

If any term or provision of this Note shall be held to be invalid, illegal or unenforceable, the validity of the other terms and provisions hereof shall in no way be affected thereby. This Note shall be governed by and construed in accordance with the laws of the State of California without reference to its choice of law provisions.

Dated: ______________________

"Maker"

Thomas Miller Delaplane, an adult individual

EXHIBIT B
TO PLEDGE AGREEMENT

LIST OF STOCK CERTIFICATES

<TABLE>
<CAPTION>

Certificate Number	Registered Name	Number of Shares
<S>	<C>	<C>
SFU 34248	Thomas M. Delaplane & Linda Delaplane Tr UA 06 22 95 Delaplane Family Trust	30,000

</TABLE>

EXHIBIT C
TO PLEDGE AGREEMENT

STOCK POWER

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto ____, ______________________ (_______) shares of the common stock, par value of $1.00, of Dreyer's Grand Ice Cream, Inc., a Delaware corporation (the "Corporation"), represented by Certificate(s) No(s). ___________________, standing in the undersigned's name on the books of said Corporation, and does hereby irrevocably constitute and appoint _________________ as attorney to transfer said shares on said books of the Corporation with full power of substitution in the premises.

Dated: ____________, 1998

X_______________________________

Name: __________________________

The signature(s) on this assignment must correspond with the name(s) on the face of the certificate in every particular, without alteration or enlargement, or any change.

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EXHIBIT 13

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<TABLE>
<CAPTION>

Financial content

</TABLE>

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Consolidated statement of operations

<TABLE>
<CAPTION>

	Year Ended		
($ in thousands, except per share amounts)	Dec. 26, 1998	Dec. 27, 1997	Dec. 28, 1996
<S>	<C>	<C>	<C>
Revenues:			
Sales	$ 1,022,335	$ 970,097	$ 791,841
Other income	3,653	2,994	4,354
	1,025,988	973,091	796,195
Costs and expenses:			
Cost of goods sold	827,862	764,551	629,285
Selling, general and administrative	212,151	183,390	146,003
Impairment of long-lived assets	44,564		
Restructuring charges	3,300		
Interest, net of interest capitalized	13,006	10,695	9,548
	1,100,883	958,636	784,836
(Loss) income before income taxes and cumulative effect of change in accounting principle	(74,895)	14,455	11,359
Income tax (benefit) provision	(28,385)	5,681	4,362
(Loss) income before cumulative effect of change in accounting principle	(46,510)	8,774	6,997
Cumulative effect of change in accounting principle		746	
Net (loss) income	(46,510)	8,028	6,997
Accretion of preferred stock to redemption value	424	424	424
Preferred stock dividends	696	3,636	4,573
Net (loss) income applicable to common stock	$ (47,630)	$ 3,968	$ 2,000
Net (loss) income per common share:			
Basic:			
(Loss) income before cumulative effect of change in accounting principle	$ (1.75)	$ .18	$ .08
Cumulative effect of change in accounting principle		.03	
Net (loss) income per common share	$ (1.75)	$ .15	$ .08

Diluted:			
(Loss) income before cumulative effect of change in accounting principle	$ (1.75)	$ .17	$ .07
Cumulative effect of change in accounting principle		.03	
Net (loss) income per common share	$ (1.75)	$ .14	$ .07

</TABLE>

See accompanying Notes to consolidated financial statements

Consolidated balance sheet

<TABLE>
<CAPTION>

($ in thousands, except per share amounts)	Dec. 26, 1998	Dec. 27, 1997
<S>	<C>	<C>
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,171	$ 3,626
Trade accounts receivable, net of allowance for doubtful accounts of $5,710 in 1998 and $710 in 1997	83,053	82,011
Other accounts receivable	29,165	16,527
Inventories	49,472	49,720
Prepaid expenses and other	13,271	14,416
Total current assets	176,132	166,300
Property, plant and equipment, net	207,772	232,826
Goodwill and distribution rights, net	67,226	89,932
Other assets	12,050	13,740
Total assets	$ 463,180	$ 502,798
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 87,273	$ 57,037
Accrued payroll and employee benefits	19,545	22,323
Current portion of long-term debt	8,255	8,364
Total current liabilities	115,073	87,724
Long-term debt, less current portion	169,781	165,913
Deferred income taxes	16,039	40,591
Total liabilities	300,893	294,228
Commitments and contingencies		
Redeemable convertible preferred stock, $1 par value--1,008,000 shares authorized; 1,008,000 shares issued and outstanding in 1998 and 1997	99,654	99,230
Stockholders' Equity:		
Preferred stock, $1 par value--8,992,000 shares authorized; no shares issued or outstanding in 1998 and 1997		
Common stock, $1 par value--60,000,000 shares authorized; 27,312,000 shares and 27,020,000 shares issued and outstanding in 1998 and 1997, respectively	27,312	27,020
Capital in excess of par	46,722	42,822
(Accumulated deficit) retained earnings	(11,401)	39,498
Total stockholders' equity	62,633	109,340
Total liabilities and stockholders' equity	$ 463,180	$ 502,798

</TABLE>

See accompanying Notes to consolidated financial statements

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Consolidated statement of changes in stockholders' equity

<TABLE>
<CAPTION>

(In thousands)	Common Stock Shares	Common Stock Amount	Capital in Excess of Par	(Accumulated Deficit) Retained Earnings	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 30, 1995	12,929	$ 12,929	$ 39,370	$ 39,964	$ 92,263
Net income for 1996				6,997	6,997
Accretion of preferred stock to redemption value				(424)	(424)
Preferred stock dividends declared				(4,573)	(4,573)
Common stock dividends declared				(3,202)	(3,202)
Issuance of common stock under employee stock plans	105	105	2,359		2,464
Repurchases and retirements of common stock	(9)	(9)	(253)		(262)
Common stock issued in acquisition of M-K-D Distributors, Inc.	320	320	10,480		10,800
Balance at December 28, 1996	13,345	13,345	51,956	38,762	104,063
Net income for 1997				8,028	8,028
Accretion of preferred stock to redemption value				(424)	(424)
Preferred stock dividends declared				(3,636)	(3,636)
Common stock dividends declared				(3,232)	(3,232)
Issuance of common stock under employee stock plans	177	177	4,639		4,816
Repurchases and retirements of common stock	(7)	(7)	(268)		(275)
Common stock split	13,505	13,505	(13,505)		
Balance at December 27, 1997	27,020	27,020	42,822	39,498	109,340
Net loss for 1998				(46,510)	(46,510)
Accretion of preferred stock to redemption value				(424)	(424)
Preferred stock dividends declared				(696)	(696)
Common stock dividends declared				(3,269)	(3,269)
Issuance of common stock under employee stock plans	298	298	4,038		4,336
Repurchases and retirements of common stock	(6)	(6)	(138)		(144)
Balance at December 26, 1998	27,312	$ 27,312	$ 46,722	$ (11,401)	$ 62,633

</TABLE>

See accompanying Notes to consolidated financial statements

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Consolidated statement of cash flows

<TABLE>
<CAPTION>

($ in thousands)	Year Ended Dec. 26, 1998	Year Ended Dec. 27, 1997	Year Ended Dec. 28, 1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net (loss) income	$(46,510)	$ 8,028	$ 6,997
Adjustments to reconcile net (loss) income to cash flows from operations:			
Depreciation and amortization	36,176	31,946	27,549
Deferred income taxes	(26,612)	1,846	2,364
Impairment of long-lived assets	44,564		
Loss on disposal of property, plant and equipment	5,317		
Reserve for independent distributor receivable	5,000		
Reserve for restructuring charges	3,147		
Cumulative effect of change in accounting principle		746	
Changes in assets and liabilities, net of amounts acquired:			

Trade accounts receivable	(6,042)	(8,958)	(7,664)
Other accounts receivable	(12,783)	(2,889)	809
Inventories	(1,137)	(8,960)	(5,389)
Prepaid expenses and other	3,192	3,545	3,116
Accounts payable and accrued liabilities	27,662	9,611	6,555
Accrued payroll and employee benefits	(2,778)	4,125	(1,077)
	29,196	39,040	33,260
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(35,078)	(38,470)	(58,470)
Retirement of property, plant and equipment	284	677	2,152
Increase in goodwill and distribution rights	(311)	(146)	(772)
Increase in other assets	(547)	(947)	(3,600)
	(35,652)	(38,886)	(60,690)
Cash flows from financing activities:			
Proceeds from long-term debt	12,400	11,700	76,000
Repayments of long-term debt	(8,641)	(9,070)	(43,858)
Issuance of common stock under employee stock plans	4,336	4,816	2,464
Repurchases and retirements of common stock	(144)	(275)	(262)
Cash dividends paid	(3,950)	(7,833)	(5,831)
	4,001	(662)	28,513
(Decrease) increase in cash and cash equivalents	(2,455)	(508)	1,083
Cash and cash equivalents, beginning of year	3,626	4,134	3,051
Cash and cash equivalents, end of year	$ 1,171	$ 3,626	$ 4,134
Supplemental Cash Flow Information--			
Cash paid during the year for:			
Interest (net of amounts capitalized)	$ 12,785	$ 10,634	$ 8,856
Income taxes (net of refunds)	881	1,070	398
Non-cash transactions:			
Acquisition of M-K-D Distributors, Inc.			10,800

</TABLE>

See accompanying Notes to consolidated financial statements

Notes to consolidated financial statements

Note 1 Operations

Dreyer's Grand Ice Cream, Inc. and its subsidiaries (the Company) is a single segment industry company engaged in manufacturing and distributing premium ice cream and other frozen dessert products to grocery and convenience stores, foodservice accounts and independent distributors in the United States.

The Company accounts for its operations geographically for management reporting purposes. These geographic segments have been aggregated for financial reporting purposes due to similarities in the economic characteristics of the geographic segments and the similar nature of the products, production processes, customer types and distribution methods throughout the United States.

The Company's products are also segregated between sales of company branded products (company brands) and sales of other companies' branded products (partner brands) for management reporting purposes. Sales of company brands were $647,745,000, $618,401,000 and $493,625,000 in 1998, 1997 and 1996, respectively. Sales of partner brands were $374,590,000, $351,696,000 and $298,216,000 in 1998, 1997 and 1996, respectively. The Company had one customer in 1998 that comprised 10 percent of sales and no customers accounted for 10 percent or more of sales in 1997 or 1996.

Note 2 Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Dreyer's Grand Ice Cream, Inc. and its subsidiaries. All intercompany transactions have been eliminated.

Fiscal Year

The Company's fiscal year is a fifty-two or fifty-three week period ending on the last Saturday in December. Fiscal years 1998, 1997 and 1996 each consisted of fifty-two weeks.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company classifies financial instruments as cash equivalents if the original maturity of such investments is three months or less.

Inventories

Inventories are stated at the lower of cost (determined by the first-in, first-out method) or market. Cost includes materials, labor and manufacturing overhead.

Property, Plant and Equipment

The cost of additions and major improvements and repairs to property, plant and equipment are capitalized, while maintenance and minor repairs are charged to expense as incurred. Depreciation of property, plant and equipment is computed using the straight-line method over the assets' estimated useful lives, generally ranging from two to thirty-five years. Interest costs relating to capital assets under construction are capitalized.

Goodwill and Distribution Rights

Goodwill and distribution rights are amortized using the straight-line method over thirty to thirty-six years. Accumulated amortization was $30,212,000 and $19,817,000 at December 26, 1998 and December 27, 1997, respectively.

Preoperating Costs

In April 1998, the Accounting Standards Executive Committee issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" (SOP 98-5). SOP 98-5 requires that the costs of start-up activities, including preoperating costs, be expensed as incurred. This new accounting standard is effective for financial statements for periods beginning after December 15, 1998. The Company has capitalized preoperating costs such as those incurred during both the construction and start-up of new manufacturing and distribution facilities and introductory allowances paid to customers. These costs are amortized over one to three years. As a result of adopting SOP 98-5, the Company will expense unamortized preoperating costs in the first quarter of 1999 as a cumulative effect of a change in accounting principle. The Company's unamortized preoperating cost balances were $987,000 and $1,623,000 at December 26, 1998 and December 27, 1997, respectively.

During 1996, the Company capitalized $2,710,000 of preoperating costs associated with the start-up of its Houston, Texas manufacturing facility. The unamortized balance of $1,205,000 as of December 26, 1998 was determined to be unrecoverable and was charged to expense. The charge is included in impairment of long-lived assets on the Consolidated statement of operations (See Note 3).

Impairment of Long-Lived Assets

The Company reviews long-lived assets and certain identifiable intangibles, including goodwill and distribution rights, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The assessment of impairment is based on the estimated undiscounted future cash flows from operating activities compared with the carrying value of the assets. If the undiscounted future cash flows of an asset are less than the carrying value, a write-down will be recorded, measured by the amount of the difference between the carrying value and the fair value of the asset. Assets to be disposed of are recorded at the lower of carrying amount or fair value less costs to sell. Such assets are not depreciated while held for sale.

Advertising Costs

The Company defers production costs for media advertising and expenses these costs in the period the advertisement is first run. All other advertising costs are expensed as incurred. Advertising expense, including consumer promotion spending, was $22,188,000, $28,849,000 and $28,770,000 in 1998, 1997 and 1996, respectively.

Income Taxes

Income taxes are accounted for using the liability method. Under this method, deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the financial reporting basis and tax basis of assets and liabilities.

Accounting for Stock-Based Compensation

The Company measures compensation cost for employee stock options and similar equity instruments using the intrinsic value-based method of accounting.

Cumulative Effect of Change in Accounting Principle

On November 20, 1997, the Financial Accounting Standards Board's Emerging Issues Task Force issued a pronouncement requiring that reengineering costs be expensed as incurred. Furthermore, the pronouncement required that all previously unamortized capitalized reengineering costs be written off and treated as a cumulative effect of a change in accounting principle as of the beginning of the quarter including November 20, 1997. In connection with this pronouncement, the Company recorded an after-tax charge of $746,000 during the fourth quarter of 1997.

Net (Loss) Income Per Common Share

Basic net (loss) income per common share is computed using the weighted average number of shares of common stock outstanding during the period. Diluted net (loss) income per common share reflects the additional dilutive effect of the Company's potentially dilutive securities, which include stock options, stock warrants and redeemable convertible preferred stock.

The Company's potentially dilutive securities were anti-dilutive during 1998 due to the Company's net loss. Accordingly, 1998 basic and diluted net loss per common share are computed using the same denominator of 27,189,000 shares. The 1997 and 1996 net income per common share calculations are as follows:

<TABLE>
<CAPTION>

(In thousands, except per share amounts)	Income (Numerator)	Shares (Denominator)	Per Share Amount
<S>	<C>	<C>	<C>
1997:			
Income before cumulative effect of change in accounting principle	$8,774		
Less: Preferred stock dividends and accretion	4,060		
Basic: Income applicable to common stock	$4,714	26,872	$ .18
Effect of dilutive securities:			
Stock options		1,096	
Stock warrants		500	
Diluted: Income applicable to common stock	$4,714	28,468	$ .17
1996:			
Income before cumulative effect of change in accounting principle	$6,997		
Less: Preferred stock dividends and accretion	4,997		
Basic: Income applicable to common stock	$2,000	26,496	$ .08

Effect of dilutive securities:			
Stock options		214	

Diluted: Income applicable to common stock	$2,000	26,710	$ .07
	======	======	=======

</TABLE>

Excluded from the above calculations of diluted net (loss) income per common share are the following potentially dilutive securities as their inclusion would have an anti-dilutive effect. These securities, stated in equivalent shares of common stock, consisted of the following:

<TABLE>
<CAPTION>

(In thousands)	1998	1997	1996
Stock options	4,361		925
Stock warrants	2,000		4,000
Preferred stock	5,800	5,800	5,800

</TABLE>

Note 3 Restructuring Program and Other Actions

Background

In 1994 the Company adopted a strategic plan to accelerate the sales of its brand throughout the country (the Strategic Plan). The key elements of this plan are: 1) to build high margin brands with leading market shares through effective consumer marketing activities, 2) to expand the Company's direct-store-delivery distribution network to national scale and enhance this capability with sophisticated information and logistics systems and 3) to introduce innovative new products.

In accordance with the Strategic Plan, the Company embarked on an aggressive national expansion. This expansion involved the entry into 34 new markets, which included the opening of a major manufacturing and distribution center in Texas, a significant increase in marketing spending and the introduction of several new products. At the same time, the Company invested in its soft-serve equipment manufacturing business (Grand Soft). The investments required to fund the brand building actions and national expansion and to support the Grand Soft business substantially increased the Company's cost structure.

Beginning in late 1997 and continuing into 1998, the cost of dairy, the primary ingredient in ice cream, increased significantly. These costs peaked in 1998 at a rate more than double that experienced in the prior year. This increase reduced the Company's 1998 gross margin by approximately $22,000,000 when compared to 1997. Aggressive discounting by the Company's competitors made it difficult to raise prices by an amount sufficient to compensate for these higher dairy costs. During this same period, sales volumes of the Company's "better for you" products continued the significant decline that began in 1997, consistent with an industry-wide trend. These "better for you" products enjoy a higher margin than the Company's classic ice cream and the volume decline had a significant impact on the Company's profitability in 1998. Finally, in August 1998, Ben & Jerry's Homemade, Inc. (Ben & Jerry's) informed the Company of its intention to terminate its distribution contract. Subsequent negotiations with Ben & Jerry's yielded revisions to the original contract terms which will reduce the Company's distribution gross margin of Ben & Jerry's products by approximately 54 percent starting September 1, 1999. The Company estimates that the markets where it will stop distributing Ben & Jerry's products contributed approximately 6 percent of its gross margin, or $13,000,000, in 1998.

The above factors: the higher dairy costs; the decline in "better for you" volumes; and the reduction in future Ben & Jerry's sales; had and will have a negative effect on the Company's gross margin and its ability to successfully implement the Strategic Plan. The Company, therefore, concluded that a thorough reassessment of its cost structure and strategy was necessary. This reassessment yielded a restructuring program designed to improve profitability and accelerate cost reductions by increasing focus on the core elements of the Strategic Plan. The reassessment also addressed the need to review the valuation of certain assets unfavorably impacted by Ben & Jerry's decision to change its distribution agreement with the Company. On October 16, 1998, the board of directors approved the restructuring program.

Revision of Ben & Jerry's Distribution Agreement

During the third quarter of 1998, Ben & Jerry's notified the Company of its intention to terminate the distribution contract between the Company and Ben & Jerry's. The Company subsequently entered into negotiations with Ben & Jerry's to resolve issues associated with the pending termination. In the first quarter of 1999, the companies announced that they reached a resolution regarding these issues by amending the existing distribution agreement and entering into a new distribution agreement. As a result, the Company will continue to distribute Ben & Jerry's products until August 31, 1999 in all existing markets, except the New York metropolitan area (discussion follows in Restructuring Program and Other Actions), and on terms and conditions different in some respects from those in place prior to the amendment. The Company will stop distributing Ben & Jerry's products in New York on April 1, 1999. Starting September 1, 1999, the Company's distribution gross margin of Ben & Jerry's products will be reduced by approximately 54 percent under the new distribution agreement. Additionally, Ben & Jerry's notified the Company of its intention to terminate its separate distribution agreement with the Company's independent distributor in Texas (discussion follows in Restructuring Program and Other Actions).

In 1998, the distribution margin on Ben & Jerry's products contributed just over 11 percent of the Company's total gross margin. The Company estimates that the distribution gross margin in the markets where it will stop distributing Ben & Jerry's products later in 1999 represented approximately 6 percent, or $13,000,000, of its total gross margin in 1998.

Restructuring Program and Other Actions

The implementation of the restructuring program and other actions resulted in a pre-tax charge to earnings of $59,114,000 in 1998. This includes $10,590,000 recorded in the third quarter which related primarily to Ben & Jerry's actions that occurred in September 1998 and to a severance program, which management had already begun in advance of board approval of the remainder of the restructuring program. The remainder of the charges, $48,524,000, was recorded in the fourth quarter of 1998.

The five key elements of the restructuring program and other actions are as follows:

- The Company decided to exit the equipment manufacturing business associated with its Grand Soft ice cream unit. The Grand Soft business consists of both ice cream sales and equipment manufacturing operations. The Company will remain in the profitable ice cream portion of this business, while exiting the unprofitable equipment manufacturing operation. In the fourth quarter of 1998, the Company recorded $8,696,000 in asset impairment charges and $2,258,000 in estimated closing costs associated with the withdrawal from this business. The Company expects to exit the equipment manufacturing operation by June 1999.

The $8,696,000 charge is included in impairment of long-lived assets in the Consolidated statement of operations and is comprised of $5,714,000 of goodwill, $1,956,000 of property, plant and equipment and $1,026,000 of inventory and other assets. The remaining assets of Grand Soft total $1,762,000 and consist primarily of trade accounts receivable, which are fully recoverable. The assets were written down to net realizable value based on an estimate of what an independent third party would pay for the assets of the business. The charge of $2,258,000 for closing costs is included in restructuring charges in the Consolidated statement of operations and a $2,258,000 liability is included in accounts payable and accrued liabilities in the Consolidated balance sheet, as no closing costs were paid in 1998. The closing costs are based on estimates of legal fees, employee separation payments and expected settlements. The closing costs include $576,000 of severance related costs for the 23 employees, from all areas of responsibility, who were notified of their pending termination prior to fiscal year end. The Grand Soft manufacturing operations generated revenues of $3,093,000, $3,346,000 and $6,007,000 and incurred pre-tax operating losses of $(2,335,000), $(2,274,000) and $(1,628,000) in 1998, 1997 and 1996, respectively.

- The Company has implemented a program designed to reduce operating expenses in manufacturing, sales and distribution and administration. Core pieces of this program include outsourcing of certain non-strategic activities, consolidation of warehouse facilities and selected reductions in sales and distribution staffing. These actions were completed in the fourth quarter.

As part of this program, the Company reviewed operations at all of its manufacturing facilities in order to identify and dispose of under-utilized assets. As a result of this review, the Company recorded a charge to cost of goods sold of $5,317,000 in the fourth quarter, related primarily to the write down of manufacturing assets.

In connection with reducing operating expenses for sales and distribution, the Company recorded $1,042,000 of severance and related charges in the fourth quarter that are included in restructuring charges in the Consolidated statement of operations. A total of 38 sales and distribution employees were to be terminated under this program. Of this total, 16 were terminated in 1998 and paid $153,000 in severance benefits. The remaining 22 employees were notified of their pending termination prior to fiscal year end. An accrual for severance benefits of $889,000 was outstanding at year end. The Company also recorded a $933,000 charge to cost of goods sold in the third quarter for severance actions begun in advance of board approval of the remainder of the restructuring program. The Company paid $514,000 of these severance benefits in 1998, leaving a liability of $419,000 at year end, which is included in accounts payable and accrued liabilities in the Consolidated balance sheet.

In addition, the Company charged to expense $4,478,000 of previously capitalized costs classified as property, plant and equipment associated with the expansion of its headquarters, as the expansion plan was canceled in an effort to reduce future administration costs. The $4,478,000 charge was based on a third party independent appraisal of the fair market value of the related real property and is included in impairment of long-lived assets in the Consolidated statement of operations.

- The Company, in carrying out its national expansion program, made significant investments to support an aggressive expansion in Texas. These investments, while building sales volume, delivered results below expectations. The Company is now modifying this expansion strategy in order to concentrate on more profitable opportunities. The objective in Texas will be to preserve volumes while seeking margin improvement. As a result of this change in strategy, the Company will realize substantially lower production volumes over the remaining useful life of its Texas manufacturing plant than originally contemplated. The Company has therefore concluded that its investment in the Texas plant is non-recoverable and has recorded an impairment charge of $16,200,000 in the

fourth quarter to reduce the net book value of the plant to its estimated fair market value. The $16,200,000 impairment charge was based on a third party independent appraisal and is included in impairment of long-lived assets in the Consolidated statement of operations.

- As previously mentioned, Ben & Jerry's indicated its intent to terminate its separate distribution agreement with the Company's independent distributor in Texas, (the Texas Distributor), in which the Company has a 16 percent minority equity interest. Ben & Jerry's action placed at significant risk the recoverability of the Company's equity investment, distribution rights, and trade receivables relating to this distributor. In the third quarter of 1998, the Company recorded a bad debt provision of $5,000,000 relating to the trade receivables, when originally notified of the Ben & Jerry's decision. The $5,000,000 bad debt provision is included in selling, general and administrative expenses in the Consolidated statement of operations. In light of Ben & Jerry's plans to terminate its relationship with the Texas Distributor and the previously noted change in the Company's Texas strategy, the Company evaluated the recoverability of all assets associated with the Texas Distributor. Accordingly, in addition to the accounts receivable reserve recorded in the third quarter, the Company recorded additional charges of $10,533,000 in the fourth quarter related to the impairment of its minority equity investment and distribution rights associated with the Company's contract with the Texas Distributor. The Company concluded that these assets were unrecoverable due to the substantially reduced profits and cash flow resulting from Ben & Jerry's decision to terminate the Texas Distributor's distribution agreement. The $10,533,000 charge is comprised of $9,449,000 of distribution rights and $1,084,000 of the equity investment and is included in impairment of long-lived assets in the Consolidated statement of operations.

- Due to the notice of termination from Ben & Jerry's, the Company charged to expense $4,657,000 of the unamortized portion of distribution rights related to the acquisition of the Ben & Jerry's New York distributor. The Company acquired this business in 1989, in the development of its long-standing relationship with Ben & Jerry's. The other tangible assets of this business have been merged with the Company's New York operations and are fully recoverable. This charge was recorded in the third quarter of 1998 and is included in impairment of long-lived assets in the Consolidated statement of operations.

The following table summarizes the classification of the charges in the

Consolidated statement of operations related to the restructuring program and other actions:

(In thousands)	1998 Third Quarter	1998 Fourth Quarter	1998 Full Year
Restructuring charges:			
Grand Soft	$	$ 2,258	$ 2,258
Sales and distribution severance		1,042	1,042
		3,300	3,300
Impairment of long-lived assets:			
Grand Soft		8,696	8,696
Texas plant		16,200	16,200
Texas independent distributor		10,533	10,533
Ben & Jerry's revision	4,657		4,657
Headquarters' expansion		4,478	4,478
	4,657	39,907	44,564
Other charges:			
Texas independent distributor	5,000		5,000
Sales and distribution severance	933		933
Asset disposals		5,317	5,317
	5,933	5,317	11,250
	$10,590	$48,524	$59,114

The following table summarizes the accruals included in accounts payable and accrued liabilities in the Consolidated balance sheet related to the restructuring program and other actions:

(In thousands)	1998
Restructuring accruals:	
Grand Soft	$2,258
Sales and distribution severance	889
	3,147
Other accruals:	
Sales and distribution severance	419
	$3,566

Note 4 Inventories

Inventories at December 26, 1998 and December 27, 1997 consisted of the following:

(In thousands)	1998	1997
Raw materials	$ 4,840	$ 7,411
Finished goods	44,632	42,309
	$49,472	$49,720

Note 5 Property, Plant and Equipment

Property, plant and equipment at December 26, 1998 and December 27, 1997 consisted of the following:

(In thousands)	1998	1997
Machinery and equipment	$198,122	$181,628
Buildings and improvements	92,287	84,409
Capital leased assets	16,836	18,993
Office furniture and fixtures	6,672	6,484
	313,917	291,514
Less: Accumulated depreciation and amortization	129,782	112,839
	184,135	178,675
Land	15,436	11,838
Construction in progress	8,201	42,313
	$207,772	$232,826

Accumulated amortization of the Company's capital leased assets was $8,118,000 and $5,837,000 at December 26, 1998 and December 27, 1997, respectively.

Interest capitalized was $1,244,000, $2,254,000 and $2,627,000 in 1998, 1997 and 1996, respectively.

Depreciation expense for property, plant and equipment, including amortization expense for capital leased assets, was $32,375,000, $27,799,000 and $23,510,000 in 1998, 1997 and 1996, respectively.

Construction in progress at December 26, 1998 included $3,513,000 of costs associated with the upgrade of the Company's computer systems and at December 27, 1997 included $29,130,000 of costs associated with the expansion of manufacturing and distribution capacity.

Note 6 Goodwill and Distribution Rights

On March 27, 1996, the Company acquired the remaining 50.3 percent of the outstanding common stock of M-K-D Distributors, Inc. (M-K-D) for 320,000 newly issued shares of the Company's common stock* having a value of $10,800,000. The acquisition was accounted for as a purchase and the amount by which the purchase price exceeded the fair value of the net identifiable assets acquired of $8,144,000 was recorded as goodwill and distribution rights. The Company consolidated the results of operations of M-K-D since the beginning of fiscal 1996. That portion of M-K-D's 1996 pre-acquisition earnings before income taxes, which was attributable to the former stockholders' interest, approximately $148,000, was recorded as a charge to selling, general and administrative expenses.

Note 7 Income Taxes

The (benefit) provision for federal and state income taxes consisted of the following:

<TABLE>
<CAPTION>

(In thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Current:			
Federal	$ (2,147)	$ 3,644	$ 1,683
State	374	191	315
	(1,773)	3,835	1,998
Deferred:			
Federal	(24,218)	1,267	2,003
State	(2,394)	579	361
	(26,612)	1,846	2,364
	$(28,385)	$ 5,681	$ 4,362

</TABLE>

The 1997 cumulative effect of change in accounting principle of $746,000 is net of an income tax benefit of $484,000, comprised of federal and state income taxes, which is not reflected in the above table.

* The share information is presented before the effect of the 1997 common stock split. (See Note 11.)

The net deferred income tax liability as of December 26, 1998 and December 27, 1997 consisted of the following:

<TABLE>
<CAPTION>

(In thousands)	1998	1997
<S>	<C>	<C>
Deferred tax assets:		
Net operating loss (NOL) carryforwards	$ 1,770	$
Tax credit carryforwards	6,732	
	8,502	
Deferred tax liabilities:		
Intangible assets and related amortization	(10,249)	(15,773)
Depreciation	(9,248)	(19,814)
Deferred costs	(4,657)	(4,063)
Other	(387)	(941)
	(24,541)	(40,591)
	$(16,039)	$(40,591)

</TABLE>

The federal statutory income tax rate is reconciled to the Company's effective income tax rate as follows:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Federal statutory income tax rate	(35.0)%	35.0%	35.0%
Tax credits	(1.9)		

State income taxes, net of federal tax benefit	(1.8)	3.5	3.9
Reversal of income taxes provided in prior periods			(3.7)
Other	0.8	0.8	3.2
	(37.9)%	39.3%	38.4%

</TABLE>

As of December 26, 1998, the Company had deferred tax assets relating to NOL carryforwards, alternative minimum tax and research credit carryforwards. The pre-tax federal NOL carryforwards of $3,647,000 expire in 2018. The research credit carryforwards of $2,334,000 expire between 2012 and 2018. The alternative minimum tax carryforwards of $4,398,000 can be carried forward indefinitely, as they do not expire. Utilization of these carryforwards may be limited in the event of a change in ownership of the Company. No valuation allowance for these assets has been recorded because the Company believes that it is more likely than not that these carryforwards will be used in future years to offset taxable income.

Note 8 Long-Term Debt

Long-term debt at December 26, 1998 and December 27, 1997 consisted of the following:

<TABLE>
<CAPTION>

(In thousands)	1998	1997
Revolving line of credit with banks, due 2000 with interest payable at three different rate options	$ 99,800	$ 87,400
Senior notes, with principal due through 2008 and interest payable semi-annually at rates ranging from 7.68 percent to 8.34 percent	50,000	50,000
Capital lease obligation, with payments due through 2000 and interest payable quarterly at a floating rate	13,136	18,177
Senior notes, with principal due through 2001 and interest payable semiannually at 9.3 percent	10,600	14,200
Industrial revenue bonds, with principal due through 2001 and interest payable quarterly at a floating rate based upon a tax-exempt note index	4,500	4,500
	178,036	174,277
Less: Current portion	8,255	8,364
	$169,781	$165,913

</TABLE>

The aggregate annual maturities of long-term debt, including the capital lease obligation, as of December 26, 1998 are as follows:

<TABLE>
<CAPTION>

(In thousands)	
Year ending:	
1999	$ 8,255
2000	119,024
2001	15,043
2002	7,143
2003	2,143
Later years	26,428
	$178,036

</TABLE>

Line of Credit

The Company has a credit agreement with certain banks for a total revolving line of credit of $175,000,000. The total available under the line decreases to $149,286,000 on December 31, 1999 and the line expires on December 31, 2000. This line is available at three different interest rate options, which are defined as the agent bank's offshore rate, same day funding rate plus an applicable margin, or the bank's reference rate. The interest rate on the line of credit was 6.20 percent at December 26, 1998.

Senior Notes

On June 6, 1996, the Company completed a private placement of $50,000,000 of senior notes, due 2000 through 2008. Proceeds from the senior notes were used to repay a portion of existing bank borrowings under the Company's line of credit and to fund capital expenditures.

Lease Transaction

On March 29, 1996, the Company entered into a capital lease transaction involving the majority of its direct-store-delivery truck fleet. The $26,000,000 proceeds received by the Company from the lease transaction were used to both repay a portion of existing borrowings under the Company's line of credit and to fund capital expenditures. The interest rate on the capital lease obligation was 6.06 percent at December 26, 1998. The four-year lease has been classified as a capital lease and the related assets are recorded in property, plant and equipment.

The excess of the lease transaction proceeds over the carrying value of the fleet of approximately $9,095,000 was deferred and netted against the carrying value of the capital leased assets. This deferred gain is being credited to income in proportion to the amortization of the capital leased assets.

Fair Value of Financial Instruments

As of December 26, 1998 and December 27, 1997, the fair value of the Company's long-term debt was determined to approximate the carrying amount. The fair value was based on quoted market prices for the same or similar issues or on the current rates offered to the Company for a term equal to the same remaining maturities. It is not practicable to estimate the fair value of the redeemable convertible preferred stock due to the unique terms and conditions of this security.

The Company is subject to the requirements of various financial covenants, including dividend restrictions, under its long-term debt obligations.

Note 9 Leasing Arrangements

The Company conducts certain of its operations from leased facilities, which include land and buildings, production equipment and certain vehicles. All of these leases, except one that has 89 years remaining, including renewal options, expire within a period of twenty-four years, including renewal options. Certain of these leases include non-bargain purchase options.

The minimum rental payments required under non-cancelable leases at December 26, 1998 are as follows:

<TABLE>
<CAPTION>

(In thousands)	Capital	Operating
Year ending:		
1999	$ 5,383	$ 2,872
2000	8,624	2,524
2001		1,979
2002		1,613
2003		1,536
Later years		4,348
	14,007	$14,872

</TABLE>

<TABLE>
<S> <C>

Less: Amounts representing interest	871
Present value of minimum lease payments	13,136
Less: Current portion	4,655
	$ 8,481

</TABLE>

Rental expense for operating leases was $12,447,000, $13,994,000 and $11,665,000 in 1998, 1997 and 1996, respectively.

Note 10 Redeemable Convertible Preferred Stock

On October 3, 1997, the Company's Series B preferred stock was converted into a total of 1,008,000 shares of redeemable convertible Series A preferred stock (Series A), redeemable on June 30, 2001. The Series A preferred stock is convertible, under certain conditions, at an initial conversion price of $17.37 into a total of 5,800,000 shares of common stock.

In preference to shares of common stock, the Series A preferred stockholders are entitled to receive cumulative cash dividends, payable quarterly in arrears. Dividends on the Series A preferred stock are payable at a dividend rate equal to the amount that would be received as if the shares were converted into comparable shares of common stock. Series A preferred stockholders have common stock voting rights equal to the number of common shares into which their preferred stock is convertible. The Company is recording accretion to increase the carrying value to the redemption value of $100,752,000 by June 30, 2001.

Note 11 Common Stock

The Company paid a regular quarterly dividend of $.03 per share of common stock for each quarter of 1998, 1997 and 1996.

During 1987, the Board of Directors declared a dividend of one Preferred Stock Purchase Right (the Rights) for each outstanding share of common stock. Under certain conditions, the Rights become exercisable for the purchase of the Company's preferred or common stock.

Common Stock Split

On November 18, 1997, the Company issued shares of common stock to holders of record on October 30, 1997 to effect a two-for-one common stock split. An amount equal to the par value of the common stock issued was transferred from capital in excess of par to common stock to reflect this split. Additionally, the number of shares, stock price per share, and earnings and dividends per share information appearing in these consolidated financial statements were restated to reflect this stock split on a retroactive basis unless otherwise indicated.

Nestle Equity Issuance

Pursuant to a 1994 equity transaction (the Nestle Agreement), an affiliate of Nestle USA, Inc. (Nestle) purchased 6,000,000 newly issued shares of common stock and warrants to purchase an additional 4,000,000 shares at an exercise price of $16 per share. Warrants for 2,000,000 shares expired unexercised on June 14, 1997. Warrants for the other 2,000,000 shares are exercisable at any time prior to their expiration on June 14, 1999.

The Company has the right to cause Nestle to exercise the remaining warrants at any time through the warrant expiration date at $16 per share, if the average trading price of the common stock exceeds $30 during a 130 trading day period preceding the exercise, subject to certain conditions. Furthermore, if the average trading price of the common stock equals or exceeds $30 during a 130 trading day period before June 14, 1999, Nestle will be required to pay an additional $1 for each share purchased and each share purchased upon exercise of the warrants.

In connection with the Nestle Agreement, the Company entered into a distribution agreement with Nestle Ice Cream Company to distribute Nestle's frozen novelty and ice cream products in certain markets.

Note 12 Employee Benefit Plans

The Company maintains a defined contribution retirement plan (pension plan) for employees not covered by a collective bargaining agreement. The plan provides retirement benefits based upon the assets of the plan held by the trustee. The Company amended its pension plan during 1998 to reduce the percentage of eligible participants' annual compensation it contributes to the plan from 7 percent to 5 percent. The Company also maintains a salary deferral plan (401(k) plan) under which it may make a matching contribution of a percentage of each participant's deferred salary amount.

Pension expense and 401(k) matching contributions under these plans were $5,411,000, $7,500,000 and $7,683,000 in 1998, 1997 and 1996, respectively. The Company's liability for accrued pension contributions and 401(k) matching contributions was $5,648,000 and $7,841,000 at December 26, 1998 and December 27, 1997, respectively.

Pension expense for employees covered by multi-employer retirement plans under collective bargaining agreements was $981,000, $1,056,000 and $956,000 in 1998, 1997 and 1996, respectively.

Note 13   Employee Stock Plans

The Company offers to certain employees various stock option plans, a Section 423 employee stock purchase plan and an employee secured stock purchase plan.

Stock Option Plans

The Company has three stock option plans under which options may be granted for the purchase of the Company's common stock at a price not less than 100 percent of the fair market value at the date of grant. The incentive stock option plan (the 1982 Plan) provides that options are not exercisable until after two years from the date of grant and generally expire six years from the date of grant. The non-qualified stock option plan (the 1992 Plan) provides that options are not exercisable until after two years from the date of grant and expire upon death or termination of employment. In 1994, the stockholders approved an additional stock option plan (the 1993 Plan) under which granted options may be either incentive stock options or non-qualified stock options. This plan provides that options expire no later than ten years from the date of grant. This plan also provides that most of the terms of the options, such as vesting, are within the discretion of the compensation committee, composed of certain members of the Company's board of directors.

No compensation expense has been recognized for these stock option plans. If compensation expense for these plans had been determined based on the estimated fair value at the grant dates, the Company's net (loss) income applicable to common stock and net (loss) income per common share on a pro forma basis would have been as follows:

(In thousands, except per share amounts)	1998	1997	1996
Net (loss) income applicable to common stock	$ (50,530)	$ 1,757	$ 249
Net (loss) income per common share:			
Basic	(1.86)	.07	.01
Diluted	(1.86)	.06	.01

The Company used the Black-Scholes option pricing model to estimate the fair value of options granted during 1998, 1997 and 1996. The assumptions used to compute compensation expense in the above pro forma presentation and to estimate the weighted average fair market value of options granted are as follows:

	1998	1997	1996
Risk-free interest rate	5.74%	6.59%	5.96%
Dividend yield	.53%	.78%	.75%

Volatility	32.29%	31.51%	33.62%
Expected term (years)	5.9	5.7	4.5
Weighted average fair market value	$ 9.10	$ 6.07	$ 6.17

</TABLE>

Stock options exercisable were 2,196,000, 1,719,000 and 1,236,000 at years ended 1998, 1997 and 1996, respectively. These stock options were exercisable at weighted average option prices of $13.69, $13.15 and $13.06 for 1998, 1997 and 1996, respectively.

The activity in the three stock option plans for each of the three years in the period ended December 26, 1998 is summarized below.

<TABLE>
<CAPTION>

(In thousands, except per share amounts)	Options Available for Grant	Options Outstanding	Weighted Average Price Per Share
<S>	<C>	<C>	<C>
Balance, December 30, 1995	920	2,730	$ 12.55
Authorized	2,000		
Granted	(902)	902	15.75
Exercised		(106)	8.87
Canceled	106	(106)	13.46
Balance, December 28, 1996	2,124	3,420	13.49
Granted	(932)	932	15.35
Exercised		(243)	12.58
Canceled	143	(143)	14.32
Balance, December 27, 1997	1,335	3,966	13.97
Granted	(714)	714	22.72
Exercised		(181)	11.99
Canceled	138	(138)	16.42
Balance, December 26, 1998	759	4,361	$ 15.41

</TABLE>

Significant option groups outstanding at December 26, 1998 and related weighted average price per share and life information follows:

(In thousands, except per share amounts)

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Exercise Price Range	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life(Years)	Options Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$ 9.75-14.06	1,856	$ 12.58	5.2	1,461	$ 12.58
14.63-19.75	1,835	15.52	7.4	704	15.50
22.88-25.38	670	22.95	9.2	31	24.57
	4,361	$ 15.41		2,196	$ 13.69

</TABLE>

Section 423 Employee Stock Purchase Plan

Under the section 423 employee stock purchase plan, employees may authorize payroll deductions of up to 10 percent of their compensation for the purpose of acquiring shares at 85 percent of the market price determined at the beginning of a specified twelve month period. Under this plan, employees purchased 34,000 shares at prices ranging from $13.15 to $19.87 per share in 1998, 30,000 shares* at prices ranging from $24.65 to $25.93 per share* in 1997 and 24,000 shares* at prices ranging from $22.00 to $32.94 per share* in 1996. Compensation expense based on the fair value of the employees' purchase rights was not material in 1998, 1997 and 1996.

Employee Secured Stock Purchase Plan

Under the employee secured stock purchase plan, on specified dates, employees may purchase shares at fair market value by paying 20 percent of the purchase price in cash and the remaining 80 percent of the purchase price in the form of a non-recourse promissory note with a term of 30 years. Under this plan, employees purchased 83,000 shares at prices ranging from $13.38 to $20.13 per share in 1998, 20,000 shares* at prices ranging from $30.25 to $48.25 per share* in 1997 and 28,000 shares* at prices ranging from $28.50 to $31.75 per share* in 1996.

Note 14 Insurance Settlements and Trademark Sale

During 1998, 1997 and 1996, the Company recorded several gains relating to claims filed under its insurance policies. These claims resulted from accidents that contaminated certain finished goods inventories. Under the Company's insurance policies, the Company is entitled to receive the value of the affected finished goods inventories at their normal selling price, plus expenses incurred in recovering from these accidents. These claims resulted in gains of $1,300,000, $2,355,000 and $2,100,000 in 1998, 1997 and 1996, respectively, which were recorded as reductions in cost of goods sold.

In December 1996, the Company sold trademark rights for the People's Republic of China, Hong Kong and Macau to a third-party independent distributor for $2,600,000. Also in December 1996, the Company recorded $1,043,000 of gross margin relating to the sale of a three to five month supply of its products to this same distributor.

In 1998, insurance claims decreased 1998 net loss by $807,000, or $0.03 per diluted common share. In 1997, insurance claims increased 1997 net income by $1,430,000, or $0.05 per diluted common share. The 1996 transactions, including gains from insurance claims, increased 1996 net income by $3,538,000, or $0.13 per diluted common share.

Note 15 Contingencies

The Company is engaged in various legal actions as both plaintiff and defendant. Management believes that the outcome of these actions, either individually or in the aggregate, will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

* The share information is presented before the effect of the 1997 common stock split. (See Note 11.)

Note 16 Selected Quarterly Financial Data (Unaudited)

<TABLE>
<CAPTION>

(In thousands, except per share amounts)	Sales	Gross Margin	(Loss) Income Before Cumulative Effect of Change in Accounting Principle(1)	Cumulative Effect of Change in Accounting Principle	Net (Loss) Income Applicable to Common Stock	Price Range Per Common Share (NASDAQ)(2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1998						
1st Quarter	$ 215,082	$ 36,114	$ (5,905)		$ (5,905)	$20.00-25.38
2nd Quarter	280,273	62,502	4,255		4,255	19.38-26.75
3rd Quarter	302,972	64,054	(6,261)		(6,261)	9.44-21.50
4th Quarter	224,008	31,803	(39,719)		(39,719)	9.00-17.38
	$1,022,335	$194,473	$(47,630)		$(47,630)	
1997						
1st Quarter	$ 200,438	$ 38,187	$ (1,300)		$ (1,300)	$14.50-17.25
2nd Quarter	271,972	59,255	4,937		4,937	14.88-20.13
3rd Quarter	286,256	65,641	3,715		3,715	18.75-27.50
4th Quarter	211,431	42,463	(2,638)	$ 746	(3,384)	18.50-26.50

	$ 970,097	$205,546	$ 4,714	$ 746	$ 3,968
	==========	========	========	========	=========

</TABLE>

<TABLE>
<CAPTION>

	Basic Net (Loss) Income Per Common Share(2)			Diluted Net (Loss) Income Per Common Share(2)		
	(Loss) Income Before Cumulative Effect of Change in Accounting Principle(3)	Cumulative Effect of Change in Accounting Principle	Net (Loss) Income(3)	(Loss) Income Before Cumulative Effect of Change in Accounting Principle(3)	Cumulative Effect of Change in Accounting Principle	Net (Loss) Income(3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1998						
1st Quarter	$ (.22)		$ (.22)	$ (.22)		$ (.22)
2nd Quarter	.16		.16	.13		.13
3rd Quarter	(.23)		(.23)	(.23)		(.23)
4th Quarter	(1.45)		(1.45)	(1.45)		(1.45)
1997						
1st Quarter	$ (.05)		$ (.05)	$ (.05)		$ (.05)
2nd Quarter	.18		.18	.18		.18
3rd Quarter	.14		.14	.13		.13
4th Quarter	(.10)	$ (.03)	(.13)	(.10)	$ (.03)	(.13)

</TABLE>

(1) (Loss) income has been reduced by preferred stock dividends and accretion of preferred stock to redemption value.

(2) Retroactively restated to reflect the effects of the common stock split in 1997.

(3) The number of weighted average shares outstanding used in the computation of net (loss) income per common share increases and decreases as shares are issued and repurchased during the year. For this reason, the sum of net (loss) income per common share for the quarters may not be the same as the net (loss) income per common share for the year.

Report of independent accountants

To the Board of Directors and Stockholders of
Dreyer's Grand Ice Cream, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Dreyer's Grand Ice Cream, Inc. and its subsidiaries at December 26, 1998 and December 27, 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 26, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for reengineering costs in the fourth quarter of 1997.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
San Francisco, California
February 22, 1999

Five-year summary of significant financial data

<TABLE>
<CAPTION>

(In thousands, except per share amounts)	1998	1997	1996	1995	1994
	Fiscal Year Ended December				
Operations:					
Sales and other income	$ 1,025,988	$ 973,091	$ 796,195	$ 681,052	$ 566,602
(Loss) income before cumulative effect of change in accounting principle	(46,510)	8,774	6,997	(1,524)	1,001
Net (loss) income	(46,510)	8,028	6,997	(1,524)	1,001
Net (loss) income applicable to common stock	(47,630)	3,968	2,000	(3,496)	1,001
Per Common Share:					
Basic:					
(Loss) income before cumulative effect of change in accounting principle(1)	(1.75)	.18	.08	(.13)	.03
Net (loss) income(1)	(1.75)	.15	.08	(.13)	.03
Diluted:					
(Loss) income before cumulative effect of change in accounting principle(1)	(1.75)	.17	.07	(.13)	.03
Net (loss) income(1)	(1.75)	.14	.07	(.13)	.03
Dividends declared(1)	.12	.12	.12	.12	.12
Balance Sheet:					
Total assets	463,180	502,798	478,907	414,105	362,026
Working capital	61,059	78,576	70,136	69,361	48,403
Long-term debt, including convertible subordinated debentures	169,781	165,913	163,135	134,000	146,852
Redeemable convertible preferred stock	99,654	99,230	98,806	98,382	
Stockholders' equity	62,633	109,340	104,063	92,263	135,921

</TABLE>

(1) Retroactively restated to reflect the effects of the common stock split in 1997.

Management's discussion and analysis

Results of Operations

Forward-Looking Statements

The Company may from time to time make written or oral forward-looking statements. Written forward-looking statements may appear in documents filed with the Securities and Exchange Commission, in press releases and in reports to stockholders. The Private Securities Litigation Reform Act of 1995 contains a "safe harbor" for forward-looking statements upon which the Company relies in making such disclosures. In accordance with this "safe harbor" provision, we have identified that forward-looking statements are contained in this Annual Report. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

Also, in connection with this "safe harbor" provision, the Company identifies important factors that could cause the Company's actual results to differ materially from those contained in any forward-looking statement made by or on behalf of the Company. Those factors include but are not limited to those discussed in the section Risks and Uncertainties in Management's discussion and analysis. Any such statement is qualified by reference to the cautionary statements set forth in the section Risks and Uncertainties and in the Company's other filings with the Securities and Exchange Commission.

Financial Summary

The Company recorded a net loss applicable to common stock of $(47,630,000), or

$(1.75) per common share for fiscal 1998. These results represent a substantial decrease from the net income applicable to common stock of $3,968,000, or $0.14 per diluted common share reported for fiscal 1997. Consolidated net sales increased 5 percent over fiscal 1997 to $1,022,335,000, surpassing $1 billion for the first time in the Company's history. The results for fiscal 1998 reflect the effects of the Company's previously announced restructuring program and other actions, and certain charges related to changes in its distribution arrangement with Ben & Jerry's Homemade, Inc. (Ben & Jerry's).

Background

In fiscal 1994 the Company adopted a strategic plan to accelerate the sales of its brand throughout the country (the Strategic Plan). The key elements of this plan are: 1) to build high margin brands with leading market shares through effective consumer marketing activities, 2) to expand the Company's direct-store-delivery distribution network to national scale and enhance this capability with sophisticated information and logistics systems and 3) to introduce innovative new products. The potential benefits of the Strategic Plan are increased market share and future earnings above those levels that would be attained in the absence of the Strategic Plan.

In accordance with the Strategic Plan, the Company embarked on an aggressive national expansion. This expansion involved the entry into 34 new markets, which included the opening of a major manufacturing and distribution center in Texas, a significant increase in marketing spending and the introduction of several new products. At the same time, the Company invested in its soft-serve equipment manufacturing business (Grand Soft). The investments required to fund the brand building actions and national expansion and to support the Grand Soft business substantially increased the Company's cost structure.

Beginning in late fiscal 1997 and continuing into fiscal 1998, the cost of dairy, the primary ingredient in ice cream, increased significantly. These costs peaked in fiscal 1998 at a rate more than double that experienced in the prior year. This increase reduced the Company's fiscal 1998 gross margin by approximately $22,000,000 when compared to fiscal 1997. Aggressive discounting by the Company's competitors made it difficult to raise prices by an amount sufficient to compensate for these higher dairy costs. During this same period, sales volumes of the Company's "better for you" products continued the significant decline that began in fiscal 1997, consistent with an industry-wide trend. These "better for you" products enjoy a higher margin than the Company's classic ice cream and the volume decline had a significant impact on the Company's profitability in 1998. Finally, in August 1998, Ben & Jerry's informed the Company of its intention to terminate its distribution contract. Subsequent negotiations with Ben & Jerry's yielded revisions to the original contract terms which will reduce the Company's distribution gross margin of Ben & Jerry's products by approximately 54 percent starting September 1, 1999. The Company estimates that the markets where it will stop distributing Ben & Jerry's products contributed approximately 6 percent of its gross margin, or $13,000,000, in fiscal 1998.

The above factors: the higher dairy costs; the decline in "better for you" volumes; and the reduction in future Ben & Jerry's sales; had and will have a negative effect on the Company's gross margin and its ability to successfully implement the Strategic Plan. The Company, therefore, concluded that a thorough reassessment of its cost structure and strategy was necessary. This reassessment yielded a restructuring program designed to improve profitability and accelerate cost reductions by increasing focus on the core elements of the Strategic Plan. The reassessment also addressed the need to review the valuation of certain assets unfavorably impacted by Ben & Jerry's decision to change its distribution agreement with the Company. On October 16, 1998, the board of directors approved the restructuring program.

Revision of Ben & Jerry's Distribution Agreement

During the third quarter of fiscal 1998, Ben & Jerry's notified the Company of its intention to terminate the distribution contract between the Company and Ben & Jerry's. The Company subsequently entered into negotiations with Ben & Jerry's to resolve issues associated with the pending termination. In the first quarter of fiscal 1999, the companies announced that they reached a resolution regarding these issues by amending the existing distribution agreement and entering into a new distribution agreement. As a result, the Company will continue to distribute Ben & Jerry's products until August 31, 1999 in all existing markets, except the New York metropolitan area (discussion follows in Restructuring Program and Other Actions), and on terms and conditions different in some respects from those in place prior to the amendment. The Company will stop distributing Ben & Jerry's products in New York on April 1, 1999. Starting September 1, 1999, the Company's distribution gross margin of Ben & Jerry's products will be reduced by approximately 54 percent under the new distribution agreement. Additionally, Ben

& Jerry's notified the Company of its intention to terminate its separate distribution agreement with the Company's independent distributor in Texas (discussion follows in Restructuring Program and Other Actions).

In 1998, the distribution margin on Ben & Jerry's products contributed just over 11 percent of the Company's total gross margin. The Company estimates that the distribution gross margin in the markets where it will stop distributing Ben & Jerry's products later in fiscal 1999 represented approximately 6 percent, or $13,000,000, of its total gross margin in fiscal 1998. Ultimately the Company expects to recoup this lost margin through the introduction of its own, higher margin branded products. The Company does anticipate some transitional negative financial impact in late fiscal 1999 as the Ben & Jerry's relationship changes and the Company incurs costs associated with launching its own new products.

Restructuring Program and Other Actions

The implementation of the restructuring program and other actions resulted in a pre-tax charge to earnings of $59,114,000 in fiscal 1998. This includes $10,590,000 recorded in the third quarter which related primarily to Ben & Jerry's actions that occurred in September 1998 and to a severance program, which management had already begun in advance of board approval of the remainder of the restructuring program. The remainder of the charges, $48,524,000, was recorded in the fourth quarter of fiscal 1998.

The five key elements of the restructuring program and other actions are as follows:

- The Company decided to exit the equipment manufacturing business associated with its Grand Soft ice cream unit. The Grand Soft business consists of both ice cream sales and equipment manufacturing operations. The Company will remain in the profitable ice cream portion of this business, while exiting the unprofitable equipment manufacturing operation. In the fourth quarter of fiscal 1998, the Company recorded $8,696,000 in asset impairment charges and $2,258,000 in estimated closing costs associated with the withdrawal from this business. The Company expects to exit the equipment manufacturing operation by June 1999.

The $8,696,000 charge is included in impairment of long-lived assets in the Consolidated statement of operations and is comprised of $5,714,000 of goodwill, $1,956,000 of property, plant and equipment and $1,026,000 of inventory and other assets. The remaining assets of Grand Soft total $1,762,000 and consist primarily of trade accounts receivable, which are fully recoverable. The assets were written down to net realizable value based on an estimate of what an independent third party would pay for the assets of the business. The charge of $2,258,000 for closing costs is included in restructuring charges in the Consolidated statement of operations and a $2,258,000 liability is included in accounts payable and accrued liabilities in the Consolidated balance sheet, as no closing costs were paid in fiscal 1998. The closing costs are based on estimates of legal fees, employee separation payments and expected settlements. The closing costs include $576,000 of severance related costs for the 23 employees, from all areas of responsibility, who were notified of their pending termination prior to fiscal year end. The Grand Soft manufacturing operations generated revenues of $3,093,000, $3,346,000 and $6,007,000 and incurred pre-tax operating losses of $(2,335,000), $(2,274,000) and $(1,628,000) in fiscal years 1998, 1997 and 1996, respectively.

- The Company has implemented a program designed to reduce operating expenses in manufacturing, sales and distribution and administration. Core pieces of this program include outsourcing of certain non-strategic activities, consolidation of warehouse facilities and selected reductions in sales and distribution staffing. The Company completed these actions in the fourth quarter, and believes that they will improve operating margins without sacrificing market coverage or sales effectiveness.

- As part of this program, the Company reviewed operations at all of its manufacturing facilities in order to identify and dispose of under-utilized assets. As a result of this review, the Company recorded a charge to cost of goods sold of $5,317,000 in the fourth quarter, related primarily to write down of manufacturing assets.

In connection with reducing operating expenses for sales and distribution, the Company recorded $1,042,000 of severance and related charges in the fourth quarter that are included in the restructuring charges in the Consolidated statement of operations. A total

of 38 sales and distribution employees were to be terminated under this program. Of this total, 16 were terminated in fiscal 1998 and paid $153,000 in severance benefits. The remaining 22 employees were notified of their pending termination prior to fiscal year end. An accrual for severance benefits of $889,000 was outstanding at year end. The Company also recorded a $933,000 charge to cost of goods sold in the third quarter for severance actions begun in advance of board approval of the remainder of the restructuring program. The Company paid $514,000 of these severance benefits in fiscal 1998, leaving a liability of $419,000 at fiscal year end which is included in accounts payable and accrued liabilities in the Consolidated balance sheet.

In addition, the Company charged to expense $4,478,000 of previously capitalized costs classified as property, plant and equipment associated with the expansion of its headquarters, as the expansion plan was canceled in an effort to reduce future administration costs. The $4,478,000 charge was based on a third party independent appraisal of the fair market value of the related real property and is included in impairment of long-lived assets on the Consolidated statement of operations.

- The Company, in carrying out its national expansion program, made significant investments to support an aggressive expansion in Texas. These investments, while building sales volume, delivered results below expectations. The Company is now modifying this expansion strategy in order to concentrate on more profitable opportunities. The objective in Texas will be to preserve volumes while seeking margin improvement. As a result of this change in strategy, the Company will realize substantially lower production volumes over the remaining useful life of its Texas manufacturing plant than originally contemplated. The Company has therefore concluded that its investment in the Texas plant is non-recoverable and has recorded an impairment charge of $16,200,000 in the fourth quarter to reduce the net book value of the plant to its estimated fair market value. The $16,200,000 impairment charge was based on a third party independent appraisal and is included in impairment of long-lived assets in the Consolidated statement of operations.

- Ben & Jerry's indicated its intent to terminate its separate distribution agreement with the Company's independent distributor in Texas, (the Texas Distributor), in which the Company has a 16 percent minority equity interest. Ben & Jerry's action placed at significant risk the recoverability of the Company's equity investment, distribution rights, and trade receivables relating to this distributor. In the third quarter of fiscal 1998, the Company recorded a bad debt provision of $5,000,000 relating to the trade receivables, when originally notified of the Ben & Jerry's decision. The $5,000,000 bad debt provision is included in selling, general and administrative expenses in the Consolidated statement of operations. In light of Ben & Jerry's plans to terminate its relationship with the Texas Distributor and the previously noted change in the Company's Texas strategy, the Company evaluated the recoverability of all assets associated with the Texas Distributor. Accordingly, in addition to the accounts receivable reserve recorded in the third quarter, the Company recorded additional charges of $10,533,000 in the fourth quarter related to the impairment of its minority equity investment and distribution rights associated with the Company's contract with the Texas Distributor. The Company concluded that these assets were unrecoverable due to the substantially reduced profits and cash flow resulting from Ben & Jerry's decision to terminate the Texas Distributor's distribution agreement. The $10,533,000 charge is comprised of $9,449,000 of distribution rights and $1,084,000 of the equity investment and is included in impairment of long-lived assets in the Consolidated statement of operations.

- Due to the notice of termination from Ben & Jerry's, the Company charged to expense $4,657,000 of unamortized portion of distribution rights related to the acquisition of the Ben & Jerry's New York distributor. The Company acquired this business in fiscal 1989, in the development of its long-standing relationship with Ben & Jerry's. The other tangible assets of this business have been merged with the Company's New York operations and are fully recoverable. This charge was recorded in the third quarter of fiscal 1998 and is included in impairment of long-lived assets in the Consolidated statement of operations.

The following table summarizes the classification of the charges in the Consolidated statement of operations related to the restructuring program and other actions:

<TABLE>
<CAPTION>

	1998		
(In thousands)	Third Quarter	Fourth Quarter	Full Year
<S>	<C>	<C>	<C>
Restructuring charges:			
Grand Soft	$	$ 2,258	$ 2,258
Sales and distribution severance		1,042	1,042

		3,300	3,300
Impairment of long-lived assets:			
Grand Soft		8,696	8,696
Texas plant		16,200	16,200
Texas independent distributor		10,533	10,533
Ben & Jerry's revision	4,657		4,657
Headquarters' expansion		4,478	4,478
	4,657	39,907	44,564
Other charges:			
Texas independent distributor	5,000		5,000
Sales and distribution severance	933		933
Asset disposals		5,317	5,317
	5,933	5,317	11,250
	$10,590	$48,524	$59,114

</TABLE>

The following table summarizes the accruals included in accounts payable and accrued liabilities in the Consolidated balance sheet related to the restructuring program and other actions:

<TABLE>
<CAPTION>

(In thousands)	1998
Restructuring accruals:	
Grand Soft	$2,258
Sales and distribution severance	889
	3,147
Other accruals:	
Sales and distribution severance	419
	$3,566

</TABLE>

The Company anticipates an improvement in pre-tax income of approximately $14,000,000 in fiscal 1999 as a result of the restructuring program and other actions. The $14,000,000 will be realized through reduced depreciation and amortization expense of approximately $5,300,000 and reduced salaries and operating expenses of approximately $9,700,000. In addition, the Company anticipates that cash inflows from tax deductions and proceeds from asset sales will more than offset the cash costs of the restructuring program and other actions.

Risks and Uncertainties

Certain statements contained in this Annual Report are forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks and uncertainties, which may cause the Company's actual actions or results to differ materially from those contained in the forward-looking statements.

The Company believes that the benefits under the Strategic Plan will be realized in future years, although no assurance can be given that the expectations relative to future market share and earnings benefits of the strategy will be achieved. Specific factors that might cause such a difference include, but are not limited to, the Company's ability to achieve the cost reductions anticipated from its restructuring program and to achieve efficiencies in its manufacturing and distribution operations without negatively affecting sales, the cost of dairy and other commodities used in the Company's products, competitors' marketing and promotion responses, market conditions affecting the price of the Company's products, the Company's ability to increase sales of its own branded products, and responsiveness of the trade and consumers to the Company's new products and increased marketing and promotional expenses.

Adoption of New Accounting Standard

The Company is required to adopt the Accounting Standards Executive Committee's Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" (SOP 98-5) in the first quarter of fiscal 1999. SOP 98-5 requires that the costs of start-up activities, including preoperating costs, should be expensed as incurred. The Company has capitalized preoperating costs such as those incurred during the construction and start-up of new manufacturing and distribution facilities and introductory allowances paid to customers. These costs are amortized over one to three years. As a result of adopting SOP 98-5, the Company will expense unamortized preoperating costs in the first quarter of fiscal 1999 as a cumulative effect of a change in accounting principle. The Company does not expect the adoption of SOP 98-5 to have a material adverse effect on its financial position.

Fiscal 1998 Compared with Fiscal 1997

Consolidated sales for fiscal 1998 increased 5 percent, or $52,238,000, to $1,022,335,000 from $970,097,000 for fiscal 1997. Sales of the Company's branded products were 5 percent, or $29,344,000, higher than fiscal 1997, as a result of higher unit sales and increased selling prices. The products that led this increase were Dreyer's and Edy's Homemade Ice Cream and Dreyer's and Edy's Grand Ice Cream, offset by significant declines in the Company's "better for you" frozen yogurt, sugar free, reduced fat and fat free products. The higher sales were due in part to the effect of a significant increase in trade promotion spending. The average national dollar market share of the Company's Dreyer's and Edy's branded products was 15.5 percent, in the final quarters of 1998 and 1997. Sales of other companies' branded products (partner brands) increased 7 percent, led by Ben & Jerry's Homemade(R) superpremium products. Sales of partner brands represented 37 percent of consolidated sales in fiscal 1998 compared with 36 percent in fiscal 1997. Wholesale prices for the Company's branded products increased approximately 2 percent, before the effect of increased trade promotion expense. The effect of price increases for partner brands was approximately 4 percent.

Other income increased $659,000, or 22 percent, due to higher earnings from a joint venture accounted for under the equity method.

Cost of goods sold increased $63,311,000, or 8 percent, over fiscal 1997, while the overall gross margin decreased from 21.2 percent to 19.0 percent. The gross margin decreased due to dairy costs that were approximately $22,000,000 higher than fiscal 1997 dairy costs.

Selling, general and administrative expenses increased from 19 percent of sales for fiscal 1997 to 21 percent of sales for fiscal 1998. The increase of $28,761,000, or 16 percent in fiscal 1998 compared with fiscal 1997, related primarily to both significantly higher trade promotion and the establishment of a $5,000,000 reserve for trade receivables relating to an independent distributor. (See Note 3 of Notes to consolidated financial statements.)

Interest expense was $2,311,000, or 22 percent, higher in fiscal 1998 than fiscal 1997, due primarily to higher average borrowings on the Company's line of credit.

Fiscal 1997 Compared with Fiscal 1996

Consolidated sales for fiscal 1997 increased 23 percent, or $178,256,000, to $970,097,000 from $791,841,000 for fiscal 1996. Sales of the Company's branded products were 25 percent, or $124,776,000, higher than fiscal 1996 and accounted for the majority of the overall sales increase. The increase in sales of the Company's branded products related primarily to higher unit sales in all markets. The products that led this increase were Dreyer's and Edy's Grand Ice Cream, Dreyer's and Edy's Homemade Ice Cream, Starbucks(R) Ice Cream, and Dreyer's and Edy's Grand Light(R) Ice Cream. These higher sales were due in part to the effect of a significant increase in trade promotion spending. The average national dollar market share of the Company's Dreyer's and Edy's branded products increased to 15.5 percent in the final quarter of 1997 from 13.3 percent for the same period in 1996. Sales of other companies' branded products (partner brands) increased 18 percent, led by Healthy Choice(R) low fat ice cream from Con Agra, Inc., Ben & Jerry's Homemade(R) superpremium products, and frozen novelty and ice cream products from Nestle Ice Cream Company. Sales of partner brands represented 36 percent of consolidated sales in fiscal 1997 compared with 38 percent in fiscal 1996. Wholesale prices for the Company's branded products increased approximately 3 percent, before the effect of increased trade promotion expense. The effect of price increases for partner brands was not significant.

Other income decreased $1,360,000, or 31 percent, due to the sale of trademark rights for the People's Republic of China, Hong Kong and Macau to a third-party distributor for $2,600,000 in fiscal 1996 (see Note 14 of Notes to consolidated financial statements), partially offset in fiscal 1997 by higher earnings from a joint venture accounted for under the equity method.

Cost of goods sold increased $135,266,000, or 22 percent, over fiscal 1996, while the overall gross margin increased to 21.2 percent from 20.5 percent. The gross margin increased due to higher margins on Company's branded products, and a comparatively higher proportion of those sales (which carry a higher margin than partner brands), offset slightly by a decrease in partner brand gross margin due to changes in product mix. The improvement in the gross margin on the Company's branded products was due to lower dairy costs in fiscal 1997 as compared to fiscal 1996. The Company recorded a pre-tax gain of $2,355,000 resulting from various insurance claims during fiscal 1997, which was recorded as a reduction in cost of goods sold. (See Note 14 of Notes to consolidated financial statements.) These insurance gains are largely non-recurring and as such may not be available in future periods.

Selling, general and administrative expenses increased from 18 percent of sales for fiscal 1996 to 19 percent of sales for fiscal 1997. The increase of $37,387,000, or 26 percent, related primarily to significantly higher trade promotion expenses in fiscal 1997 compared with fiscal 1996.

Interest expense was $1,147,000, or 12 percent, higher in fiscal 1997 than fiscal 1996 due primarily to additional interest expense from the issuance of senior notes in the second quarter of fiscal 1996, partially offset by a reduction in interest expense on the Company's line of credit due to lower average borrowings.

Tax Provisions

The Company's income tax provisions differ from tax provisions calculated using the federal statutory tax rate primarily due to tax credits, state income taxes and the reversal of income taxes provided in prior periods. (See Note 7 of Notes to consolidated financial statements.)

Seasonality

The Company experiences more demand for its products during the spring and summer than during the fall and winter. (See Note 16 of Notes to consolidated financial statements.)

Effects of Inflation and Changing Prices

The largest component of the Company's cost of production is raw materials, principally dairy products and sugar. Historically, the Company has been able to compensate for increases in the price level of these commodities through manufacturing and distribution operating efficiencies. However, in fiscal 1998, unusually high dairy costs negatively impacted the Company's gross margin by approximately $22,000,000 as compared to fiscal 1997. In fiscal 1997, dairy prices decreased resulting in an improvement in gross margin of approximately $3,800,000 when compared to fiscal 1996. Other cost increases such as labor and general administrative costs have been offset by productivity gains and other operating efficiencies.

Market Risk

The Company has long-term debt with both fixed and variable interest rates. As a result, the Company is exposed to market risk caused by fluctuations in interest rates. The following summarizes the Company's long-term debt interest rates at December 26, 1998:

($ in thousands)	Balance at Dec. 26, 1998	Interest Rates
Fixed Interest Rates:		
Senior notes	$50,000	7.68-8.34%
Senior notes	10,600	9.3%
Variable Interest Rates:		
Revolving line of credit	$99,800	6.20%

Capital lease obligation	13,136	6.06%
Industrial revenue bonds	4,500	3.40%
	=======	

</TABLE>

If interest rates increased ten percent, the Company's annual interest expense would increase approximately $714,000.

The Company does not have short-term or long-term investments. Additionally, the Company does not transact business in foreign currencies. As such, the Company is not at risk due to fluctuations in foreign exchange rates.

Financial Condition

Liquidity and Capital Resources

The Company's operations provided cash flow of $29,196,000 during fiscal 1998 compared with $39,040,000 and $33,260,000 provided in fiscal 1997 and fiscal 1996, respectively. Working capital of the Company decreased to $61,059,000 in fiscal 1998 compared with $78,576,000 and $70,136,000 during fiscal 1997 and fiscal 1996, respectively.

The Company continued to expand its manufacturing capacity and direct-store-delivery distribution system through investments of $35,078,000 in property, plant and equipment during fiscal 1998 compared with $38,470,000 and $58,470,000 during fiscal 1997 and fiscal 1996, respectively. The Company plans to spend approximately $17,000,000 during fiscal 1999 on property, plant and equipment primarily for further expansion of its manufacturing capacity, construction of distribution facilities and replacement of delivery vehicles. It is anticipated that these additions will be largely financed through internally generated funds and borrowings.

The Company's financing activities provided cash of $4,001,000 during fiscal 1998 compared with cash used of $662,000 during fiscal 1997 and cash provided of $28,513,000 during fiscal 1996. During fiscal 1998, borrowings of $12,400,000 on the Company's line of credit and cash flows from operations were used to both make $8,641,000 of scheduled payments on the Company's other debt and to pay $3,950,000 in cash dividends to common and preferred stockholders. During fiscal 1997, borrowings of $11,700,000 on the Company's line of credit and cash flows from operations were used to both make $9,070,000 of scheduled payments on the Company's other debt and $7,833,000 in cash dividends to common and preferred stockholders. During fiscal 1996, $50,000,000 of proceeds from the issuance of senior notes and the completion of a $26,000,000 lease transaction involving the majority of its direct-store-delivery truck fleet provided cash used for both investments in property, plant and equipment and to reduce borrowings on the Company's long-term line of credit. (See Note 8 of Notes to consolidated financial statements.)

Refer to the Consolidated statement of cash flows for the components of increases and decreases in cash and cash equivalents for the three year period ended December 26, 1998.

On October 3, 1997, the Company converted its redeemable convertible Series B preferred stock to redeemable convertible Series A preferred stock. (See Note 10 of Notes to consolidated financial statements.)

On November 18, 1997, the Company issued shares of common stock to holders of record on October 30, 1997 to effect a two-for

one common stock split. (See Note 11 of Notes to consolidated financial statements.)

Nestle has stock warrants to purchase 2,000,000 shares of common stock at $16 per share, exercisable at any time prior to their expiration on June 14, 1999.

During fiscal 1996, the Company acquired the remaining 50.3 percent of the outstanding common stock of M-K-D for 320,000 newly issued shares of its common stock* having a value of $10,800,000. (See Note 6 of Notes to consolidated financial statements.)

As of December 26, 1998, the Company had deferred tax assets relating to net operating losses (NOL) carryforwards, alternative minimum tax and research tax credit carryforwards. The pre-tax federal NOL carryforwards $3,647,000 expire in 2018. The research tax credit carryforwards of $2,334,000 expire between 2012 and 2018. The alternative minimum tax carryforwards of $4,398,000 can be carried forward indefinitely, as they do not expire. Utilization of these carryforwards may be limited in the event of a change in ownership of the Company. No valuation allowance for these assets has been recorded because the Company believes that it is more likely than not that these carryforwards will be used in future years to offset taxable income. (See Note 7 of Notes to consolidated financial statements.)

The Company's inventory is maintained at the same general level relative to sales throughout the year by adjusting production and purchasing schedules to meet demand. The ratio of inventory to sales typically does not vary significantly from year to year.

The Company reviewed its restructuring program and other actions with its various banks and private lenders and secured modifications to its debt agreements required as a result of the restructuring program. These modifications will result in higher interest rates on certain debt securities during fiscal 1999, which the Company believes will be more than offset by lower borrowings.

The Company anticipates that the restructuring program and other actions will enhance its cash flow, both through short-term tax benefits, which will more than offset any pre-tax cash outflows, and through longer-term savings in its cost structure. The Company also has completed a phase of capital investment required to support geographical expansion, and will reduce its capital spending in fiscal 1999.

The Company's Series A redeemable convertible preferred stock, par value $100,752,000, is convertible at any time at the option of the holder into 5,800,000 newly issued shares of common stock of the Company. The holder may instead redeem the issue for cash at par value on June 30, 2001. The Company presently anticipates that it would fund such a redemption from operating cash flows, borrowings or other financing sources.

As of fiscal year-end 1998, the Company had $1,171,000 in cash and cash equivalents, and an unused credit line of $75,200,000. (See Note 8 of Notes to consolidated financial statements.) The current credit line expires on December 31, 2000. The Company believes that its credit line, along with its liquid resources, internally generated cash and financing capacity are adequate to meet anticipated operating and capital requirements.

Year 2000 Compliance

The Company is in the process of addressing its Year 2000 compliance. Critical centralized information systems (software and hardware) are either being upgraded or enhanced for Year 2000 compliance. The Company expects to complete the upgrades or enhancements to its centralized information systems by June 1999. Embedded chip technology used in the Company's manufacturing systems is also being reviewed to determine if upgrades or enhancements are necessary. The Company expects to complete the embedded chip review process by March 1999. The Company is also surveying key customers and suppliers to determine the status of their Year 2000 compliance programs. The survey process is scheduled for completion by mid-year 1999.

The Company believes the Year 2000 issue does not pose a significant operational or financial risk. The Company has only one customer comprising 10 percent of sales. The Company also has a broad base of suppliers with multiple sourcing options for all purchases. Nevertheless, the Company is in the process of developing appropriate contingency plans in an attempt to minimize the effect of any issues that may arise from the failure of the Company, its suppliers or its customers to complete Year 2000 compliance work. The Company believes that it will complete the contingency plan by the third quarter of fiscal 1999.

The Company's assessment of the Year 2000 issue is based upon certain assumptions that may later prove to be inaccurate. The greatest potential risks relate to those situations beyond the Company's control, particularly the inability of suppliers and customers to be Year 2000 compliant, which would cause disruptions in the manufacturing and distribution operations. Additionally, customers' inability to pay in a timely manner and the disruption of electronic invoicing and payment systems could cause financial risk and losses to the Company. The Company expects to be able to more fully enumerate the operational and financial risks from the Year 2000 issue upon completion of the reviews discussed above.

The total cost for the Company's Year 2000 initiatives is estimated to be $6,000,000 of which $3,500,000 was incurred during fiscal 1998 and $2,500,000 will be incurred during fiscal 1999. The majority of these costs relate to the accelerated replacement of capitalized hardware and software systems. The Company's cost estimates do not include costs that may result from the failure of third parties to be Year 2000 compliant or the costs to implement contingency plans. The Company does not expect the cost of Year 2000 compliance to have a material impact on the Company's financial position, results of operations or cash flows.

* The share information is presented before the effect of the 1997 common stock

split. (See Note 11.)

EXHIBIT 21

SUBSIDIARIES OF DREYER'S GRAND ICE CREAM, INC.

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Edy's Grand Ice Cream	California
*Edy's of Illinois, Inc.	Illinois
Dreyer's International, Inc.	U.S. Virgin Islands
Grand Soft Capital Company	California
Grand Soft Equipment Company (formerly Polar Express Systems International, Inc.)	Kentucky
Portofino Company	California

</TABLE>

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* Subsidiary of Edy's Grand Ice Cream

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-7350, 33-8418, 33-35561, 33-36092, 33-40275, 33-56417, 33-56411, 33-56413 and 33-16701) of Dreyer's Grand Ice Cream, Inc. of our report dated February 22, 1999 appearing in the 1998 Annual Report to Stockholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP
San Francisco, California
March 25, 1999

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