FORM S-4

Registration of securities issued in business combination transactions

Filing Date: **1998-11-13**
SEC Accession No. 0000950131-98-005994

FILER

FAVORITE BRANDS INTERNATIONAL INC
CIK:**1073410**| IRS No.: **752608980** | State of Incorp.:**DE** | Fiscal Year End: **0626**
Type: **S-4** | Act: **33** | File No.: **333-67221** | Film No.: **98746778**

Mailing Address
25 TRI STATE
INTERNATIONAL
LINCOLNSHIRE IL 60069

Business Address
25 TRI STATE
INTERNATIONAL
LINCOLNSHIRE IL 60069
8974055800

TROLLI INC
CIK:**1073411**| IRS No.: **521716800** | State of Incorp.:**DE** | Fiscal Year End: **0626**
Type: **S-4** | Act: **33** | File No.: **333-67221-01** | Film No.: **98746779**

Mailing Address
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LINCOLNSHIRE IL 60069
8974055800

SATHER TRUCKING CORP
CIK:**1073412**| IRS No.: **411849044** | State of Incorp.:**DE** | Fiscal Year End: **0626**
Type: **S-4** | Act: **33** | File No.: **333-67221-02** | Film No.: **98746780**

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LINCOLNSHIRE IL 60069
8974055800

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 12, 1998

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

FAVORITE BRANDS INTERNATIONAL, INC.
AND THE GUARANTORS IDENTIFIED IN FOOTNOTE (1) BELOW
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	2064	75-2608980
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

25 TRI-STATE INTERNATIONAL
LINCOLNSHIRE, IL 60069
(847) 405-5800
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

BROOKS B. GRUEMMER, ESQ.
FAVORITE BRANDS INTERNATIONAL, INC.
25 TRI-STATE INTERNATIONAL
LINCOLNSHIRE, IL 60069
(847) 405-5800
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES OF CORRESPONDENCE TO:
CHRISTOPHER E. AUSTIN, ESQ.
CLEARY, GOTTLIEB, STEEN & HAMILTON
ONE LIBERTY PLAZA
NEW YORK, NEW YORK 10006

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: [_]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement from the same offering. [_]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

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(1) The following domestic direct subsidiaries of Favorite Brands International, Inc. are Guarantors of the Notes and are Co-Registrants, each of which is incorporated in the jurisdiction and has the I.R.S. Employer Identification Number indicated: Trolli Inc., a Delaware corporation (52-1716800) and Sather Trucking Corp., a Delaware corporation (41-1849044) .

CALCULATION OF REGISTRATION FEE

<TABLE>

<CAPTION>

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>	<C>	<C>
10 3/4% Senior Subordinated Notes due 2006.....	$200,000,000	100%	$200,000,000	$55,600
Guarantee of 10 3/4% Senior Subordinated Notes due 2006.....	$200,000,000	(2)	(2)	(2)

</TABLE>

(1) Estimated solely for the purposes of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended.
(2) No additional consideration for the Guarantees of the 10 3/4% Series B Senior Subordinated Notes due 2006 will be furnished. Pursuant to Rule 457(n) under the Securities Act, no separate fee is payable with respect to such Guarantees.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

THE INFORMATION CONTAINED IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE AMENDED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE RELATED REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY APPLICABLE STATE SECURITIES COMMISSION BECOMES EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL NOR IS IT SEEKING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION--DATED NOVEMBER 12, 1998

PROSPECTUS

EXCHANGE OFFER FOR $200,000,000 10 3/4% SENIOR NOTES DUE 2006 OF FAVORITE BRANDS INTERNATIONAL, INC.

Terms of the Exchange Offer

- Expires 5:00 p.m., New York City time, , 1998, unless extended.
- Subject to certain customary conditions, including the condition that the Exchange Offer not violate any applicable law or any applicable interpretation of the staff of the Securities and Exchange Commission.
- Tenders of outstanding notes may be withdrawn any time prior to the expiration of the Exchange Offer.
- All outstanding notes that are validly
- We believe that the exchange of notes will not be a taxable exchange for U.S. federal income tax purposes.
- We will not receive any proceeds from the Exchange Offer.
- The terms of the notes to be issued are identical to the outstanding notes, except for certain transfer restrictions and registration rights relating to the outstanding notes.

tendered and not validly withdrawn will be exchanged.

WE ARE NOT MAKING AN OFFER TO EXCHANGE NOTES IN ANY JURISDICTION WHERE THE OFFER IS NOT PERMITTED.

INVESTING IN THE NOTES ISSUED IN THE EXCHANGE OFFER INVOLVES CERTAIN RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 15.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED THE NOTES TO BE DISTRIBUTED IN THE EXCHANGE OFFER, NOR HAVE ANY OF THESE ORGANIZATIONS DETERMINED THAT THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

, 1998

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<TABLE>
<CAPTION>

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CERTAIN DEFINITIONS AND MARKET AND INDUSTRY DATA

As used in this prospectus (the "Prospectus"), (i) "we", "our", "us", the "Company" or "Favorite Brands" means Favorite Brands International, Inc. and its direct and indirect subsidiaries; (ii) "Holdings" means Favorite Brands International Holding Corp., the parent corporation of the Company; (iii) "TPG" means Texas Pacific Group; (iv) "InterWest" means InterWest Partners; (v) "Farley" means Farley Candy Company; (vi) "Sathers" means Sathers Inc. and its subsidiary, Sather Trucking Corp.; (vii) "Kidd" means Kidd & Company, Inc.; (viii) "Dae Julie" means Dae Julie, Inc.; (ix) "Trolli" means Trolli Inc.; (x) "Mederer" means Mederer Corporation, which was the parent of Trolli before December 1997; (xi) "fiscal 1996" means the 40-week period ended June 29, 1996, "fiscal 1997" means the 52-week period ending June 28, 1997, "fiscal 1998" means the 52-week period ended June 27, 1998, "fiscal 1999" means the 52-week period ending June 26, 1999, "fiscal 2000" means the 52-week period ending June 24, 2000 and "fiscal 2001" means the 52-week period ending June 30, 2001 and (xii) "SKU" means Stock Keeping Unit.

As used in this Prospectus, the "confections" market consists of chocolate candy, non-chocolate candy, marshmallow products and fruit snacks.

When determining our ranking among confections companies, we obtained sales estimates from information in Wards Business Directory for 1997 and 1998, a 1996 interview in Confectioner Magazine, A.C. Nielsen data and the Company's fiscal 1998 net sales. In determining the ranking, the Company did not include manufacturers of chewing gum or breath mints or the non-confections business of competitors.

Unless otherwise noted, all market share information presented is based on A.C. Nielsen data (all U.S. outlets--mass merchandiser, drugstore and grocery--combined) for the 52 weeks ended September 26, 1998. Market share information for dehydrated marshmallow bits is based on management estimates.

Unless otherwise noted in this Prospectus, all trade channel penetration data or ACV (All Commodity Volume) presented is based on A.C. Nielsen data (total U.S. grocery) for the 52 weeks ended September 26, 1998, with general line candy ACV based on a weighted average of Sathers, Farley's and Dae Julie non-chocolate candy sales for the period.

Market size, consumption and 1990-1997 growth data for chocolate and non-chocolate candy are based on U.S. Department of Commerce data; 1998 growth-rate data for gummis, fruit snacks, marshmallows and general line candy are based on A.C. Nielsen data (all U.S. outlets combined) for the 52 weeks ended September 26, 1997 versus September 26, 1998.

Consumer awareness data is from a study by Strategic Marketing Resources, Inc. dated January 28, 1998.

Although we believe that the sources referred to above are reliable, we cannot guarantee the accuracy and completeness of such information and it has not been independently verified by us.

Jet-Puffed,(R) Trolli,(R) Farley's,(R) Sathers,(R) Dae Julie,(R) BriteCrawlers,(R) Gummi Bears,(TM) Gummi Beans,(TM) Trolli-Burger,(TM) Apple O's(R), Dinosaurs,(TM) Zoo Animals,(TM) Power Fruit(R), Peachies,(TM) Trolli Squiggles,(R) Gummi Octopus,(R) Strawberry Puffs,(R) Sour BriteCrawlers,(TM) Really Naturals,(R) The Roll(R), Troll(R), Tang-a-roos,(R) MegaMonster Roll,(TM) MVP Sports,(TM) Shark Wave(TM) and Sonic Boom(R) are trademarks of our company. Creepy Crawlers,(R) Rugrats,(TM) Street Sharks,(TM) Teenage Mutant Ninja Turtles(R) and Clearly Fruit(TM) are trademarks licensed to our company. This Prospectus also includes references to other companies, including American Stores Company ("American Stores"), BI-LO Inc., a subsidiary of Ahold ("BI-LO"), Brach & Brock Confections, Inc. ("Brach's"), Catalina Marketing Corp. ("Catalina"), General Mills, Inc. ("General Mills"), Hershey Foods Corp. ("Hershey"), International Home Foods, Inc. ("International Home Foods"), Jewel Food Stores, a subsidiary of American Stores ("Jewel"), Kellogg Company ("Kellogg"), Kmart Corporation ("Kmart"), Kraft Foods, Inc., a subsidiary of Philip Morris Companies, Inc. ("Kraft"), Koninklijke Ahold N.V. ("Ahold"), The Kroger Co. ("Kroger"), Life Savers Manufacturing Inc., a subsidiary of Nabisco ("Life Savers"), Lucky Stores, a subsidiary of American Stores ("Lucky"), McLane Company, Inc., a subsidiary of Wal-Mart ("McLane"), M&M/Mars, a division of Mars ("M&M/Mars"), Nabisco Inc. ("Nabisco"), Nestle Food Company, a subsidiary of Nestle, S.A. ("Nestle"), The Quaker Oats Company ("Quaker Oats"), Rite-Aid Corporation ("Rite-Aid"), Sam's Clubs Division of Wal-Mart ("Sam's Clubs"), The Stop & Shop Company, a subsidiary of Ahold ("Stop & Shop"), SUPERVALU, INC. ("SuperValu"), Target Stores ("Target"), Vendor Service of America ("Vendor"), Wal-Mart Stores, Inc. ("Wal-Mart") and Winn-Dixie Stores, Inc. ("Winn-Dixie") and to trademarks of other companies, including Amazin' Fruit,(TM) Campfire,(R) Gummi Savers,(R) Nickelodeon,(TM) Life Savers,(R) and NickToons.(R)

PROSPECTUS SUMMARY

The following summary highlights selected information from this Prospectus and may not contain all of the information that is important to you. This Prospectus includes specific terms of the notes we are offering, as well as information regarding our business and detailed financial data. We encourage you to read this Prospectus in its entirety.

THE EXCHANGE OFFER

On May 19, 1998, the Company issued to certain initial purchasers in a private offering $200,000,000 aggregate principal amount of 10 3/4% Senior Notes due 2006 (the "Initial Notes"). The initial purchasers placed the Initial Notes with institutional investors. The Initial Notes are guaranteed by Trolli Inc. and Sather Trucking Corp., two subsidiaries of the Company (the "Guarantors").

When we issued the Initial Notes, we entered into an Exchange and Registration Rights Agreement in which we agreed to use our best efforts to complete the offer for the exchange of the Initial Notes (the "Exchange Offer") on or prior to February 13, 1999. Under the terms of the Exchange Offer, you are entitled to exchange the Initial Notes in the Exchange Offer for registered notes with substantially identical terms (the "Exchange Notes"). You should read the discussion under the heading "Description of the Exchange Notes" for further information regarding the Exchange Notes.

We believe that the Exchange Notes may be resold by you without compliance

with the registration and prospectus delivery provisions of the Securities Act of 1933, subject to certain exceptions. You should read the discussion under the heading "The Exchange Offer" for further information regarding the Exchange Offer and resale of the Exchange Notes.

THE COMPANY

OVERVIEW

Our company was formed in September 1995 to acquire Kraft's marshmallow and caramel business and has grown primarily through five subsequent acquisitions. Today, our company is the fourth largest confections company in the United States. We compete primarily in the marshmallow, fruit snack and non-chocolate candy categories of the confections market with a broad portfolio of products. We have the number one market position in branded and ingredient marshmallow products and the number two market position in fruit snacks, branded gummis and general line candy. Through our nationwide sales and distribution networks, we have achieved significant penetration in all major domestic trade channels.

Marshmallow Products

We are the largest United States manufacturer of marshmallow products, which include marshmallows, marshmallow creme and dehydrated marshmallow bits. We have the number one market position in branded and ingredient marshmallow products. Our Jet-Puffed marshmallow brand, which Kraft developed in the 1950's, has a 79% share of the branded marshmallow market and a 47% share of the total marshmallow market. We are also the market leader in the ingredient marshmallow category, which includes dehydrated marshmallow bits that are used primarily in cereals and hot beverages. We sell dehydrated marshmallow bits to every major cereal manufacturer in the United States and believe we have a 98% share of the dehydrated marshmallow bits market. We also manufacture private label marshmallow products.

Fruit Snacks

We sell our fruit snack products under the Farley's brand name and hold the number two market position with a 22% market share. Our growth strategy for this category includes the use of exclusive licenses for popular children's characters, such as Nickelodeon's Rugrats.

Branded Gummis

We market a variety of gummi products under the Trolli brand name, including BriteCrawlers, Gummi Beans, Trolli Squiggles and Apple O's. Trolli has the number two market position in the gummi market with a 15% share.

General Line Candy

We sell general line candy primarily under the Farley's and Sathers brand names and under private labels. Our product line includes more than 100 varieties of non-chocolate and chocolate candies, gummis, caramels, nuts and snacks. Our company is the second largest general line candy supplier in the United States, and our Sathers line is the leading brand of general line candy in the convenience store channel.

Distribution Network

We sell our retail products to grocery stores, mass merchandisers, drugstores, convenience stores and club stores under branded and private labels. We sell these products through a sales network consisting of more than 25 independent food brokers supported by an internal sales organization that focuses on large national accounts, distributors and ingredients purchasers. We operate 13 manufacturing and packaging facilities and a nationwide distribution network that delivers products to more than 5,000 customers.

INDUSTRY OVERVIEW

Our company competes primarily in the non-chocolate candy, fruit snack and marshmallow categories of the confections market. Sales in the non-chocolate candy category in 1997 were approximately $4.6 billion. The non-chocolate candy category grew at a compound annual rate of approximately eight percent from 1990 to 1997, while the chocolate candy category grew at a compound annual rate of approximately four percent during the same period. We believe that the more rapid growth in the non-chocolate candy category is largely attributable to increased marketing efforts for non-chocolate candy (which has historically been under-marketed as compared to chocolate candy) and to continuing consumer concerns over the higher fat content associated with chocolate. Overall, the market for candy is growing, with per capita consumption of non-chocolate and chocolate candy in the United States increasing from approximately 18 pounds in 1987 to approximately 24 pounds in 1996.

The retail marshmallow market grew at a compound annual rate of approximately five percent from 1990 to 1997. We believe that this growth resulted from extensive marketing and increased consumer use of marshmallow products as an ingredient in homemade snacks, like marshmallow crispy treats. In the 52 weeks ended September 26, 1998, however, estimated sales in the retail marshmallow market declined approximately two percent over the equivalent period ending in September 1997.

The fruit snack market (consisting of fruit rolls and fruit pieces) grew approximately seven percent in 1997. We believe that this growth is attributable to fruit snacks' image as a healthy and convenient snack, which appeals to parents, and their flavor and colorful shapes and characters, which appeal to children. In the 52 weeks ended September 26, 1998, the fruit snack market grew approximately seven percent over the equivalent period ending in September 1997.

Within the non-chocolate candy category we also compete in the gummi market with our Trolli branded gummis and our general line gummis. The gummi market, with products such as Gummi Bears and Gummi Worms, grew approximately six percent in 1997. In the 52 weeks ended September 26, 1998, this market grew approximately eight percent over the equivalent period ending in September 1997. We attribute this growth to the continued popularity of gummi products with children and to new product introductions.

COMPETITIVE STRENGTHS

We believe that our company has the following competitive strengths:

LEADING CONFECTIONS COMPANY. We are the fourth largest confections company in the United States and a leader in each of our four product categories. We believe that our leading market positions and size enable us to achieve extensive product distribution and realize purchasing and production economies, as well as provide a strong platform for new product introductions and line extensions.

BROAD ARRAY OF PRODUCTS. We offer an extensive range of products, including branded, private label and ingredient items. This enables our customers to satisfy many of their confections needs by purchasing from a single vendor. Our products represent a balance between long-standing brands, such as Jet-Puffed marshmallows, and innovative products, such as Rugrats fruit snacks and Trolli gummis. We complement these premium brands with a broad array of products targeted to value-conscious consumers. Our product offerings also enhance our ability to develop special sales and marketing programs, such as seasonal campaigns for Halloween and Easter.

EXTENSIVE SALES NETWORK AND TRADE PENETRATION. We have an internal sales force of more than 50 representatives and a national network of more than 25 independent brokers who sell products to more than 5,000 customers located throughout the United States. Our extensive sales and distribution networks have contributed to our significant penetration in all major domestic trade channels. Our presence in these channels provides us with a significant opportunity to cross-sell existing products and launch new products.

ADVANCED MANUFACTURING CAPABILITY AND PRODUCT INNOVATION. Our advanced manufacturing capabilities, proprietary technology and research and development efforts enable us to produce high-quality products and provide a platform for product innovations. Our internal research and development team is a proven innovator in product development and improvement. For example, we were the first to add vitamins to fruit snacks to

increase their appeal as a healthy snack, and the Professional Candy Buyer trade magazine named Trolli's BriteCrawlers gummi the 1996 non-chocolate Product of the Year.

ACQUISITIONS AND BUSINESS INTEGRATION

We were formed in September 1995 to acquire Kraft's marshmallow and caramel business. In August 1996, we acquired three companies, purchasing Kidd, a major competitor in the private label marshmallow market, and Farley and Sathers, the country's second and third largest suppliers of general line candy, respectively. We subsequently acquired Dae Julie in January 1997 and Trolli in April 1997 (together with the 1996 acquisitions, the "Acquisitions"). Dae Julie and Trolli were both manufacturers and marketers of gummi candy.

We began to consolidate the acquired businesses in fiscal 1998. These businesses consisted of 15 manufacturing and packaging facilities, more than 24 distribution facilities, two trucking fleets, six sales, marketing and customer service organizations, more than 6,000 SKUs and disparate information systems. To date, we have completed a number of integration initiatives (other than at Trolli), including closing production facilities, consolidating certain sales, marketing and customer service functions, reducing the number of distribution facilities, consolidating two separate trucking fleets, eliminating more than 1,400 SKUs and consolidating certain management information systems. More recently, at the end of fiscal 1998, we decided that we would close our Melrose Park production facility in December 1998 and our Skokie production facility in April 1999.

FISCAL 1998 DIFFICULTIES

During fiscal 1998, the integration process proceeded more slowly and was more difficult than we anticipated. These delays and difficulties, as well as a significant increase in trade spending, caused a substantial deterioration in our results of operations beginning in fiscal 1998. We commenced a program at that time designed to control trade spending more effectively and in May 1998, we successfully completed a refinancing of much of the Company's indebtedness, including the issuance of the Initial Notes.

Trade spending and integration issues continued, however, and are now expected to continue into fiscal 1999. As a result, we recently took a number of additional actions to address these issues and restructure our business. We have hired a new Chief Executive Officer; a President, Chief Operating Officer and Chief Financial Officer; and a number of other new key managers, including a Vice President of Sales and a Vice President of Information Systems. We have also implemented a number of additional procedures and controls to monitor trade spending more effectively and are now planning to implement new trade spending programs in the third quarter of fiscal 1999 for most of our products. We have centralized certain of our sales forecasting, production and capacity planning and inventory management processes in order to facilitate managing the supply chain more efficiently. In addition, we continue to implement additional supply chain procedures and functions and trade spending controls, and we plan to further integrate our distribution network by further reducing the number of distribution centers that we use.

BUSINESS STRATEGY

Our goal is to become the premier provider of high quality, non-chocolate confections. We intend to pursue this goal by implementing the following business strategies:

COMPLETING INTEGRATION INITIATIVES. We will continue to focus our efforts on completing the integration of the acquired companies. Although we have accomplished a number of integration and consolidation initiatives, we are in the process of completing a number of other integration initiatives, including the implementation of coordinated promotional programs for each of our product categories, quality control procedures across all product areas, further systems consolidations, additional supply chain procedures and functions and trade spending controls. It will be necessary to complete additional initiatives over the next several years in order to effectively integrate the acquired companies. To implement these initiatives, we hired a number of new key managers. We believe that completing the integration process will allow us to reduce costs and improve operating efficiencies.

IMPLEMENTING MARKETING INITIATIVES. We are in the process of implementing a number of new marketing initiatives, which include the following:

Increasing Brand Equity and Awareness. We intend to increase consumer awareness of our branded products by reallocating our marketing expenditures to emphasize programs that focus on consumer "pull" tactics, including advertising, targeted couponing programs and product tie-ins with other major manufacturers, such as Nestle and Kellogg. We believe that a consumer-focused strategy, which the acquired companies had not emphasized, will enhance brand equity, increase sales across the Company's product lines and support the introduction of new products.

Enhancing Trade Promotion Programs. We intend to focus on trade promotions, such as in-store advertising and retail displays, designed to improve trade spending efficiency. Historically, the acquired companies marketed their products primarily through aggressive trade promotions that emphasized discounts off list prices for retailers, and generally lacked mechanisms to plan, control and execute their trade spending programs effectively. Beginning in the third quarter of fiscal

1999, we expect to implement new trade spending programs for most of our products.

Launching Line Extensions and New Products. We intend to leverage our existing brands, research, development and manufacturing capabilities and extensive sales network to introduce new products and extend our product lines. As part of these efforts, we have a non-binding letter of intent with Nickelodeon to become the exclusive licensee of Nickelodeon's Rugrats, Rugrats Movie and NickToons characters for fruit snack products through 2001. We also introduced a number of new products in fiscal 1998, including five new fruit snack products, a line of flavored caramels,

Trolli Gummi Beans and Trolli Burgers. We also have a number of new fruit snack, marshmallow, gummi and candy products under development.

INCREASING TRADE CHANNEL PENETRATION. We plan to leverage our existing trade channel penetration, broad product offerings and strong brand names to cross-sell products and expand into additional trade channels. Our marshmallow and fruit snack products each have an ACV in the grocery channel in excess of 90%. Through our acquisition of Sathers, we also acquired an extensive convenience store distribution network, where our general line candy has an ACV in excess of 70%. We are also targeting other opportunities, including (i) increasing the distribution of Trolli gummis (ACV of less than 50%) and general line candy (ACV of less than 30%) in the grocery channel, (ii) further increasing distribution of the Company's products in convenience stores and drugstores, (iii) developing additional distribution channels, such as vending, concessions and foodservice and (iv) exploring international distribution opportunities.

CONTINUING TO REDUCE COSTS. We believe that through continued infrastructure investments, restructuring and cost reduction programs, we can increase our efficiencies and reduce our costs. We expect these initiatives to include (i) completing the recently announced closure of two production facilities and outsourcing production of certain related candy products, (ii) further consolidating the distribution network by reducing the number of distribution centers used by the Company and (iii) continuing to automate production facilities and to invest in advanced production equipment.

THE SPONSORS

TEXAS PACIFIC GROUP

TPG was founded in 1993 to pursue public and private investment opportunities through a variety of methods, including leveraged buyouts, joint ventures, restructurings, bankruptcy reorganizations and strategic public securities investments. The principals of TPG operate TPG Partners, L.P. and TPG Partners II, L.P., both Delaware limited partnerships, with aggregate committed capital of more than $3.2 billion. TPG's acquisition of our company in September 1995 was its first major investment in the food and beverage industry. In January 1996, TPG acquired Beringer Wine Estates, which included Beringer, Meridian Vineyards, Napa Ridge and Chateau Soverain. Beringer subsequently acquired Chateau St. Jean and Stags' Leap Winery, giving Beringer one of the nation's largest portfolios of premium wineries. Beringer completed an initial public offering in October 1997. Other TPG portfolio companies include Del Monte Foods Company, America West Airlines, Belden & Blake Corporation, Denbury Resources, Ducati Motor, Genesis ElderCare, J. Crew, Paradyne Corporation, Virgin Entertainment and Vivra Specialty Products. In addition, TPG's principals led the $9 billion reorganization of Continental Airlines in 1993.

INTERWEST

InterWest is one of the leading venture capital partnerships in the United States. InterWest's food industry investments have included food processing companies, such as Escalon Packers, Pacific Grain Products and Heidi's Fine Desserts, Inc., and restaurants,

such as Il Fornaio, Bojangles' Restaurants, Inc., Java City and La Salsa.

THE EXCHANGE OFFER

Exchange and Registration Rights Agreement

We issued the Initial Notes on May 19, 1998 to Chase Securities, Inc. and BancAmerica Robertson Stephens (the "Initial Purchasers"). The Initial

Purchasers placed the Initial Notes with institutional investors in transactions exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") pursuant to Section 4(2) of, and Regulation S under, the Securities Act and applicable state securities laws. In connection with this private placement, the Company, the Guarantors and the Initial Purchasers entered into the Exchange and Registration Rights Agreement, providing, among other things, for the Exchange Offer. See "The Exchange Offer."

The Exchange Offer

We are offering Exchange Notes in exchange for an equal principal amount of Initial Notes. As of this date, there are $200,000,000 aggregate principal amount of Initial Notes outstanding. Initial Notes may be tendered only in integral multiples of $1,000.

Resale of Exchange Notes

We believe that the Exchange Notes issued in the Exchange Offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

- you are acquiring the Exchange Notes in the ordinary course of your business;
- you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the Exchange Notes; and
- you are not an "affiliate" of ours.

If any of the foregoing are not true and you transfer any Exchange Note without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your Exchange Notes from such requirements, you may incur liability under the Securities Act. We do not assume or indemnify you against such liability.

Each broker-dealer that is issued Exchange Notes for its own account in exchange for Initial Notes which were acquired by such broker-dealer as a result of market making or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act, in connection with any resale of the Exchange Notes. A broker-dealer may use this Prospectus for an offer to resell, resale or other retransfer of the Exchange Notes. See "Plan of Distribution." Subject to certain limitations, we will take steps to ensure that the issuance of the Exchange Notes will comply with state securities or "blue sky" laws.

Consequences of Failure to Exchange Initial Notes

If you do not exchange your Initial Notes for Exchange Notes, you will no longer be able to force us to register the Initial Notes under the Securities Act. In addition, you will not be able to offer or sell the Initial Notes unless they are registered under the Securities Act (and we will have no obligation to register them, except for some limited exceptions), or unless you

offer or sell them under an exemption from the requirements of, or a transaction not subject to, the Securities Act. See "Risk Factors--Failure to Participate in the Exchange Offer Will Have Adverse Consequences" and "The Exchange Offer--Terms of the Exchange Offer."

Expiration Date

The Exchange Offer will expire at 5:00 p.m., New York City time, on , 1998 (the "Expiration Date"), unless we decide to extend the Expiration Date.

Interest on the Exchange Notes

The Exchange Notes will accrue interest at 10 3/4% per year, from either the last date we paid interest on the Initial Notes you exchanged, or if you surrendered your Initial Notes for exchange after the applicable record date, the date we paid interest on such Initial Notes. We will pay interest on the Exchange Notes on May 15 and November 15 of each year.

Conditions to the Exchange Offer

The Exchange Offer is not subject to any condition other than certain customary conditions, including that:

- the Exchange Offer does not violate any applicable law or applicable interpretation of law of the staff of the Securities and Exchange Commission;

- no litigation materially impairs our ability to proceed with the Exchange Offer; and

- we obtain all the governmental approvals we deem necessary for the Exchange Offer. See "The Exchange Offer--Conditions."

Procedures for Tendering Initial Notes

If you wish to accept the Exchange Offer, you must complete, sign and date the Letter of Transmittal, or a facsimile of the Letter of Transmittal and transmit it together with all other documents required by the Letter of Transmittal (including the Initial Notes to be exchanged) to LaSalle National Bank, as exchange agent (the "Exchange Agent") at the address set forth on the cover page of the Letter of Transmittal. In the alternative, you can tender your Initial Notes by following the procedures for book-entry transfer, as described in this document. For more information on accepting the Exchange Offer and tendering your Initial Notes, see "The Exchange Offer--Procedures for Tendering" and "--Book Entry Transfer."

Guaranteed Delivery Procedures

If you wish to tender your Initial Notes and you cannot get your required documents to the Exchange Agent by the Expiration Date, you may tender your Initial Notes according to the guaranteed delivery procedures under the heading "The Exchange Offer--Guaranteed Delivery Procedure."

Withdrawal Rights

You may withdraw the tender of your Initial Notes at any time prior to 5:00 p.m., New York City time, on the Expiration Date. To withdraw, you must send a written or facsimile transmission notice of withdrawal to the Exchange Agent at its address set forth herein under "The Exchange Offer--Exchange Agent" by 5:00 p.m., New York City time, on the Expiration Date.

Acceptance of Initial Notes and Delivery of Exchange Notes

Subject to certain conditions, we will accept any and all Initial Notes that are properly tendered in the Exchange Offer prior to 5:00 p.m., New York City time, on the Expiration Date. We will deliver the Exchange Notes promptly after the Expiration Date. See "The Exchange Offer--Terms of the Exchange Offer."

Tax Considerations

We believe that the exchange of Initial Notes for Exchange Notes will not be a taxable exchange for federal income tax purposes, but you should consult your tax adviser about the tax consequences of this exchange. See "Certain United States Income Tax Considerations."

Exchange Agent

LaSalle National Bank is serving as exchange agent in connection with the Exchange Offer.

Fees and Expenses

We will bear all expenses related to consummating the Exchange Offer and complying with the Registration Rights Agreement. See "The Exchange Offer--Fees and Expenses."

Use of Proceeds

We will not receive any cash proceeds from the issuance of the Exchange Notes. We used the proceeds from the sale of the Initial Notes to repay outstanding obligations under our then existing credit facilities. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

DESCRIPTION OF THE EXCHANGE NOTES

Issuer

Favorite Brands International, Inc.

Notes Offered

$200,000,000 aggregate principal amount of 10 3/4% Senior Notes due 2006. The form and terms of the Exchange Notes are the same as the form and terms of the Initial Notes, except that the Exchange Notes will be registered under the Securities Act and, therefore, will not bear legends restricting their transfer and will not be entitled to registration under the Securities Act. The Exchange Notes will evidence the same debt as the Initial Notes and both the Initial Notes and the Exchange Notes are governed by the same indenture.

Maturity

May 15, 2006.

Interest Payment Dates

May 15 and November 15 of each year, commencing November 15, 1998.

Sinking Fund

None.

Optional Redemption

On or after May 15, 2003, we may redeem the Exchange Notes, in whole or in part from time to time, at the redemption prices described in this Prospectus under the heading "Description of the Exchange Notes," plus accrued and unpaid interest, if any, to the date of redemption. In addition, on or prior to May 15, 2001, we may redeem up to 35% of the original aggregate principal amount of the Exchange Notes with the proceeds of certain public offerings of equity in our company. See "Description of the Exchange Notes--Optional Redemption."

Change of Control

Upon a change of control, we will be required to make an offer to purchase Exchange Notes at a price equal to 101% of their original aggregate principal amount, together with accrued and unpaid interest, if any, to the date of purchase. See "Description of the Exchange Notes--Change of Control."

Ranking and Subsidiary Guarantees

The Exchange Notes will be unsecured and will be senior obligations of our company ranking equal in right of payment with all existing and future indebtedness of our company, unless the indebtedness is expressly subordinated to the Exchange Notes.

The Exchange Notes will be unconditionally guaranteed, jointly and severally, by each Restricted Subsidiary (as defined in this Prospectus) that is a Domestic Subsidiary (as defined in this Prospectus) and future Restricted Subsidiaries that are Domestic Subsidiaries.

Our company and its subsidiaries may issue senior secured indebtedness, subject to certain limitations; the Exchange Notes would be, in effect, subordinated to this senior secured indebtedness to the extent of its security interest in assets of our company or its subsidiaries.

As of September 26, 1998, the aggregate principal amount of the Company's outstanding indebtedness was $590.4 million (excluding unused commitments and letters of credit), $195.0 million of which was secured indebtedness and $195.0 million of which was subordinated indebtedness. See "Description of the Exchange Notes--Ranking."

Restrictive Covenants

The indenture under which the Exchange Notes will be issued will contain covenants for your benefit which, among other things, and subject to certain exceptions, restrict our ability to:

- incur indebtedness;
- pay dividends on, and redeem the capital stock of, our company and certain of its subsidiaries;
- redeem certain subordinated obligations;
- sell assets;
- sell the stock of our subsidiaries;

. enter into transactions with affiliates;

. enter into sale-leaseback transactions;

. create liens;

. enter into certain lines of business; and

. consolidate, merge, or sell substantially all of our assets.

See "Description of the Exchange Notes--Certain Covenants."

Absence of a Public Market for the Notes

The Exchange Notes are new securities and there is currently no established market for them.

Use of Proceeds

We will not receive any cash proceeds from the issuance of the Exchange Notes. We used the proceeds from the sale of the Initial Notes to repay outstanding obligations under our then existing credit facilities.

FORWARD-LOOKING STATEMENTS

Certain of the information contained in this Prospectus, including information with respect to our plans and strategy for our business and its financing, are forward-looking

statements. For a discussion of important factors that could cause actual results to differ materially from the forward-looking statements, see "Risk Factors."

PRINCIPAL EXECUTIVE OFFICE

Our headquarters are located at 25 Tri-State International, Lincolnshire, Illinois 60069 (telephone number (847) 405-5800).

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission (the "SEC") a registration statement on Form S-4 under the Securities Act, covering the Exchange Notes (the "Registration Statement"). This Prospectus does not contain all of the information included in the Registration Statement. Any statement made in this Prospectus concerning the contents of any contract, agreement or other document is not necessarily complete. If we have filed any such contract, agreement or other document as an exhibit to the Registration Statement, you should read the exhibit for a more complete understanding of the document or matter involved. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

Following the Exchange Offer, we will be required to file periodic reports and other information with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Pursuant to the indenture governing the Exchange Notes, we have agreed to file with the SEC financial and other information for public availability. In addition, the indenture governing the Exchange Notes requires us to deliver to you, or to LaSalle National Bank for forwarding to you, copies of all reports that we file with the SEC without any cost to you. We will also furnish such other reports as we may determine or as the law requires.

You may read and copy the Registration Statement, including the attached exhibits, and any reports, statements or other information that we file at the SEC's public reference room in Washington, D.C. You can request copies of these documents, upon payment of a duplicating fee, by writing the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our SEC filings will also be available to the public on the SEC Internet site (http://www.sec.gov).

You should rely only on the information provided in this Prospectus. No person has been authorized to provide you with different information.

We are not making an offer to exchange notes in any jurisdiction where the offer is not permitted.

The information in this Prospectus is accurate as of the date on the front cover. You should not assume that the information contained in this Prospectus is accurate as of any other date.

SUMMARY CONSOLIDATED HISTORICAL FINANCIAL DATA

The following table sets forth summary historical consolidated financial and other data for the periods ended and as of the dates indicated. The results of operations include (i) for the periods prior to and ending on September 24, 1995, the results of Kraft's marshmallow and caramel business (the "Predecessor") and (ii) for the periods after September 24, 1995, the consolidated results of operations of the Company and its subsidiaries from the respective dates of their acquisition. The statement of operations, other financial and balance sheet data as of, and for the periods ended, June 29, 1996, June 28, 1997 and June 27, 1998 have been derived from, and should be read in conjunction with, the audited Consolidated Financial Statements of the Company, and the notes thereto, which are included elsewhere in this Prospectus. The financial data as of, and for the periods ended, June 30, 1994, June 30, 1995, and September 24, 1995 have been derived from the unaudited financial statements of the Predecessor. See "Risk Factors--Uncertainty of Financial Information Related to the Kraft Business."

The unaudited financial data for the 13 weeks ended September 27, 1997 and for the 13 weeks ended September 26, 1998 were derived from, and should be read in conjunction with, the interim consolidated financial information of the Company as of such dates included elsewhere in this Prospectus. In our opinion, such statements reflect all adjustments, consisting of only normal, recurring adjustments, necessary for a fair presentation of such data. Operating results for the 13 weeks ended September 26, 1998 are not necessarily indicative of results to be expected for full fiscal 1999.

As a result of the significant number of acquisitions completed by the Company during the periods presented below, the historical consolidated financial information is not indicative of the results of operations, financial position or cash flows of the Company for the historical periods presented had the Company been organized and owned all of its current subsidiaries for such periods. The following information should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements, and the notes thereto, appearing elsewhere in this Prospectus.

<TABLE>
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	PREDECESSOR(1)			COMPANY(2)				
	FISCAL YEAR ENDED JUNE 30, 1994	FISCAL YEAR ENDED JUNE 30, 1995	JULY 1, 1995 THROUGH SEPTEMBER 24, 1995	40 WEEKS ENDED JUNE 29, 1996	52 WEEKS ENDED JUNE 28, 1997	52 WEEKS ENDED JUNE 27, 1998	13 WEEKS ENDED SEPTEMBER 27, 1997	13 WEEKS ENDED SEPTEMBER 26, 1998
<S>	<C>	<C>	<C>	(DOLLARS IN THOUSANDS) <C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:								
Net sales	$144,881	$151,488	$36,133	$127,629	$652,538	$763,921	$203,570	$ 196,640
Costs and expenses:								
Cost of sales	82,600	87,436	20,943	74,289	433,707	493,095	129,407	123,508
Selling, marketing and administrative	44,376	46,439	10,897	38,110	176,506	237,147	53,827	69,004
Amortization of intangible assets	--	--	--	7,454	9,540	13,670	3,061	3,004
Restructuring and business integration costs(3)	--	--	--	--	--	39,689	3,445	1,047
	126,976	133,875	31,840	119,853	619,753	783,601	189,740	196,563
Income (loss) from operations	17,905	17,613	4,293	7,776	32,785	(19,680)	13,830	77
Interest expense(7)	--	--	--	8,589	33,463	54,581	12,745	14,577
Income (loss) before income taxes, extraordinary charge and cumulative effect of change in accounting								

principle.....	17,905	17,613	4,293	(813)	(678)	(74,261)	1,085	(14,500)
Provision (benefit) for income taxes.....	7,162	7,045	1,717	(305)	960	(27,419)	908	(5,356)
Income (loss) before extraordinary charge and cumulative effect of change in accounting principle.....	10,743	10,568	2,576	(508)	(1,638)	(46,842)	177	(9,144)
Extraordinary charge--early debt extinguishment, net of income tax benefit(4)..	--	--	--	--	--	8,591	4,154	--
Cumulative effect of change in accounting principle, net of income tax benefit(5)..	--	--	--	--	--	--	--	2,503
Net income (loss).....	$ 10,743	$ 10,568	$ 2,576	$ (508)	$ (1,638)	$(55,433)	$ (3,977)	$ (11,647)
OTHER FINANCIAL DATA:								
EBITDA(6).....	$ 20,055	$ 19,813	$ 4,801	$ 17,978	$ 61,874	$ 61,306	$ 27,062	$ 11,234
Net cash provided by (used in) operating activities.....	N/A	N/A	N/A	22,480	32,550	12,559	(2,360)	(30,741)
Net cash used in investing activities...	N/A	N/A	N/A	(212,932)	(367,209)	(27,313)	(4,662)	(5,592)
Net cash provided by financing activities...	N/A	N/A	N/A	191,388	336,900	18,017	17,276	32,467
Depreciation and amortization.....	2,150	2,200	508	10,202	29,089	41,297	9,787	10,110
Capital expenditures....	1,900	2,400	692	8,544	31,018	27,010	4,584	5,592
Ratio of earnings to fixed charges(7)(8)....	N/A	N/A	N/A	--	--	--	--	--
BALANCE SHEET DATA (END OF PERIOD):								
Cash and cash equivalents.....	$ --	$ --	$ --	$ 936	$ 3,177	$ 6,440	$ 13,431	$ 2,574
Total assets.....	32,500	37,301	26,529	208,692	807,053	809,556	841,946	829,776
Total debt, including current portion.....	--	--	--	134,800	533,367	557,390	556,898	590,440
Divisional/stockholder's equity.....	23,012	33,580	36,156	59,492	176,912	137,745	172,935	126,098

</TABLE>

N/A: Not available.

(1) The periods ended and as of June 30, 1994, June 30, 1995 and September 24, 1995 reflect the unaudited results of the Predecessor. See "Risk Factors--Uncertainty of Financial Information Related to the Kraft Business."

(2) The Company's results of operations for the year ended June 28, 1997 include the results of Farley, Sathers and Kidd from the date of their acquisition on August 30, 1996, the results of Dae Julie from the date of its acquisition on January 27, 1997 and the results of Trolli from the date of its acquisition on April 1, 1997.

(3) The Company recorded restructuring and business integration costs during the year ended June 27, 1998 and the 13 weeks ended September 27, 1997 and September 26, 1998. These include, among other things, charges for impairment of property, plant and equipment, staff consolidation and related costs, incremental freight, distribution and warehousing consolidation expenses and manufacturing integration costs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 4 to the Company's Consolidated Financial Statements, included elsewhere in this Prospectus.

(4) The extraordinary charge relates to the early extinguishment of debt. See Note 10 to the Company's Consolidated Financial Statements, included elsewhere in this Prospectus.

(5) The cumulative effect of change in accounting principle relates to the Company's adoption of Statement of Position 98-5, "Reporting on the Costs of Start-up Activities" during the first quarter of fiscal 1999. See Note 16 to the Company's Consolidated Financial Statements, included elsewhere in this Prospectus.

(6) EBITDA is defined as income (loss) from operations before depreciation, amortization of goodwill and other intangibles, and restructuring and business integration costs. The Company believes that EBITDA provides useful information regarding the Company's ability to service its debt, and the Company understands that such information is considered by certain investors to be an additional basis for evaluating the Company's ability to pay interest and repay debt. EBITDA does not, however, represent cash flow

from operations as defined by generally accepted accounting principles and should not be considered as a substitute for net income as an indicator of the Company's operating performance or cash flow as a measure of liquidity. Because EBITDA is not calculated identically by all companies, the presentation herein may not be comparable to other similarly titled measures of other companies. See the Company's Consolidated Financial Statements, and related notes thereto, included elsewhere in this Prospectus.

(7) The Company's cash interest expense with respect to the Senior Subordinated Notes increased by one percent per annum beginning on October 1, 1998. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

(8) The ratio of earnings to fixed charges has been calculated by dividing income (loss) before income taxes, extraordinary charge and cumulative effect of change in accounting principle and fixed charges by fixed charges. Fixed charges for this purpose include interest expense, amortization of deferred financing costs and the portion of rent expense deemed to be representative of the interest factor. Earnings were insufficient to cover fixed charges by $813 for the 40 weeks ended June 29, 1996, by $678 for the 52 weeks ended June 28, 1997, by $74,261 for the 52 weeks ended June 27, 1998 and by $14,500 for the 13 weeks ended September 26, 1998.

RISK FACTORS

You should consider carefully the following factors and other information in this Prospectus before making an investment in the Notes.

FAILURE TO PARTICIPATE IN THE EXCHANGE OFFER WILL HAVE ADVERSE CONSEQUENCES

If you do not exchange your Initial Notes for Exchange Notes pursuant to the Exchange Offer, you will continue to be subject to the restrictions on transfer of your Initial Notes, as set forth in the legend on your Initial Notes. The restrictions on transfer of your Initial Notes arise because we issued the Initial Notes pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Initial Notes may not be offered or sold, unless registered under the Securities Act and applicable state securities laws, or pursuant to an exemption from such requirements. We do not intend to register the Initial Notes under the Securities Act. In addition, if you exchange your Initial Notes in the Exchange Offer for the purpose of participating in a distribution of the Exchange Notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. To the extent Initial Notes are tendered and accepted in the Exchange Offer, the trading market, if any, for the Initial Notes would be adversely affected. See "The Exchange Offer".

DIFFICULTY IN INTEGRATING ACQUIRED BUSINESSES AND CONTROLLING TRADE SPENDING

We have acquired five companies since August 1996. Since that time, we have been working to integrate the operations and products of Farley, Sathers, Kidd and Dae Julie and, to a more limited extent, Trolli, into our operations. The integration to date has proceeded more slowly and was more difficult than we originally contemplated and, as a result, our financial position and results of operations have been adversely affected. Although we have implemented a number of initiatives to address certain of our integration issues, we may be required to implement a number of additional initiatives over the next several years in order to effectively integrate the acquired companies. Furthermore, additional operating issues may arise in connection with integrating the acquired companies and the measures that we have taken to date to address the current integration issues may not adequately resolve these issues. We expect integration difficulties to continue to adversely affect our results of operations in fiscal 1999.

Trade spending generally refers to promotional expenditures associated with selling products to trade customers, such as retailers and other customers that are not the end users of the products. Trade spending is intended to be used by our trade customers for promotional activities, including advertising, temporary price reductions and displays, and for securing shelf space. The combined effect of the lack of effective controls and information systems, increased competitive activities in certain categories and ineffective execution of trade spending programs, resulted in a significant increase in our trade spending in fiscal 1998. The increase in trade spending has adversely affected our financial position and results of operations in fiscal 1998 and we anticipate that higher trade spending levels will continue to affect our results in fiscal 1999.

Beginning in the third quarter of fiscal 1999, we plan to implement newly

spending programs for most of our products. The goal of our new trade spending programs is to reduce trade spending as a percentage of net sales and to more effectively spend our trade dollars. There are, however, a number of risks related to our new trade spending programs. These risks include the possibility that lower levels of trade spending may result in lower sales of our products. Therefore, we can give no assurance that trade spending levels will decline or, if they do decline, that our sales will not be adversely affected.

LIQUIDITY RISK COULD IMPAIR OUR ABILITY TO FUND OPERATIONS AND JEOPARDIZE OUR FINANCIAL CONDITION

In fiscal 1998, our net cash provided by operating activities was $12.6 million, compared to $32.6 million in fiscal 1997. In the 13 weeks ended September 26, 1998, we used $30.7 million in operating activities, compared to $2.4 million in the 13 weeks ended September 27, 1997. The principal reasons for the decline in cash flow from operations were the net losses for the periods, increased trade and business integration spending, deferred financing fees and start-up and other operating activities. As a result of poor recent operating performance, in September 1998 we requested and received an amendment to our bank facilities to eliminate two financial covenants and adjust the terms of the remaining financial covenants. This amendment was sought in order to avoid a potential future default under the covenants. In connection with this amendment, the interest rate on borrowings under the bank facilities increased by 0.25% and TPG, an affiliate of our company, loaned us $17.0 million, all of which was used to repay amounts outstanding under our revolving credit facility. In addition, on October 1, 1998, the interest rate on $195.0 million of senior subordinated notes due 2007 (the "Senior Subordinated Notes") increased by one percent (from 10.25% to 11.25%) because we were unable to obtain a rating on such Notes of at least B- from Standard & Poor's Ratings Service and B3 from Moody's Investors Service, Inc. The Senior Subordinated Notes are rated CCC+ by Standard & Poor's Rating Service and Caa1 by Moody's Investors Service.

We will need to improve our operating results and cash flow in order to meet our debt service obligations and to comply with our debt covenants. If we are unable to meet our debt service obligations or comply with our covenants, there would be a default under our bank facilities, which could cause a default under other debt instruments. If we cannot generate sufficient cash flow from operations or call upon other resources, we could face substantial liquidity problems, including a default on our indebtedness, and might be required to take certain actions. For example, we may be required to reduce or delay planned expansion and capital expenditures, sell assets, obtain additional equity capital or restructure our debt. It is not certain whether any of these actions could be effected on satisfactory terms, if at all.

SUBSTANTIAL LEVERAGE MAY HAVE ADVERSE CONSEQUENCES

We are highly leveraged. As of September 26, 1998, we had outstanding indebtedness of $590.4 million and could have borrowed an additional $25.8 million under our revolving credit facility. Our earnings were insufficient to cover fixed charges by $74.3 million in fiscal 1998 and by $14.5 million for the 13 weeks ended September 26, 1998. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our substantial level of debt has important consequences, which include the following:

- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired;

- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available for other operations and future business opportunities;

- certain of our borrowings bear interest at variable rates, which could result in a higher interest expense in the event of increases in interest rates;

- we may be substantially more leveraged than certain of our competitors, which may place us at a competitive disadvantage;

- our substantial degree of leverage may limit our flexibility to adjust to

changing market conditions, reduce our ability to withstand competitive pressures and make us more vulnerable to a downturn in general economic conditions or in our business;

- a significant portion of our indebtedness will become due prior to the maturity of the Exchange Notes; and

- our ability to refinance the Exchange Notes in order to pay the principal of the Exchange Notes at maturity or upon a change of control may be adversely affected.

HISTORY OF NET LOSSES

We have incurred net losses in each of fiscal 1996, fiscal 1997, fiscal 1998 and the first quarter of fiscal 1999. Our continued net losses and substantially leveraged capital structure have impaired our liquidity and available sources of liquidity. Unless we successfully integrate our acquired businesses, achieve our planned cost savings and otherwise are able to implement our business strategy, we will continue to incur net losses and will not generate sufficient cash flows to fully meet our debt service requirements in the future.

EXCHANGE NOTES ARE NOT SECURED BY ASSETS OF THE COMPANY

The Exchange Notes will be unsecured senior obligations of our company and will be equal in right of payment to all existing and future indebtedness of our company, other than indebtedness that is expressly subordinated to the Exchange Notes. In particular, the Exchange Notes, the $17 million loan from TPG and indebtedness under our bank facilities will be equal in right of payment and will be senior in right of payment to the Senior Subordinated Notes. The Exchange Notes and the $17 million TPG loan, however, will be unsecured, while indebtedness outstanding under our bank facilities is secured by substantially all of the assets of our company and the Guarantors. In addition, subject to certain limitations in the indenture governing the Exchange Notes (the "Indenture"), our company and its Restricted Subsidiaries may incur other senior indebtedness, which may be substantial in amount, including secured indebtedness.

Because the Exchange Notes are unsecured obligations of our company, your right of repayment may be compromised in the following situations:

- our company or any of its Restricted Subsidiaries enter into bankruptcy, liquidation, reorganization, or other winding-up;

- there is a default in payment with respect to any indebtedness under our bank facilities or other secured indebtedness; or

- there is an acceleration of any indebtedness under our bank facilities or other secured indebtedness.

If any of the foregoing events occur, the assets of our company and its Restricted Subsidiaries must pay in full all indebtedness under the bank facilities and other secured indebtedness before those assets would be available to pay the

obligations on the Exchange Notes, the guarantees of payment of the Exchange Notes by our subsidiaries and other senior indebtedness. In that event, there may not be sufficient assets remaining to pay amounts due on any of the Exchange Notes and the guarantees of payment of the Exchange Notes by our subsidiaries.

RESTRICTIVE DEBT COVENANTS

The Indenture for the Exchange Notes, our amended bank facilities and the Amended and Restated Senior Subordinated Note Agreement dated as of September 12, 1997 relating to our Senior Subordinated Notes (the "Note Agreement"), contain a number of significant covenants that restrict our business in a number of important ways.

The Indenture contains covenants relating to, among other things,

- the incurrence of additional indebtedness by our company and its Restricted Subsidiaries (subject to certain permitted indebtedness);

- the payment of dividends on, and redemption of, capital stock of our company and its Restricted Subsidiaries and the redemption of certain subordinated obligations of our company and its Restricted Subsidiaries;

- investments;

. sales of assets;

. sales of subsidiary stock;

. transactions with affiliates;

. sale-leaseback transactions;

. liens; and

. lines of business.

The Indenture limits our ability to engage in consolidations, mergers and transfers of substantially all of our assets. The Indenture also requires a guarantee of payment of the Exchange Notes from each future Restricted Subsidiary that is a Domestic Subsidiary.

The Note Agreement and our bank facilities contain covenants similar to those described above. In addition, the bank facilities contain covenants that require us to comply with specified financial ratios and satisfy certain financial tests.

Our Company's ability to comply with those agreements in the future may be affected by prevailing economic, financial and industry conditions, certain of which are beyond our control. Breaching any of those covenants or restrictions could result in a default under the Indenture, the bank facilities or the Note Agreement. A default could cause all amounts borrowed under those agreements to be due and payable, together with accrued and unpaid interest. Moreover, the Indenture, the bank facilities and the Note Agreement would allow our creditors to require acceleration of the payment of principal and interest on those notes or loans if certain events of default occurred or if the principal and interest on some of our other indebtedness were accelerated. If we become unable to repay our indebtedness under the bank facilities, the lenders could proceed against the collateral securing that indebtedness. If the indebtedness under the bank facilities were to be accelerated, it is not certain whether our assets would be sufficient to repay in full that indebtedness and our other indebtedness, including the Exchange Notes. See "--Exchange Notes are not Secured by Assets of the Company," "Description of the Exchange Notes," and "Description of Bank Facilities and Other Indebtedness."

UNCERTAINTY OF FINANCIAL INFORMATION RELATED TO THE KRAFT BUSINESS

Kraft did not operate the marshmallow and caramel business that it sold to us as a separate business unit. Therefore, Kraft did not regularly

prepare separate financial statements for this business. The books and records for the pre-acquisition periods relating to that business have not been separately audited. We were granted limited access to Kraft's books and records prior to and since the closing of the Kraft acquisition. The data included in "Prospectus Summary--Summary Consolidated Historical Financial Data" and "Selected Consolidated Historical Financial Data" include estimates of certain expenses associated with the historical operations of the business as part of Kraft, and were derived from unaudited information provided by Kraft. As a result of the factors listed above, such data may not be representative of the costs of operating this business going forward and therefore should not be unduly relied upon.

IMPLEMENTATION OF BUSINESS STRATEGY IS SUBJECT TO FACTORS OUTSIDE OUR CONTROL

We intend to pursue a business strategy of completing the integration of the companies we acquired in 1996 and 1997, reducing costs, undertaking new marketing initiatives and increasing our trade channel penetration. Our ability to achieve our objectives depends on a variety of factors, many of which are beyond our control. It is not certain that we will be able to successfully implement this strategy or that implementing this strategy will improve operating results. See "--Difficulty in Integrating Acquired Businesses and Controlling Trade Spending," "--Dependence on Ability to Achieve Anticipated Cost Savings," and "Business--Business Strategy."

DEPENDENCE ON ABILITY TO ACHIEVE ANTICIPATED COST SAVINGS

We have implemented or plan to implement a number of initiatives that we believe will reduce our costs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--General." We prepared the cost savings estimates related to these issues, which required us to make numerous assumptions as to future sales levels and other operating results, the availability of funds for capital expenditures, as well as general industry and business conditions and other matters, many of which are beyond our control.

All of these forward-looking statements are based on estimates and assumptions made by our management. Although we believe that those estimates and assumptions are reasonable, they are inherently uncertain and difficult to predict. It is not certain that we will achieve the savings anticipated in these forward-looking statements, and the actual cost savings may vary considerably from the estimates contained in this Prospectus. See "--Cautionary Statement Concerning Forward-Looking Statements."

EXPOSURE TO GENERAL RISKS OF THE FOOD INDUSTRY

The food products manufacturing industry is subject to many risks, including:

. adverse changes in general economic conditions;

. adverse changes in local markets (resulting in greater risks inherent in the limited shelf life of food products in the case of oversupply);

. food spoilage and contamination;

. lack of attractiveness of a particular food product line after its novelty has worn off;

. evolving consumer preferences and nutritional and health-related concerns;

. federal, state and local food processing controls;

. consumer product liability claims;

. product tampering; and

. the availability and expense of insurance.

DEPENDENCE ON RAW MATERIALS

We use agricultural commodities, flavors, other raw materials and packaging in the

production of our products and we purchase these items from commodity processors, importers, other food companies and packaging manufacturers. The primary raw materials we use in our products include sugar, corn products (dextrose, starch and corn syrup), gelatin and packaging. The Company's principal raw materials are generally available from several suppliers, except for two of Trolli's key ingredients which are only available from one domestic supplier (although alternative international sources are available for these items). The prices of the Company's raw materials are affected by several factors, including government agricultural policies, weather conditions, competition among suppliers and demand among users. Movement in the price level of these raw materials can have a corresponding impact on finished product costs, and hence, on gross margins. Our ability to pass through increases in costs of raw materials to our customers depends on competitive conditions and pricing methodologies in the markets in which we operate. Material increases in the prices of raw materials may occur and we may not be able to pass any such price increases through to our customers. See "Business--Raw Materials."

SEASONALITY OF BUSINESS

Our sales and earnings are subject to a variety of seasonal factors, which vary among our product lines. Our cash needs also vary based on seasonal factors, with the second and third fiscal quarters ordinarily generating the most significant working capital requirements. In light of the seasonality of our business, results for any interim period do not necessarily indicate the results that we may realize for the full year. Our quarterly results of operations may also fluctuate as a result of a variety of other factors, including the timing of new product introductions, promotional activities and price increases. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Seasonality."

COMPETITIVE NATURE OF CONFECTIONS BUSINESS

The confections business is highly competitive. Numerous brands and products compete for shelf space and sales. Together, the four largest companies (Hershey, M&M/Mars, Nestle and our company) account for the majority of United States sales volume in chocolate and non-chocolate candy. Our significant competitors include General Mills and Brach's with respect to fruit snacks, Brach's with respect to general line candy, Nabisco (Gummi Savers) and Hershey (Amazin' Fruit) with respect to branded gummis and International Home Foods (Campfire) with respect to marshmallows. In addition, our branded marshmallow products compete with private label products, and our general line candy products compete with private label products, as well as products of numerous

regional "rebaggers." Some of our competitors are larger than us or are divisions of larger companies and certain of these competitors have substantially greater financial and other resources available to them. It is not certain that we can compete successfully with these other companies. In addition, many of our competitors are substantially less leveraged and have in the past used their relative financial flexibility to engage in competitive activity that reduces our margins. Competitive pressures or other factors have in the past and could in the future cause our products to lose market share, result in significant price erosion or require us to make additional expenditures for trade spending or other promotional activities, which have had a material adverse effect on us in the past, and could do so in the future.

RELIANCE ON MAJOR CUSTOMERS

We derive our revenue primarily from the sale of our products to grocery stores, mass merchandisers, drugstores, convenience stores

and club stores and from sales of our ingredients products to major food manufacturers. Wal-Mart, Sam's Clubs and McLane, which are affiliated with each other, in
the aggregate accounted for approximately 17% of fiscal 1998 net sales. Our next largest customer accounted for approximately three percent of fiscal 1998 net sales. Continued consolidation in the retail food industry is expected to result in an increasingly concentrated customer base. The loss of significant customers or a significant reduction in their purchases from us could have a material adverse effect on us.

EXTENSIVE REGULATION OF OUR OPERATIONS

Our operations are subject to extensive and increasingly stringent regulation by the United States Food and Drug Administration, the United States Department of Agriculture, the Federal Trade Commission and other federal, state and local authorities regarding the processing, packaging, storage, distribution, advertising and labeling of our products. Compliance with these laws and regulations and future changes to them is material to our business. Our manufacturing facilities and products are subject to periodic inspection by federal, state and local authorities. Compliance with existing federal, state and local laws and regulations is not expected to have a material adverse effect on our earnings or our competitive position. We cannot predict the effect, if any, however, of laws and regulations that may be enacted in the future, or of changes in the enforcement of existing laws and regulations that are subject to extensive regulatory discretion. If we fail to comply with applicable laws and regulations, we could be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on us. See "Business--Certain Legal and Regulatory Matters."

ENVIRONMENTAL MATTERS

We are subject to various federal, state and local laws and regulations related to the protection of the environment. These laws and regulations include those relating to emissions of air pollutants and discharges of waste water, the remediation of contamination associated with releases of hazardous substances and the disposal of waste material. We believe that we are in material compliance with environmental laws and regulations and do not anticipate any material adverse effect on our earnings or competitive position relating to environmental matters. It is possible, however, that future developments could lead to material costs of environmental compliance for us. See "Business--Certain Legal and Regulatory Matters."

TRADEMARKS AND OTHER PROPRIETARY RIGHTS

We believe that our trademarks and other proprietary rights are important to our success and to our competitive position. Accordingly, we devote substantial resources to establishing and protecting our trademarks and proprietary rights. Nonetheless, the actions we take to establish and protect our trademarks and other proprietary rights may be inadequate to prevent imitation of our products by others or to prevent others from claiming violations by us of their trademarks and proprietary rights. For example, Nabisco has filed a claim in federal court alleging, among other things, that Trolli has infringed on Nabisco's trademark for a round candy with a hole in the center represented by Life Savers and Gummi Savers. In addition, others may assert rights in our trademarks and other proprietary rights.

We also hold:

. licenses to market gummis under the Trolli brand name in certain other countries;

. pursuant to a product development and license agreement with Mederer GmbH

that expires in April 2007, the right to obtain exclusive licenses to market new Trolli products in the United States and certain other countries; and

. licenses to manufacture and sell certain fruit snack products (for example, our license to use the name and likeness of Rugrats).

These licenses and arrangements are a strategic part of our business. The loss of these licenses or the failure to obtain renewals when they expire would have an adverse effect on us.

UNIONIZATION OF OUR EMPLOYEES COULD ADVERSELY AFFECT US

Currently, unions represent the employees of only one of our 13 manufacturing and packaging facilities, Trolli's Creston, Iowa facility, which employs approximately 430 employees, representing fewer than 10% of our full-time employees. Approximately 360 employees are covered by that contract, which expires in August 2001. Employees of our Kendallville, Indiana facility, which employs approximately 650 workers, defeated unionization of the plant in elections held in October 1997 and May 1998. More of our employees may vote to join a union and the terms of any contract negotiated with that union may have a material adverse effect on us.

PRODUCT LIABILITY; PRODUCT RECALLS

We may be subject to significant liability if the consumption of any of our products causes injury, illness or death. We may be required to recall certain of our products in the event of contamination or damage to the products. We have not historically incurred material expenditures in respect of product liability claims other than costs of insurance premiums. A product liability judgment against us or a product recall could have a material adverse effect on us.

POTENTIAL CONFLICTS OF INTEREST IN OUR CORPORATE GOVERNANCE

We are wholly owned by Holdings, which in turn is controlled by TPG and InterWest. As a result of agreements among TPG and InterWest affiliates and certain other stockholders of Holdings, TPG has the power to select five directors of the nine-member Board of Directors of Holdings (two of whom must not be affiliates of TPG and must be reasonably acceptable to InterWest) and InterWest has the power to select two members of the Board (one of whom must not be an affiliate of InterWest and must be reasonably acceptable to TPG). Under the agreements, TPG designees acting with one other member would be able to adopt resolutions providing for certain fundamental actions, including amendment of Holdings' charter documents, issuance of additional capital stock, the sale, lease or disposition of 50% or more of Holdings' consolidated assets or a merger or other business combination. The interests of TPG, InterWest and their affiliates may conflict with those of the holders of Exchange Notes. See "Principal Stockholders."

DEPENDENCE ON MANAGEMENT

Several of our key personnel have joined us recently. In particular, Chief Executive Officer Richard Harshman joined us in October 1998; President, Chief Operating Officer and Chief Financial Officer Steve Kaplan, in May 1998;Vice President of Information Services John Niemzyk, in July 1998; Vice President of Supply Chain Dan Boekelheide, in November 1997; and Vice President of Sales Paul Hervey, in May 1998. The management transition with respect to these officers or the loss of services of these officers may adversely affect our business, financial condition and operating results.

Jose Minski serves as the Chief Operating Officer of Trolli under an employment agreement that expires at the end of calendar

1998. At that time, interests related to Mr. Minski are entitled to earn certain additional cash payments based on Trolli's earnings. See "Certain Relationships and Related Transactions." Mr. Minski has indicated that he will not continue his employment with us after 1998, although he has agreed to serve on Holdings' Board of Directors. The loss of Mr. Minski's services may adversely affect the Trolli business. In connection with the sale of Trolli to the Company, Mr. Minski executed an agreement not to compete which prohibits Mr. Minski from developing, marketing, manufacturing or selling gummi products in the United States, Mexico or Canada until April 2001.

CHANGE OF CONTROL

The Indenture requires us, if a Change of Control occurs, to make an offer to purchase all or any part of the Exchange Notes at a price in cash equal to 101% of the aggregate principal amount of the Exchange Notes plus accrued and unpaid interest, if any, to the date of purchase. The Note Agreement similarly requires us to make an offer to purchase the Senior Subordinated Notes if similar change of control events occur. Our bank facilities prohibit us from repurchasing any Exchange Notes or Senior Subordinated Notes, with limited exceptions. They also provide that certain change of control events constitute a default under our bank facilities. Any future credit agreements or other agreements relating to indebtedness to which we become a party may contain similar restrictions and provisions.

In the event a Change of Control occurs at a time when we are prohibited from purchasing the Notes and the Senior Subordinated Notes, we could seek the consent of our lenders to purchase the Exchange Notes and the Senior Subordinated Notes; in the alternative, we could attempt to refinance the borrowings that contain such a prohibition. If we do not obtain such a consent or refinance such borrowings, we would remain prohibited from purchasing the Exchange Notes and the Senior Subordinated Notes. In that case, our failure to purchase tendered Exchange Notes would constitute a default under the Indenture and/or the Note Agreement, which, in turn, could result in amounts outstanding under our bank facilities being declared due and payable. Any such declaration could have adverse consequences for us and the holders of Exchange Notes. In the event of a Change of Control, it is not certain that we would have sufficient assets to satisfy all of our obligations under the Bank Facilities, the Exchange Notes and the Senior Subordinated Notes. The provisions relating to a Change of Control in the Indenture and the Note Agreement may increase the difficulty for a potential acquiror to obtain control of us.

FRAUDULENT TRANSFER STATUTES

Under the federal or state fraudulent transfer laws, a court could take certain actions detrimental to you if it found that, at the time the Initial Notes or the guarantees of our subsidiaries were issued:

. we or a Guarantor issued the Initial Notes or a guarantee with the intent of hindering, delaying or defrauding current or future creditors; or

. we or a Guarantor received less than fair consideration or reasonably equivalent value for incurring the indebtedness represented by the Initial Notes or a guarantee, and:

. we or a Guarantor were insolvent or rendered insolvent by issuing the Initial Notes or the guarantee;

. we or a Guarantor were engaged (or about to engage) in a business or transaction for which our assets were unreasonably small; or

. we or a Guarantor intended to incur indebtedness beyond our ability to pay, or

believed or should have believed that we would incur indebtedness beyond our ability to pay.

If a court made this finding, it could:

. void all or part of our obligations, or a Guarantor's obligations, to the holders of Exchange Notes; or

. subordinate our obligations, or a Guarantor's obligations to the holders of Exchange Notes to other indebtedness of ours or of the Guarantor.

The effect of the court's action would be to entitle the other creditors to be paid in full before any payment could be made on the Exchange Notes. The court could take other action detrimental to the holders of Exchange Notes, including in certain circumstances, invalidating the Exchange Notes or a guarantee of payment of the Exchange Note by one of our subsidiaries. In that event, there would be no assurance that any repayment on the Exchange Notes would ever be recovered by the holders of Exchange Notes.

The definition of insolvency varies among jurisdictions depending upon the federal or state law applied in the proceeding. However, we or a Guarantor generally would be considered insolvent at the time we or the Guarantor incur the debt constituting the Initial Notes or a guarantee, if:

. the fair market value (or fair salable value) of the relevant assets is less than the amount required to pay our total existing debts and liabilities (including the probable liability on contingent liabilities) or those of the

Guarantor, as they become absolute or matured; or

. we or the Guarantor incurs debts beyond our or its ability to pay as such debts mature.

There can be no assurance as to what standard a court would apply in order to determine whether we or a Guarantor were "insolvent" as of the date the Initial Notes or guarantees of payment of the Initial Notes by our subsidiaries were issued regardless of the method of valuation. It is not certain whether a court would determine that we or a Guarantor were insolvent on that date. It is also not certain whether a court would determine, regardless of whether we or a Guarantor were insolvent on the date the Initial Notes or the guarantees were issued, that the payments constituted fraudulent transfers on another ground.

To the extent a court voids a guarantee of payment of the Initial Notes as a fraudulent conveyance or holds it unenforceable for any other reason, holders of Exchange Notes would cease to have any claim against the Guarantor. Holders of Exchange Notes could proceed solely against us and against any Guarantor whose guarantee was not voided or held unenforceable. The claims of the holders of Exchange Notes against the issuer of an invalid guarantee (if a court allowed any of those claims) would be subject to the prior payment of all liabilities and preferred stock claims of that Guarantor. There can be no assurance that, after providing for all prior claims and preferred stock interests, the Guarantor's assets would be sufficient to satisfy the claims of the holders of Exchange Notes relating to any voided portions of any of the guarantees.

FAILURE OF YEAR 2000 COMPLIANCE INITIATIVES COULD ADVERSELY AFFECT US

Year 2000 issues exist when dates are recorded in computers using two digits (rather than four) and are then used for arithmetic operations, comparisons or sorting. A two-digit recording may recognize a date using "00" as 1900 rather than 2000 ("Year 2000") which could cause our computer systems to perform inaccurate computations. We are assessing and upgrading our information systems on a facility by facility basis. Our information systems are scheduled to be compliant by the end of fiscal

1999. We cannot guarantee, however, that we will successfully complete our system replacements and modifications, or that these replacements and modifications will be timely completed. Our business depends on a number of third parties, including suppliers, third-party service vendors and customers. The failure of key third parties to identify and implement required Year 2000 compliance initiatives or our failure to complete such modifications on time could have a material adverse effect on our financial and operating results.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. We may also make written or oral forward-looking statements in our periodic reports to the SEC, in our annual report to shareholders, in our proxy statements, in our offering circulars and prospectuses, in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as "believes," "expects," "may," "will," "should," "seeks," "plans," "scheduled to," "pro forma," "adjusted," "anticipates" or "intends" or the negative of those terms, or other variations of those terms or comparable language, or by discussions of strategy or intentions. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to:

. the competitive environment in the food industry in general and in our specific market areas;

. the ability to control trade spending levels;

. our significant indebtedness;

. changes in trade spending levels and the impact of reduced trade spending on sales;

. our ability to successfully integrate the acquired companies and businesses;

. the estimated costs of our Year 2000 remediation; and

. our ability successfully to reduce our current cost structure and other factors referenced in this Prospectus.

ABSENCE OF PUBLIC MARKET FOR THE EXCHANGE NOTES

The Exchange Notes are new securities for which there currently is no market. We do not intend to apply for listing of the Exchange Notes on any securities exchange or for quotation through an automated quotation system. Although Chase Securities Inc., one of the Initial Purchasers, has informed us that they currently intend to make a market in the Exchange Notes, as permitted by applicable laws and regulations, they are not obligated to do so, and any such market making may be discontinued at any time without notice. In addition, such market making activity may be limited during the pendency of the Exchange Offer. It is not certain that any market for the Exchange Notes will develop or that any such market would be liquid.

The market for "high yield" securities, such as the Exchange Notes, is volatile and unpredictable. This volatility and unpredictability may have an adverse effect on the liquidity of, and prices for, such securities. The Exchange Notes could trade at prices that may be lower than their initial offering price as a result of many factors, including prevailing interest rates and the Company's operating results. General declines in the market for similar securities may adversely affect the liquidity of, and the trading market for, the Exchange Notes. Such a decline may adversely affect liquidity and trading markets independently of our financial performance and prospects.

THE EXCHANGE OFFER

The summary herein of certain provisions of the Exchange and Registration Rights Agreement entered into by and among the Company, the Guarantors and the Initial Purchasers as of May 19, 1998 (the "Registration Rights Agreement") does not purport to be complete and reference is made to the provisions of the Registration Rights Agreement, which has been filed as an exhibit to the Registration Statement and a copy of which is available as set forth under the heading "Prospectus Summary--Where You Can Find More Information."

TERMS OF THE EXCHANGE OFFER

General

In connection with the issuance of the Initial Notes pursuant to a purchase agreement dated as of May 14, 1998 by and among the Company, the Guarantors and the Initial Purchasers (the "Purchase Agreement"), the Initial Purchasers and their respective assignees became entitled to the benefits of the Registration Rights Agreement.

Under the Registration Rights Agreement, the Company and the Guarantors are required to file not later than 180 days following the date of original issuance of the Initial Notes (the "Issue Date") the Registration Statement of which this Prospectus is a part for a registered exchange offer with respect to an issue of new notes identical in all material respects to the Initial Notes except that the new notes shall contain no restrictive legend thereon. Under the Registration Rights Agreement, the Company and the Guarantors are required to (i) use their respective best efforts to cause the Registration Statement to become effective no later than 240 days after the Issue Date, (ii) keep the Exchange Offer effective for not less than 20 business days (or longer if required by applicable law) after the date that notice of the Exchange Offer is mailed to holders of the Initial Notes and (iii) use their respective best efforts to consummate the Exchange Offer no later than 270 days after the Issue Date. The Exchange Offer being made hereby, if commenced and consummated within the time periods described in this paragraph, will satisfy those requirements under the Registration Rights Agreement.

Upon the terms and subject to the conditions set forth in this Prospectus and in the Letter of Transmittal, all Initial Notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the Expiration Date will be accepted for exchange. Exchange Notes of the same class will be issued in exchange for an equal principal amount of outstanding Initial Notes accepted in the Exchange Offer. Initial Notes may be tendered only in integral multiples of $1,000. This Prospectus, together with the Letter of Transmittal, is being sent to all record holders of Initial Notes as of November , 1998. The Exchange

Offer is not conditioned upon any minimum principal amount of Initial Notes being tendered in exchange. However, the obligation to accept Initial Notes for exchange pursuant to the Exchange Offer is subject to certain conditions as set forth herein under "--Conditions."

Initial Notes shall be deemed to have been accepted as validly tendered when, as and if the Trustee has given oral or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for the tendering holders of Initial Notes for the purposes of receiving the Exchange Notes and delivering Exchange Notes to such holders.

Based on interpretations by the staff of the SEC, as set forth in no-action letters issued to third parties, the Company believes that the Exchange Notes issued pursuant to the Exchange Offer may be offered for resale, resold or otherwise transferred by each holder thereof (other than a broker-dealer who acquires such Initial Notes directly from the Company for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act and other than any holder that is an "affiliate" (as defined in Rule 405 under the Securities Act) of the Company) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holder's business and such holder is not engaged in, and does not intend to engage in, a distribution of such Exchange Notes and has no arrangement or understanding with any person to participate in a distribution of such Exchange Notes. By tendering the Initial Notes in exchange for Exchange Notes, each holder, other than a broker-dealer, will represent to the Company that: (i) any Exchange Notes to be received by it will be acquired in the ordinary course of its business; (ii) it is not engaged in, and does not intend to engage in, a distribution of such Exchange Notes and has no arrangement or understanding to participate in a distribution of the Exchange Notes; and (iii) it is not an affiliate (as defined in Rule 405 under the Securities Act) of the Company. If a holder of Initial Notes is engaged in or intends to engage in a distribution of the Exchange Notes or has any arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the SEC and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Each broker-dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Initial Notes where such Initial Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that it will make this Prospectus available to any broker-dealer for a period of time not to exceed 180 days after the Registration Statement is declared effective (subject to extension under certain circumstances) for use in connection with any such resale. See "Plan of Distribution."

In the event that (i) because of any change in law or applicable interpretations thereof by the SEC's staff, the Company and the Guarantors are not permitted to effect the Exchange Offer, or (ii) any Initial Notes validly tendered pursuant to the Exchange Offer are not exchanged for Exchange Notes within 270 days after the Issue Date, or (iii) an Initial Purchaser so requests with respect to Initial Notes or Private Exchange Securities (as defined in the Registration Rights Agreement) not eligible to be exchanged for Exchange Notes in the Exchange Offer and held by it following the consummation of the Exchange Offer, or (iv) any applicable law or interpretations do not permit a holder of Initial Notes to participate in the Exchange Offer, or (v) any holder of Initial Notes that participates in the Exchange Offer does not receive freely transferable Exchange Notes in exchange for tendered Initial Notes (the obligation to comply with a prospectus delivery requirement being understood not to constitute a restriction on transferability), then in the case of clauses (i) through (v) of this sentence, the Company and the Guarantors shall at their sole expense, (a) as promptly as

practicable, file with the SEC a shelf registration statement (the "Shelf Registration Statement") covering resales of the Initial Notes, (b) use their best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act and (c) use their best efforts to keep effective the Shelf Registration Statement until the earlier of two years after Issue Date (or a shorter period under certain circumstances) or such time as all of the

applicable Initial Notes have been sold thereunder. The Company and the Guarantors will, in the event that a Shelf Registration Statement is filed, provide to each holder of the Initial Notes copies of the prospectus that is a part of the Shelf Registration Statement, notify each such holder when the Shelf Registration Statement has become effective and take certain other actions as are required to permit unrestricted resales of the Exchange Notes. A holder that sells Initial Notes pursuant to the Shelf Registration Statement will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement that are applicable to such a holder (including certain indemnification rights and obligations).

In the event that (i) the Registration Statement or the Shelf Registration Statement, as the case may be, is not filed with the SEC on or prior to 180 days after the Issue Date, (ii) the Registration Statement or the Shelf Registration Statement, as the case may be, is not declared effective within 240 days after the Issue Date, (iii) the Exchange Offer is not consummated on or prior to 270 days after the Issue Date, or (iv) the Shelf Registration Statement is filed and declared effective within 240 days after the Issue Date but shall thereafter cease to be effective (at any time that the Company and the Guarantors are obligated to maintain the effectiveness thereof) without being succeeded within 30 days by an additional registration statement filed and declared effective (each such event referred to in clauses (i) through (iv), a "Registration Default"), the Company and the Guarantors will be obligated to pay liquidated damages to each holder of Transfer Restricted Securities (as defined in the Registration Rights Agreement), during the period of one or more such Registration Defaults, in an amount equal to $0.192 per week per $1,000 principal amount of Transfer Restricted Securities held by such holder until (i) the Registration Statement or Shelf Registration Statement is filed, (ii) the Registration Statement is declared effective and the Exchange Offer is consummated, (iii) the Shelf Registration Statement is declared effective or (iv) the Shelf Registration Statement again becomes effective, as the case may be. Following the cure of all Registration Defaults, the accrual of liquidated damages will cease.

Upon consummation of the Exchange Offer, subject to certain exceptions, holders of Initial Notes who do not exchange their Initial Notes for Exchange Notes in the Exchange Offer will no longer be entitled to registration rights and will not be able to offer or sell their Initial Notes, unless such Initial Notes are subsequently registered under the Securities Act (which, subject to certain limited exceptions, the Company will have no obligation to do), except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. See "Risk Factors--Failure to Participate in The Exchange Offer Will Have Adverse Consequences."

Expiration Date; Extensions; Amendments; Termination

The term "Expiration Date" shall mean December , 1998 (30 calendar days following the commencement of the Exchange Offer), unless the Exchange Offer is extended if and as required

by applicable law, in which case the term "Expiration Date" shall mean the latest date to which the Exchange Offer is extended.

In order to extend the Expiration Date, the Company will notify the Exchange Agent of any extension by oral or written notice and may notify the holders of the Initial Notes by mailing an announcement or by means of a press release or other public announcement prior to 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date.

The Company reserves the right (i) to delay acceptance of any Initial Notes, to extend the Exchange Offer or to terminate the Exchange Offer and not permit acceptance of Initial Notes not previously accepted if any of the conditions set forth herein under "--Conditions" shall have occurred and shall not have been waived by the Company (if permitted to be waived), by giving oral or written notice of such delay, extension or termination to the Exchange Agent, or (ii) to amend the terms of the Exchange Offer in any manner deemed by it to be advantageous to the holders of the Initial Notes. If any material change is made to terms of the Exchange Offer, the Exchange Offer shall remain open for a minimum of an additional five business days, if the Exchange Offer would otherwise expire during such period. Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the Exchange Agent. If the Exchange Offer is amended in a manner determined by the Company to constitute a material change, the Company will promptly disclose such amendment in a manner reasonably calculated to inform the holders of the Initial Notes of such amendment including providing public announcement, or giving oral or written notice to the holders

of the Initial Notes. A material change in the terms of the Exchange Offer could include, among other things, a change in the timing of the Exchange Offer, a change in the Exchange Agent, and other similar changes in the terms of the Exchange Offer.

Without limiting the manner in which the Company may choose to make a public announcement of any delay, extension, amendment or termination of the Exchange Offer, the Company shall have no obligation to publish, advertise, or otherwise communicate any such public announcement.

Interest on the Exchange Notes

The Exchange Notes will accrue interest payable in cash at the applicable per annum rate set forth on the cover page of this Prospectus, from the later of (i) the last interest payment date on which interest was paid on the Initial Notes surrendered in exchange therefor or (ii) if the Initial Notes are surrendered for exchange on a date subsequent to the record date for an interest payment date to occur on or after the date of such exchange and as to which interest will be paid, the date of such interest payment.

Procedures for Tendering

To tender in the Exchange Offer, a holder of Initial Notes must complete, sign and date the Letter of Transmittal, or a facsimile thereof, have the signatures thereon guaranteed if required by the Letter of Transmittal, and mail or otherwise deliver such Letter of Transmittal or such facsimile, or an Agent's Message together with the Initial Notes and any other required documents, to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. In addition, either

(i) certificates for such Initial Notes must be received by the Exchange Agent along with the Letter of Transmittal, (ii) a timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Initial Notes, if such procedure is available, into the Exchange Agent's account at The Depository Trust Company (the "Book-Entry Transfer Facility" or "DTC") pursuant to the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the Expiration Date or (iii) the holder must comply with the guaranteed delivery procedures described below. THE METHOD OF DELIVERY OF INITIAL NOTES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE HOLDERS. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT HOLDERS USE AN OVERNIGHT OR HAND-DELIVERY SERVICE. IF SUCH DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE USED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY. NO LETTERS OF TRANSMITTAL OR INITIAL NOTES SHOULD BE SENT TO THE COMPANY. Delivery of all documents must be made to the Exchange Agent at its address set forth below. Holders of Initial Notes may also request their respective brokers, dealers, commercial banks, trust companies or nominees to effect such tender for such holders.

The term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility to, and received by, the Exchange Agent and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering Initial Notes which are the subject of such Book-Entry Confirmation that such participant has received and agrees to be bound by the terms of the Letter of Transmittal, and that the Company may enforce such agreement against such participant.

The tender by a holder of Initial Notes will constitute an agreement between such holder and the Company in accordance with the terms and subject to the conditions set forth herein and in the Letter of Transmittal.

Only a holder of Initial Notes may tender such Initial Notes in the Exchange Offer. The term "holder" with respect to the Exchange Offer means any person in whose name Initial Notes are registered on the books of the Company or any other person who has obtained a properly completed bond power from the registered holder.

Any beneficial owner whose Initial Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered holder promptly and instruct such registered holder to tender on his or her behalf. If such beneficial owner wishes to tender on his or her own behalf, such beneficial owner must, prior to completing and executing the Letter of Transmittal and delivering his Initial Notes, either make appropriate arrangements to register ownership of the Initial Notes in such owner's name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

Signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member firm of a registered national securities exchange or of the National

Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor" institution within the meaning of Rule 17Ad-15 under the Exchange Act (each, an "Eligible Institution"), unless the Initial Notes tendered pursuant thereto are tendered (i) by a registered holder (or by a participant in DTC whose name appears on a security position listing as the owner) who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the Letter of Transmittal and the Exchange Notes are being issued directly to such registered holder (or deposited into the participant's account at DTC) or (ii) for the account of an Eligible Institution.

If the Letter of Transmittal is signed by the recordholder(s) of the Initial Notes tendered thereby, the signature must correspond with the name(s) written on the face of the Initial Notes without alteration, enlargement or any change whatsoever. If the Letter of Transmittal is signed by a participant in DTC, the signature must correspond with the name as it appears on the security position listing as the holder of the Initial Notes.

If the Letter of Transmittal is signed by a person other than the registered holder of any Initial Notes listed therein, such Initial Notes must be endorsed or accompanied by bond powers and a proxy that authorize such person to tender the Initial Notes on behalf of the registered holder, in each case as the name of the registered holder or holders appears on the Initial Notes.

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

A tender will be deemed to have been received as of the date when the tendering holder's duly signed Letter of Transmittal accompanied by Initial Notes (or a timely confirmation received of a book-entry transfer of Initial Notes into the Exchange Agent's account at DTC with an Agent's Message) or a Notice of Guaranteed Delivery from an Eligible Institution is received by the Exchange Agent. Issuances of Exchange Notes in exchange for Initial Notes tendered pursuant to a Notice of Guaranteed Delivery by an Eligible Institution will be made only against delivery of the Letter of Transmittal (and any other required documents) and the tendered Initial Notes (or a timely confirmation received of a book-entry transfer of Initial Notes into the Exchange Agent's account at DTC) with the Exchange Agent.

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of the tendered Initial Notes will be determined by the Company in its sole discretion, which determination will be final and binding. The Company reserves the absolute right to reject any and all Initial Notes not properly tendered or any Initial Notes which, if accepted, would, in the opinion of the Company or its counsel, be unlawful. The Company also reserves the absolute right to waive any conditions of the Exchange Offer or irregularities or defects in tender as to particular Initial Notes. The Company's interpretation of the terms and conditions of the Exchange Offer (including the instructions in the Letter of Transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Initial Notes must be cured within such time as the Company shall determine. Neither the Company, the Exchange Agent nor any other

person shall be under any duty to give notification of defects or irregularities with respect to tenders of Initial Notes, nor shall any of them incur any liability for failure to give such notification. Tenders of Initial Notes will not be deemed to have been made until such irregularities have been cured or waived. Any Initial Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost by the Exchange Agent to the tendering holders of such Initial Notes, unless otherwise provided in the Letter of Transmittal, as soon as practicable following the Expiration Date.

In addition, the Company reserves the right in its sole discretion, subject to the provisions of the Indenture, to (i) purchase or make offers for any Initial Notes that remain outstanding subsequent to the Expiration Date or, as

set forth under "--Expiration Date; Extensions; Amendments; Termination", to terminate the Exchange Offer in accordance with the terms of the Registration Rights Agreement and (ii) to the extent permitted by applicable law, purchase Initial Notes in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers could differ from the terms of the Exchange Offer.

Acceptance of Initial Notes for Exchange; Delivery of Exchange Notes

Upon satisfaction or waiver of all of the conditions to the Exchange Offer, all Initial Notes properly tendered will be accepted, promptly after the Expiration Date, and the Exchange Notes will be issued promptly after acceptance of the Initial Notes. See "--Conditions" below. For purposes of the Exchange Offer, Initial Notes shall be deemed to have been accepted as validly tendered for exchange when, as and if the Company has given oral or written notice thereof to the Exchange Agent.

In all cases, issuance of Exchange Notes for Initial Notes that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of certificates for such Initial Notes or a timely Book-Entry Confirmation of such Initial Notes into the Exchange Agent's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal and all other required documents. If any tendered Initial Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Initial Notes are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or non-exchanged Initial Notes will be returned without expense to the tendering holder thereof (or, in the case of Initial Notes tendered by book-entry transfer procedures described below, such non-exchanged Initial Notes will be credited to an account maintained with such Book-Entry Transfer Facility) as promptly as practicable after the expiration or termination of the Exchange Offer.

Book-Entry Transfer

The Exchange Agent will make a request to establish an account with respect to the Initial Notes at the Book-Entry Transfer Facility for purposes of the Exchange Offer within two business days after the date of this Prospectus. Any financial institution that is a participant in the Book-Entry Transfer Facility's systems may make book-entry delivery of Initial Notes by causing the Book-Entry Transfer Facility to transfer such Initial Notes into the Exchange Agent's account at the Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer.

However, although delivery of Initial Notes may be effected through book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility, an Agent's Message or the Letter of Transmittal or facsimile thereof with any required signature guarantees and any other required documents must, in any case, be transmitted to and received by the Exchange Agent at one of the addresses set forth below under "--Exchange Agent" on or prior to the Expiration Date or the guaranteed delivery procedures described below must be complied with. DELIVERY OF DOCUMENTS TO DTC DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT. All references in the Prospectus to deposit of Initial Notes shall be deemed to include the Book-Entry Transfer Facility's book-entry delivery method.

Guaranteed Delivery Procedure

If a registered holder of the Initial Notes desires to tender such Initial Notes, and the Initial Notes are not immediately available, or time will not permit such holder's Initial Notes or other required documents to reach the Exchange Agent before the Expiration Date, or the procedures for book-entry transfer cannot be completed on a timely basis and an Agent's Message delivered, a tender may be effected if (i) the tender is made through an Eligible Institution, (ii) prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of the Initial Notes and the amount of Initial Notes tendered, stating that the tender is being made thereby and guaranteeing that within five business days after the Expiration Date the certificates for all physically tendered Initial Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent and (iii) the certificates for all physically tendered Initial Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and all other documents required by the Letter of Transmittal are received by the Exchange Agent within five business days after the Expiration Date.

Withdrawal of Tenders

Except as otherwise provided herein, tenders of Initial Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

For a withdrawal to be effective, a written notice of withdrawal must be received by the Exchange Agent prior to 5:00 p.m., New York City time on the business day prior to the Expiration Date at one of the addresses set forth below under "--Exchange Agent" and prior to acceptance for exchange thereof by the Company. Any such notice of withdrawal must (i) specify the name of the person having tendered the Initial Notes to be withdrawn (the "Depositor"), (ii) identify the Initial Notes to be withdrawn (including, if applicable, the registration number or numbers and total principal amount of such Initial Notes), (iii) be signed by the Depositor in the same manner as the original signature on the Letter of Transmittal by which such Initial Notes were tendered (including any required signature guarantees) or be accompanied by documents of transfer sufficient to permit the Trustee with respect to the Initial Notes to register the transfer of such Initial Notes into the name of the Depositor withdrawing the tender, (iv) specify the name in which any such Initial Notes are to

be registered, if different from that of the Depositor and (v) if applicable because the Initial Notes have been tendered pursuant to the book-entry procedures, specify the name and number of the participant's account at DTC to be credited, if different than that of the Depositor. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by the Company, whose determination shall be final and binding on all parties. Any Initial Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Initial Notes which have been tendered for exchange which are not exchanged for any reason will be returned to the holder thereof without cost to such holder (or, in the case of Initial Notes tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures described above, such Initial Notes will be credited to an account maintained with such Book-Entry Transfer Facility for the Initial Notes) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Initial Notes may be re-tendered by following one of the procedures descried under "--Procedures for Tendering" and "--Book-Entry Transfer" above at any time on or prior to the Expiration Date.

CONDITIONS

Notwithstanding any other term of the Exchange Offer, Initial Notes will not be required to be accepted for exchange, nor will Exchange Notes be issued in exchange for any Initial Notes, and the Company may terminate or amend the Exchange Offer as provided herein before the acceptance of such Initial Notes, if (i) because of any change in law, or applicable interpretations thereof by the SEC, the Company determines that it is not permitted to effect the Exchange Offer, (ii) an action is proceeding or threatened that would materially impair the Company's ability to proceed with the Exchange Offer, or (iii) not all government approvals which the Company deems necessary for the consummation of the Exchange Offer have been received. The Company has no obligation to, and will not knowingly, permit acceptance of tenders of Initial Notes from affiliates of the Company (within the meaning of Rule 405 under the Securities Act) or from any other holder or holders who are not eligible to participate in the Exchange Offer under applicable law or interpretations thereof by the SEC, or if the Exchange Notes to be received by such holder or holders of Initial Notes in the Exchange Offer, upon receipt, will not be tradable by such holder without restriction under the Securities Act and the Exchange Act and without material restrictions under the "blue sky" or securities laws of substantially all of the states of the United States.

ACCOUNTING TREATMENT

The Exchange Notes will be recorded at the same carrying value as the Initial Notes, as reflected in the Company's accounting records on the date of the exchange. Accordingly, no gain or loss for accounting purposes will be recognized by the Company. The costs of the Exchange Offer and the unamortized expenses related to the issuance of the Initial Notes will be amortized over the term of the Exchange Notes.

EXCHANGE AGENT

LaSalle National Bank has been appointed as Exchange Agent for the Exchange Offer. Questions and requests for assistance and requests for additional copies of this Prospectus or of the Letter of Transmittal should be directed to the Exchange Agent addressed as follows:

By Mail, Overnight Mail or Courier:
LaSalle National Bank
135 South LaSalle Street
Suite 1960
Chicago, IL 60603
ATTN: Alvita Griffin

Facsimile Transmission: (312) 904-2236
Confirm by Telephone: (312) 904-2231

FEES AND EXPENSES

The expenses of soliciting tenders pursuant to the Exchange Offer will be borne by the Company. The principal solicitation for tenders pursuant to the Exchange Offer is being made by mail; however, additional solicitations may be made by telegraph, telephone, telecopy or in person by officers and regular employees of the Company.

The Company will not make any payments to brokers, dealers or other persons soliciting acceptances of the Exchange Offer. The Company, however, will pay the Exchange Agent reasonable and customary fees for its services and will reimburse the Exchange Agent for its reasonable out-of-pocket expenses in connection therewith. The Company may also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of the Prospectus, Letters of Transmittal and related documents to the beneficial owners of the Initial Notes, and in handling or forwarding tenders for exchange.

The expenses to be incurred in connection with the Exchange Offer will be paid by the Company, including fees and expenses of the Exchange Agent and Trustee and accounting, legal, printing and related fees and expenses.

The Company will pay all transfer taxes, if any, applicable to the exchange of Initial Notes pursuant to the Exchange Offer. If, however, certificates representing Exchange Notes or Initial Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Initial Notes tendered, or if tendered Initial Notes are registered in the name of any person other than the person signing the Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Initial Notes pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

USE OF PROCEEDS

There will be no cash proceeds payable to the Company from the issuance of the Exchange Notes pursuant to the Exchange Offer. In consideration for issuing the Exchange Notes as contemplated in this Prospectus, the Company will receive in exchange Initial Notes in like principal amount, the terms of which are identical in all material respects to the Exchange Notes. The Initial Notes surrendered in exchange for the Exchange Notes will be retired and canceled and cannot be reissued. Accordingly, the issuance of the Exchange Notes will not result in any increase in the indebtedness of the Company. The proceeds received from the sale of the Initial Notes were used to repay obligations under the Company's then existing credit facilities.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

The following table sets forth selected historical consolidated financial and other data for the periods ended and as of the dates indicated. The results of operations include (i) for the periods prior to and ending on September 24, 1995, the results of Kraft's marshmallow and caramel business (the "Predecessor") and (ii) for the periods after September 24, 1995, the consolidated results of operations of the Company and its subsidiaries from the respective dates of their acquisition. The statement of operations, other financial and balance sheet data as of, and for the periods ended, June 29, 1996, June 28, 1997 and June 27, 1998 have been derived from, and should be reviewed in conjunction with, the Consolidated Financial Statements of the

Company, and the notes thereto, which have been audited by PricewaterhouseCoopers LLP, independent accountants, and which are included elsewhere in this Prospectus. The financial data as of, and for the periods ended, June 30, 1994, June 30, 1995, and September 24, 1995 have been derived from the unaudited financial statements of the Predecessor. See "Risk Factors--Uncertainty of Financial Information Related to the Kraft Business."

The unaudited financial data for the 13 weeks ended September 27, 1997 and for the 13 weeks ended September 26, 1998 were derived from, and should be read in conjunction with, interim consolidated financial information of the Company as of such dates, which is included elsewhere in this Prospectus. In our opinion, such statements reflect all adjustments, consisting of only normal, recurring adjustments, necessary for a fair presentation of such data. Operating results for the 13 weeks ended September 26, 1998 are not necessarily indicative of results to be expected for full fiscal 1999.

As a result of the significant number of acquisitions completed by the Company during the periods presented below, the historical consolidated financial information is not indicative of the results of operations, financial position or cash flows of the Company for the historical periods presented had the Company been organized and owned all of its current subsidiaries for such periods. The following information should be read together with the "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Company's Consolidated Financial Statements, and the notes thereto, appearing elsewhere in this Prospectus.

<TABLE>
<CAPTION>

	PREDECESSOR(1)			COMPANY(2)				
	FISCAL YEAR ENDED JUNE 30, 1994	FISCAL YEAR ENDED JUNE 30, 1995	JULY 1, 1995 THROUGH SEPTEMBER 24, 1995	40 WEEKS ENDED JUNE 29, 1996	52 WEEKS ENDED JUNE 28, 1997	52 WEEKS ENDED JUNE 27, 1998	13 WEEKS ENDED SEPTEMBER 27, 1997	13 WEEKS ENDED SEPTEMBER 26, 1998
<S>	<C>	<C>	<C>	(DOLLARS IN THOUSANDS) <C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:								
Net sales	$144,881	$151,488	$36,133	$127,629	$652,538	$763,921	$203,570	$ 196,640
Costs and expenses:								
Cost of sales	82,600	87,436	20,943	74,289	433,707	493,095	129,407	123,508
Selling, marketing and administrative	44,376	46,439	10,897	38,110	176,506	237,147	53,827	69,004
Amortization of intangible assets	--	--	--	7,454	9,540	13,670	3,061	3,004
Restructuring and business integration costs(3)	--	--	--	--	--	39,689	3,445	1,047
	126,976	133,875	31,840	119,853	619,753	783,601	189,740	196,563
Income (loss) from operations	17,905	17,613	4,293	7,776	32,785	(19,680)	13,830	77
Interest expense(7)	--	--	--	8,589	33,463	54,581	12,745	14,577
Income (loss) before income taxes, extraordinary charge and cumulative effect of change in accounting principle	17,905	17,613	4,293	(813)	(678)	(74,261)	1,085	(14,500)
Provision (benefit) for income taxes	7,162	7,045	1,717	(305)	960	(27,419)	908	(5,356)
Income (loss) before extraordinary charge and cumulative effect of change in accounting principle	10,743	10,568	2,576	(508)	(1,638)	(46,842)	177	(9,144)
Extraordinary charge--early debt extinguishment, net of income tax benefit(4)	--	--	--	--	--	8,591	4,154	--
Cumulative effect of change in accounting principle, net of income tax benefit(5)	--	--	--	--	--	--	--	2,503

Net income (loss).....	$ 10,743	$ 10,568	$ 2,576	$ (508)	$ (1,638)	$(55,433)	$ (3,977)	$ (11,647)
OTHER FINANCIAL DATA:								
EBITDA(6).....	$ 20,055	$ 19,813	$ 4,801	$ 17,978	$ 61,874	$ 61,306	$ 27,062	$ 11,234
Net cash provided by (used in) operating activities.....	N/A	N/A	N/A	22,480	32,550	12,559	(2,360)	(30,741)
Net cash used in investing activities...	N/A	N/A	N/A	(212,932)	(367,209)	(27,313)	(4,662)	(5,592)
Net cash provided by financing activities...	N/A	N/A	N/A	191,388	336,900	18,017	17,276	32,467
Depreciation and amortization.....	2,150	2,200	508	10,202	29,089	41,297	9,787	10,110
Capital expenditures....	1,900	2,400	692	8,544	31,018	27,010	4,584	5,592
Ratio of earnings to fixed charges(7)(8)....	N/A	N/A	N/A	--	--	--	--	--
BALANCE SHEET DATA (END OF PERIOD):								
Cash and cash equivalents.....	$ --	$ --	$ --	$ 936	$ 3,177	$ 6,440	$ 13,431	$ 2,574
Total assets.....	32,500	37,301	26,529	208,692	807,053	809,556	841,946	829,776
Total debt, including current portion.....	--	--	--	134,800	533,367	557,390	556,898	590,440
Divisional/stockholder's equity.....	23,012	33,580	36,156	59,492	176,912	137,745	172,935	126,098

</TABLE>

N/A: Not available

(1) The periods ended and as of June 30, 1994, June 30, 1995 and September 24, 1995 reflect the unaudited results of the Predecessor. See "Risk Factors--Uncertainty of Financial Information Related to the Kraft Business."

(2) The Company's results of operations for the year ended June 28, 1997 include the results of Farley, Sathers and Kidd from the date of their acquisition on August 30, 1996, the results of Dae Julie from the date of its acquisition on January 27, 1997 and the results of Trolli from the date of its acquisition on April 1, 1997.

(3) The Company recorded restructuring and business integration costs during the year ended June 27, 1998 and the 13 weeks ended September 27, 1997 and September 26, 1998. These include, among other things, charges for impairment of property, plant and equipment, staff consolidation and related costs, incremental freight, distribution and warehousing consolidation expenses and manufacturing integration costs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 4 to the Company's Consolidated Financial Statements included elsewhere in this Prospectus.

(4) The extraordinary charge relates to the early extinguishment of debt. See Note 10 to the Company's Consolidated Financial Statements included elsewhere in this Prospectus.

(5) The cumulative effect of change in accounting principle relates to the Company's adoption of Statement of Position 98-5, "Reporting on the Costs of Start-up Activities" during the first quarter of fiscal 1999. See Note 16 to the Company's Consolidated Financial Statements, included elsewhere in this Prospectus.

(6) EBITDA is defined as income (loss) from operations before depreciation, amortization of goodwill and other intangibles, and restructuring and business integration costs. The Company believes that EBITDA provides useful information regarding the Company's ability to service its debt, and the Company understands that such information is considered by certain investors to be an additional basis for evaluating the Company's ability to pay interest and repay debt. EBITDA does not, however, represent cash flow from operations as defined by generally accepted accounting principles and should not be considered as a substitute for net income as an indicator of the Company's operating performance or cash flow as a measure of liquidity. Because EBITDA is not calculated identically by all companies, the presentation herein may not be comparable to other similarly titled measures of other companies. See the Company's consolidated financial statements, and related notes thereto, included elsewhere in this Prospectus.

(7) The Company's cash interest expense with respect to the Senior Subordinated Notes increased by one percent per annum beginning on October 1, 1998. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

(8) The ratio of earnings to fixed charges has been calculated by dividing income (loss) before income taxes, extraordinary charge and cumulative effect of change in accounting principle and fixed charges by fixed charges. Fixed charges for this purpose include interest expense, amortization of deferred financing costs and the portion of rent expense

deemed to be representative of the interest factor. Earnings were insufficient to cover fixed charges by $813 for the 40 weeks ended June 29, 1996, by $678 for the 52 weeks ended June 28, 1997, by $74,261 for the 52 weeks ended June 27, 1998 and by $14,500 for the 13 weeks ended September 26, 1998.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's results of operations and of its liquidity and capital resources should be read in conjunction with the financial statements, and the related notes thereto, appearing elsewhere in this Prospectus. The Company's fiscal year ends on the Saturday immediately preceding June 30 and generally includes 52 weeks of operations. The fiscal year for the period from September 25, 1995 (the date of completion of the Kraft acquisition) through June 29, 1996 included 40 weeks reflecting the first full period in which the Company had operations.

GENERAL

The Company is the fourth largest confections company in the United States. We compete primarily in the marshmallow, fruit snack and non-chocolate candy categories of the confections market with a broad portfolio of products. The Company's products are sold under proprietary brand names and private labels, principally through the grocery, mass merchandiser, drugstore, convenience store and club store channels.

A substantial portion of the Company's growth since August 1996 is the result of the Acquisitions. In connection with these Acquisitions, the Company's goal was to integrate the various acquired companies to realize efficiencies and reduce costs. The integration process to date has included, among other things, the relocation of all marshmallow production to the Kendallville, Indiana and Henderson, Nevada plants, the closure of a Sathers general line candy facility, the consolidation of certain distribution facilities and the reorganization of certain sales, marketing, customer service and administrative functions. To complete this process, further consolidation, reorganization and rationalization measures are planned.

FISCAL 1998 DIFFICULTIES

During fiscal 1998, the integration process proceeded more slowly and was more difficult than we anticipated. These delays and difficulties, as well as a significant increase in trade spending, caused a substantial deterioration in the Company's results of operations beginning in fiscal 1998.

Trade Spending. Subsequent to the Acquisitions, certain of the Company's sales, marketing and customer service functions (except Trolli's) were consolidated and reorganized to accommodate all product lines across multiple channels. Each of the acquired companies' trade spending programs was complex, and the existing information systems of the Company and the acquired companies were not designed to effectively plan, authorize and evaluate the effectiveness of trade spending programs. The combined effect of the lack of effective controls and information systems, certain competitive pressures (primarily in fruit snacks) and ineffective execution of trade spending programs, resulted in a significant increase in trade spending. The Company anticipates that higher trade spending levels will continue to affect results of operations in fiscal 1999. The Company has implemented new reporting procedures designed to allow it to plan, monitor and evaluate trade spending programs more effectively.

Beginning in the third quarter of fiscal 1999, we intend to implement newly designed trade spending programs for most of our products as well as additional reporting mechanisms and controls. The goal of our new trade spending programs is to reduce trade spending as a percentage of net sales and to more effectively spend our trade dollars. There are, however, a number of risks related to implementation of our new trade spending programs. These risks include the possibility that lower levels of trade spending may result in lower sales of our products. Therefore, we can give no assurance that trade spending levels will decline or, if they do decline, that our sales will not be adversely affected.

The Company's results of operations also have been adversely affected by the issues discussed below relating to the integration of the various acquired companies.

Distribution and Freight. The Company closed 12 distribution facilities as part of the integration of its distribution network. In connection with the

closures, the Company incurred expenses to move inventories to remaining distribution centers and to upgrade the remaining facilities to accommodate increased inventory levels. In addition, a difficult consolidation process was further complicated by decentralized sales forecasting and production planning and limited capacity planning, inventory management and information systems capabilities. These difficulties resulted in reduced levels of customer service, including lower customer fill rates. In an effort to address these issues and accommodate customer delivery requirements during the peak season, the Company increased inventory (which further increased storage and handling costs), incurred excessive freight costs and decided to forego third-party trucking revenues.

Inventory Management. As discussed above in "--Distribution and Freight," inventory levels were increased to meet customer delivery requirements. These increases, coupled with the short shelf life of some of the Company's products, resulted in higher levels of inventory obsolescence.

Quality Control. The relocation of all marshmallow production to the Kendallville and Henderson plants, coupled with an unsuccessful union organizing effort at the Kendallville plant, resulted in production and delivery of lower quality marshmallows during the summer of 1997 and high levels of product returns in the second and third quarters of fiscal 1998. Summer and fall of each year are the seasons when marshmallow production normally increases in anticipation of the holiday season, in which marshmallow sales are at their highest.

During fiscal 1998 and fiscal 1999, the Company took a number of actions to address the integration issues discussed above. The Company has made several senior management changes, which include hiring a new Chief Executive Officer; President, Chief Operating Officer and Chief Financial Officer; Vice President of Supply Chain; Vice President of Sales; and Vice President of Information Systems, as well as making several realignments of existing management. Management has also implemented a new quality control and testing program for marshmallow production that is designed to reduce the level of lower quality marshmallows. For example, the Company is using thicker bags for its marshmallows, has improved its formulae, has increased the use of refrigerated trucking and storage and has implemented on-line quality testing procedures. The Company also has centralized certain of its sales forecasting, production and capacity planning and inventory management processes to facilitate managing the supply chain more efficiently. Since implementing the supply chain management initiatives in the third quarter of fiscal 1998, the Company has improved customer service levels.

Although we have implemented a number of initiatives to address certain of our integration issues, we will be required to implement a number of additional initiatives over the next several years in order to effectively integrate the acquired companies. However, additional operating issues may arise in connection with integrating the acquired companies and the measures that we have taken to date to address the current integration issues may not adequately resolve these issues. We expect integration difficulties to continue to adversely affect our results of operations in fiscal 1999.

RESULTS OF OPERATIONS

Sales are recognized when products are shipped and are shown net of discounts (other than trade spending), returns and unsalables.

The principal elements of the Company's cost of sales are raw materials and packaging supplies, labor, manufacturing overhead and purchased product costs. Raw materials consist primarily of sugar, corn products (dextrose, starch and corn syrup) and gelatin. Packaging supplies include bag stock, film and corrugated boxes. See "Risk Factors--Dependence on Raw Materials."

Selling, marketing and administrative expenses include, but are not limited to: (i) selling costs, such as salaries and wages, utilities, transportation and warehousing; (ii) marketing expenses such as trade spending, consumer promotions, advertising, license fees and broker commissions; and (iii) general overhead expenses, which consist primarily of salaries and wages, professional fees and office occupancy expenses. Trade spending generally refers to promotional expenditures associated with selling products to trade customers, such as retailers and other customers that are not the end users of the products. Trade spending is intended to be used by our trade customers for promotional activities, including advertising, temporary price reductions and displays, and for securing shelf space.

Amortization of intangible assets consists principally of amortization of goodwill related to the Acquisitions. The amortization period for goodwill was increased from 15 years to 40 years effective August 30, 1996. See the notes to the Company's Consolidated Financial Statements appearing elsewhere in this

Prospectus.

The following table sets forth, for the periods indicated, the percentage relationship to net sales of certain items in the Company's consolidated statements of operations for such periods.

<TABLE>
<CAPTION>

	40 WEEKS ENDED	52 WEEKS ENDED		13 WEEKS ENDED	
	JUNE 29, 1996	JUNE 28, 1997	JUNE 27, 1998	SEPTEMBER 27, 1997	SEPTEMBER 26, 1998
				(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>	<C>
Net sales by major product category:					
Marshmallows	94.1%	23.6%	19.2%	17.0%	14.6%
Fruit snacks	--	15.9	17.0	13.7	17.2
Trolli gummis	--	3.0	9.2	9.6	11.7
General line candy	5.9	55.6	53.2	58.3	55.4
Non-product revenue(1)	--	1.9	1.4	1.4	1.1
Total net sales	100.0	100.0	100.0	100.0	100.0
Costs and expenses:					
Cost of sales	58.2	66.5	64.5	63.6	62.8
Selling, marketing and administrative	29.9	27.0	31.1	26.4	35.1
Amortization of intangible assets	5.8	1.5	1.8	1.5	1.5
Restructuring and business integration costs	--	--	5.2	1.7	0.5
	93.9	95.0	102.6	93.2	99.9
Income (loss) from operations	6.1	5.0	(2.6)	6.8	0.1
Interest expense	6.7	5.1	7.1	6.3	7.4
(Loss) income before income taxes, extraordinary charge and cumulative effect of change in accounting principle	(0.6)	(0.1)	(9.7)	0.5	(7.3)
(Benefit) provision for income taxes	(0.2)	0.1	(3.6)	0.4	(2.7)
(Loss) income before extraordinary charge and cumulative effect of change in accounting principle	(0.4)	(0.2)	(6.1)	0.1	(4.6)
Extraordinary charge, net of income tax benefit	--	--	1.1	2.0	--
Cumulative effect of change in accounting principle, net of income tax benefit	--	--	--	--	1.3
Net loss	(0.4)%	(0.2)%	(7.2)%	(1.9)%	(5.9)%

</TABLE>

(1) Non-product revenue primarily relates to Sather Trucking Corp.

THIRTEEN WEEKS ENDED SEPTEMBER 26, 1998 COMPARED TO THIRTEEN WEEKS ENDED SEPTEMBER 27, 1997

Net Sales. Net sales were $196.6 million for the quarter ended September 26, 1998, compared to $203.6 million for the quarter ended September 27, 1997, a decrease of $7.0 million. The decline was a result of lower sales of marshmallow and general line candy products. These decreases were partially offset by increases in sales of fruit snack and gummi products. The decline in marshmallow sales coincided with an overall decline in sales in the retail marshmallow category and the timing of certain seasonal sales. The decline in general line candy was partially due to a decline in branded caramel sales as

well as declines in a number of other product categories. Management attributes the decline in branded caramel sales to the September 1997 expiration of the Company's interim license to use the Kraft brand name which in turn resulted in increased competitive activity.

Cost of Sales. Cost of sales was $123.5 million for the fiscal 1999 period, compared to $129.4 million for the fiscal 1998 period, a decrease of $5.9 million. Expressed as a percentage of net sales, cost of sales was 62.8% for the fiscal 1999 period and 63.6% for the fiscal 1998 period, a slight improvement over the prior year period.

Selling, Marketing and Administrative Expenses. Selling, marketing and administrative expenses were $69.0 million for the fiscal 1999 period, compared to $53.8 million for the fiscal 1998 period, an increase of $15.2 million. Expressed as a percentage of net sales, these expenses were 35.1% for the fiscal 1999 period and 26.4% for the fiscal 1998 period. Over three-fourths of the increase was the result of increased trade spending and planned increases in consumer promotions. Also contributing to a lesser extent were increased administrative expenses that relate to building infrastructure for the integrated Company.

Amortization of Intangible Assets. Amortization of intangible assets was $3.0 million for the fiscal 1999 period, compared to $3.1 million for the fiscal 1998 period, remaining essentially unchanged from the prior period.

Restructuring and Business Integration Costs. Restructuring and business integration costs were $1.0 million for the fiscal 1999 period, compared to $3.4 million for the fiscal 1998 period, a decrease of $2.4 million. The fiscal 1999 charges reflect professional fees associated with trade spending and integration initiatives and transportation costs associated with opening the Company's new regional distribution centers, partially offset by the resolution of a technology license dispute. The fiscal 1998 costs primarily included freight, distribution and warehousing associated with the consolidation of distribution centers and manufacturing integration.

Income from Operations. Income from operations was $0.1 million for the fiscal 1999 period, compared to operating income of $13.8 million for the fiscal 1998 period, a decrease of $13.7 million. This decline is a result of the factors indicated above.

Interest Expense. Interest expense was $14.6 million for the fiscal 1999 period, compared to $12.7 million for the fiscal 1998 period, an increase of $1.9 million. This increase was primarily due to higher average outstanding debt balances.

Provision (Benefit) for Income Taxes. The benefit for income taxes was $5.4 million for the fiscal 1999 period as a result of the current quarter's pre-tax loss, as compared to a $0.9 million provision for the fiscal 1998 period.

Extraordinary Charge--Early Debt Extinguishment. During the fiscal 1998 period, the Company incurred a $4.2 million extraordinary charge, which is net of $2.7 million in income tax benefits, related to the early extinguishment of certain indebtedness. See Note 10 to the Company's Consolidated Financial Statements contained elsewhere in this Prospectus.

Cumulative Effect of Change in Accounting Principle. During the fiscal 1999 period, the Company adopted the provisions of Statement of Position 98-5 "Reporting on the Costs of Start-Up Activities", which required the Company to write off unamortized start-up costs of $2.5 million, which amount is net of $1.7 million in income tax benefits. See Note 16 to the Company's Consolidated Financial Statements contained elsewhere in this Prospectus.

Net Loss. As a result of the factors discussed above, the Company had a net loss of $11.6 million for the fiscal 1999 period, compared to a net loss of $4.0 million for the fiscal 1998 period.

FISCAL YEAR ENDED JUNE 27, 1998 COMPARED TO FISCAL YEAR ENDED JUNE 28, 1997

Net Sales. Net sales were $763.9 million in fiscal 1998, compared to $652.5 million in fiscal 1997, an increase of $111.4 million. The increase was primarily due to the fact that fiscal 1998 includes the results of operations of all acquired companies for the entire year, while fiscal 1997 only includes results of operations of the acquired companies from their respective dates of acquisition. On a comparable basis (i.e., giving effect to full fiscal 1997 net sales of the acquired companies), sales were down 6% primarily due to (i) lower sales of private-label marshmallows, (ii) decreases in ingredient and branded

caramel sales and (iii) heavy promotional activity that shifted customer purchases from the first quarter of fiscal 1998 to the fourth quarter of fiscal 1997. The decline in sales of private label marshmallows resulted primarily from the quality and service issues discussed above, while the decline in branded caramel sales resulted primarily from the expiration in September 1997 of our interim license of the Kraft brandname for caramels. These decreases were partially offset by increases in sales of gummi and fruit snack products.

Cost of Sales. Cost of sales was $493.1 million for fiscal 1998, compared to $433.7 million for fiscal 1997, an increase of $59.4 million. Expressed as a percentage of net sales, cost of sales was 64.5% for fiscal 1998 and 66.5% for fiscal 1997. Cost of sales for fiscal 1997 included $10.3 million related to purchase accounting adjustments resulting from the Acquisitions. Adjusted for the impact of these amounts, cost of sales as a percentage of net sales was 64.9% for fiscal 1997. The remaining margin improvement in fiscal 1998 primarily relates to reduced production costs generated from the integration of the acquired companies, automation of fruit snack and hard candy manufacturing and vendor consolidation, offset in part by increased fixed costs associated with facility consolidation and charges associated with aged inventories.

Selling, Marketing and Administrative Expenses. Selling, marketing and administrative expenses were $237.1 million for fiscal 1998, compared to $176.5 million for fiscal 1997, an increase of $60.6 million. Expressed as a percentage of net sales, these expenses were 31.1% in fiscal 1998 and 27.0% in fiscal 1997. The increase in these expenses was primarily the result of increased trade and consumer spending.

Amortization of Intangible Assets. Amortization of intangible assets was $13.7 million in fiscal 1998, compared to $9.5 million in fiscal 1997, an increase of $4.2 million, primarily due to increased goodwill associated with the Acquisitions.

Restructuring and Business Integration Costs. The Company recorded a $39.7 million charge for restructuring and business integration costs during fiscal 1998. The nature of these costs is discussed below.

During fiscal 1998, the Company began to integrate the acquired companies through various initiatives, including consolidation of production facilities, reorganization of certain supply chain functions, integration of certain sales, marketing and customer service functions, and integration of certain information systems. As a result of these activities, the Company incurred the following

business integration charges during fiscal 1998, of which $13.6 million was paid as of fiscal year end (dollars in millions):

Staff consolidation and related costs	$ 7.4
Manufacturing integration costs	4.9
Distribution and warehouse consolidation costs	6.6
SKU rationalization costs	1.8
Technology licensing costs	1.7
Strategic acquisitions not pursued	1.3
	$23.7

In addition to the integration activities discussed above, the Board of Directors approved a restructuring of the Company's operations during fiscal 1998. The restructuring, which management expects to be completed by fiscal 2000, includes (i) rationalizing certain production facilities and outsourcing production of certain candy products and (ii) further consolidating the distribution network by reducing the number of distribution centers used by the Company. In connection with these activities, the Company recorded the following restructuring charges during fiscal 1998 (dollars in millions):

Loss on impairment of property, plant and equipment	$13.8
Termination benefits for approximately 500 plant employees	1.3
Plant closing costs	0.9
	$16.0

The $13.8 million charge represented a non-cash write-down of the value of

certain assets.

Income (loss) from Operations. As a result of the factors outlined above, the loss from operations was $19.7 million for fiscal 1998, compared to operating income of $32.8 million for fiscal 1997, a decrease of $52.5 million.

Interest Expense. Interest expense was $54.6 million for fiscal 1998, compared to $33.5 million for fiscal 1997, an increase of $21.1 million. This increase was primarily due to higher average outstanding debt balances.

Provision (Benefit) for Income Taxes. The benefit for income taxes was $27.4 million for fiscal 1998, as a result of the current year's pre-tax loss, as compared to a $1.0 million provision for fiscal 1997. See Note 11 to the Company's Consolidated Financial Statements included elsewhere in this Prospectus.

Extraordinary Charge--Early Debt Extinguishment. The Company incurred an $8.6 million extraordinary charge, net of $5.6 million in income tax benefits, during fiscal 1998 related to the early extinguishment of the Company's prior senior credit agreement and the senior subordinated notes that were outstanding at that time. See Note 10 to the Company's Consolidated Financial Statements included elsewhere in this Prospectus.

Net Loss. As a result of the factors discussed above, the Company had a net loss of $55.4 million for fiscal 1998, compared to a net loss of $1.6 million for fiscal 1997.

FIFTY-TWO WEEKS ENDED JUNE 28, 1997 COMPARED TO FORTY WEEKS ENDED JUNE 29, 1996

Net Sales. Net sales were $652.5 million in fiscal 1997, compared to $127.6 million in fiscal 1996, an increase of $524.9 million. The increase was primarily due to the Acquisitions.

Marshmallow product sales were $154.0 million in fiscal 1997, compared to $120.1 million in fiscal 1996. Marshmallow revenues increased significantly as a result of the Kidd acquisition, which was completed in August 1996. The remaining sales increase from fiscal 1996 to fiscal 1997 was due to the Farley, Trolli, Sathers and Dae Julie acquisitions. These acquisitions broadened the Company's product portfolio to include fruit snacks, branded gummis and general line candy.

Cost of Sales. Cost of sales was $433.7 million for fiscal 1997, compared to $74.3 million for fiscal 1996, an increase of $359.4 million. The increase was primarily related to the Acquisitions. Expressed as a percentage of net sales, cost of sales was 66.5% for fiscal 1997 and 58.2% for fiscal 1996. Fiscal 1997 cost of sales included $10.3 million related to purchase accounting adjustments resulting from the Acquisitions. Fiscal 1996 includes a similar $1.3 million amount related to the Kraft acquisition. Adjusted for the impact of these amounts, cost of sales as a percentage of net sales was 64.9% for fiscal 1997 and 57.2% for fiscal 1996. Although the Company was able to reduce production costs by consolidating the production of six marshmallow manufacturing facilities into two facilities and implementing productivity initiatives, the cost savings from these initiatives were more than offset by significant changes in sales mix in fiscal 1997 due to the Acquisitions (i.e., 1996 sales consisted primarily of branded marshmallow and caramel sales, while 1997 sales included lower margin general line candy and private label marshmallow sales).

Selling, Marketing, and Administrative Expenses. Selling, marketing and administrative expenses were $176.5 million for fiscal 1997, compared to $38.1 million for fiscal 1996, an increase of $138.4 million. This increase was primarily due to the Acquisitions. Expressed as a percentage of net sales, these expenses were 27.0% in fiscal 1997 and 29.9% in fiscal 1996. The decrease in these expenses as a percentage of net sales was primarily attributable to the fixed administrative component being spread over a larger sales base.

Amortization of Intangible Assets. Amortization of intangible assets was $9.5 million for fiscal 1997, compared to $7.5 million for fiscal 1996, an increase of $2.0 million. This increase was principally the result of increased amortization of goodwill from the Acquisitions.

Income from Operations. As a result of the factors discussed above, income from operations was $32.8 million for fiscal 1997, as compared to $7.8 million for fiscal 1996, an increase of $25.0 million.

Interest Expense. Interest expense was $33.5 million for fiscal 1997, compared to $8.6 million for fiscal 1996, an increase of $24.9 million. This increase was primarily attributable to additional borrowings incurred to fund the Acquisitions and related working capital requirements.

Provision (Benefit) for Income Taxes. The provision for income taxes was $1.0 million for fiscal 1997, compared to a $0.3 million income tax benefit in fiscal 1996, an increase of $1.3 million.

Net Loss. As a result of the factors discussed above, the Company had a net loss of $1.6 million for fiscal 1997, compared to a net loss of $0.5 million for fiscal 1996, a decrease of $1.1 million.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities provided $22.5 million, $32.6 million, $12.6 million in fiscal 1996, fiscal 1997 and fiscal 1998, respectively, and used $2.4 million and $30.7 million in the fiscal 1998 period and the fiscal 1999 period, respectively. The increase in cash provided by operating activities from fiscal 1996 to fiscal 1997 is principally attributable to the Acquisitions. The decline in cash provided by operations between fiscal 1997 and fiscal 1998 reflects an increased net loss and higher inventory levels in anticipation of the implementation of the Company's new regional distribution centers, which was partially offset by increased accounts receivable collections. The increase in net cash used in operating activities during the fiscal 1999 period compared to the fiscal 1998 period reflects the increased net loss in the fiscal 1999 period and a significant increase in accounts payable and accrued expenses in the fiscal 1998 period.

The Company's liquidity requirements have arisen principally from acquisitions, capital expenditures, seasonal and general working capital requirements and debt service obligations. In fiscal 1996 and fiscal 1997, the Company spent $204.4 million and $336.2 million, respectively, in connection with the Acquisitions. Capital expenditures in fiscal 1996, fiscal 1997, fiscal 1998 and the first quarter of fiscal 1999 were $8.5 million, $31.0 million, $27.0 million and $5.6 million, respectively. These amounts were financed principally with net cash provided by operating activities, proceeds from bank borrowings or issuance of debt and equity securities.

The Company received $90.0 million and $60.0 million of capital contributions from Holdings in fiscal 1997 and fiscal 1996, respectively. The Company also received net proceeds (after the repayment of certain outstanding debt) from bank borrowings and the issuance of debt securities of $246.9 million and $131.4 million in fiscal 1997 and fiscal 1996, respectively. These proceeds were used primarily to fund the Acquisitions. The Company received net proceeds (after the repayment of certain outstanding indebtedness) from bank borrowings and the issuance of debt securities of $17.3 million and $32.5 million in the fiscal 1998 period and fiscal 1999 period, respectively.

As a result of the integration and trade spending issues discussed above, the Company experienced liquidity problems in the third quarter of fiscal 1998 and obtained a short-term liquidity facility from a commercial bank with credit support provided by TPG, Holdings' controlling shareholder. Further, in May 1998, the Company completed a refinancing of all of its indebtedness other than the Senior Subordinated Notes through the issuance of the Initial Notes and borrowings under a term loan and revolving credit facility from a group of lenders (the "Bank Facilities"). In connection with the refinancing, TPG made an additional $13.6 million equity investment in Holdings, which was then contributed to the Company in May 1998.

An amendment to the Company's Bank Facility was approved on September 25, 1998 and became effective in October 1998. This amendment (i) reset certain financial covenants through fiscal 2001, (ii) deleted certain other financial covenants, (iii) changed certain definitions, and (iv) increased the borrowing spread by 0.25 percent. This amendment was sought so as to avoid a potential future default under the coventants. In connection with the amendment (i) TPG agreed to loan the Company $17.0 million (the "Sponsor Loan"--terms of which are further described below), and (ii) the Company paid an amendment fee. The Company used the proceeds of the Sponsor Loan to repay borrowings under the Revolving Credit Facility.

The Sponsor Loan ranks senior unsecured and matures on November 20, 2005; the Sponsor Loan accrues interest at 10% per annum which is payable on the maturity date. In connection with the Sponsor Loan, Holdings' controlling stockholder also received a ten-year warrant to purchase 77,500 shares of Holdings' Common Stock at $0.01 per share.

The Company remains highly leveraged. As of September 26, 1998, the Company's total debt was $590.4 million, including a $150 million term loan, borrowings of $45.0 million under the revolving credit facility, $200 million of Initial Notes and $195 million of Senior Subordinated Notes. At that date, the

Company's stockholder's equity was $126.1 million. See "Risk Factors" for a description of risks related to the Company's indebtedness level and liquidity position.

The Company has two interest rate swap agreements that had a notional amount of $82.0 million as of September 26, 1998. These agreements expire in December 1999, requiring the Company to pay a fixed interest rate of 6.26% per annum and entitling the Company to receive variable interest based upon three month LIBOR rates. These agreements are not expected to materially affect the Company's results of operations or financial condition.

On October 1, 1998, the interest rate on the Company's $195 million Senior Subordinated Notes increased by 1.0% (from 10.25% to 11.25%) because the Company was unable to obtain a rating on such Notes of at least B- from Standard & Poor's Ratings Service and B3 from Moody's Investors Service, Inc. The Senior Subordinated Notes are rated CCC+ from Standard & Poor's Ratings Service and Caa1 from Moody's Investors Service.

The Company's principal needs for liquidity are (i) to fund capital expenditures, (ii) for general working capital purposes and (iii) to fund continued restructuring and business integration costs. The Company estimates that capital expenditures for fiscal 1999 will be approximately $48 million. The Company's primary source of liquidity is borrowings under its revolving credit facility. As of September 26, 1998, the Company had $4.2 million of outstanding letters of credit and $25.8 million available for borrowing under this facility.

SEASONALITY

The Company's sales and earnings are subject to a variety of seasonal factors, which vary among the Company's product lines. The Company's cash needs also vary based on seasonal factors, with the second and third fiscal quarters ordinarily generating the most significant working capital requirements. In light of the seasonality of the Company's business, results for any interim period are not necessarily indicative of the results that may be realized for the full year. The Company's working capital requirements fluctuate throughout the year as a result of the Company offering extended terms on seasonal sales and increased inventory levels produced in anticipation of holiday sales.

INFLATION

Inflationary factors such as increases in the costs of ingredients, packaging materials, purchased product, labor and corporate overhead may adversely affect the Company's operating results. Although the Company does not believe that inflation has had a material impact on its financial position or results of operations for the periods discussed above, there can be no assurance that a high rate of inflation in the future would not have an adverse effect on the Company and its operating results.

YEAR 2000 COMPLIANCE

The Company has Year 2000 initiatives in three general areas: Information Technology ("IT") business systems; IT infrastructure; and non-IT systems (including embedded systems and exposure to third party systems).

IT Business Systems

The Company has completed the assessment of its IT business systems (i.e., manufacturing, distribution, financial software, etc.) and is testing most systems that it has identified as not being Year 2000 compliant. The Company's strategy is to remediate non-compliant systems in most cases through modification or upgrade. In certain circumstances, replacement will be necessary.

Most of the Company's IT business systems are scheduled to be fully Year 2000 compliant by the end of fiscal 1999. The cost yet to be incurred for these projects, principally reflecting external labor and outside service provider costs and limited hardware and software costs, is estimated to be approximately $1.3 million. These costs will be expensed as incurred, with the exception of the software and hardware acquisition costs, which will be capitalized.

IT Infrastructure

Since late 1995, the Company has significantly upgraded and continues to upgrade its IT infrastructure. Personal computers and related software and local and wide area networks have been upgraded. As a result, this part of the IT infrastructure is substantially Year 2000 compliant.

The Company uses IBM mainframe and mid-range computers to run most of its

critical business systems. This hardware, and corresponding operating system software, has been upgraded with Year 2000 compliant versions. The Company expects to verify compliance by the end of the third quarter of fiscal 1999.

The Company estimates that the costs yet to be incurred for these projects, which reflects external labor costs and limited additional hardware and software costs, should not exceed $250,000. These costs will be expensed as incurred, with the exception of the acquisition of new software and hardware, which will be capitalized.

Non-IT Systems

Embedded Systems

These items include any systems that incorporate computing devices for manufacturing, building and facility maintenance equipment. This includes electronic manufacturing equipment, such as assembly line, robotics, elevators, fire alarms, heating, ventilation and air conditioning systems (HVAC), building and office space security, time collection and reporting devices and interfaces. These systems are being assessed and updated on a facility by facility basis with the help of third-party consultants, most of whom specialize in Year 2000 compliance and remediation planning. All embedded systems are scheduled to be compliant by the end of fiscal 1999.

Based upon the assessments completed by the Company to date and certain assumptions, the Company estimates that remediation costs for embedded systems will be approximately $1.0 million. However, the Company has only completed a limited assessment of these systems and as the Company continues to review these systems, this estimate could change significantly.

Third Parties

The Company has sent Year 2000 compliance questionnaires to its major raw material suppliers to determine if these suppliers are addressing and preparing for the Year 2000 compliance with their systems. The Company is continuing to work with these third parties and has initiated a tracking system to monitor responses and to resolve issues as they arise.

The Company currently uses a number of third-party service vendors for many of its functions, including, but not limited to, warehouse management, carriers and pool distributors, automated payroll processing, insurance, banking collections and disbursements and benefit programs. The Company is initiating formal communications with these third-party providers to determine the extent to which these third parties are moving toward Year 2000 compliance. A tracking system will be used to monitor responses and resolve issues as they arise.

Many of the Company's customers currently place orders and receive acknowledgements using EDI systems. The Company has developed a plan to make its EDI systems Year 2000 compliant by the end of the third quarter of fiscal 1999.

Year 2000 Risks

The principal Year 2000 risks to the Company related to its IT business systems and IT infrastructure are:

- the inability to recruit and/or retain key IT staff;
- the inability to locate and correct all relevant computer code;
- the failure to complete, on a timely basis, the modifications and/or release upgrades to, as well as the selected replacements of, the IT business systems; and
- reliance on third parties' representations and ability to complete Year 2000 initiatives.

The principal risks to the Company with respect to its embedded systems is the Company's failure to identify and replace all Year 2000 non-compliant embedded systems. Until further assessments are completed in this area, the Company may not be able to accurately estimate the remediation costs or difficulties associated with these systems.

The principal risks to the Company with respect to its relationships with third parties are:

- the failure of key third parties to identify and implement required Year 2000 compliance and/or the Company's failure to timely recognize these third parties' non-compliance; and

. the failure to implement compliant EDI systems with key customers.

Contingency Plans

Contingency plans, where necessary, are expected to be completed during the third quarter of fiscal 1999 to address the risks discussed above. No assurance can be given, however, that the Company will be able to address the Year 2000 issues for all of its software and applications in a timely manner or that it will not encounter unexpected difficulties or significant expenses relating to adequately addressing the Year 2000 issue. If the Company or its major customers, suppliers or other third parties with whom the Company does business fail to address adequately the Year 2000 issue, or the Company fails to successfully integrate or convert its computer systems generally, the Company's business or results of operations could be materially adversely affected. See "Risk Factors--Failure of Year 2000 Compliance Initiatives Could Adversely Affect Us."

RECENT ACCOUNTING PRONOUNCEMENTS

Segmental information

In 1997, the Financial Accounting Standards Board ("FASB") issued Statement 131, "Disclosure about segments of an enterprise and related information," which requires adoption in fiscal 1999. Statement 131 requires companies to report segment information based on how management disaggregates its business for evaluating performance and making operating decisions. The Company has reviewed Statement 131 and anticipates that it will report as a single segment after adoption of such Statement.

Derivative instruments

In 1998, the FASB issued Statement 133, "Accounting for derivative instruments and hedging activities," which requires adoption in fiscal 2000. Statement 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. Management believes that the adoption of Statement 133 will not have a material impact on its financial reporting.

BUSINESS

OVERVIEW

The Company was formed in September 1995 to acquire Kraft's marshmallow and caramel business and has grown primarily through five subsequent acquisitions. Today, the Company is the fourth largest confections company in the United States with a broad portfolio of marshmallow, fruit snack, branded gummi and general line candy products. The Company has the number one market position in branded and ingredient marshmallow products. The Company has the number two market position in fruit snacks, branded gummis and general line candy. Through its nationwide sales and distribution networks, the Company has achieved significant penetration in all major domestic trade channels.

The Company is the largest United States manufacturer of marshmallow products. We have the number one market position in branded and ingredient marshmallow products. The Company's Jet-Puffed marshmallow brand, which was developed by Kraft in the 1950's, has a 79% share of the branded marshmallow market and a 47% share of the total marshmallow market. We are also the market leader in the ingredient marshmallow category, which includes dehydrated marshmallow bits that are used primarily in cereals and hot beverages. The Company sells dehydrated marshmallow bits to every major cereal manufacturer in the United States and believes it has a 98% share of the dehydrated marshmallow bits market. The Company also manufactures private label marshmallow products.

The Company sells its fruit snack products under the Farley's brand name and holds the number two market position with a 22% market share. The Company's growth strategy for this category includes the use of exclusive licenses for popular children's characters, such as Nickelodeon's Rugrats. The Company markets a variety of gummi products under the Trolli brandname, including BriteCrawlers, Gummi Beans, Trolli Squiggles and Apple O's. Trolli has the number two market position in the gummi market with a 15% share.

The Company's general line candy is sold primarily under the Farley's and Sathers brand names and under private labels. Our product line includes more than 100 varieties of non-chocolate and chocolate candies, gummis, caramels, nuts and snacks. The Company is the second largest general line candy supplier in the United States and its Sathers line is the leading brand of general line

candy in the convenience store channel.

The Company's retail products are sold to grocery stores, mass merchandisers, drugstores, convenience stores and club stores under branded and private labels. The Company sells its products through a sales network consisting of more than 25 independent food brokers supported by an internal sales organization that focuses on large national accounts, distributors and ingredients purchasers. The Company operates 13 manufacturing and packaging facilities and a nationwide distribution network that delivers products to more than 5,000 customers.

INDUSTRY OVERVIEW

The Company competes primarily in the non-chocolate candy, fruit snack and marshmallow categories of the confections industry. Sales in the non-chocolate candy category in 1997 were

approximately $4.6 billion. The non-chocolate candy category grew at a compound annual rate of approximately eight percent from 1990 to 1997, while the chocolate candy category grew at a compound annual rate of approximately four percent during the same period. The Company believes that the more rapid growth in the non-chocolate candy category is largely attributable to increased marketing efforts for non-chocolate candy (which has historically been under-marketed as compared to chocolate candy) and to continuing consumer concerns over the higher fat content associated with chocolate. Overall, the market for candy is growing, with per capita consumption of non-chocolate and chocolate candy in the United States increasing from approximately 18 pounds in 1987 to approximately 24 pounds in 1996.

The retail marshmallow market grew at a compound annual rate of approximately five percent from 1990 to 1997. The Company believes that this growth resulted from extensive marketing and increased consumer use of marshmallow products as an ingredient in such homemade snacks as marshmallow crispy treats. In the 52 weeks ended September 26, 1998, however, estimated sales in the retail marshmallow industry declined approximately two percent over the equivalent period ending in September 1997.

The fruit snack market (consisting of fruit rolls and fruit pieces) grew approximately seven percent in 1997. The Company believes that this growth is attributable to fruit snacks' image as a healthy and convenient snack, which appeals to parents, and their flavor and colorful shapes and characters, which appeal to children. In the 52 weeks ended September 26, 1998, the fruit snack market grew approximately seven percent over the equivalent period ending in September 1997.

The Company also competes in the non-chocolate candy category with its general line candy and gummis. The gummi market, which includes products such as Gummi Bears and Gummi Worms, grew approximately six percent in 1997. In the 52 weeks ended September 26, 1998, this market grew approximately eight percent over the equivalent period ending in September 1997. Management attributes this growth to the popularity of gummi products with children and new product introductions.

COMPETITIVE STRENGTHS

Management believes that the following competitive strengths provide the Company with a foundation to enhance growth and further strengthen its position as an industry leader.

LEADING CONFECTIONS COMPANY. The Company is the fourth largest confections company in the United States and is a leader in each of its four product categories. Management believes that its leading market position and size enable it to achieve extensive product distribution and realize purchasing and production economies, as well as provide a strong platform for new product introductions and line extensions.

BROAD ARRAY OF PRODUCTS. The Company offers an extensive range of products, including branded, private label and ingredient items. This enables our customers to satisfy many of their confections needs with a single vendor. The Company's products represent a balance between long-standing brands, such as Jet-Puffed marshmallows, and innovative

products, such as Rugrats fruit snacks and Trolli gummis. These premium brands are complemented by a broad array of products targeted to value-conscious consumers. The Company's product offerings also enhance its ability to develop special sales and marketing programs, such as seasonal

campaigns for Halloween and Easter.

EXTENSIVE SALES NETWORK AND TRADE PENETRATION. The Company has an internal sales force of more than 50 representatives and a national network of more than 25 independent brokers who sell products to more than 5,000 customers located throughout the United States. The Company's extensive sales and distribution networks have contributed to its significant penetration in all major domestic trade channels. The Company's presence in these channels provides it with a significant opportunity to cross-sell existing products and launch new products.

ADVANCED MANUFACTURING CAPABILITY AND PRODUCT INNOVATION. The Company's advanced manufacturing capabilities, proprietary technology and research and development efforts enable it to produce high-quality products and provide a platform for product innovations. With its research and development team, the Company has been a product development and improvement innovator. For example, the Company was the first to add vitamins to fruit snacks to increase their appeal as a healthy snack, and Trolli's BriteCrawlers gummi was named the 1996 non-chocolate Product of the Year by the Professional Candy Buyer trade magazine.

ACQUISITIONS AND BUSINESS INTEGRATION

ACQUISITIONS

The Company was formed in September 1995 to acquire Kraft's marshmallow and caramel business. In August 1996, the Company acquired three companies, including Kidd, a major competitor in the private label marshmallow market, and Farley and Sathers, the country's second and third largest suppliers of general line candy, respectively. Subsequently, the Company acquired Dae Julie in January 1997 and Trolli in April 1997. Dae Julie and Trolli were both manufacturers and marketers of gummi candy.

INTEGRATION OF THE ACQUIRED COMPANIES

We began to consolidate the acquired businesses in fiscal 1998. These businesses consisted of 15 manufacturing and packaging facilities, more than 24 distribution facilities, two trucking fleets, six sales, marketing and customer service organizations, more than 6,000 SKUs and disparate information systems. Most of the integration initiatives discussed below have not included Trolli. As part of the Trolli acquisition agreement, the Company agreed to continue to operate Trolli as a separate subsidiary until December 31, 1998. Nevertheless, Trolli and Company operations are closely coordinated.

To date, the Company has completed a number of integration initiatives, including closing production facilities, consolidating certain sales, marketing and customer service functions, reducing the number of distribution facilities, consolidating two separate trucking fleets, eliminating more than 1,400 SKUs and consolidating certain management information systems. More recently, at the end of fiscal 1998, we decided that we would close our Melrose Park production facility in December 1998 and our Skokie production facility in April 1999.

During fiscal 1998 the integration process proceeded more slowly and was more difficult than we anticipated. These difficulties, as well as a significant increase in trade spending, caused a substantial deterioration in our results of operations commencing in fiscal 1998. During the year we took a number of steps to address certain of our integration issues. We commenced a program at that time designed to control trade spending more effectively and in May 1999 successfully completed a refinancing of much of the Company's indebtedness, including the issuance of the Initial Notes.

Trade spending and integration problems continued, however, and are now expected to continue into fiscal 1999. As a result, we recently took a number of additional actions to address these issues and restructure our business. We have hired a new Chief Executive Officer; a President, Chief Operating Officer and Chief Financial Officer; and a number of other new key managers, including a Vice President of Sales and a Vice President of Information Systems. We have also implemented a number of additional procedures and controls to monitor trade spending more effectively and are now planning to implement new trade spending programs in the third quarter of fiscal 1999 for most of our products. We have also pursued a new quality control and testing program for marshmallow production, which is designed to reduce the level of lower quality marshmallows. We have centralized certain of our sales forecasting, production and capacity planning and inventory management functions in order to facilitate managing the supply chain more efficiently.

By January 1998, the customer service, sales and distribution functions of the Kraft, Kidd, Farley and Dae Julie operations and the Farley and Dae Julie production operations were consolidated to a common management information

system. The Company continues to use a number of different management information systems. The Company's long-term strategic objective is to be fully integrated on an enterprise resource planning system. In the short term, the Company is directing resources towards resolving the Year 2000 issue, which is expected to be completed by the end of fiscal 1999. See "--Management Information Systems."

Although we have implemented a number of initiatives to address certain of our integration issues, it will be necessary to implement a number of additional initiatives over the next several years in order to effectively integrate the acquired companies. See "Risk Factors--Difficulty in Integrating Acquired Businesses and Controlling Trade Spending."

BUSINESS STRATEGY

The Company's goal is to become the premier provider of high quality non-chocolate confections. The Company intends to pursue this goal through the implementation of the following business strategies:

COMPLETING INTEGRATION INITIATIVES. The Company will continue to focus its efforts on completing the integration of the acquired companies. Although the Company has accomplished a number of integration and consolidation initiatives, the Company is in the process of completing a number of other integration initiatives, including the implementation of coordinated promotional programs for each of its product categories, quality control procedures across all product areas, further systems consolidations, additional supply chain procedures and functions and trade spending controls. To implement these initiatives, the Company hired a new Chief Executive Officer; President, Chief Operating Officer and Chief Financial Officer; and a number of other new key managers including Vice President of Sales, Vice President of Information Systems and a Vice President of Supply Chain. Management believes that the completion of the integration process will allow the Company to reduce costs and improve operating efficiencies.

IMPLEMENTING MARKETING INITIATIVES. The Company is in the process of implementing a number of new marketing initiatives, which include the following:

Increasing Brand Equity and Awareness. The Company intends to increase consumer awareness of its branded products by reallocating its marketing expenditures to emphasize programs that focus on consumer "pull" tactics, including advertising, targeted couponing programs and product tie-ins with other major manufacturers, such as Nestle and Kellogg. The Company believes that a consumer-focused strategy, which the acquired companies had not emphasized, will enhance brand equity, increase sales across the Company's product lines and support the introduction of new products.

Enhancing Trade Promotion Programs. The Company intends to focus on trade promotions, such as in-store advertising and retail displays, designed to improve trade spending efficiency. The acquired companies had historically marketed their products primarily through aggressive trade promotions that emphasized discounts from list prices to retailers, and they generally lacked mechanisms to plan, control and execute their trade spending programs effectively. Beginning in the third quarter of fiscal 1999, the Company expects to implement new trade spending programs for most of its products.

Launching Line Extensions and New Products. The Company intends to leverage its existing brands, research, development and manufacturing capabilities and extensive sales network to introduce new products and extend its product lines. As part of these efforts, the Company has a non-binding letter of intent with Nickelodeon to become the exclusive licensee of Nickelodeon's Rugrats, Rugrats Movie and NickToons characters for fruit snack products through 2001. The Company has also introduced a number of new products in the last 12 months, including five new fruit snack products, a line of flavored caramels, Trolli Gummi Beans and Trolli Burger. The Company also has a number of new fruit snack, marshmallow, gummi and candy products under development.

INCREASING TRADE CHANNEL PENETRATION. The Company plans to leverage its existing trade channel penetration, broad product offerings and strong brand names to cross-sell products and expand into additional trade channels. The Company's marshmallow and fruit snack products each have an ACV in the grocery channel in excess of 90%. Through its acquisition of Sathers, the Company also acquired an extensive convenience store distribution network. Specific opportunities being targeted by the Company include (i) increasing the distribution of

Trolli gummis (ACV of less than 50%) and general line candy (ACV of less than 30%) in the grocery channel, (ii) further increasing distribution of the Company's products in convenience stores and drugstores, (iii) developing additional distribution channels, such as vending, concessions and foodservice and (iv) exploring international distribution opportunities.

CONTINUING TO REDUCE COSTS. Management believes that through continued infrastructure investments, restructuring and cost reduction programs it can increase its efficiencies and reduce its costs. These initiatives are expected to include (i) completing the recently announced closure of two production facilities and outsourcing production of certain related candy products, (ii) further consolidating the distribution network by reducing the number of distribution centers used by the Company and (iii) continuing to automate production facilities and to invest in advanced production equipment.

PRODUCTS AND MARKETS

The Company is the fourth largest confections company in the United States, with a broad portfolio of marshmallow, fruit snack, branded gummi and general line candy products. The Company's products are sold under proprietary brand names and private labels principally through grocery, mass merchandiser, drugstore, convenience store and club store channels. The marshmallow product category consists of branded, private label and ingredient products. Branded marshmallows and marshmallow creme are primarily sold under the Jet-Puffed brand name. The Company markets fruit snacks under the Farley's brand name. The Company markets gummis under the Trolli brand name and as part of its general line candy offering. General line candy, which includes bulk candy, gummis, caramels, nuts and snacks, is primarily sold under the Farley's and Sathers names.

Marshmallows and Marshmallow Creme (19.2% of Fiscal 1998 Net Sales)

The Company is the largest manufacturer of marshmallow products in the United States, with fiscal 1998 net sales of $147.0 million. The Company has the number one market position in the branded and ingredient categories.

Jet-Puffed. The Company's Jet-Puffed brand is the leading marshmallow and marshmallow creme brand. Jet-Puffed has a 79% share of the branded marshmallow market and a 47% share of the total marshmallow market. Its products include standard, miniature and fun-shaped marshmallows of varied colors and flavors, and marshmallow creme. The Jet-Puffed brandname was developed in the 1950's and has a 69% aided consumer brand awareness rating. The Company has implemented several initiatives to further strengthen brand awareness, including television advertising, aggressive consumer couponing and promotional tie-ins with leading consumer products manufacturers, including Nestle and Kellogg. In addition, the Company is pursuing initiatives to position Jet-Puffed as a snacking product, where management believes there is opportunity for growth.

Private Label. The Company also manufactures private label marshmallow products. Private label marshmallow products are sold primarily to grocery stores and mass merchandisers. The Company has standardized its production formulae and packaging and has implemented initiatives to eliminate lower volume and less profitable customer accounts. For example, the Company has increased the minimum production run for private label marshmallows and reduced the number of

private label marshmallow formulae from eight to one. By targeting high-volume strategic accounts, management believes it can increase operating margins in its private label business.

Ingredient. The Company's ingredient business includes the manufacture of miniature marshmallows, dehydrated marshmallow bits and marshmallow creme, all of which are sold to food processors. These products are primarily used in popular children's cereals, hot beverage mixes (hot chocolate or cocoa), ice cream and snacks (primarily granola bars). The Company supplies dehydrated marshmallow bits to every major cereal manufacturer in the United States and believes that it has a 98% share of the dehydrated marshmallow bits market. Management believes that no other competitor currently has the technology to manufacture the diverse marbit colors and shapes required by cereal manufacturers. This advanced production and technical capability has made the Company the leader in the ingredients category.

Fruit Snacks (17.0% of Fiscal 1998 Net Sales)

The Company is the second largest manufacturer and marketer of fruit snacks in the United States, with a 22% market share. Fruit snacks, which are made in various shapes, colors and flavors, are divided into two principal subgroups: fruit snack shapes and fruit snack rolls. The Company primarily markets its products through the grocery and mass merchandising channels.

The Company markets fruit snacks under the Farley's brand name. Some of the Company's more popular products include Farley's Dinosaurs, Zoo Animals, The Roll, Power Fruit and Troll, as well as licensed products such as Rugrats, Creepy Crawlers, Street Sharks and Teenage Mutant Ninja Turtles. The Company introduced two new fruit snack products, Rugrats Fruit Rolls and MegaMonster Roll, in August 1997, three new fruit snack products, Shark Wave, Alien Fruit Snacks and MVP Sports, in March 1998 and a new two-flavored fruitroll, Sidewinder, in October 1998. The Company currently holds an exclusive license to make Nickelodeon's Rugrats characters as fruit snacks through December 1998. The Company has entered into a non-binding letter of intent with Nickelodeon to be the exclusive licensee of the Rugrats, NickToons and Rugrats Movie properties for the fruit snack market through December 2001. The Company has sought to position its products with parents as healthy and convenient snacks (including through the addition of vitamins), while enhancing their appeal to children through the use of colorful shapes and popular children's characters.

Trolli Branded Gummi Products (9.2% of Fiscal 1998 Net Sales)

The Company's Trolli brand holds the number two position in the gummi market, with a 15% market share. Trolli's market share has increased each year since 1994, when it held only three percent of the market and was ranked number seven in the category. Trolli primarily markets its products through the mass merchandiser, drugstore and grocery channels.

Trolli has established a reputation as an innovative manufacturer and marketer of high quality gummis. Some products introduced by Trolli include BriteCrawlers, Peachies, Apple O's, Trolli Squiggles, Super Bears, Gummi Octopus, Strawberry Puffs and Gummi Beans. Trolli's BriteCrawlers product was named the 1996 non-chocolate Product of the Year by the Professional Candy Buyer, an
industry publication. In its 1997 acquisition of Trolli, the Company signed a 10-year product development agreement with Mederer GmbH, entitling Trolli to sell under an exclusive license in the United States and other specified countries any new Trolli products developed during the period.

General Line Candy (53.2% of Fiscal 1998 Net Sales)

The Company is one of the two leading suppliers of general line candy in the United States. The Company's general line candy products are primarily sold under the Farley's and Sathers brand names, as well as under private labels. The Company's product offerings in this category include more than 100 varieties of candy (primarily hard, jelly, gummi, panned and cremes), caramels, nuts and snacks. The Company primarily markets its general line candy through mass merchandisers and convenience stores. Sathers is the leading brand of general line candy in the convenience store channel.

General line candy products are sold in a variety of weights and packages, depending upon the product and distribution channel. Many of the Sathers brand products are sold in two-for-$1 hanging bags, which are displayed on pegboards in retail outlets. Farley's branded products are generally sold in larger two-for-$3 hanging bags, "lay-down" bags (bags weighing one pound or more) and plastic tubs. Private label products are sold in either bag format, as well as in bulk. Except for seasonal varieties, such as candy corn, jelly beans and conversation hearts, and certain other products that are sold on a product-by-product basis, the Company generally markets its general line candy as a complete portfolio.

The Company manufactures and markets caramel products for the retail market under the Farley's brand name. The Company also produces a number of ingredient caramel products, mainly for sale to food processors for use in candy, snacks and as a dessert topping. Recently the Company launched a line of flavored caramels, including caramel apple, cappuccino and fudge flavors.

The following table sets forth the principal categories of the Company's general line candy and indicates representative products in each category.

<TABLE>
<CAPTION>

PRODUCT CATEGORY	REPRESENTATIVE PRODUCTS
<C>	<S>
Gummis(1).....	Bears, Worms, Dinosaurs, Peach Rings, Green Apple Rings

Jells.....	Spice Drops, Orange Slices, Fruit Slices, Spearmint Leaves
Cremes/Pans.....	Cremes: Candy Corn, Indian Corn, Pumpkins, Harvest Mix, Easter Mallowcreams and Heart Darts Pans: Jelly Beans, Cinnamon Imperials, Marshmallow Eggs, French Burnt Peanuts, Boston Baked Beans, Jawbreakers
Hard Candy.....	Starlite Mints, Butterscotch Buttons, Lemon Drops, Cinnamon Discs, Butterscotch Discs, Butter Toffee, Clearly Fruit
Chocolate.....	Raisins, Peanut Clusters, Bridge Mix, Double Dipped Peanuts, Nonpareils, Malted Milk Balls
Nuts, Snacks & Naturals..	Yogurt Raisins, Sweet & Nutty Mix, Pineapple Wedges, Sunflower Seeds, California Mix, Really Naturals
Caramels.....	Branded, Ingredient
Kiddie Candy.....	Combination of a variety of general line and rebagged candy
Other.....	Tang-a-roos, Sonic Boom bubble gum, Power Fruit

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(1) Gummis do not include Trolli brand gummis.

MARKETING AND SALES

The Company markets its products through a mix of consumer promotions, trade promotions and advertising. Consumer promotions include free-standing inserts, other targeted coupons (such as Catalina Marketing coupons, which are generated with consumers' sales receipts), product tie-ins with other major manufacturers, such as Nestle and Kellogg, bonus bags, television marketing and seasonal promotions. Trade promotions consist of temporary price reductions, in-store advertising, coupons in retail flyers and retail displays. However, Farley, Dae Julie and Kidd each historically relied heavily on trade promotions with less emphasis on consumer promotions and advertising. The Company's marketing strategy is to refocus its marketing efforts towards building brand equity through consumer promotions and advertising rather than trade spending and price discounting. In addition, the Company believes that it can implement a more effective and efficient trade spending program by focusing on trade performance that generates the greatest amount of consumer take-away. As part of its new emphasis on consumer promotions, in the fourth quarter of calendar 1998, the Company launched a print advertising campaign for its Jet-Puffed marshmallows. In addition, Trolli advertises its products in regional television campaigns, and in November 1998, the Company began a television campaign for its fruit snack product lines to coincide with the release of Nickelodeon's Rugrats Movie.

The Company's sales organization consists of four groups: (i) a retail broker network; (ii) a national accounts group; (iii) a distributor/national chain group; and (iv) an ingredients group. The Company's retail broker network consists of more than 25 independent brokers who are managed by the Company's internal sales force and present the Company's products to a broad range of retailer accounts, primarily grocery stores. The national account group consists of seven sales professionals who maintain relationships with the corporate headquarters of key national accounts such as Ahold (Stop & Shop, BI-LO), American Stores (Jewel, Lucky), Rite-Aid, Kroger, Kmart, Sam's Clubs, Target, Wal-Mart, and Winn-Dixie. The distributor/chain organization consists of 25 sales professionals who call directly on distributors that supply convenience store chains. Ingredients sales are managed through a separate direct sales force and broker network. Trolli sells its products through its own sales organization, which consists of a broker network managed by internal sales personnel.

In addition to marketing its existing product lines, the Company, through the efforts of its research and development team, engages in ongoing research activities to develop new products, improve the quality of existing products, improve and modernize production processes and develop and implement new technologies to enhance the quality and value of both current and proposed product lines.

DISTRIBUTION

The Company currently distributes its marshmallow, fruit snack and general line candy products in the United States through a number of distribution centers. This distribution system uses a combination of common carrier trucking, Company trucks and rail transport to deliver products to more than 5,000 customers. Trolli separately distributes its gummi products through its own distribution network.

The Company has implemented several strategic initiatives designed to further consolidate and enhance the cost-effectiveness of its distribution network. The Company recently opened two new regional distribution centers in California and Texas. These two centers are operated by a third-party service provider for the

Company and are strategically located to distribute certain of the Company's marshmallow, fruit snack and general line candy products. The Company intends to open additional regional distribution centers in order to consolidate further its distribution centers. By consolidating its distribution centers, the Company believes that it will be able to deliver products to its customers on a more timely and cost-effective basis. The Company has also established a "core carrier" trucking program to reduce its freight and distribution costs. As a result of acquiring five different distribution systems, the Company utilized more than 100 common carriers and more than 75 pooled distributors. The Company's new core carrier program, which generally involves 25 common carriers and 45 pooled distributors, should simplify the Company's operations and should allow the Company to negotiate more favorable freight rates. See "--Acquisitions and Business Integration."

CUSTOMERS

The Company's retail products are sold to grocery stores, mass merchandisers, drugstores, convenience stores and club stores. The Company's ingredient products are sold to a variety of major food company customers. Wal-Mart, Sam's Clubs and McLane (affiliated entities) in the aggregate accounted for approximately 17% of fiscal 1998 net sales. The Company's next largest customer accounted for approximately three percent of fiscal 1998 net sales. The Company has strong, long-standing relationships with many of its largest customers. As is customary in the confections industry, the Company's retail products are generally purchased by means of purchase orders. Continued consolidation in the retail food industry is expected to result in an increasingly concentrated customer base. See "Risk Factors--Reliance on Major Customers."

PRODUCTION AND FACILITIES

Currently, the Company produces its products at 10 manufacturing facilities and operates seven distribution centers, as set forth in the following table:

<TABLE>
<CAPTION>

FACILITY	PRODUCTS	PLANT SIZE (SQ. FT.)	OWNED/LEASED
<S>	<C>	<C>	<C>
Kendallville, IN.....	Marshmallows, Marshmallow Creme, Dehydrated Marshmallow Bits, Caramels	297,000	Owned
Henderson, NV.....	Marshmallows	115,000	Owned
Creston, IA.....	Gummis	232,000	Owned
Des Plaines, IL.....	Gummis, Jells	121,000	Leased
Melrose Park, IL(1).....	Hard Candy, Jells	202,000	Owned
Skokie, IL(1).....	Panned, Jells	68,000	Leased
31st St., Chicago, IL.....	Fruit Snacks, Panned	276,000	Owned
Belmont Ave., Chicago, IL..	Cremes, Chocolate	121,000	Leased
New Orleans, LA.....	Hard Candy	30,000	Owned (Land Lease)
Oklahoma City, OK.....	Cremes, Jells, Panned	160,000	Owned
Ligonier, IN.....	Warehouse and Distribution Center	109,000	Owned
Round Lake, MN.....	Rebagging and Distribution Center	305,000	Owned
Pittston, PA.....	Rebagging and Distribution Center	259,000	Owned
Chattanooga, TN.....	Rebagging and Distribution Center	302,000	Owned
43rd Street, Chicago, IL...	Distribution Center	480,000	Leased
Fontana, CA.....	Distribution Center	182,000	Leased(2)
Fort Worth, TX.....	Distribution Center	161,000	Leased(2)

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(1) In fiscal 1998, the Company decided to close the Melrose Park and Skokie manufacturing facilities in December 1998 and April 1999, respectively.
(2) These facilities are leased by third parties pursuant to warehouse operating agreements.

To integrate the acquired companies, as well as to effect ongoing cost savings, the Company has closed a number of facilities and has reallocated products among its remaining facilities with the goal of manufacturing its complete product line in its most efficient and cost-effective facilities. In addition to production and distribution operations, the Company operates an advanced research facility at Kendallville that is used in the development of new products.

In addition to its manufacturing facilities and the distribution

center/rebagging facilities noted above, the Company operates temporary warehouse facilities, sales offices and leased distribution centers in a number of states. The Company's corporate headquarters and a management information center are located in Lincolnshire, Illinois, and Trolli's headquarters are located in Plantation,

Florida. The Company leases most of its warehouse facilities and offices. In connection with the rationalization of its manufacturing operations, the Company is also integrating and rationalizing its distribution system, including by consolidating its warehouse capacity. See "--Distribution."

RAW MATERIALS

The Company uses agricultural commodities, flavors, other raw materials and packaging in the production of its products that are purchased from commodity processors, importers, other food companies and packaging manufacturers. The principal raw materials used in the Company's products are sugar, corn products (dextrose, starch and corn syrup), gelatin and packaging. Although two of Trolli's key ingredients are each available from only one domestic supplier, alternative international sources are available. All of the other key raw materials used by the Company are readily available from several sources. The Company has not experienced difficulty in obtaining raw materials. In accordance with standard industry practice, the Company obtains annual volume and price commitments from its sugar suppliers for the twelve month period, or "crop year," beginning each fall. Since January 1998, the Company has obtained quarterly volume and price commitments from its corn product suppliers. The Company does not otherwise hedge its raw material requirements. See "Risk Factors--Dependence on Raw Materials."

COMPETITION

The Company is the fourth largest confections company in the United States. The four largest companies (Hershey, M&M/Mars, Nestle and the Company) account for the majority of United States sales volume in chocolate and non-chocolate candy. Smaller competitors include numerous national, regional and local manufacturers of both branded and private label products. Among the Company's significant competitors are General Mills and Brach's with respect to fruit snacks, Brach's with respect to general line candy, Nabisco (Gummi Savers) and Hershey (Amazin' Fruit) with respect to branded gummis and International Home Foods (Campfire) with respect to marshmallows. In addition, the Company's marshmallow products compete with private label products and the Company's general line candy products compete with private label products as well as the products of numerous regional "rebaggers." Competition in the Company's markets is primarily based on establishing favorable brand recognition and loyalty; developing products sought by consumers for their quality, convenience or otherwise; implementing appropriate pricing; providing strong marketing support and obtaining access to retail outlets and sufficient shelf space. Confections products also compete with other snacking products such as cookies and salty snacks. See "Risk Factors--Competitive Nature of Confections Business."

PATENTS AND TRADEMARKS

The Company owns a number of patents, licenses, trademarks and trade names. The Company's principal trademarks and trade names include Trolli, Sathers, Farley's and Jet-Puffed. These trademarks and trade names are important in developing brand recognition and building consumer loyalty. The Company holds patents relating to ingredient products, formulations and production processes with respect to dehydrated marshmallow bits and ingredient caramels. The Company also

holds (i) licenses to market gummis under the Trolli brand name in certain countries; (ii) a Product Development and License Agreement with Mederer GmbH that expires in April 2007 and entitles the Company to obtain exclusive licenses to market new Trolli products in the United States and certain other countries and (iii) licenses to manufacture and sell certain fruit snacks (for example, its license to use the name and likeness of Rugrats). The Company has entered into a non-binding letter of intent to extend its exclusive Rugrats license (which would otherwise expire in December 1998) and to become the exclusive licensee of additional Nickelodeon characters for fruit snacks through December 2001. Management is not aware of any fact that would have an adverse effect on the use of any of its patents, licenses, trademarks or trade names. See "--Certain Legal and Regulatory Matters" and "Risk Factors--Trademarks and Other Proprietary Rights."

EMPLOYEES

As of June 27, 1998, the Company employed approximately 4,800 full-time employees. The number of employees can fluctuate throughout the year as a result of the seasonality of the business. At its peak, the Company employs approximately 5,200 workers, some of whom may be classified as temporary or seasonal. Management considers its relations with its employees to be good. Other than the employees at Trolli's Creston, Iowa facility, none of the Company's current employees is employed pursuant to collective bargaining or other union arrangements. At Creston, the contract with the Bakery, Confectionery, and Tobacco Workers Union covers approximately 380 of the approximately 460 employees employed there and expires on August 22, 2001. In elections held in
October 1997 and May 1998, the workers at the Kendallville, Indiana plant defeated the attempt of the United Food and Commercial Workers Union to unionize that facility.

MANAGEMENT INFORMATION SYSTEMS

To facilitate the rapid communication of extensive information among its corporate office, manufacturing facilities, distribution facilities and sales force, the customer service, sales and distribution functions of the Kraft, Kidd, Farley and Dae Julie operations and the Farley and Dae Julie production operations were consolidated to the Company's existing management information systems. However, the Company continues to use a number of different management information systems. The Company's long-term strategic objective is to be fully integrated on an enterprise resource planning system. In the short term, the Company is directing resources towards resolving the Year 2000 issue which is expected to be completed by the end of fiscal 1999. See "--Year 2000 Compliance."

CERTAIN LEGAL AND REGULATORY MATTERS

The Company is subject to extensive and increasingly stringent regulation by a variety of federal, state and local agencies. Compliance with these laws and regulations and future changes to them is material to the Company's business. Compliance with existing laws and regulations is not expected to have a material adverse effect upon the earnings or competitive position of the Company. The Company cannot predict the effect, if any, of laws and regulations that may be enacted in the future or of changes in the enforcement of existing laws and regulations that are subject to extensive regulatory discretion.

Public Health. The Company is subject to the Food, Drug and Cosmetic Act and regulations promulgated thereunder by the Food and Drug Administration. This comprehensive regulatory

program governs, among other things, the manufacturing, composition and ingredients, labeling, packaging and safety of food. In addition, the Nutrition Labeling and Education Act of 1990 prescribes format and content of certain information required to appear on the labels of food products. The Company is subject to regulation by certain other governmental agencies, including the United States Department of Agriculture. The operations and products of the Company are also subject to state and local regulation through such measures as licensing of plants, enforcement by state health agencies of various state standards and inspection of facilities. Failure by the Company to comply with applicable laws and regulations could subject the Company to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on the Company. Management believes that the Company's facilities and practices are sufficient to maintain compliance with applicable governmental regulations, although there can be no assurances in this regard. See "Risk Factors--Extensive Regulation of Our Operations."

Federal Trade Commission. Advertising of the Company's products is subject to regulation by the Federal Trade Commission pursuant to the Federal Trade Commission Act and the regulations promulgated thereunder.

Employee Safety Regulations. The Company is subject to certain health and safety regulations, including regulations issued pursuant to the Occupational Safety and Health Act. These regulations require the Company to comply with certain manufacturing, health and safety standards to protect its employees from work-related illness and accidents.

Environmental. The Company is subject to various federal, state and local laws and regulations related to the protection of the environment. Such laws and regulations include those relating to emissions of air pollutants and discharges of waste water, the remediation of contamination associated with releases of hazardous substances and the disposal of waste material. The Company believes it is in material compliance with environmental laws and regulations and does not anticipate any material adverse effect on its earnings or competitive position relating to environmental matters. However, it is

possible that future developments could lead to material costs of environmental compliance by the Company.

Litigation. The Company is involved in routine litigation. Nabisco has filed a claim in the United States District Court for the Southern District of New York alleging, among other things, that Trolli infringed on Nabisco's trademark for a round candy with a hole in the center represented by Life Savers and Gummi Savers. Nabisco has requested unspecified damages and an injunction prohibiting the Company from making certain round candies with a hole in the center. The Company does not believe that this or any other pending or threatened litigation would result in an outcome that would have a material adverse effect on its results of operations or financial condition.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth the name, age and position of individuals who serve as directors of the Company and Holdings and executive officers of the Company, as indicated. Each director will hold office until the next annual meeting of stockholders or until his successor has been elected and qualified or until his earlier death, resignation or removal. Officers of the Company are appointed by the Board of Directors and serve at the discretion of the Board.

<TABLE>
<CAPTION>

NAME	AGE	POSITIONS
<S>	<C>	<C>
Richard R. Harshman.....	63	Chief Executive Officer
Steven F. Kaplan.....	42	President, Chief Operating Officer, and Chief Financial Officer
Jose Minski...	40	Executive Vice President and Chief Operating Officer of Trolli
Dennis J. Nemeth.....	48	Senior Vice President of Operations
Dan Boekelheide..	45	Vice President of Supply Chain
Sami El-Saden.....	36	Vice President of Trade Marketing
Brooks B. Gruemmer.....	33	Vice President of Administration and General Counsel
Paul Hervey...	49	Vice President of Sales
James Jeffries.....	54	Vice President of Ingredient Sales, Marketing and Technology
Pat McEvoy....	35	Vice President of Engineering
Alfred M. Multari.....	37	Vice President of Marketing
John A. Niemzyk.....	47	Vice President of Information Technology and Chief Information Officer
Steven M. Spiegel.....	36	Vice President of Finance
Richard W. Boyce.....	43	Director
James Andress.....	59	Director
William H. Ellis.....	74	Director
William S. Price III*...	42	Director
Alexander M. Seaver*.....	39	Director
Jeffrey A. Shaw.....	33	Director

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* Also a member of the Company's Board of Directors.

RICHARD R. HARSHMAN, CHIEF EXECUTIVE OFFICER OF THE COMPANY AND HOLDINGS. Mr. Harshman joined the Company and Holdings in October 1998 as Chief Executive Officer. Prior to joining the Company, Mr. Harshman had been President of Storck USA and Storck North America, which he founded in 1979. From 1975 to 1979 Mr. Harshman founded and served as President of Ragold, Inc., the United States subsidiary of a German confections company. From 1970 to 1975 Mr. Harshman was with Tootsie Roll, Inc., most recently as its Vice President of Sales and Marketing.

STEVEN F. KAPLAN, PRESIDENT, CHIEF OPERATING OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY AND HOLDINGS. Mr. Kaplan joined the Company and Holdings

in May 1998 as Executive Vice President and Chief Financial Officer. In June, Mr. Kaplan assumed the additional

responsibilities of Chief Operating Officer and in October was promoted to the position of President. From 1996 to 1997, Mr. Kaplan was Executive Vice President and Chief Financial Officer of the Coleman Company, a $1.2 billion international manufacturer of camping, outdoor recreation and hardware equipment. From 1993 to 1996, Mr. Kaplan was a financial and strategy consultant to venture capital and buy-out firms. During 1994 Mr. Kaplan served as Chief Financial Officer of Marcam Corporation, a $200 million software developer. Prior to that, Mr. Kaplan served as Executive Vice President and Chief Financial Officer of AM International, President of Harris Graphics and a Partner of Boston Consulting Group.

JOSE MINSKI, EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER OF TROLLI. Mr. Minski, together with Herbert Mederer, opened Trolli's U.S. manufacturing facilities in 1985. Prior to being an active officer of Trolli, Mr. Minski established a vitamin manufacturing company in 1986, of which he remains a member of the Board of Directors. In addition, Mr. Minski is a member of the Boards of Directors of Procaps S.A., a pharmaceutical company, Gelatinas de Colombia, a gelatin company and Curtembres Bufalo, a leather processing company.

DENNIS J. NEMETH, SENIOR VICE PRESIDENT OF OPERATIONS OF THE COMPANY. Mr. Nemeth joined the Company in August 1996 as Senior Vice President of Operations. From 1973 to 1996 Mr. Nemeth worked for Kraft as Vice President in operations for various Kraft divisions. Mr. Nemeth's functional responsibilities ranged from procurement to customer service and included managing multi-location manufacturing and distribution networks.

DAN BOEKELHEIDE, VICE PRESIDENT OF SUPPLY CHAIN OF THE COMPANY. Mr. Boekelheide joined the Company in November 1997 as Vice President of Supply Chain. Prior to joining the Company, he worked for Quaker Oats for 16 years, most recently as Director, Customer Services and earlier as Integrated Logistics Manager for various divisions.

SAMI EL-SADEN, VICE PRESIDENT OF TRADE MARKETING OF THE COMPANY. Mr. El-Saden joined the Company in August 1997 as Vice President of Strategy and Business Development and became Vice President of Trade Marketing in 1998. From 1991 to 1997, Mr. El-Saden worked at Nestle USA Inc. in the Culinary and Beverage Groups, most recently as Director of Marketing. Mr. El-Saden also spent one year in Nestle's Corporate Strategic Planning and Development Group, where he was responsible for acquisitions, divestitures, financial planning, capital budgeting and licensing. From 1988 to 1991, Mr. El-Saden was a corporate finance associate at Bankers Trust Co.

BROOKS B. GRUEMMER, VICE PRESIDENT OF ADMINISTRATION AND GENERAL COUNSEL OF THE COMPANY AND VICE PRESIDENT OF HOLDINGS. Mr. Gruemmer joined the Company in December 1996 as its Vice President and General Counsel. In July 1998 Mr. Gruemmer was promoted to Vice President of Administration and assumed responsibility for the human resources function. Prior to joining the Company, Mr. Gruemmer was a partner at the law firm of McDermott, Will & Emery, where he had practiced corporate, finance and securities law since 1990.

PAUL HERVEY, VICE PRESIDENT OF SALES OF THE COMPANY. Mr. Hervey joined the Company in May 1998 as Vice President of Sales. Prior to joining the Company, Mr. Hervey worked at Nestle USA for nine years, most recently as Divisional Vice President of Sales for Nestle's Chocolate and Confection Division. Prior to joining Nestle, Mr. Hervey had spent five years with Coke Foods and five years at Procter & Gamble where he held a variety of sales positions.

JAMES JEFFRIES, VICE PRESIDENT OF INGREDIENT SALES, MARKETING AND TECHNOLOGY OF THE COMPANY. Mr. Jeffries joined the Company in September 1995 as Vice President of Ingredient Sales, Marketing and Technology. Prior to joining the Company, Mr. Jeffries spent more than 23 years with Kraft, in the industrial sector. He held positions in sales management, operations and marketing management with respect to various products, including, in his last 16 years there, confections.

PAT MCEVOY, VICE PRESIDENT OF ENGINEERING OF THE COMPANY. Mr. McEvoy joined the Company in September 1995 as a plant manager and was promoted to Vice President of Engineering in December 1996. Prior to joining the Company, Mr. McEvoy spent nine years at Philip Morris Companies, Inc. working with Kraft and General Foods. During the three years prior to joining the Company, Mr. McEvoy was employed at Kraft's Kendallville, Indiana confections facility as Engineering and Maintenance Manager and Business Unit Manager. Before that time

he worked at the Kraft Corporate Engineering and General Foods plant in the positions of Process Engineering and Operations Consultant, Manufacturing Engineering Manager and Project Manager.

ALFRED M. MULTARI, VICE PRESIDENT OF MARKETING OF THE COMPANY. Mr. Multari joined the Company in May 1997 as Vice President of Marketing. From 1987 to 1997, Mr. Multari worked at Nestle USA, Inc., most recently as Vice President of Marketing for the refreshments business of the Nestle Beverage Division. From 1995 to 1997, Mr. Multari was Director of Marketing for Nestle's Chocolate and Confections Division. From 1987 to 1994, Mr. Multari held various other brand management positions in the Carnation Infant Formulas and Contadina Fresh Refrigerated Pastas and Sauces businesses.

JOHN A. NIEMZYK, VICE PRESIDENT OF INFORMATION TECHNOLOGY AND CHIEF INFORMATION OFFICER OF THE COMPANY. Mr. Niemzyk joined the Company in July 1998 as Vice President of Information Technology and Chief Information Officer. Prior to joining the Company, Mr. Niemzyk spent six years at Norand Corporation, first as Chief Information Officer, and then as Vice President of Operations, Quality and Information Technology. From 1988 to 1991, Mr. Niemzyk was employed by the Garrett Automotive Group of Allied-Signal, Inc. as Director of Information Systems and Services. From 1983 to 1988, Mr. Niemzyk held information systems and materials management positions at RTE Corporation. Before that time, he was employed by Deloitte & Touche, LLP and American Motors Corporation.

STEVEN M. SPIEGEL, VICE PRESIDENT OF FINANCE OF THE COMPANY AND HOLDINGS. Mr. Spiegel joined the Company in October 1995 as Corporate Controller, and was promoted to Vice President in July 1996. From 1991 to 1995, Mr. Spiegel worked at Continental Grain Company, first as Assistant Corporate Controller, and then as Division Controller. From 1984 to 1991, Mr. Spiegel was employed by Deloitte & Touche LLP.

RICHARD W. BOYCE, DIRECTOR OF HOLDINGS. Mr. Boyce has been a Director of Holdings since September 1995. Mr. Boyce is President of CAF, Inc., a consulting firm that advises various companies controlled by TPG. Prior to founding CAF, Inc. in 1997, he served as Senior Vice President of Operations for Pepsi-Cola North America ("PCNA") from 1996 to 1997 and Chief Financial Officer of PCNA from 1994 to 1996. From 1992 to 1994, Mr. Boyce served as Senior Vice President-Strategic Planning for PepsiCo. Prior to joining PepsiCo, Mr. Boyce was a director at the management consulting firm of Bain & Company, where he was employed from 1980 to 1992. Mr. Boyce also serves on the Boards of Directors of J. Crew Group, Inc., Del Monte Foods Company, and Del Monte Corporation.

JAMES ANDRESS, DIRECTOR OF HOLDINGS. Mr. Andress has been a Director of Holdings since July 1996. Mr. Andress has served as the Chief Executive Officer and a director of Warner Chilcott, plc. since November 1996. From 1989 to 1995, he was President and Co-Chief Executive Officer of Information Resources, Inc., a publicly traded company, which is the largest provider of scanner-based point-of-sale movement and promotion data for the consumer packaged goods industry in the United States. Mr. Andress also serves on the Boards of Directors of Allstate Insurance Company, Information Resources, Inc., Xoma Corporation, Inc., The Liposome Company, Inc., NeoRx, Inc., Sepracor, Inc. and Optioncare, Inc.

WILLIAM H. ELLIS, DIRECTOR OF HOLDINGS. Mr. Ellis has been a Director of Holdings since September 1996. Prior to that time Mr. Ellis was the majority stockholder and president of Farley, which he acquired in 1974.

WILLIAM S. PRICE III, DIRECTOR OF THE COMPANY AND HOLDINGS. Mr. Price has been a Director of Holdings and the Company since 1995. From 1995 to March 1998, Mr. Price served as Chairman of the Board of Holdings. Mr. Price was a founding partner of TPG in 1992. Prior to forming TPG, he was Vice President of Strategic Planning and Business Development for G.E. Capital and from 1985 to 1991 he was employed by the management consulting firm of Bain & Company, where he was a partner and co-head of the Financial Services Practice. Mr. Price also serves on the Boards of Directors of Belden & Blake Corporation, Beringer Wine Estates, Continental Airlines, Inc., Denbury Resource, Inc., Del Monte Corporation, Del Monte Foods Company, Vivra Specialty Products, Inc. and Zilog, Inc.

ALEXANDER M. SEAVER, DIRECTOR OF THE COMPANY AND HOLDINGS. Mr. Seaver has been a Director of Holdings and the Company since September 1995. Mr. Seaver is a Director and founder of Seaver Kent & Company, LLC, a private equity firm that specializes in private, control investments in middle-market companies. Prior to forming Seaver Kent & Company, LLC in October 1996, Mr. Seaver was a general partner of InterWest for eight years, where he focused on non-technology acquisitions, recapitalizations and late-stage venture capital investments. Mr. Seaver remains a limited partner of InterWest. Mr. Seaver has

served on the Boards of Directors of a variety of companies, including Bojangles' Restaurants, Inc., Cafe Valley Inc., Diamond Brands, Inc., Heidi's Fine Desserts Inc., Cucina Holdings Inc., Pace Enterprises, and Pacific Grain Products.

JEFFREY A. SHAW, DIRECTOR OF HOLDINGS. Mr. Shaw has been a Director of Holdings since 1995. Mr. Shaw has been an executive of TPG since 1993. Prior to joining TPG, Mr. Shaw was a principal of Acadia Partners, L.P., an investment partnership, for three years. Mr. Shaw serves as a director of Del Monte Foods Company, Del Monte Corporation, Ryanair PLC, Ducati Motors, S.p.A. and Ducati North America, Inc.

EMPLOYMENT AGREEMENTS AND OTHER COMPENSATION ARRANGEMENTS

The following table sets forth compensation paid by the Company to the individual serving as Chief Executive Officer and to each of the four most highly compensated executive officers of the Company during fiscal 1998 (the "Named Executive Officers").

<TABLE>
<CAPTION>

				LONG-TERM COMPENSATION	
NAME AND POSITION	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION	SECURITIES UNDERLYING OPTIONS	ALL OTHER COMPENSATION(1) ($)
<S>	<C>	<C>	<C>	<C>	<C>
Dennis J. Nemeth,..... Senior Vice President of Operations	$199,615	$20,000	--	1,000	$ 13,557
Alfred Multari,..... Vice President of Marketing	180,000	18,000	--	--	149,153
Jose Minski,..... Executive Vice President and Chief Operating Officer of Trolli	256,250	0	--	--	5,125
Al J. Bono,..... Chief Executive Officer(2)	384,327	0	--	--	51,308
William S. Bradfield,... Senior Vice President & Sathers Divisional President(2)	199,903	0	--	--	13,199

</TABLE>

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(1) Represents amounts contributed to the Company's Nonqualified Deferred Compensation Plan. In the case of Messrs. Multari and Bono, these amounts also include moving expenses of $137,607 and $24,654, respectively.

(2) Messrs. Bono and Bradfield terminated employment with the Company on July 16, 1998 and July 3, 1998, respectively. Richard Boyce served as interim Chief Executive Officer from July 1998 to October 1998. From October 1998 forward, Richard Harshman is the new Chief Executive Officer.

Directors who are not officers or employees of the Company, or of TPG, InterWest or their affiliated partnerships, receive director's fees of $10,000 a year. All directors receive reimbursement of expenses.

Stock Option Plan. The Favorite Brands International Holding Corp. Stock Option Plan (the "Option Plan"), as amended, provides to officers, directors and executives, managerial or professional employees or consultants of Holdings and its subsidiaries and other affiliated companies, including the Company, an equity-based incentive intended to maintain and enhance the performance and profitability of Holdings and the Company through grants of incentive stock options and non-qualified stock options. The Option Plan provides for the grant of both "incentive stock options" as defined in Section 422 of the Internal Revenue Code and non-qualified stock options. As of any date, the aggregate number of shares of common stock as to which options may be granted under the Option Plan is 250,000. Options granted under the Option Plan become exercisable based on various schedules provided in each individual's option grant agreement; in addition, all options become 100% exercisable upon a "Liquidity Event," defined as a merger or a stock sale after which the holders of Holdings common stock prior to the event hold less than 50% of the outstanding voting

stock. The options terminate and expire immediately if the grantee is terminated for "cause" or resigns without "good reason" (each as defined). If the grantee is terminated without cause or resigns for good reason, the non-vested portion of the grantee's option terminates but the vested portion generally may be exercised until the earlier of (i) 90 days after termination of employment, (ii) the date on which the option terminates under the agreement or (iii) the effectiveness of a Liquidity Event that occurs after the grantee is terminated.

Stock Options. The following tables summarize stock option grants and exercises during fiscal 1998 to or by the Named Executive Officers and the value of options granted during fiscal 1998 and held by such persons at the end of fiscal 1998.

OPTION GRANTS IN THE LAST FISCAL YEAR

<TABLE>
<CAPTION>

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
NAME AND POSITION (A)	NUMBER OF SECURITIES UNDERLYING OPTION GRANTED (#) (B)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR (C)	EXERCISE OR BASE PRICE ($/SH) (D)	EXPIRATION DATE (E)	5% ($) (F)	10% ($) (G)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Dennis J. Nemeth, ... Senior Vice President of Operations	1,000	2%	$105	7/30/07	$ 0	$ 25,000
Alfred Multari,..... Vice President of Marketing	--	--	--	--	--	--
Jose Minski,..... Executive Vice President and Chief Operating Officer of Trolli	--	--	--	--	--	--
Al J. Bono, ... Chief Executive Officer	--	--	--	--	--	--
William S. Bradfield, .. Senior Vice President & Sathers Divisional President	--	--	--	--	--	--

</TABLE>

The following table sets forth information regarding grants of options to purchase stock of Holdings to the Named Executive Officers during fiscal 1998.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END VALUES

The following table sets forth on an aggregated basis, certain information with respect to the value of unexercised options held by the Named Executive Officers at the end of fiscal 1998. No options were exercised by the Named Executive Officers in fiscal 1998.

<TABLE>
<CAPTION>

NAME AND POSITION (A)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END (#) EXERCISABLE/ UNEXERCISABLE (D)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END ($) EXERCISABLE/ UNEXERCISABLE (E)
<S>	<C>	<C>
Dennis J. Nemeth, ... Senior Vice President of Operations	2,396/3,604	0/0
Alfred Multari,.....	1,500/4,500	0/0

Vice President of Marketing			
Jose Minski, ...		0/0	0/0
Executive Vice President and Chief Operating Officer of Trolli			
Al J. Bono, ...	37,898/26,987		0/0
Chief Executive Officer			
William S. Bradfield, ...	2,250/3,750		0/0
Senior Vice President & Sathers Divisional President			

Deferred Compensation Plan. The Company maintains the Favorite Brands International Non-Qualified Deferred Compensation Plan. The plan permits certain key employees determined by the Board of Directors (including the Named Executive Officers) to defer up to 20% of their annual compensation into the plan. With respect to each key employee who defers a portion of his annual compensation under the plan, the Company contributes a matching contribution equal to 50% of the first 6% of such employee's compensation contributed to the plan for a maximum Company matching contribution of 3% of such employee's annual compensation. The matching contribution is not subject to any vesting requirements. In addition, the Company in its sole discretion may contribute an additional amount to each employee's account. The aggregate amount of each employee's account under the plan represents an asset and liability of the Company and is reflected in the financial statements of the Company.

Employment Arrangements. The Company has letter agreements with Messrs. Nemeth and Multari that describe each executive's employment terms. The letters provide that each of the executives will be entitled to participate in the Company's executive bonus plan and provides certain customary fringe benefits. In addition, Mr. Multari's arrangement provides that, in the event his employment is terminated by the Company without "cause" or by Mr. Multari for "good reason" (as such terms are defined in the letter), Mr. Multari will be entitled to his regular monthly compensation for the earlier of 12 months or the date Mr. Multari commences full-time employment with another employer. Mr. Nemeth's letter provides for six months' severance pay in the event his employment is terminated. In addition, Messrs. Nemeth and Multari have entered into change of control agreements which provide that upon a Change of Control (as defined) the Company will pay Messrs. Nemeth and Multari a bonus equal to their base salary. If, after a Change of Control, Messrs. Nemeth and Multari are employed for an additional year by the Company or its successor or if during this year they are terminated "without cause" or resign for "good reason," they will receive an additional bonus equal to their base salary. The amount of both of these bonuses will be increased by the amount of such employee's annual performance bonus if certain internal rates of returns are earned by the stockholders of Holding in connection with the Change of Control. See "Certain Relationships and Related Transactions."

The Company has an Employment Agreement with Mr. Minski that expires December 31, 1998. The Agreement provides for a base salary of $262,500 in calendar year 1998 and other fringe benefits.

PRINCIPAL STOCKHOLDERS

All of the issued and outstanding voting securities of the Company are beneficially owned by Holdings. Holdings has four classes of capital stock authorized and outstanding: (i) Series A common stock (the "Common Stock"), which has full voting rights; (ii) Series B Common Stock, which has no voting rights; (iii) Series A Cumulative Preferred Stock ("Series A Preferred Stock"), which votes with the Common Stock in all matters and has certain limited additional voting rights in the event of a default and (iv) Series B Cumulative Preferred Stock ("Series B Preferred Stock"), which has no voting rights except for certain voting rights in the event of a default. The following table sets forth as of October 30, 1998 certain information regarding the beneficial ownership of Common Stock and Series A Preferred Stock, as determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, with respect to (i) each person known by the Company to be the beneficial owner of more than 5% of any class of Holdings' voting securities, (ii) each of the directors and certain executive officers of the Company, and (iii) all directors and executive officers, as a group. Except as otherwise noted, the persons named in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

<TABLE>
<CAPTION>

	COMMON STOCK	SERIES A PREFERRED STOCK

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES(1)(2)	PERCENTAGE(1)	NUMBER OF SHARES	PERCENTAGE
<S>	<C>	<C>	<C>	<C>
TPG Partners, L.P. ..... 201 Main Street, Suite 2420 Fort Worth, TX 76102	1,441,704(2)(4)	61.7%	--	--
TPG Parallel I L.P. .... 201 Main Street, Suite 2420 Fort Worth, TX 76102	120,821(4)	5.4%	--	--
InterWest Partners V, L.P..... 3000 Sand Hill Road Building 3, Suite 255 Menlo Park, CA 94025	285,235(5)	12.7%	--	--
InterWest Investors V, L.P..... 3000 Sand Hill Road Building 3, Suite 255 Menlo Park, CA 94025	1,872(5)	*	--	--
Nassau Capital..... 22 Chambers Street Princeton, NJ 08542	161,891(2)	7.1%	99,460	99.5%
NAS Partners I, L.L.C. ..... 22 Chambers Street Princeton, N.J. 08542	1,114(2)	*	540	--
William S. Price III....	-- (4)	--	--	--
Alexander M. Seaver.....	19,958(3)(5)	*	--	--
William H. Ellis.....	321,245	14.3%	--	--
Dennis J. Nemeth.....	3,271(3)	*	--	--
Alfred Multari.....	2,375(3)	*	--	--
Jose Minski.....	--	--	--	--
Al J. Bono.....	47,360(3)	*	--	--
William S. Bradfield....	--	*	--	--
All directors and executives officers as a group (18 persons)...	1,752,016(6)	71.9%(6)		--

</TABLE>

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* Less than 1% of the total voting power of the outstanding shares of Common Stock.

(1) Calculated excluding all shares issuable pursuant to options or warrants of Holdings except, as to each person, the shares issuable to such person pursuant to options or warrants immediately exercisable or exercisable within 60 days from April 15, 1998.

(2) Includes shares issuable on exercise of warrants as set forth below:

<TABLE>

<S>	<C>
TPG Partners, L.P.....	92,493
TPG Parallel I, L.P.....	1,488
Nassau Capital.....	46,553
NAS Partners I, L.L.C.....	254

</TABLE>

(3) Includes shares issuable on exercise of options as set forth below:

<TABLE>

<S>	<C>
Al J. Bono.....	47,360
Alexander M. Seaver.....	19,958
Dennis J. Nemeth.....	3,271
Alfred Multari.....	2,375

</TABLE>

(4) TPG Partners, L.P. and TPG Parallel I, L.P. are entities affiliated with William S. Price III. Mr. Price disclaims beneficial ownership of all shares owned by such entities.

(5) InterWest Partners V, L.P. and InterWest Investors V, L.P. are entities affiliated with Alexander M. Seaver. Mr. Seaver disclaims beneficial ownership of all shares owned by such entities.

(6) Includes all shares held by entities affiliated with a director as described in Notes (4) and (5) above and all shares issuable to such entities on exercise of options and warrants.

TEXAS PACIFIC GROUP

TPG was founded by David Bonderman, James G. Coulter and William S. Price III in 1993 to pursue public and private investment opportunities through a variety of methods, including leveraged buyouts, joint ventures, restructurings, bankruptcies and strategic public securities investments. The principals of TPG operate TPG Partners, L.P. and TPG Partners II, L.P., both Delaware limited partnerships, with aggregate committed capital of more than $3.2 billion.

Prior to the formation of TPG, certain of its principals oversaw the successful investment of more than $1 billion of equity capital from 1982 to 1992 on behalf of Keystone, Inc. (formerly the Robert M. Bass Group), including in such transactions as the acquisition of American Savings Bank, F.A., Wometco Cable, National Reinsurance Corp. and Bell & Howell. In addition, TPG's principals led the $9 billion reorganization of Continental Airlines in 1993. In addition to Favorite Brands International, TPG's portfolio companies include America West Airlines, Belden & Blake, Beringer Wine Estates, Del Monte Foods Company, Denbury Resources, Ducati Motor, GlobeSpan Semiconductor, Genesis ElderCare, GT Com, J. Crew, Paradyne Corporation, Virgin Entertainment, Vivra Specialty Products and Zilog.

The acquisition of the Company in September 1995 was TPG's first major investment in the food and beverage industry. In April 1997, TPG acquired also Del Monte Foods Company. In January 1996, TPG acquired from Nestle Holdings, Inc. Beringer Wine Estates, which included Meridian Vineyards, Napa Ridge and Chateau Soverain. Beringer Wine Estates Holdings, Inc.

subsequently acquired Chateau St. Jean and Stags' Leap Winery, giving Beringer one of the nation's largest portfolios of premium wineries. Beringer completed an initial public offering in October 1997.

INTERWEST/SEAVER KENT & COMPANY, LLC

InterWest is one of the leading venture capital partnerships in the United States. InterWest's food industry investments have included food processing companies, such as Escalon Packers (acquired by H.J. Heinz Co.), Pacific Grain Products and Heidi's Fine Desserts, Inc., and restaurants such as Il Fornaio, Bojangles' Restaurants, Inc., Java City and La Salsa.

Seaver Kent & Company, LLC was founded in October 1996 by Alexander M. Seaver and Bradley R. Kent, both of whom were formerly general partners of InterWest. Seaver Kent specializes in private, control investments in middle-market companies. The principals of Seaver Kent have successfully partnered with management to build businesses through both internal growth and strategic acquisitions, and in particular have extensive experience investing in consumer and household products companies. In addition to the Company, portfolio companies in which funds managed by the principals of Seaver Kent have made investments include AMX Corporation, ArtcoBell Holding, Bojangles' Restaurants, Inc., Cafe Valley, Inc., Diamond Brands, Inc., Heidi's Fine Desserts, Inc. and MidWest Folding Products.

STOCKHOLDERS AGREEMENTS

Holdings entered into (i) an agreement dated September 25, 1995 (as amended August 28, 1996, the "Stockholders Agreement") with TPG Partners, L.P. and TPG Parallel I, L.P. (together, "TPG Partners"), InterWest Partners V, L.P. and InterWest Investors V (together, "InterWest Partners"), Nassau Capital Partners L.P. and NAS Partners I L.L.C. (together, "Nassau") and Al J. Bono (collectively, the "Original Stockholders"), and Stephen I. Horowitz and Richard Boyce; (ii) an agreement dated August 29, 1996 (the "New Equity Agreement") with the Original Stockholders, New York Life Insurance Company ("NY Life") and Wells Fargo & Company ("Wells Fargo"); and (iii) an agreement dated August 31, 1996 (the "Farley Stockholders Agreement") with the Original Stockholders and William H. Ellis and Gary A. Ricco individually and as trustees of certain trusts. Taken together, these agreements provide for certain rights and obligations with respect to constitution of the Holdings Board of Directors and the issuance, voting and transfer of shares of Holdings Common Stock (as defined in the respective agreements, the "Shares").

The Stockholders Agreement provides for a nine-person Board of Directors, consisting of (i) five members designated by TPG Partners (two of whom are not Affiliates (as defined) of TPG Partners and are reasonably acceptable to InterWest Partners), (ii) two members designated by InterWest Partners (one of whom is not an Affiliate of InterWest Partners and is reasonably acceptable to TPG Partners) and (iii) two individuals jointly designated by TPG Partners and InterWest Partners. The number of Board designees for TPG Partners and InterWest Partners will decrease as their Shares decrease. In addition, the New Equity Agreement provides that so long as NY Life and Wells Fargo continue to hold a specified amount of shares, they will be entitled to designate an

observer to attend board meetings (which individual will be a NY Life employee if Wells Fargo is a lender to Holdings).

The Stockholders Agreement provides that the Board of Directors will not take, approve or ratify any of the following actions except by at least a two-thirds vote of the entire Board: (i) merger, conveyance, transfer, consolidation, amalgamation, recapitalization or other form of business combination; (ii) sale, lease or other disposition of 50% or more of Holdings' consolidated assets; (iii) engagement in any transactions, or amendment of any existing transactions, with TPG Partners, InterWest Partners or their respective Affiliates or with officers, directors or members of management of Holdings except on arm's length terms; (iv) amendment, modification or restatement of Holdings' charter or bylaws; (v) filing of a registration statement under the Securities Act except as contemplated in the agreement; (vi) institution of proceedings in bankruptcy, liquidation or dissolution of Holdings; (vii) declaration or payment of dividend or other payment or distribution on account of the Shares; or (viii) issuance of or agreement to issue shares of capital stock of Holdings, or securities convertible into or exchangeable for, or any option, warrant or other subscription purchase right with respect to, capital stock of Holdings. The New Equity Agreement provides that the Board of Directors will not take any of the following actions except with the consent of the holder of a majority of the shares of the Series B Preferred Stock owned by NY Life (and, as to (ii) below, Wells Fargo) so long as NY Life (and as to (ii) below NY Life and Wells Fargo) continue to own 60% of such shares: (i) engagement in any transactions or amendment of any existing transactions with TPG Partners, InterWest Partners or their respective Affiliates or with officers, directors or members of management of Holdings except on arm's length terms; or (ii) amendment, modification or restatement of the certificate of incorporation of Holdings in a manner that would materially adversely affect the right of the holders of the Series B Preferred Stock (including increasing the number of shares of Series A Preferred Stock or Series B Preferred Stock or authorizing another class of securities senior to or pari passu with the Series B Preferred Stock).

The Stockholders Agreement, the New Equity Agreement and the Farley Stockholders Agreement impose certain restrictions on transfers of Shares and give certain holders of Shares registration rights in certain circumstances. Holdings will bear the costs of preparing and filing any such registration statement and has agreed to indemnify selling holders against certain liabilities.

Employees of the Company who hold options to acquire Shares have agreed, upon exercise of any such options, to enter into an agreement imposing certain restrictions on transfers of such Shares.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As discussed in Management's Discussion and Analysis of Financial Conditions and Results of Operations, (i) in February 1998, TPG, the Company's largest stockholder, provided credit support to a commercial bank that provided a $15.0 million loan to the Company (the loan was repaid and credit support terminated in May 1998), (ii) in May 1998, TPG made a $13.6 million equity investment in Holdings, and (iii) in October 1998, TPG loaned the Company on an unsecured basis $17.0 million; the loan matures on November 20, 2005 and bears interest, payable at maturity, at a per annum rate of ten percent. In connection with these transactions, (x) Holdings issued to TPG in February 1998 a ten-year warrant to purchase 18,666 shares of Holdings' common stock at an exercise price of $89.57 per share (with an estimated value at that time of approximately $1 million), (y) Holdings issued to TPG in May 1998 a warrant to purchase additional shares of Holdings common stock at an exercise price of $0.01 per share if certain dilution events occur by May 1999 and (z) Holdings issued to TPG in October 1998 a ten-year warrant to purchase 77,500 shares of Holdings' common stock at an exercise price of $0.01 per share (with an estimated value at that time of approximately $3.9 million).

In consideration for advisory services rendered in fiscal 1998 in connection with acquisition, debt refinancing, executive management and other services, CAF (an affiliate of Richard W. Boyce), TPG and Seaver Kent & Company, LLC received fees totaling $1.0 million, $0.1 million and $0.2 million, respectively. In management's opinion, the amounts paid to CAF, TPG, and Seaver Kent reasonably reflect the benefits received by the Company.

William H. Ellis, a director of Holdings, owned 99% of the stock of Farley at the time it was sold to the Company in August 1996. Mr. Ellis and the other stockholders received an aggregate of $174.9 million (which included assumed debt) and $29.1 million in Holdings common stock as consideration for their

interest in Farley. The stockholders of Farley placed $10.0 million of cash in an escrow account to secure their indemnity obligations to the Company under the Farley acquisition agreement. In June 1998, $3.6 million of such amount was released to the Company and the balance was released to the former stockholders of Farley.

The Company paid approximately $0.3 million in fiscal 1998 under a capital lease on its manufacturing facility at Belmont Avenue in Chicago. The lessor is a trust of which Mr. Ellis is the sole beneficiary. The Company paid approximately $1.0 million in fiscal 1998 under a lease for its distribution facility at 43rd Street in Chicago. That facility is leased from a limited liability company owned by former officers of Farley, including Mr. Ellis.

Related interests of Jose Minski, Executive Vice President and Chief Operating Officer of Trolli, owned 32.9% of the stock of Trolli at the time it was sold to the Company in April 1997. Mr. Minski's interests have received to date an aggregate of $29.1 million in cash with respect to stockholdings in Trolli and will be entitled to not more than an additional $1.65 million in April 1999 based on Trolli's results of operations for calendar 1998 (constituting 32.9% of the possible $5 million earn-out payment).

In connection with Mr. Bono's relocation to Chicago, the Company has extended to Mr. Bono two loans in the aggregate principal amount of $0.5 million, $250,000 of which is secured by a

mortgage on Mr. Bono's residence. Mr. Bono is required to pay annual interest payments to the Company on such loans on April 30 of each year at an annual rate of 5%. The principal amount is due April 30, 2001.

Certain stockholders of Holdings, including TPG Partners, InterWest Partners and Mr. Bono, are parties to the Stockholders Agreement and other agreements described in "Principal Stockholders."

DESCRIPTION OF BANK FACILITIES AND OTHER INDEBTEDNESS

BANK FACILITIES

The description set forth below does not purport to be complete and is qualified in its entirety by reference to certain agreements setting forth the principal terms of the Bank Facilities.

The Bank Facilities consist of (a) a seven-year Senior Secured B Term Loan Facility in a principal amount of $150 million (the "Term Loan") and (b) a revolving credit facility providing for revolving loans (including swing line loans) to the Company and the issuance of letters of credit for the account of the Company in an aggregate principal and stated amount at any time not to exceed $75 million (of which not more than $20 million may be represented by letters of credit and not more than $8 million may be represented by swing line loans) (the "Revolving Credit Facility").

Amounts repaid or prepaid under the Term Loan may not be reborrowed. Loans under the Revolving Credit Facility are available at any time prior to the date which is six years after the Closing Date (the "Revolving Termination Date"). No letter of credit shall have an expiration date after the earlier of (a) one year from the date of its issuance and (b) five business days before the Revolving Termination Date. Letters of credit may be renewed for one-year periods, provided that no letter of credit shall extend beyond the time specified in clause (b) of the previous sentence.

The Term Loan amortizes over seven years in twenty-eight quarterly installments in the following amounts: (a) $500,000 for the first twenty installments, (b) $12.5 million for the next four installments and (c) $22.5 million for the remaining four installments.

The Company is required to make mandatory prepayments of the Term Loan (a) in respect of 50% of excess cash flow of the Company starting with fiscal year 1999 (such amount may be reduced to 25% of excess cash flow if the Company's Total Debt to EBITDA Ratio (as defined) is less than 5.0 to 1.00 but greater than or equal to 4.0 to 1.00 at the end of the applicable fiscal year and such amount may be reduced to 0% of excess cash flow if the Company's Total Debt to EBITDA Ratio (as defined) is less than 4.0 to 1.00 at the end of the applicable fiscal year), (b) in respect of 100% of the net cash proceeds of any sale or other disposition (including as a result of casualty or condemnation) of any assets by the Company or by any of its Subsidiaries (as defined) (except for the sale of inventory in the ordinary course of business and certain other customary exceptions and reinvestment rights), and (c) 50% of the net proceeds

of any sale or issuance of equity and 100% of the net proceeds of any issuance or incurrence of certain Indebtedness by the Company or by Holdings or by any of their Subsidiaries. At the Company's option, loans may be prepaid, and revolving credit commitments may be permanently reduced, in whole or in part, at any time in certain minimum amounts.

The obligations of the Company under the Bank Facilities are unconditionally and irrevocably guaranteed by Holdings and by each of the Company's direct and indirect domestic subsidiaries (collectively, the "Bank Loan Subsidiary Guarantors"). In addition, the Bank Facilities are secured by first priority or equivalent security interests in (i) all the capital stock of, or other equity interests in, each direct or indirect domestic subsidiary of the Company and up to two-thirds of the issued and outstanding capital stock of, or other equity interests in, each first-tier foreign subsidiary of the

Company and (ii) all other tangible and intangible assets (including, without limitation, intellectual property and certain owned real property) of the Company, Holdings and the Bank Loan Subsidiary Guarantors (subject to certain exceptions and qualifications). The sole recourse with respect to Holdings' guarantee obligations are the assets pledged by it to secure such obligations.

At the Company's option, the interest rates per annum applicable to the Bank Facilities are either the Base Rate (as defined) or the Offshore Rate (as defined) plus margins ranging from 1.75% to 2.25% (Base Rate term loans), .75% to 1.75% (Base Rate revolving loans), 2.75% to 3.25% (Offshore Rate term loans) and 1.75% to 2.75% (Offshore Rate revolving loans) as amended. The Base Rate is the highest of (a) Chase's Prime Rate (as defined), (b) the Base CD Rate (as defined) plus 1.00% and (c) the Federal Funds Effective Rate (as defined) plus 0.50%. The margin in respect of the Term Loan and the Revolving Credit Facility will be subject to adjustment after the first anniversary of the Closing Date based on the Company's Total Debt to EBITDA Ratio (as defined).

The Company pays a commission on the face amount of all outstanding letters of credit at a per annum rate equal to the Applicable Margin (as defined) then in effect with respect to the Offshore Rate loans under the Revolving Credit Facility minus 0.25% on the face amount of each such letter of credit. A fronting fee equal to 0.25% per annum on the face amount of each letter of credit (the "Fronting Fee") is payable quarterly in arrears to the issuing lender for its own account. The Company also pays a per annum fee equal to 0.75% on the undrawn portion of the commitments in respect of the Revolving Credit Facility (the "Commitment Fee"). The Commitment Fee is subject to reduction after the first anniversary of the Closing Date based on the Company's Total Debt to EBITDA Ratio (as defined).

The Bank Facilities contain a number of significant covenants that, among other things, restrict the ability of the Company to dispose of assets, incur additional Indebtedness, repay other Indebtedness or amend other debt instruments, pay dividends, create liens on assets, make investments or acquisitions, engage in mergers or consolidations, make capital expenditures, or engage in certain transactions with affiliates and otherwise restrict corporate activities. In addition, under the Bank Facilities, the Company is required to comply with specified minimum interest coverage and maximum senior secured leverage.

Events of Default under the Bank Facilities include, but are not limited to, nonpayment of principal when due; nonpayment of interest, fees or other amounts after a grace period of five days; material inaccuracy of representations and warranties; violation of covenants (subject, in the case of certain covenants, to customary grace periods); cross-default; bankruptcy events; certain ERISA (as defined) events; material judgments; actual or asserted invalidity of any material provision of any guarantee or security document, any subordination provisions or any security interest; and a Change of Control (as defined). Upon the occurrence of an Event of Default, Chase may, in its capacity as administrative agent, accelerate payments due under the Term Loan and the Revolving Credit Facility.

THE SENIOR SUBORDINATED NOTES

In August and September 1997, the Company issued an aggregate of $195 million principal amount of the Senior Subordinated Notes pursuant to the Note Agreement. The Senior Subordinated Notes were sold pursuant to exemptions from, or in transactions not subject to, the registration

requirements of the Securities Act and applicable state securities laws. The Company expects to complete an exchange offer whereby the Senior Subordinated Notes will be exchanged into new Senior Subordinated Notes due 2007, which will

be registered under the Securities Act with terms substantially identical to the Senior Subordinated Notes (the "Exchange Senior Subordinated Notes"). Under the Note Agreement, if the Company does not issue the Exchange Senior Subordinated Notes in an exchange offer prior to September 30, 1999, it is required to pay additional interest on the Senior Subordinated Notes. In the event that the Company issues debt or equity in an offering registered under the Securities Act, the Company is required to file a registration statement with respect to the Senior Subordinated Notes on or prior to the earlier of a date that is 120 days after the effective date of such registered offering or December 31, 1999. The Exchange Offer with respect to the Notes would give rise to the filing requirement described in the foregoing sentence.

The Senior Subordinated Notes will mature on August 20, 2007. Interest accrues at the rate of 11.25% per annum and is payable semi-annually in arrears on February 20 and August 20 in each year. Payment of principal, premium and interest on the Senior Subordinated Notes is subordinated, as set forth in the Note Agreement, to the prior payment in full of the Company's Senior Debt (as defined in the Note Agreement), including the Exchange Notes.

At any time on or after August 20, 2002, the Company may prepay, on a pro rata basis, the aggregate principal balance of the Senior Subordinated Notes in whole or in part at a redemption price equal to 105.6250% of the principal amount (plus in each case accrued interest and unpaid interest thereon to but excluding the prepayment date) if paid in the 12-month period commencing August 20, 2002 and decreasing each year until it reaches 100% of the original principal amount if paid in the 12-month period commencing August 20, 2005 or thereafter.

At any time on or prior to August 20, 2000, the Company may use the net cash proceeds of one or more Public Equity Offerings (as defined in the Note Agreement) to prepay on a pro rata basis up to 35% of the original aggregate principal balance of the Senior Subordinated Notes at a redemption price equal to 111.25% of the principal balance thereof plus, in each case, accrued and unpaid interest thereon, if any, to but excluding the prepayment date. Upon a Change of Control (as defined in the Note Agreement), the Company will be obligated to offer to prepay all outstanding Senior Subordinated Notes by payment of an amount equal to 101% of the aggregate principal amount thereof, plus accrued interest to, but excluding the Change of Control prepayment date.

The obligations of the Company pursuant to the Senior Subordinated Notes are unconditionally guaranteed on a senior subordinated basis by those of the Company's subsidiaries designated pursuant to procedures prescribed in the Note Agreement. The Note Agreement contains various restrictive covenants that limit the ability of the Company and its subsidiaries to, among other things, incur additional Indebtedness, pay dividends or make certain other restricted payments, consummate certain asset sales, enter into certain transactions with affiliates, incur Indebtedness that is senior in right of payment to the Senior Subordinated Notes and subordinate in right of payment to any other Indebtedness of the Company, incur liens, impose restrictions on the ability of a subsidiary to pay dividends or make certain payments to the Company and its subsidiaries, merge or consolidate or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the assets of the Company.

DESCRIPTION OF THE EXCHANGE NOTES

GENERAL

The Initial Notes were issued, and the Exchange Notes offered hereby will be issued, under an indenture, dated as of May 19, 1998 (the "Indenture"), among the Company, the Subsidiary Guarantors and LaSalle National Bank, as Trustee (the "Trustee"). The following summary of certain provisions of the Indenture and the Exchange Notes does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Indenture (including the definitions of certain terms therein and those terms made a part thereof by the Trust Indenture Act of 1939, as amended) and the Exchange Notes, both of which have been filed as exhibits to the Registration Statement and are available as set forth under the heading "Prospectus Summary--Where You Can Find More Information." For definitions of certain capitalized terms used in the following summary, see "--Certain Definitions."

The Exchange Notes will be unsecured, senior obligations of the Company, limited to $200 million aggregate principal amount, and will mature on May 15, 2006. Each Exchange Note will bear interest at the rate per annum shown on the front cover of this Prospectus from the date of issuance, or from the most recent date to which interest has been paid or provided for, payable semi-annually on May 15 and November 15 of each year commencing on November 15, 1998 to holders of record at the close of business on the May 1 or November 1 immediately preceding the interest payment date.

Interest will be computed on the basis of a 360-day year comprised of twelve 30 day months. Principal of, premium, if any, and interest on the Exchange Notes will be payable, and the Exchange Notes may be exchanged or transferred, at the office or agency of the Company in the Borough of Manhattan, The City of New York (which initially will be the corporate trust office of the Trustee in New York, New York), except that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Exchange Note Register; provided that all payments with respect to Exchange Notes the Holders of whom have given wire transfer instructions to the Company and its paying agent prior to the applicable record date for such payment will be required to be made by wire transfer of immediately available funds to the accounts specified by the Holders thereof. No service charge will be made for any registration of transfer or exchange of Exchange Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

The Exchange Notes will be issued in fully registered form without interest coupons, in denominations of $1,000 and any integral multiple of $1,000. The Exchange Notes will be represented by one or more registered notes in global form and in certain circumstances may be represented by Exchange Notes in definitive form. See "Book Entry, Delivery and Form."

The Exchange Notes are expected to be eligible for trading in the PORTAL market.

OPTIONAL REDEMPTION

Except as set forth below, the Exchange Notes will not be redeemable at the option of the Company prior to May 15, 2003. On and after such date, the Exchange Notes will be redeemable, at the Company's option, in whole or in part, at any time upon not less than 30 nor more than 60 days prior notice mailed by first-class mail to each Holder's registered address, at the following

redemption prices (expressed in percentages of principal amount), plus accrued and unpaid interest to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date):

If redeemed during the 12-month period commencing on May 15, of the years set forth below:

PERIOD	REDEMPTION PRICE
2003	105.375%
2004	102.688%
2005 and thereafter	100.000%

In addition, at any time and from time to time prior to May 15, 2001, the Company may redeem in the aggregate up to 35% of the original principal amount of the Exchange Notes with the proceeds of one or more Public Equity Offerings received by, or invested in, the Company at a redemption price (expressed as a percentage of principal amount) of 110.75% plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided, however, that at least 65% of the original principal amount of the Exchange Notes must remain outstanding after each such redemption; provided further that each such redemption shall occur within 90 days of the date of closing of each such Public Equity Offering.

In the case of any partial redemption, selection of the Exchange Notes for redemption will be made by the Trustee on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion will deem to be fair and appropriate, although no Exchange Note of $1,000 in original principal amount or less will be redeemed in part. If any Exchange Note is to be redeemed in part only, the notice of redemption relating to such Exchange Note will state the portion of the principal amount thereof to be redeemed. A new Exchange Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Exchange Note. On and after the redemption date, interest will cease to accrue on Exchange Notes or portions thereof called for redemption as long as the Company has deposited with the paying agent funds in satisfaction of the applicable redemption price pursuant to the Indenture.

RANKING

The Exchange Notes will be general unsecured obligations of the Company and will rank senior in right of payment to all existing and future Indebtedness of the Company that is, by its terms or by the terms of the agreement or instrument governing such Indebtedness, expressly subordinated in right of payment to the Exchange Notes and pari passu in right of payment with all existing and future liabilities of the Company that are not so subordinated. In the event of bankruptcy, liquidation, reorganization or other winding-up of the Company or its Restricted Subsidiaries or upon a default in payment with respect to, or the acceleration of, any Indebtedness under a Senior Credit Agreement or other Secured Indebtedness, the assets of the Company and its Restricted Subsidiaries that secure Secured Indebtedness will be available to pay obligations on the Exchange Notes and Subsidiary Guarantees only after all Indebtedness under such Senior Credit Agreement and other Secured Indebtedness has been paid in full from such assets, and there may not be sufficient assets remaining to pay amounts due on any or all the Exchange Notes and the Subsidiary Guarantees then outstanding.

As of September 26, 1998, the aggregate principal amount of the Company's outstanding indebtedness was $590.4 million (excluding unused commitments and letters of credit), $195.0

million of which was secured indebtedness and $195.0 million of which was subordinated indebtedness.

SUBSIDIARY GUARANTEES

Each Subsidiary Guarantor will unconditionally guarantee, jointly and severally, to each Holder and the Trustee, on a senior basis, the full and prompt payment of principal of, premium, if any, and interest on the Exchange Notes, and of all other obligations under the Indenture.

The obligations of Subsidiary Guarantors under the Subsidiary Guarantee will rank pari passu in right of payment with other Indebtedness of such Subsidiary Guarantor, except to the extent such other Indebtedness is expressly subordinate to the obligations arising under the Subsidiary Guarantee. Although the Indenture contains limitations on the amount of additional Indebtedness that the Company's Restricted Subsidiaries may incur, under certain circumstances the amount of such Indebtedness could be substantial and such Indebtedness could be secured. See "--Certain Covenants--Limitation on Indebtedness" below.

The obligations of each Subsidiary Guarantor will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor (including, without limitation, any guarantees under a Senior Credit Agreement) and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Subsidiary Guarantee or pursuant to its contribution obligations under the Indenture, result in the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law.

Each Subsidiary Guarantor may consolidate with or merge into or sell its assets to the Company or another Subsidiary Guarantor without limitation. Each Subsidiary Guarantor may consolidate with or merge into or sell all or substantially all its assets to a corporation, partnership or trust other than the Company or another Subsidiary Guarantor (whether or not affiliated with the Subsidiary Guarantor), except that if the surviving corporation of any such merger or consolidation is a Subsidiary of the Company, such merger, consolidation or sale shall not be permitted unless (i) the Person formed by or surviving any such consolidation or merger assumes all the obligations of such Subsidiary under the Subsidiary Guarantee pursuant to a supplemental indenture in form and substance reasonably satisfactory to the Trustee in respect of the Exchange Notes, the Indenture and the Subsidiary Guarantee, (ii) immediately after giving effect to such transaction, no Default or Event of Default exists; and (iii) the Company delivers to the Trustee an officers' certificate and an opinion of counsel addressed to the Trustee with respect to the foregoing matters. Upon the sale or disposition of a Subsidiary Guarantor (by merger, consolidation, the sale of its Capital Stock or the sale of all or substantially all of its assets) to a Person (whether or not an Affiliate of the Subsidiary Guarantor) which is not a Subsidiary of the Company, which sale or disposition is otherwise in compliance with the Indenture (including the covenant described under "--Certain Covenants--Limitation on Sales of Assets and Subsidiary Stock"), such Subsidiary Guarantor will be deemed released from all its obligations under the Indenture and its Subsidiary Guarantee and such Subsidiary Guarantee will terminate; provided, however, that any such termination will occur only to the extent that all obligations of such

Subsidiary Guarantor under a Senior Credit Agreement and all of its guarantees of, and under all of its pledges of assets or other security interests which secure, any other Indebtedness of the Company will also terminate upon such release, sale or transfer.

A Subsidiary Guarantor will be deemed released and relieved of its obligations under the Indenture and its Subsidiary Guarantee without any further action required on the part of the Company or such Subsidiary Guarantor upon the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture.

CHANGE OF CONTROL

Upon the occurrence of any of the following events (each, a "Change of Control") each Holder will have the right to require the Company to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such holder's Exchange Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date):

(i) (A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders or their Related Parties, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 40% of the total voting power of the Voting Stock of the Company or Holdings (or its successor by merger, consolidation or purchase of all or substantially all of its assets) (for the purposes of this clause, such person shall be deemed to beneficially own any Voting Stock of the Company or Holdings held by an entity, if such person "beneficially owns" (as defined above), directly or indirectly, more than 40% of the voting power of the voting Capital Stock of such entity); and (B) the Permitted Holders or their Related Parties "beneficially own" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, in the aggregate a lesser percentage of the total voting power of the Voting Stock of the Company or Holdings (or its successor by merger, consolidation or purchase of all or substantially all of its assets) than such other person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of the Company or Holdings or such successor (for the purposes of this clause, such other person shall be deemed to beneficially own any Voting Stock of a specified entity held by an entity, if such other person "beneficially owns," directly or indirectly, more than 40% of the voting power of the Voting Stock of such entity and the Permitted Holders or their Related Parties "beneficially own," directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such entity and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of such entity); or

(ii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company or Holdings (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company or Holdings, as the case may be, was approved by a vote of at least a majority of the directors of the Company or Holdings then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved or is a designee of the Permitted Holders or their Related Parties or was nominated or elected by such Permitted Holders or their Related Parties or any of their designees) cease for any reason to constitute a majority of the Board of Directors of the

Company or Holdings then in office; provided however that this clause (ii) shall not apply to the Board of Directors of the Company so long as the Company is a wholly-owned Subsidiary of Holdings; or

(iii) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) other than a Permitted Holder or their Related Parties; or

(iv) the adoption by the stockholders of the Company of a plan or

proposal for the liquidation or dissolution of the Company; or

(v) the occurrence of a change of control as defined in the indenture relating to the Senior Subordinated Exchange Notes.

Within 30 days following any Change of Control, the Company will mail a notice (the "Change of Control Offer") to each Holder with a copy to the Trustee stating: (i) that a Change of Control has occurred and that such Holder has the right to require the Company to purchase such Holder's Exchange Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (the "Change of Control Payment") (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date); (ii) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Change of Control Payment Date"); and (iii) the procedures determined by the Company, consistent with the Indenture, that a Holder must follow in order to have its Exchange Notes purchased.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Exchange Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described in the Indenture by virtue thereof.

On the Change of Control Payment Date, the Company will, to the extent lawful, (1) accept for payment all Exchange Notes or portions thereof (equal to $1,000 or an integral multiple thereof) properly tendered pursuant to the Change of Control Offer, (2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Exchange Notes or portions thereof so tendered and (3) deliver or cause to be delivered to the Trustee the Exchange Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Exchange Notes or portions thereof being purchased by the Company. The paying agent will promptly mail to each Holder of Exchange Notes so tendered the Change of Control Payment for such Exchange Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Exchange Note equal in principal amount to any unpurchased portion of the Exchange Notes surrendered, if any; provided that each such new Exchange Note will be in a principal amount of $1,000 or an integral multiple thereof.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Company repurchase or redeem the Exchange Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Exchange Notes validly tendered and not withdrawn under such Change of Control Offer.

The occurrence of certain of the events that would constitute a Change of Control would constitute a default under a Senior Credit Agreement. Future Indebtedness of the Company and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of their right to require the Company to repurchase the Exchange Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company. Finally, the Company's ability to pay cash to the holders upon a repurchase may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. Even if sufficient funds were otherwise available, the terms of a Senior Credit Agreement will (and other senior Indebtedness may) prohibit the Company's prepayment of Exchange Notes prior to their scheduled maturity. Consequently, if the Company is not able to prepay the Bank Indebtedness and any other senior Indebtedness containing similar restrictions or obtain requisite consents, as described above, the Company will be unable to fulfill its repurchase obligations if holders of Exchange Notes exercise their repurchase rights following a Change of Control, thereby resulting in a default under the Indenture.

The occurrence of certain of the events that would constitute a Change of Control would require the Company to offer to repurchase the Senior

Subordinated Notes. The Indenture may prohibit the Company from doing so if any of the Exchange Notes remain outstanding. The failure of the Company to offer to repurchase the Senior Subordinated Notes when required to do so would constitute an event of default with respect to the Senior Subordinated Exchange Notes. The Company and its Restricted Subsidiaries covenant to not redeem any Subordinated Obligations, including the Senior Subordinated Notes, in respect of an Asset Sale or Change of Control until the prior payment of all amounts due pursuant to any exercised right by any Holder under "--Change of Control" and "--Certain Covenants--Limitation on Sales of Assets and Subsidiary Stock."

The Change of Control provisions described above may deter certain mergers, tender offers and other takeover attempts involving the Company by increasing the capital required to effectuate such transactions. The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Company and its Restricted Subsidiaries taken as a whole to any Person other than a Permitted Holder or any Related Party. With respect to the disposition of property or assets, the phrase "all or substantially all" as used in the Indenture varies according to

the facts and circumstances of the subject transaction, has no clearly established meaning under New York law (which is the choice of law under the Indenture) and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person, and therefore it may be unclear as to whether a Change of Control has occurred and whether the Company is required to make an offer to repurchase the Exchange Notes as described above.

CERTAIN COVENANTS

The Indenture contains certain covenants, including, among others, the following:

Limitation on Indebtedness. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness; provided, however, that the Company and the Subsidiary Guarantors may Incur Indebtedness if on the date thereof the Consolidated Coverage Ratio for the Company and its Restricted Subsidiaries for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such Indebtedness is Incurred (A) is at least 2.00 to 1.00 and (B) no Default or Event of Default will have occurred or be continuing or would occur as a consequence thereof.

(b) The foregoing provisions will not apply to: (i) Indebtedness Incurred pursuant to a Senior Credit Agreement together with amounts outstanding under Qualified Receivables Transactions in an aggregate amount up to $250.0 million less the aggregate principal amount of all scheduled principal repayments unless refinanced on the date of such repayment under this clause (i) and all mandatory prepayments of principal in excess of $25.0 million in the aggregate from the proceeds of Asset Sales permanently reducing the commitments thereunder; (ii) the Subsidiary Guarantees and Guarantees of Indebtedness by the Subsidiary Guarantors Incurred in accordance with the provisions of the Indenture; provided that in the event such Indebtedness that is being Guaranteed is subordinated in right of payment to any other Indebtedness, the related Guarantee shall be subordinated in right of payment to the Subsidiary Guarantee; (iii) Indebtedness of the Company owing to and held by any Wholly-Owned Subsidiary (other than a Receivables Entity) or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Wholly-Owned Subsidiary (other than a Receivables Entity); provided, however, (x) if the Company is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the Exchange Notes and (y)(A) any subsequent issuance or transfer of Capital Stock that results in any such Indebtedness being beneficially held by a Person other than the Company or a Wholly Owned Subsidiary (other than a Receivables Entity) of the Company and (B) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Wholly Owned Subsidiary (other than a Receivables Entity) of the Company shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Subsidiary, as the case may be; (iv) Indebtedness represented by (x) the Exchange Notes, (y) any Indebtedness (other than the Indebtedness described in clauses (i), (ii) and (iii)) outstanding on the Issue Date, including the Senior Subordinated Exchange Notes and the related Guarantees and (z) any Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (iv) or clause (v) or Incurred pursuant to paragraph (a) above; (v) Indebtedness of a Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary was acquired by the Company (other

than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Company or (B) otherwise in connection with, or in contemplation of, such acquisition) in an aggregate principal amount not to exceed $20.0 million at any time outstanding or, with respect to Indebtedness under this clause (v) in excess thereof, only in the event that at the time such Restricted Subsidiary is acquired by the Company, the Company would have been able to Incur $1.00 of additional Indebtedness pursuant to paragraph (a) above after giving effect to the Incurrence of such Indebtedness pursuant to this clause (v); (vi) Indebtedness under Currency Agreements and Interest Rate Agreements; provided, however, that in the case of Currency Agreements, such Currency Agreements are related to business transactions of the Company or its Restricted Subsidiaries entered into in the ordinary course of business or in the case of Currency Agreements and Interest Rate Agreements such Currency Agreements and Interest Rate Agreements are entered into for bona fide hedging purposes of the Company or its Restricted Subsidiaries (as determined in good faith by the Board of Directors or senior management of the Company) and substantially correspond in terms of notional amount, duration, currencies and interest rates, as applicable, to Indebtedness of the Company or its Restricted Subsidiaries Incurred without violation of the Indenture; (vii) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations with respect to assets other than Capital Stock or other Investments, in each case incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvements of property used in the business of the Company or such Restricted Subsidiary, in an aggregate principal amount not to exceed $10.0 million at any time outstanding; (viii) Indebtedness incurred in respect of workers' compensation claims, self-insurance obligations, performance, surety and similar bonds and completion guarantees provided by the Company or a Restricted Subsidiary in the ordinary course of business; (ix) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Restricted Subsidiary, provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company and its Restricted Subsidiaries in connection with such disposition; (x) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, provided, however, that such Indebtedness is extinguished within five business days of Incurrence; and (xi) Indebtedness (other than Indebtedness described in clauses (i)--(x)) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (xi) and then outstanding, will not exceed $35.0 million (which may be of any ranking).

(c) The Company will not Incur any Indebtedness under paragraph (b) above if the proceeds thereof are used, directly or indirectly, to refinance any Subordinated Obligations of the Company unless such Indebtedness will be subordinated to the Exchange Notes to at least the same extent as such Subordinated Obligations. No Subsidiary Guarantor will incur any Indebtedness under paragraph (b) above if the proceeds thereof are used, directly or indirectly, to refinance any Guarantor Subordinated Obligations of such Subsidiary Guarantor unless such Indebtedness will be subordinated to the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee to at

least the same extent as such Guarantor Subordinated Obligations. No Restricted Subsidiary will Incur any Indebtedness under paragraph (b) to refinance Indebtedness of the Company.

(d) For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness incurred pursuant to and in compliance with, this covenant, (i) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in paragraph (b) above, the Company, in its sole discretion, will classify such item of Indebtedness on the date of Incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses; and (ii) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP. If Indebtedness is issued at less than the principal amount thereof, the amount of such Indebtedness for purposes of the above limitations shall equal the amount of the liability as determined in accordance with GAAP. Accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness will not be deemed to be an incurrence of Indebtedness for purposes of this covenant.

(e) The Company will not permit any Unrestricted Subsidiary to incur any Indebtedness other than Non-Recourse Debt; provided, however, if any such Indebtedness ceases to be Non-Recourse Debt, such event will be deemed to constitute an incurrence of Indebtedness by the Company or a Restricted Subsidiary.

Limitation on Restricted Payments. (a) The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to (i) declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except (A) dividends or distributions payable in its Capital Stock (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock and (B) dividends or distributions payable to the Company or a Restricted Subsidiary of the Company (and if such Restricted Subsidiary is not a Wholly-Owned Subsidiary, to its other holders of Capital Stock on a pro rata basis), (ii) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company held by Persons other than a Restricted Subsidiary of the Company or any Capital Stock of a Restricted Subsidiary of the Company held by any Affiliate of the Company, other than the Company or another Restricted Subsidiary (in either case, other than to the extent such repurchase, redemption, retirement or other acquisition constitutes a Permitted Investment or other than in exchange for its Capital Stock (other than Disqualified Stock)), (iii) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than the purchase, repurchase or other acquisition of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, repurchase or acquisition) or (iv) make any Investment (other than a Permitted Investment) in any Person (any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Investment being herein referred to in clauses (i) through (iv) as a "Restricted Payment"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(1) a Default shall have occurred and be continuing (or would result therefrom); or

(2) the Company is not able to incur an additional $1.00 of Indebtedness pursuant to paragraph (a) under "--Limitation on Indebtedness"; or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made subsequent to the Issue Date would exceed the sum of: (A) 50% of the Consolidated Net Income for the period (treated as one accounting period) from the beginning of the first full fiscal quarter commencing after the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment as to which internal financial statements are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit); (B) the aggregate Net Cash Proceeds received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock) or other capital contributions subsequent to the Issue Date (other than Net Cash Proceeds received from (x) an issuance or sale of such Capital Stock to a Subsidiary of the Company or an employee stock ownership plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Company or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination and (y) the sale of Capital Stock of Holdings to employees or management of the Company or any Subsidiary which are contributed to the Company after the Issue Date to the extent such amounts have been applied to make Restricted Payments in accordance with clause (v) of the next succeeding paragraph); (C) the amount by which Indebtedness of the Company is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Issue Date of any Indebtedness of the Company convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or other property, distributed by the Company upon such conversion or exchange); and (D) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries in any Person resulting from (i) repurchases or redemptions of such Restricted Investments by such Person, proceeds realized upon the sale of such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend or distribution) by such Person to the Company or any Restricted Subsidiary of the Company or (ii) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in

such Unrestricted Subsidiary, which amount in each case under this clause (D) was included in the calculation of the amount of Restricted Payments; provided, however, that no amount will be included under this clause (D) to the extent it is already included in Consolidated Net Income.

(b) The provisions of paragraph (a) will not prohibit: (i) any purchase or redemption of Capital Stock or Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Company or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination); provided, however, that (A) such purchase or redemption will be excluded in subsequent calculations of the amount of Restricted Payments and (B) the Net Cash Proceeds from such sale will be excluded from clause (3) (B) of

paragraph (a); (ii) any purchase or redemption of Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the sale of, Subordinated Obligations of the Company that qualifies as Refinancing Indebtedness; provided, however, that such purchase or redemption will be excluded in subsequent calculations of the amount of Restricted Payments; (iii) so long as no Default or Event of Default has occurred and is continuing, any purchase or redemption of Subordinated Obligations from Net Available Cash to the extent permitted under "--Limitation on Sales of Assets and Subsidiary Stock" below; provided, however, that such purchase or redemption will be excluded in subsequent calculations of the amount of Restricted Payments; (iv) dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this provision; provided, however, that such dividends will be included in subsequent calculations of the amount of Restricted Payments; (v) so long as no Default or Event of Default has occurred and is continuing, cash dividends to Holdings for the purpose of, and in amounts equal to, amounts required to permit Holdings (A) to redeem or repurchase Capital Stock of Holdings from existing or former employees or management of the Company or Holdings or any Subsidiary of the Company or their assigns, estates or heirs, in each case in connection with the repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees; provided that the aggregate of such redemptions or repurchases pursuant to this clause will not exceed (x) in any calendar year $5.0 million in the aggregate (with unused amounts in any calendar year being carried over to succeeding calendar years) and (y) $12.5 million in the aggregate; provided, further that such amount in the aggregate may be increased by an amount not to exceed the cash proceeds from the sale of Capital Stock of Holdings which is contributed to the common equity of the Company to employees or management after the Issue Date (to the extent the cash proceeds of such transactions have not otherwise been applied to the payment of Restricted Payments by virtue of the preceding paragraph (a), less the amount of Restricted Payments made pursuant to this proviso) in the aggregate; provided, however, that such dividends will be included in the calculation of the amount of Restricted Payments, and (B) to make loans or advances to employees or directors of the Company or Holdings or any Subsidiary of the Company the proceeds of which are used to purchase Capital Stock of Holdings or the Company, in an aggregate amount not in excess of $2.0 million at any one time outstanding; provided, however, that such dividends will be included in the calculation of the amount of Restricted Payments; (vi) cash dividends or loans to Holdings in amounts equal to (A) the amounts required for Holdings to pay any Federal, state or local income taxes to the extent that such income taxes are attributable to the income of the Company and its Subsidiaries and (B) the amounts required for Holdings to pay costs and expenses incurred by Holdings in its capacity as a holding company or for services rendered by Holdings on behalf of the Company in an amount per annum not to exceed $500,000; provided, however, that such dividends will be excluded from the calculation of the amount of Restricted Payments; (vii) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price hereof; provided, however, that such repurchases will be excluded from the calculation of the amount of Restricted Payments; (viii) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Company issued in accordance with the terms of the Indenture; provided, however, that the payment of such dividends will be excluded from the calculation of the amount of Restricted Payments; and (ix) Investments in Joint Ventures and Unrestricted Subsidiaries that are made with Excluded Contributions.

The amount of all Restricted Payments (other than cash) shall be the fair

market value on the date of such Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any non-cash Restricted Payment shall be determined by the Board of Directors whose resolution with respect thereto shall be delivered to the Trustee, such determination to be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing if such fair market value is estimated to exceed $10.0 million. Not later than the date of making any Restricted Payment, the Company shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by the covenant "--Limitation on Restricted Payments" were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Liens. The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur or suffer to exist any Lien (other than Permitted Liens) upon any of its property or assets (including Capital Stock), whether owned on the date of the Indenture or thereafter acquired, securing any Indebtedness, unless contemporaneously therewith effective provision is made to secure the Indebtedness due under the Indenture and the Exchange Notes or, in respect of Liens on any Restricted Subsidiary's property or assets, any Subsidiary Guarantee of such Restricted Subsidiary, equally and ratably with (or prior to in the case of Liens with respect to Subordinated Obligations or Guarantor Subordinated Obligations, as the case may be) the Indebtedness secured by such Lien for so long as such Indebtedness is so secured.

Limitation on Sale/Leaseback Transactions. The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale/Leaseback Transaction unless (i) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Sale/Leaseback Transaction at least equal to the fair market value (as evidenced by a resolution of the Board of Directors delivered to the Trustee) of the property subject to such transaction; (ii) the Company or such Restricted Subsidiary with respect thereto is permitted to Incur Indebtedness in an amount equal to the Attributable Indebtedness in respect of such Sale/Leaseback Transaction pursuant to the covenant described under "--Limitation on Indebtedness"; (iii) the Company or such Restricted Subsidiary is permitted to create a Lien on the property subject to such Sale/Leaseback Transaction without securing the Exchange Notes by the covenant described under "--Limitation on Liens"; and (iv) the Sale/Leaseback Transaction is treated as an Asset Disposition and all of the conditions of the Indenture described under "--Limitation on Sales of Assets and Subsidiary Stock" (including the provisions concerning the application of Net Available Cash) are satisfied with respect to such Sale/Leaseback Transaction, treating all of the consideration received in such Sale/Leaseback Transaction as Net Available Cash for purposes of such covenant.

Limitation on Restrictions on Distributions from Restricted Subsidiaries. The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to (i) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary, (ii) make any loans or advances to the Company or any Restricted Subsidiary or (iii) transfer any of its property or assets to the Company or any Restricted Subsidiary, except (a) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the date of the Indenture

(including, without limitation, the Indenture and the Senior Credit Agreement in effect on such date); (b) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Indebtedness Incurred by a Restricted Subsidiary on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company or in contemplation thereof) and outstanding on such date; (c) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement effecting a refinancing of Indebtedness Incurred pursuant to an agreement referred to in clause (a) or (b) of this covenant or this clause (c) or contained in any amendment to an agreement referred to in clause (a) or (b) of this covenant or this clause (c); provided, however, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or amendment are no less favorable in any material respect to the Holders of the Exchange Notes than encumbrances and restrictions contained in such agreements referred to in clauses (a) and (b); (d) in the case of clause (iii) above, any encumbrance or restriction (A) that restricts in a customary manner the subletting, assignment or transfer of

any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any such lease, license or other contract, (B) contained in mortgages, pledges or other security agreements securing Indebtedness of a Restricted Subsidiary to the extent such encumbrance or restrictions restrict the transfer of the property subject to such mortgages, pledges or other security agreements; provided that such mortgage, pledge or other security agreement is permitted under the Indenture or (C) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary; (e) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (iii) above on the property so acquired; (f) any Purchase Money Note or other Indebtedness or contractual requirements incurred with respect to a Qualified Receivables Transaction relating exclusively to a Receivables Entity that, in the good faith determination of the Board of Directors, are necessary to effect such Qualified Receivables Transaction; (g) any restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition; and (h) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order.

Limitation on Sales of Assets and Subsidiary Stock. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless (i) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Disposition at least equal to the fair market value, as determined in good faith by the Board of Directors (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition, (ii) at least 75% of the consideration thereof received by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents or Qualified Proceeds; provided that the aggregate fair market value of Qualified Proceeds (other than cash or Cash Equivalents) which may be received in consideration for Asset Dispositions pursuant to this clause (ii) shall not exceed $7.5 million after the Issue Date, and (iii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company (or such Restricted Subsidiary, as the case may be) (A) first,

to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness), to prepay, repay or purchase Indebtedness (other than Subordinated Obligations) or Indebtedness (other than any Preferred Stock or any Guarantor Subordinated Obligation) of a Wholly Owned Subsidiary that is a Subsidiary Guarantor (in each case other than Indebtedness owed to the Company or an Affiliate of the Company) within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; (B) second, to the extent of the balance of such Net Available Cash after application in accordance with clause (A), at the Company's election to invest in Additional Assets within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; (C) third, to the extent of the balance of such Net Available Cash after application and in accordance with clauses (A) and (B) (the "Excess Proceeds"), to make an offer to purchase the Exchange Notes and other Pari Passu Indebtedness outstanding with similar provisions requiring the Company to make an offer to purchase such Pari Passu Indebtedness with the proceeds from any Asset Disposition ("Pari Passu Notes") at 100% of the principal amount thereof (or 100% of the accreted value of such Pari Passu Notes so tendered if such Pari Passu Notes were issued at a discount) plus accrued and unpaid interest, if any, to the date of purchase; and (D) fourth, to the extent of the balance of the Excess Proceeds, after application in accordance with clause (C), to fund other corporate purposes not prohibited by the Indenture; provided, however, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to clause (A) above, the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased. Pending the final application of any such Net Available Cash, the Company or its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner that is not prohibited by the Indenture. Upon completion of such Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero. Notwithstanding the foregoing provisions, the Company and its Restricted Subsidiaries will not be required to apply any Net Available Cash in accordance herewith except to the extent that the aggregate Net Available Cash from all Asset Dispositions which have not been applied in accordance with this covenant exceed $5.0 million.

For the purposes of this covenant, the following will be deemed to be cash: (x) the assumption by the transferee of Indebtedness (other than Subordinated

Obligations) of the Company or Indebtedness (other than Guarantor Subordinated Obligations) of any Restricted Subsidiary of the Company and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition (in which case the Company will, without further action, be deemed to have applied such assumed Indebtedness in accordance with clause (A) of the preceding paragraph) and (y) securities, notes or other obligations received by the Company or any Restricted Subsidiary of the Company from the transferee that are promptly converted by the Company or such Restricted Subsidiary into cash.

(b) In the event of an Asset Disposition that requires the purchase of Exchange Notes pursuant to clause (a)(iii)(C), the Company will be required to apply such Excess Proceeds to the repayment of the Exchange Notes and any Pari Passu Notes as follows: (A) the Company will make an offer to purchase (an "Offer") within ten days of such time from all holders of the Exchange Notes in accordance with the procedures set forth in the Indenture in the maximum principal amount (expressed as a multiple of $1,000) of Exchange Notes that may be purchased out of an amount (the

"Note Amount") equal to the product of such Excess Proceeds multiplied by a fraction, the
numerator of which is the outstanding principal amount of the Exchange Notes and the denominator of which is the sum of the outstanding principal amount of the Exchange Notes and the outstanding principal amount (or accreted value, as the case may be) of the Pari Passu Notes at a purchase price of 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase and (B) the Company will make an offer to purchase any Pari Passu Notes (a "Pari Passu Offer") in an amount equal to the excess of the Excess Proceeds over the Note Amount in accordance with the documentation governing such Pari Passu Notes with respect to the Pari Passu
Offer. If the aggregate purchase price of the Exchange Notes and Pari Passu Notes tendered pursuant to the Offer and the Pari Passu Offer is less than the Excess Proceeds, the remaining Excess Proceeds will be available to the Company for use in accordance with clause (a)(iii)(D) above. If the aggregate principal amount of Exchange Notes surrendered by Holders thereof exceeds the Note Amount, the Trustee shall select the Exchange Notes to be purchased on a pro rata basis. The Company will not be required to make an Offer for Exchange Notes pursuant to this covenant if the Excess Proceeds available therefor are less than $10.0 million (which lesser amounts will be carried forward for purposes of determining whether an Offer is required with respect to the Excess Proceeds from any subsequent Asset Disposition).

(c) The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Exchange Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue thereof.

Limitation on Affiliate Transactions. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (an "Affiliate Transaction") unless: (i) the terms of such Affiliate Transaction are no less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction in arm's-length dealings with a Person who is not such an Affiliate; (ii) in the event such Affiliate Transaction involves an aggregate amount in excess of $5.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Company and by a majority of the members of such Board having no personal stake in such transaction, if any (and such majority or majorities, as the case may be, determines that such Affiliate Transaction satisfies the criteria in (i) above); and (iii) in the event such Affiliate Transaction involves an aggregate amount in excess of $10.0 million, the Company has received an opinion to the Holders that such Affiliate Transaction is fair from a financial point of view issued by an independent accounting, appraisal or investment banking firm of nationally recognized standing.

(b) The foregoing paragraph (a) will not apply to (i) any Restricted Payment (other than Restricted Investments) permitted to be made pursuant to the covenant described under "--Limitation on Restricted Payments," (ii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans and other reasonable fees, compensation, benefits and indemnities

paid or entered into by the Company or its Restricted Subsidiaries in the ordinary course of business to or with consultants or with the officers, directors or employees of Holdings or the Company and its Restricted Subsidiaries, (iii) loans or advances to employees in the ordinary course of business of Holdings or the Company or any of its Restricted Subsidiaries, (iv) any transaction between the Company and a Restricted Subsidiary (other than a Receivables Entity) or between Restricted Subsidiaries (other than a Receivables Entity), (v) transactions with suppliers or other purchasers for the sale or purchase of goods in the ordinary course of business and otherwise in accordance with the terms of the Indenture which are fair to the Company and its Restricted Subsidiaries, in the good faith determination of the Board of Directors of the Company or the senior management of the Company and are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party, (vi) the issuance of Capital Stock (other than Disqualified Stock) of the Company to any Permitted Holder or any Related Party, (vii) any agreement in effect on the Issue Date, (viii) sales or other transfers or dispositions of accounts receivable and other related assets customarily transferred in an asset securitization transaction involving accounts receivable to a Receivables Entity in a Qualified Receivables Transaction, and acquisitions of Permitted Investments in connection with a Qualified Receivables Transaction and (ix) the purchase by the Company or any of its Restricted Subsidiaries of any assets from any of their respective Affiliates (previously purchased by such Affiliate from a Person that is not an Affiliate) if the amount paid therefor does not exceed the sum of (x) the amount paid by such Affiliate for such asset, plus (y) recourse liabilities incurred by such Affiliate in connection with such asset, plus (z) the cost of funds to such Affiliate in connection with the purchase of such asset.

Limitation on Sales of Capital Stock of Restricted Subsidiaries. The Company will not sell any shares of Capital Stock of a Restricted Subsidiary, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of its Capital Stock except: (i) to the Company or a Wholly-Owned Subsidiary (other than a Receivables Entity); or (ii) in compliance with the covenant described under "--Limitation on Sales of Assets and Subsidiary Stock" if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would continue to be a Restricted Subsidiary or if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer be a Restricted Subsidiary, the Investment of the Company in such Person after giving effect to such issuance or sale would have been permitted to be made under the "--Limitation on Restricted Payments" covenant as if made on the date of such issuance or sale. Notwithstanding the foregoing, the Company may sell all the Capital Stock of a Subsidiary as long as the Company is in compliance with the terms of the covenant described under "--Limitation on Sales of Assets and Subsidiary Stock."

SEC Reports. Notwithstanding that the Company may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, to the extent permitted by the Exchange Act, the Company will file with the SEC, and provide the Trustee and the holders of the Exchange Notes with the annual reports and the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) that are specified in Sections 13 and 15(d) of the Exchange Act within the time periods specified therein. In the event that the Company is not permitted to file such reports, documents and information with the SEC pursuant to the Exchange Act, the Company will nevertheless provide such Exchange Act information to the Trustee and the holders of the Exchange Notes as if the Company were subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act within the time periods specified therein; provided that with

respect to the periods ended March 28, 1998 and June 27, 1998, in lieu of Exchange Act information the Company will be permitted to provide to the Trustee and Holders the information and reports required to be delivered to the holders of the Senior Subordinated Exchange Notes and in the same time period as required therein.

Merger and Consolidation. The Company will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless: (i) the resulting, surviving or transferee Person (the "Successor Company") will be a corporation, partnership, trust or limited liability company organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company (if not the Company) will expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Exchange Notes and the Indenture; (ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; (iii) immediately after giving effect to such transaction, the Successor Company would be able to Incur at least an additional $1.00 of Indebtedness pursuant to paragraph (a) of

"--Limitation on Indebtedness"; (iv) each Subsidiary Guarantor, unless it is the other party to the transactions above, in which case clause (i) shall apply, shall have by supplemental indenture confirmed that its Subsidiary Guarantee shall apply for such Person's obligations in respect of the Indenture and the Exchange Notes; and (v) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture. For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture, but, in the case of a lease of all or substantially all its assets, the Company will not be released from the obligation to pay the principal of and interest on the Exchange Notes.

Notwithstanding the foregoing clause (iii), (x) any Restricted Subsidiary of the Company (other than a Receivables Entity) may consolidate with, merge into or transfer all or part of its properties and assets to the Company, (y) the Company may consolidate with or merge into a wholly owned subsidiary of Holdings created exclusively for the purpose of holding the Capital Stock of the Company and (z) the Company may merge with an Affiliate incorporated solely for the purpose of reincorporating the Company in another jurisdiction to realize tax or other benefits.

Future Subsidiary Guarantors. After the Issue Date, the Company will cause each Restricted Subsidiary other than a Foreign Subsidiary or Receivables Entity created or acquired by the Company or a Receivables Entity to execute and deliver to the Trustee a Subsidiary Guarantee pursuant to which such Subsidiary Guarantor will unconditionally Guarantee, on a joint and several basis, the full and prompt payment of the principal of, premium, if any and interest on the Exchange Notes on a senior basis.

The obligations of each Subsidiary Guarantor will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor (including, without limitation, any guarantees under a Senior Credit Agreement) and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Subsidiary Guarantee or pursuant to its contribution obligations under the Indenture, result in the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law.

Limitation on Lines of Business. The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Related Business.

EVENTS OF DEFAULT

Each of the following constitutes an Event of Default under the Indenture: (i) a default in any payment of interest on any Exchange Note when due, continued for 30 days, (ii) a default in the payment of principal of or premium, if any, on any Exchange Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise, (iii) the failure by the Company or any Subsidiary Guarantor to comply with its obligations under "--Certain Covenants--Merger and Consolidation" above, (iv) failure by the Company to comply for 30 days after notice with any of its obligations under the covenants described under "--Change of Control" above or under covenants described under "--Certain Covenants" above (in each case, other than a failure to purchase Exchange Notes which will constitute an Event of Default under clause (ii) above), (v) the failure by the Company to comply for 60 days after notice with its other agreements contained in the Indenture, (vi) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), other than Indebtedness owed to the Company or a Wholly Owned Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default (a) is caused by a failure to pay principal of or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness unless being contested in good faith by appropriate proceedings ("Payment Default") or (b)

results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10.0 million or more (the "cross acceleration provision"), (vii) certain events of bankruptcy, insolvency or reorganization of the Company or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Subsidiaries), would constitute a Significant Subsidiary (the "bankruptcy provisions"), (viii) failure by the Company or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Subsidiaries) would constitute a Significant Subsidiary to pay final judgments aggregating in excess of $5.0 million (net of any amounts with respect to which a reputable and creditworthy insurance company has acknowledged liability in writing), which judgments are not paid, discharged or stayed for a period of 60 days (the "judgment default

provision") or (ix) any Subsidiary Guarantee ceases to be in full force and effect (except as contemplated by the terms of the Indenture) or is declared null and void in a judicial proceeding or any Subsidiary Guarantor denies or disaffirms its obligations under the Indenture or its Subsidiary Guarantee. However, a default under clauses (iv) and (v) will not constitute an Event of Default until the Trustee or the holders of 25% in principal amount of the outstanding Exchange Notes notify the Company of the default and the Company does not cure such default within the time specified in clauses (iv) and (v) hereof after receipt of such notice.

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the outstanding Exchange Notes by notice to the Company and the Trustee may declare the principal of and accrued and unpaid interest, if any, on all the Exchange Notes to be due and payable. Upon such a declaration, such principal and accrued and unpaid interest will be due and payable immediately. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company occurs and is continuing, the principal of and accrued and unpaid interest on all the Exchange Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders. Under certain circumstances, the Holders of a majority in principal amount of the outstanding Exchange Notes may rescind any such acceleration with respect to the Exchange Notes and its consequences. In the event of a declaration of acceleration of the Exchange Notes because an Event of Default has occurred and is continuing as a result of the acceleration of any Indebtedness described in clause (vi) of the preceding paragraph, the declaration of acceleration of the Exchange Notes shall be automatically annulled if the holders of any Indebtedness described in clause (vi) of the preceding paragraph have rescinded the declaration of acceleration in respect of such Indebtedness within 20 days of the date of such declaration and if (a) the annulment of the acceleration of the Exchange Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (b) all existing Events of Default, except nonpayment of principal, premium or interest on the Exchange Notes that became due solely because of the acceleration of the Exchange Notes, have been cured or waived.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee reasonable indemnity or security against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Exchange Notes unless (i) such Holder has previously given the Trustee notice that an Event of Default is continuing, (ii) Holders of at least 25% in principal amount of the outstanding Exchange Notes have requested the Trustee to pursue the remedy, (iii) such Holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense, (iv) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity and (v) the Holders of a majority in principal amount of the outstanding Exchange Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period. Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Exchange Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or

the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The Indenture provides that if a Default occurs and is continuing and is known to the Trustee, the Trustee must mail to each Holder notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of principal of, premium, if any, or interest on any Exchange Note, the Trustee may withhold notice if and so long as the Trustee in good faith determines that withholding notice is in the interests of the Holders. In addition, the Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events which would constitute certain Defaults, their status and what action the Company is taking or proposes to take in respect thereof.

AMENDMENTS AND WAIVERS

Subject to certain exceptions, the Indenture may be amended with the consent of the Holders of a majority in principal amount of the Exchange Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Exchange Notes) and any past default or compliance with any provisions may be waived with the consent of the Holders of a majority in principal amount of the Exchange Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Exchange Notes). However, without the consent of each Holder of an outstanding Exchange Note affected, no amendment may, among other things, (i) reduce the amount of Exchange Notes whose Holders must consent to an amendment, (ii) reduce the stated rate of or extend the stated time for payment of interest on any Note, (iii) reduce the principal of or extend the Stated Maturity of any Note, (iv) reduce the premium payable upon the redemption or repurchase of any Note or change the time at which any Note may be redeemed as described under "-- Optional Redemption" above, (v) make any Note payable in money other than that stated in the Note, (vi) impair the right of any Holder to receive payment of principal of and interest on such Holder's Exchange Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Exchange Notes or (vii) make any change in the amendment provisions which require each Holder's consent or in the waiver provisions.

Without the consent of any Holder, the Company and the Trustee may amend the Indenture to cure any ambiguity, omission, defect or inconsistency, to provide for the assumption by a successor corporation, partnership, trust or limited liability company of the obligations of the Company under the Indenture, to provide for uncertificated Exchange Notes in addition to or in place of certificated Exchange Notes (provided that the uncertificated Exchange Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Exchange Notes are described in Section 163(f)(2)(B) of the Code), to add Guarantees with respect to the Exchange Notes, to secure the Exchange Notes, to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power conferred upon the Company, to provide for the issuance

of Exchange Notes, to make any change that does not adversely affect the rights of any Holder or to comply with any requirement of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment under the Indenture becomes effective, the Company is required to mail to the Holders a notice briefly describing such amendment. However, the failure to give such notice to all the Holders, or any defect therein, will not impair or affect the validity of the amendment.

DEFEASANCE

The Company at any time may terminate all its obligations under the Exchange Notes and the Indenture ("legal defeasance"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Exchange Notes, to replace mutilated, destroyed, lost or stolen Exchange Notes and to maintain a registrar and paying agent in respect of the Exchange Notes. If the Company exercises its legal defeasance

option, the Subsidiary Guarantees in effect at such time will terminate. The Company at any time may terminate its obligations under covenants described under "--Certain Covenants" (other than "Merger and Consolidation"), the operation of the cross acceleration provision, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision and the Subsidiary Guarantee provision described under "--Events of Default" above and the limitations contained in clause (iii) under "--Certain Covenants--Merger and Consolidation" above ("covenant defeasance").

The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its legal defeasance option, payment of the Exchange Notes may not be accelerated because of an Event of Default with respect thereto. If the Company exercises its covenant defeasance option, payment of the Exchange Notes may not be accelerated because of an Event of Default specified in clause (iv), (vi), (vii) (with respect only to Significant Subsidiaries), (viii) or (ix) under "--Events of Default" above or because of the failure of the Company to comply with clause (iii) under "--Certain Covenants--Merger and Consolidation" above.

In order to exercise either defeasance option, the Company must irrevocably deposit in trust (the "defeasance trust") with the Trustee money or U.S. Government Obligations for the payment of principal, premium, if any, and interest on the Exchange Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel (subject to customary assumptions and exclusions) to the effect that Holders of the Exchange Notes will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit and defeasance and will be subject to Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and, in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable Federal income tax law).

NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND STOCKHOLDERS

No director, officer, employee, incorporator or stockholder of Holdings or the Company, as such, shall have any liability for any obligations of the Company under the Exchange Notes, the Indenture or the Subsidiary Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Exchange Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

CONCERNING THE TRUSTEE

LaSalle National Bank is the Trustee under the Indenture and has been appointed by the Company as Registrar and Paying Agent with regard to the Exchange Notes.

GOVERNING LAW

The Indenture provides that it and the Exchange Notes will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

CERTAIN DEFINITIONS

"Additional Assets" means (i) any property or assets (other than Indebtedness and Capital Stock) to be used by the Company or a Restricted Subsidiary in a Related Business; (ii) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary of the Company; or (iii) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company; provided, however, that, in the case of clauses (ii) and (iii), such Restricted Subsidiary is primarily engaged in a Related Business.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing; provided that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"Asset Disposition" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition (or series of related sales, leases, transfers, issuances or dispositions that are part of a common plan) of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Company or any of its Restricted Subsidiaries (including any disposition by means of a merger, consolidation or similar transaction) other than (i) a disposition by a Restricted Subsidiary to the Company or by the

Company or a Restricted Subsidiary to a Wholly-Owned Subsidiary (other than a Receivables Entity), (ii) the sale of Cash Equivalents in the ordinary course of business, (iii) a disposition of inventory in the ordinary course of business, (iv) a disposition of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries, (v) transactions permitted under "--Certain Covenants--Merger and Consolidation" above, (vi) for purposes of "--Limitation on Sales of Assets and Subsidiary Stock" only, the making of a Permitted Investment or a disposition subject to "--Limitation on Restricted Payments", (vii) an issuance of Capital Stock by a Restricted Subsidiary of the Company to the Company or to a Wholly Owned Subsidiary (other than a Receivables Entity), (viii) sales of accounts receivable and related assets of the type specified in the definition of "Qualified Receivables Transaction" to a Receivables Entity, (ix) the licensing of intellectual property and (x) sales of assets in any fiscal year not to exceed a fair market value of $1.0 million in the aggregate.

"Attributable Indebtedness" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Exchange Notes, compounded semi-annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (ii) the sum of all such payments.

"Bank Indebtedness" means any and all amounts, whether outstanding on the Issue Date or thereafter incurred, payable by the Company under or in respect of a Senior Credit Agreement and any related notes, collateral documents, letters of credit and guarantees and any Interest Rate Agreement entered into in connection with a Senior Credit Agreement, including principal, premium, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company at the rate specified therein whether or not a claim for post filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

"Board of Directors" means, as to any Person, the board of directors of such Person or any duly authorized committee thereof.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Capitalized Lease Obligation" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made determined in accordance with GAAP, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"Cash Equivalents" means (i) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality thereof, having maturities of not more than one year from the date of acquisition; (ii) marketable general obligations issued by any state of the United States of America or any political subdivision of any such state or

any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition thereof, having a credit rating of "A" or better from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc.; (iii) certificates of deposit or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any commercial bank having combined capital and surplus in excess of $250 million; (iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i), (ii) and (iii) entered into with any bank meeting the qualifications specified in clause (iii) above; (v) commercial paper rated at the time of acquisition thereof at least "A-1" or the equivalent thereof by Standard & Poor's Rating Group or "P-1" or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in either case maturing within one year after the date of acquisition thereof; and (vi) interests in any money market fund which invests solely in instruments of the type specified in clauses (i) through (v) above.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consolidated Coverage Ratio" means as of any date of determination with respect to any Person, the ratio of (i) the aggregate amount of Consolidated EBITDA of such Person for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal financial statements are in existence to (ii) Consolidated Interest Expense for such four fiscal quarters; provided, however, that (1) if the Company or any Restricted Subsidiary (x) has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation will be computed based on (A) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding or (B) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation) and the discharge of any other Indebtedness repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Indebtedness as if such discharge had occurred on the first day of such period, or (y) has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of the period that is no longer outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio involves a discharge of Indebtedness (in each case other than Indebtedness incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and the related commitment terminated), Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving effect on a pro forma basis to such discharge of such Indebtedness, including with the proceeds of such new Indebtedness, as if such discharge had occurred on the first

day of such period, (2) if since the beginning of such period the Company or any Restricted Subsidiary will have made any Asset Disposition or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Asset Disposition, the Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period will be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale), (3) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary or is merged with or into the Company) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit, division or line of business, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving

pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period and (4) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) will have made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) above if made by the Company or a Restricted Subsidiary during such period, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving pro forma effect thereto as if such Asset Disposition or Investment occurred on the first day of such period. For purposes of this definition, whenever pro forma effect is to be given to an Investment or acquisition of assets and the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations will be determined in good faith by a responsible financial or accounting officer of the Company (including giving pro forma effect to cost reductions that would be permitted by the SEC to be reflected in pro forma financial statements included in a registration statement filed by the SEC). If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months).

"Consolidated EBITDA" for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income: (i) consolidated income taxes, (ii) Consolidated Interest Expense, (iii) consolidated depreciation expense, (iv) consolidated amortization of intangibles and (v) other non-cash charges reducing Consolidated Net Income (excluding any such non-cash charge to the extent it represents an

accrual of or reserve for cash charges in any future period or amortization of a prepaid cash expense that was paid in a prior period not included in the calculation). Notwithstanding the foregoing, clause (i) and clauses (iii) through (v) relating to amounts of a Restricted Subsidiary of a Person will be added to Consolidated Net Income to compute Consolidated EBITDA of such Person only to the extent (and in the same proportion) that the net income (loss) of such Subsidiary was included in calculating the Consolidated Net Income of such Person and, to the extent the amounts set forth in clause (i) and clauses (iii) through (v) are in excess of those necessary to offset a net loss of such Restricted Subsidiary or if such Restricted Subsidiary has net income for such period, only if a corresponding amount would be permitted at the date of determination to be dividended to the Company by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its consolidated Restricted Subsidiaries, whether paid or accrued plus, to the extent not included in such interest expense, (i) interest expense attributable to Capitalized Lease Obligations and the interest portion of rent expense associated with Attributable Indebtedness in respect of the relevant lease giving rise thereto, determined as if such lease were a capitalized lease in accordance with GAAP and the interest component of any deferred payment obligations, (ii) amortization of debt discount and debt issuance cost, (iii) capitalized interest and accrued interest, (iv) non-cash interest expense, (v) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) interest actually paid by the Company or any such Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person, (vii) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period, (viii) the product of (a) all dividends paid in cash, Cash Equivalents or Indebtedness or accrued during such period on any series of Disqualified Stock of such Person or on Preferred Stock of its Restricted Subsidiaries payable to a party other than the Company or a Wholly-Owned Subsidiary, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state, provincial and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP and (ix) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with Indebtedness Incurred by such plan or trust; provided, however, that there will be excluded therefrom any such interest expense of any Unrestricted Subsidiary to the extent the related Indebtedness is not Guaranteed or paid by the Company or any Restricted Subsidiary. For purposes of the foregoing, total interest

expense will be determined after giving effect to any net payments made or received by the Company and its Subsidiaries with respect to Interest Rate Agreements.

"Consolidated Net Income" means, for any period, the net income (loss) of the Company and its consolidated Restricted Subsidiaries, determined in accordance with GAAP; provided, however, that there will not be included in such Consolidated Net Income: (i) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that (A) subject to the limitations contained in (iv) below, the Company's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash actually

distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (iii) below) and (B) the Company's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period will be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Company or a Restricted Subsidiary; (ii) any net income (loss) of any Person acquired by the Company or a Subsidiary in a pooling of interests transaction for any period prior to the date of such acquisition; (iii) any net income of any Restricted Subsidiary if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company, except that (A) subject to the limitations contained in (iv) below the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause) and (B) the Company's equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income; (iv) any gain (loss) realized upon the sale or other disposition of any property, plant or equipment of the Company or its consolidated Restricted Subsidiaries (including pursuant to any Sale/Leaseback Transaction) which is not sold or otherwise disposed of in the ordinary course of business and any gain (loss) realized upon the sale or other disposition of any Capital Stock of any Person; (v) any extraordinary gain or loss; (vi) amortization of premiums, fees and expenses incurred on or prior to the Issue Date in connection with the offering of the Exchange Notes and the Senior Subordinated Exchange Notes and borrowings under the Senior Credit Agreement; and (vii) the cumulative effect of a change in accounting principles.

"Currency Agreement" means in respect of a Person any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party or a beneficiary.

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

"Disqualified Stock" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event (i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise (other than in connection with a Change of Control or Asset Sale), (ii) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary) or (iii) is redeemable at the option of the holder thereof, in whole or in part, in each case on or prior to the Stated Maturity of the Exchange Notes (other than in connection with a Change of Control or Asset Sale), in each case on or prior to the date that is 91 days after the date (x) on which the Exchange Notes mature or (y) on which there are no Exchange Notes outstanding, provided, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such Stated Maturity will be deemed to be Disqualified Stock; provided further, that Capital Stock issued to any plan for the benefit of employees of the Company or its Subsidiaries or by any such plan to such employees

shall not constitute Disqualified Stock solely because it may be required to be purchased by the Company in order to satisfy applicable statutory or regulatory obligations.

"Domestic Subsidiary" means any Restricted Subsidiary that is organized under the laws of the United States of America or any state thereof or the District of Columbia.

"Excluded Contribution" means Net Cash Proceeds or Qualified Proceeds, in each case, received by the Company from (a) contributions to its common equity capital and (b) the sale (other than to a Subsidiary or to any Company or Subsidiary management equity plan or stock option plan or any other management or employee benefit plan or agreement) of Capital Stock (other than Disqualified Stock) of the Company, in each case designated as Excluded Contributions pursuant to an Officers' Certificate executed by the principal executive officer and the principal financial officer of the Company on the date such capital contributions are made or the date such Capital Stock is sold, as the case may be, which are excluded from the calculation set forth in paragraph (a)(3) of "--Limitation on Restricted Payments."

"Foreign Subsidiary" means any Restricted Subsidiary that is not organized under the laws of the United States of America or any state thereof or the District of Columbia.

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the date of the Indenture, including those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession; provided, however, that all reports and other financial information provided by the Company to the holders, the Trustee and/or the SEC shall be prepared in accordance with GAAP, as in effect on the date of such report or other financial information. All ratios and computations based on GAAP contained in the Indenture will be computed in conformity with GAAP.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); provided, however, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantor Subordinated Obligation" means, with respect to a Subsidiary Guarantor, any Indebtedness of such Subsidiary Guarantor (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinate in right of payment to the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee pursuant to a written agreement, including without limitation, Guarantees in respect of the Senior Subordinated Exchange Notes.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"Holdings" means Favorite Brands International Holding Corp., a Delaware corporation.

"Incur" means issue, create, assume, Guarantee, incur or otherwise become, contingently or otherwise, liable for; provided, however, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication), (i) the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money; (ii) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (iii) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including reimbursement obligations with respect thereto); (iv) all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto; (v) all Capitalized Lease Obligations and all Attributable Indebtedness of such Person; (vi) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary, any Preferred Stock (but

excluding, in each case, any accrued dividends); (vii) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of such Indebtedness will be the lesser of (A) the fair market value of such asset at such date of determination and (B) the amount of such Indebtedness of such other Persons; (viii) all Indebtedness of other Persons to the extent Guaranteed by such Person; and (ix) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time). The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

In addition, "Indebtedness" of any Person shall include Indebtedness described in the foregoing paragraph that would not appear as a liability on the balance sheet of such Person if (1) such Indebtedness is the obligation of a partnership or joint venture that is not a Restricted Subsidiary (a "Joint Venture"), (2) such Person or a Restricted Subsidiary is a general partner of the Joint Venture (a "General Partner") and (3) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person or a Restricted Subsidiary of such Person; and such Indebtedness shall be included in an amount not to exceed (x) the greater of (A) the net assets of the General Partner and (B) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person or a Restricted Subsidiary of such Person (other than the General Partner) or (y) if less than the amount determined pursuant to clause (x) immediately above, the actual amount of such Indebtedness that is recourse to such Person, if the Indebtedness is evidenced by a writing and is for a determinable amount and the

related interest expense shall be included in Consolidated Interest Expense to the extent paid by the Company or its Restricted Subsidiaries.

"Interest Rate Agreement" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"Investment" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan (other than advances to customers in the ordinary course of business) or other extension of credit (including by way of Guarantee or similar arrangement, but excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP; provided that (i) Hedging Obligations entered into in the ordinary course of business and in compliance with the Indenture, (ii) endorsements of negotiable instruments and documents in the ordinary course of business and (iii) an acquisition of assets, Capital Stock or other securities by the Company for consideration consisting exclusively of common equity securities of the Company shall not be deemed to be an Investment. For purposes of the "--Limitation on Restricted Payments" covenant, (i) "Investment" will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (x) the Company's "Investment" in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and (ii) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Company. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Capital Stock of any Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such entity is no longer a Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the

Capital Stock of such Subsidiary not sold or disposed of.

"Issue Date" means the date on which the Exchange Notes are originally issued.

"Joint Venture" means (i) any corporation, association, or other business entity (other than a partnership) of which no less than 25% and no more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by the Company or one or more Restricted Subsidiaries or a combination thereof or (ii)

any partnership, joint venture, limited liability company or similar entity of which (x) no less than 25% and no more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by the Company or one or more other Restricted Subsidiaries or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise and (y) the Company or any Restricted Subsidiary is a controlling general partner or otherwise controls such entity, which in the case of each of clauses (i) and (ii) is engaged in a Related Business.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other noncash form) therefrom, in each case net of (i) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses incurred, and all Federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under GAAP (after taking into account any available tax credits or deductions and any tax sharing arrangements), as a consequence of such Asset Disposition, (ii) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition, (iii) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition and (iv) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds", with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credits or deductions and any tax sharing arrangements).

"Non-Recourse Debt" means Indebtedness (i) as to which neither the Company nor any Restricted Subsidiary (a) provides any guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise), (ii) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity

and (iii) the explicit terms of which provide there is no recourse against any of the assets of the Company or its Restricted Subsidiaries.

"Officer" means the Chairman of the Board, the President, any Vice President,

the Treasurer or the Secretary of the Company.

"Officers' Certificate" means a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"Pari Passu Indebtedness" means Indebtedness that ranks pari passu in right of payment to the Exchange Notes.

"Permitted Holders" means TPG Partners, L.P., TPG Parallel I L.P., InterWest Partners V, L.P., InterWest Investors V, L.P., Nassau Capital Partners L.P., NAS Partners I, L.L.C. and Al J. Bono.

"Permitted Investment" means an Investment by the Company or any Restricted Subsidiary in (i) the Company, a Restricted Subsidiary (other than a Receivables Entity) or a Person which will, upon the making of such Investment, become a Restricted Subsidiary (other than a Receivables Entity); provided, however, that the primary business of such Restricted Subsidiary is a Related Business; (ii) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary (other than a Receivables Entity); provided, however, that such Person's primary business is a Related Business; (iii) cash and Cash Equivalents; (iv) receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances; (v) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business; (vi) loans or advances to employees made in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary; (vii) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor; (viii) Investments made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described under "--Limitation on Sales of Assets and Subsidiary Stock"; (ix) Investments in existence on the Issue Date; (x) Investments by the Company or any of its Restricted Subsidiaries in an aggregate amount not to exceed $15.0 million outstanding at any one time (plus, to the extent not previously reinvested, any return of capital not previously realized made pursuant to this clause (x)); (xi) Investments by the Company or a Restricted Subsidiary in a Receivables Entity or any Investment by a Receivables Entity in any other Person, in each case, in connection with a Qualified Receivables Transaction, provided, that any Investment in any such Person is in the form of a

Purchase Money Note, or any equity interest or interests in accounts receivable and related assets generated by the Company or a Restricted Subsidiary and transferred to any Person in connection with a Qualified Receivables Transaction or any such Person owning such accounts receivable; and (xii) any Investment received as consideration in a transaction not constituting an Asset Disposition by reason of the $1.0 million threshold contained in the definition thereof.

"Permitted Liens" means, with respect to any Person, (a) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws or similar legislation, or in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or to secure public or statutory obligations of such Person or deposits or cash or United States government bonds to secure surety or appeal bonds to which such Person is a party, or for contested taxes or import or custom duties or for the payment of rent, in each case Incurred in the ordinary course of business; (b) Liens imposed by law, including carriers', warehousemen's, mechanics' supplies, materialmen and repairmen Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings, if a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof; (c) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings provided reserves required pursuant to GAAP have been taken on the books of the Company or its Restricted Subsidiaries, as the case may be; (d) Liens in favor of

issuers of surety or performance bonds or bankers' acceptance or letters of credit issued pursuant to the request of and for the account of such Person in the ordinary course of its business; provided, however, that such letters of credit do not constitute Indebtedness; (e) encumbrances, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person; (f) Liens securing a Hedging Obligation, so long as the related Indebtedness is, and is permitted to be under the Indenture, secured by a Lien on the same property securing the Interest Rate Protection Agreement or Currency Agreement, as the case may be; (g) leases and subleases of real property which do not materially interfere with the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries; (h) judgement Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired; (i) Liens for the purpose of securing the payment (or the refinancing of the payment) of all or a part of the purchase price of, or Capitalized Lease Obligations with respect to, assets or property acquired or constructed in the ordinary course of business provided that (x) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and does not exceed the cost of the assets or property so acquired or constructed and (y) such Liens are created within 90 days of construction or acquisition of such assets or property and do not encumber any other assets or property of the Company or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto; (j) Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository institution; provided that such deposit account

is not a pledged cash collateral account; (k) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business; (l) Liens existing on the Issue Date; (m) Liens on property or shares of stock of a Person at the time such Person becomes a Subsidiary; provided, however, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such other Person becoming a Subsidiary; provided further, however, that any such Lien may not extend to any other property owned by the Company or any Restricted Subsidiary; (n) Liens on property at the time the Company or a Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Company or any Restricted Subsidiary; provided, however, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; provided further, however, that such Liens may not extend to any other property owned by the Company or any Restricted Subsidiary; (o) Liens securing Indebtedness or other obligations of a Subsidiary owing to the Company or a Wholly-Owned Subsidiary (other than a Receivables Entity); (p) Liens securing the Exchange Notes and Subsidiary Guarantees; (q) Liens securing Refinancing Indebtedness Incurred to Refinance Indebtedness that was previously so secured, provided that (A) such Liens are not materially less favorable to the Holders and are not materially more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being refinanced and (B) any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the obligations to which such Liens relate; (r) Liens on assets transferred to a Receivables Entity or on assets of a Receivables Entity, in either case incurred in connection with a Qualified Receivables Transaction; (s) Liens securing Indebtedness and other obligations under a Senior Credit Agreement and related Interest Rate Agreements and Liens on assets of Restricted Subsidiaries securing Guarantees of Indebtedness and other obligations under a Senior Credit Agreement permitted to be incurred under the Indenture; (t) Liens arising out of consignment or similar arrangements for the sale of goods entered into by the Company or any Restricted Subsidiary in the ordinary course of business; and (u) Liens securing Indebtedness permitted to be incurred pursuant to clause (xi) of paragraph (b) of "--Limitation on Indebtedness".

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision hereof or any other entity.

"Preferred Stock", as applied to the Capital Stock of any corporation, means

Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"Public Equity Offering" means a public offering for cash by either of the Company or Holdings of its respective common stock, or options, warrants or rights with respect to its common stock (other than public offerings on Forms S-4 or S-8).

"Purchase Money Note" means a promissory note of a Receivables Entity evidencing a line of credit, which may be irrevocable, from the Company or any Restricted Subsidiary of the Company in

connection with a Qualified Receivables Transaction to a Receivables Entity, which note is repayable from cash available to the Receivables Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts owing to such investors and amounts paid in connection with the purchase of newly generated accounts receivable.

"Qualified Proceeds" means any of the following or any combination of the following: (i) cash, (ii) Cash Equivalents, (iii) long-term assets that are used or useful in a Related Business and (iv) the Capital Stock of any Person engaged primarily in a Related Business, if in connection with the receipt by the Company or any Restricted Subsidiary of the Company of such Capital Stock (a) such Person becomes a Wholly-Owned Subsidiary and Subsidiary Guarantor or (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or any Wholly-Owned Subsidiary that is a Subsidiary Guarantor.

"Qualified Receivables Transaction" means any transaction or series of transactions that may be entered into by the Company or any of its Restricted Subsidiaries pursuant to which the Company or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Entity (in the case of a transfer by the Company or any of its Restricted Subsidiaries) and (b) any other Person (in the case of a transfer by a Receivables Entity), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations involving accounts receivables.

"Receivables Entity" means a Wholly-Owned Subsidiary of the Company which engages in no activities other than in connection with the financing of accounts receivable and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Entity, (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any Restricted Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Company or any Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings or (iii) subjects any property or asset of the Company or any Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings, (b) with which neither the Company nor any Restricted Subsidiary of the Company has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Transaction) other than on terms no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing accounts receivable, and (c) to which neither the Company nor any Restricted Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results. Any such designation by the Board of Directors of the Company shall be evidenced to the

Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the

foregoing conditions.

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) (collectively, "refinance", "refinances," and "refinanced" shall have a correlative meaning) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of a Subsidiary Guarantor or Indebtedness of any Foreign Subsidiary that refinances Indebtedness of another Foreign Subsidiary) including Indebtedness that refinances Refinancing Indebtedness, provided, however, that (i) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced, (ii) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced, (iii) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding (plus, without duplication, accrued interest, fees and expenses, including any premium and defeasance costs) of the Indebtedness being refinanced and (iv) if the Indebtedness being extended, refinanced, replaced, defeased or refunded is subordinated in right of payment to the Exchange Notes, such Refinancing Indebtedness is subordinated in right of payment to the Exchange Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"Related Business" means any business which is the same as, similar to or reasonably related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the date of the Indenture.

"Related Party" with respect to any Permitted Holder means (A) any controlling stockholder or a majority owned Subsidiary of such Permitted Holder or, in the case of an individual, any spouse or immediate family member of such Permitted Holder, or (B) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a majority (or more) controlling interest of which consist of such Permitted Holder and/or such other Persons referred to in the immediately preceding clause (A). Without limiting the generality of the foregoing, each of TPG Advisors, Inc., TPG Advisors II, Inc. and SKC GenPar LLC and their respective Affiliates shall be deemed Related Parties of the Permitted Holders.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired whereby the Company or a Restricted Subsidiary transfers such property to a Person and the Company or a Subsidiary leases it from such Person.

"Senior Credit Agreement" means, with respect to the Company, one or more debt facilities (including, without limitation, the Senior Secured Credit Agreement to be entered into among the Company, Chase, as Administrative Agent, and the lenders parties thereto from time to time) or commercial paper facilities with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time (and whether or not with the original administrative agent and lenders or another administrative agent or agents or other lenders).

"Senior Subordinated Notes" means obligations issued under the Amended and Restated Senior Subordinated Note Agreement, dated as of September 12, 1997, as the same may be amended, supplemented or otherwise modified.

"Significant Subsidiary" means any Subsidiary that would be a "Significant Subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"Standard Securitization Undertakings" means representations, warranties, covenants and indemnities entered into by the Company or any Subsidiary of the Company which are reasonably customary in securitization of accounts receivable transactions.

"Stated Maturity" means, with respect to any security, the date specified in

such security as the fixed date on which the payment of principal of such security is due and payable, but shall not include any contingent obligations to repay, redeem, or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"Subordinated Obligation" means any Indebtedness of the Company (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the Exchange Notes pursuant to a written agreement, including without limitation, Indebtedness in respect of the Senior Subordinated Exchange Notes.

"Subsidiary" of any Person means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Company.

"Subsidiary Guarantee" means, individually, any Guarantee of payment of the Exchange Notes by a Subsidiary Guarantor pursuant to the terms of the Indenture, and, collectively, all such Guarantees. Each such Subsidiary Guarantee will be in the form prescribed in the Indenture.

"Subsidiary Guarantor" means each Subsidiary of the Company in existence on the Issue Date and any Restricted Subsidiary created or acquired by the Company after the Issue Date (in each case other than a Foreign Subsidiary or a Receivables Entity).

"Unrestricted Subsidiary" means (i) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein) to be an Unrestricted Subsidiary only if (a) such Subsidiary does not own any Capital Stock of, or own or hold any Lien on any property of, any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; (b) all the Indebtedness of such Subsidiary and its Subsidiaries shall, at the date of designation, and will at all times thereafter, consist of Non-Recourse Debt; (c) the Company certifies that such designation complies with the limitations of the "--Restricted Payments" covenant; (d) such Subsidiary, either alone or in the aggregate with all other Unrestricted Subsidiaries, does not operate, directly or indirectly, all or substantially all of the business of the Company and its Subsidiaries; (e) such Subsidiary does not, directly or indirectly, own any Indebtedness of or Capital Stock of, and has no investments in, the Company or any Restricted Subsidiary; and (f) such Subsidiary is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (1) to subscribe for additional Capital Stock of such Person or (2) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results. Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be Incurred as of such date. The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, that immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof and the Company could incur at least $1.00 of additional Indebtedness under paragraph (a) of the "--Limitation on Indebtedness" covenant on a pro forma basis taking into account such designation.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

"Voting Stock" of a corporation means all classes of Capital Stock of such corporation then outstanding and normally entitled to vote in the election of

directors.

"Wholly-Owned Subsidiary" means a Restricted Subsidiary of the Company, all of the Capital Stock of which (other than directors' qualifying shares) is owned by the Company or another Wholly-Owned Subsidiary.

EXCHANGE AND REGISTRATION RIGHTS AGREEMENT

The Company, the Guarantors and the Initial Purchasers entered into the Registration Rights Agreement concurrently with the issuance of the Initial Notes.

Under the Registration Rights Agreement the Company and the Guarantors are required to file not later than 180 days following the date of original issuance of the Initial Notes (the "Issue Date") the Registration Statement of which this Prospectus is a part for a registered exchange offer with respect to an issue of new notes identical in all material respects to the Initial Notes except that the new notes shall contain no restrictive legend thereon. Under the Registration Rights Agreement, the Company and the Guarantors are required to (i) use their respective best efforts to cause the Registration Statement to become effective no later than 240 days after the Issue Date, (ii) keep the Exchange Offer effective for not less than 20 business days (or longer if required by applicable law) after the date that notice of the Exchange Offer is mailed to holders of the Initial Notes and (iii) use their respective best efforts to consummate the Exchange Offer no later than 270 days after the Issue Date. The Exchange Offer being made hereby, if commenced and consummated within the time periods described in this paragraph, will satisfy those requirements under the Registration Rights Agreement.

In the event that (i) because of any change in law or applicable interpretations thereof by the SEC's staff, the Company and the Guarantors are not permitted to effect the Exchange Offer, or (ii) any Initial Notes validly tendered pursuant to the Exchange Offer are not exchanged for Exchange Notes within 270 days after the Issue Date, or (iii) an Initial Purchaser so requests with respect to Initial Notes or Private Exchange Securities (as defined in the Registration Rights Agreement) not eligible to be exchanged for Exchange Notes in the Exchange Offer and held by it following the consummation of the Exchange Offer, or (iv) any applicable law or interpretations do not permit a holder of Initial Notes to participate in the Exchange Offer, or (v) any holder of Initial Notes that participates in the Exchange Offer does not receive freely transferable Exchange Notes in exchange for tendered Initial Notes (the obligation to comply with a prospectus delivery requirement being understood not to constitute a restriction on transferability), then in the case of clauses (i) through (v) of this sentence, the Company and the Guarantors shall at their sole expense, (a) as promptly as practicable, file with the SEC a shelf registration statement (the "Shelf Registration Statement") covering resales of the Initial Notes, (b) use their best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act and (c) use their best efforts to keep effective the Shelf Registration Statement until the earlier of two years after Issue Date (or a shorter period under certain circumstances) or such time as all of the applicable Initial Notes have been sold thereunder. The Company and the Guarantors will, in the event that a Shelf Registration Statement is filed, provide to each holder of the Initial Notes copies of the prospectus that is a part of the Shelf Registration Statement, notify each such holder when the Shelf Registration Statement has become effective and take certain other actions as are required to permit unrestricted resales of the Exchange Notes. A holder that sells Initial Notes pursuant to the Shelf Registration Statement will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement that are applicable to such a holder (including certain indemnification rights and obligations).

In the event that (i) the Registration Statement or the Shelf Registration Statement, as the case may be, is not filed with the SEC on or prior to 180 days after the Issue Date, (ii) the Registration Statement or the Shelf Registration Statement, as the case may be, is not declared effective within 240 days after the Issue Date, (iii) the Exchange Offer is not consummated on or prior to 270 days after the Issue Date, or (iv) the Shelf Registration Statement is filed and declared effective within 240 days after the Issue Date but shall thereafter cease to be effective (at any time that the Company and the Guarantors are obligated to maintain the effectiveness thereof) without being succeeded within 30 days by an additional registration statement filed and declared effective (each such event referred to in clauses (i) through (iv), a "Registration Default"), the Company and the Guarantors will be

obligated to pay liquidated damages to each holder of Transfer Restricted Securities (as defined in the Registration Rights Agreement), during the period of one or more such Registration Defaults, in an amount equal to $0.192 per week per $1,000 principal amount of Transfer Restricted Securities held by such holder until (i) the Registration Statement or Shelf Registration Statement is filed, (ii) the Registration Statement is declared effective and the Exchange Offer is consummated, (iii) the Shelf Registration Statement is declared effective or (iv) the Shelf Registration Statement again becomes effective, as the case may be. Following the cure of all Registration Defaults, the accrual of liquidated damages will cease.

The Registration Rights Agreement also provides that the Company and the Guarantors (i) shall make available for a period of 180 days after the consummation of the Exchange Offer a prospectus meeting the requirements of the Securities Act to any broker-dealer for use in connection with any resale of any such Exchange Notes and (ii) shall pay all expenses incident to the Exchange Offer (including the expense of one counsel to the holders of the Notes) and shall indemnify certain holders of the Initial Notes (including any broker-dealer) against certain liabilities, including liabilities under the Securities Act. A broker-dealer that delivers such a prospectus to purchasers in connection with such resales will be subject to certain of the civil liability provisions under the Securities Act and will be bound by the provisions of the Registration Rights Agreement (including certain indemnification rights and obligations).

Each holder of the Initial Notes who wishes to exchange such Initial Notes for Exchange Notes in the Exchange Offer will be required to make certain representations, including representations that (i) any Exchange Notes to be received by it will be acquired in the ordinary course of its business; (ii) it has no arrangement or understanding with any person to participate in the distribution of the Exchange Notes and (iii) it is not an "affiliate" (as defined in Rule 405 under the Securities Act) of the Company or of the Guarantors, or if it is an affiliate, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

If the holder is not a broker-dealer, it will be required to represent that it is not engaged in, and does not intend to engage in, the distribution of the Exchange Notes. If the holder is a broker-dealer that will receive Exchange Notes for its own account in exchange for Initial Notes that were acquired as a result of market-making activities or other trading activities (an "Exchanging Dealer"), it will be required to acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes.

Holders of the Initial Notes will be required to make certain representations to the Company and the Guarantors (as described above) in order to participate in the Exchange Offer and will be

required to deliver information to be used in connection with the Shelf Registration Statement in order to have their Initial Notes included in the Shelf Registration Statement and benefit from the provisions regarding liquidated damages set forth in the preceding paragraphs. A holder who sells Initial Notes pursuant to the Shelf Registration Statement generally will be required to be named as a selling securityholder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement which are applicable to such a holder (including certain indemnification obligations).

For so long as the Initial Notes are outstanding, the Company and the Guarantors will continue to provide to holders of the Notes and to prospective purchasers of the Notes the information required by Rule 144A(d)(4) under the Securities Act.

The foregoing description of the Registration Rights Agreement is a summary only, does not purport to be complete and is qualified in its entirety by reference to all provisions of the Registration Rights Agreement. The Company and the Guarantors are required to provide a copy of the Registration Rights Agreement to prospective purchasers of Initial Notes identified to the Company by the Initial Purchasers upon request.

CERTAIN UNITED STATES INCOME TAX CONSIDERATIONS

The following summary describes the principal U.S. federal income tax consequences of the exchange of the Initial Notes for Exchange Notes (the "Exchange") that may be relevant to a beneficial owner of Notes that is a

citizen or resident of the United States or a U.S. domestic corporation or that otherwise is subject to United States federal income taxation on a net income basis in respect of such Notes (a "U.S. holder"). This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary deals only with U.S. holders that hold the Initial Notes as capital assets, and does not address tax considerations applicable to investors that may be subject to special tax rules, such as, but not limited to, banks, tax-exempt entities, insurance companies or dealers in securities or currencies, traders in securities electing to mark to market, persons that hold the Initial Notes as a position in a "straddle" or conversion transaction, or as part of a "synthetic security" or other integrated financial transaction or persons that have a "functional currency" other than the U.S. dollar.

The Exchange pursuant to the Exchange Offer will not be a taxable event for U.S. federal income tax purposes. As a result, a U.S. holder of an Initial Note whose Initial Note is accepted in the Exchange Offer will not recognize gain or loss on the Exchange. A tendering U.S. holder's tax basis in the Exchange Notes will be the same as such U.S. holder's tax basis in its Initial Notes. A tendering U.S. holder's holding period for the Exchange Notes received pursuant to the Exchange Offer will include its holding period for the Initial Notes surrendered therefor.

Investors should consult their own tax advisors in determining the tax consequences to them of the exchange of the Initial Notes for the Exchange Notes and of the ownership and disposition of Exchange Notes received in the Exchange Offer, including the application to their particular situation of the U.S. federal income tax considerations discussed above, as well as the application of state, local, foreign or other tax laws.

BOOK-ENTRY; DELIVERY AND FORM

The Exchange Notes will be issued in the form of a global note (the "Global Note"). The Global Note will be deposited with, or on behalf of, DTC and registered in the name of DTC or its nominee. Except as set forth below, the Global Note may be transferred in whole and not in part, only to DTC or another nominee of DTC. Investors may hold their beneficial interests for the Global Note directly through DTC if they have an account with DTC or indirectly through organizations which have accounts with DTC.

Exchange Notes that are issued as described below under "--Certificated Exchange Notes" will be issued in definitive form. Upon the transfer of an Exchange Note in definitive form, such Exchange Note will, unless the Global Note has previously been exchanged for Exchange Notes in definitive form, be exchanged for an interest in the Global Note representing the principal amount of Exchange Notes being transferred.

CERTAIN BOOK-ENTRY PROCEDURES FOR THE GLOBAL NOTE

The descriptions of the operations and procedures of DTC, Euroclear and Cedel Bank set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. The Company takes no responsibility for these operations or procedures, and investors are urged to contact the relevant system or its participants directly to discuss these matters.

DTC has advised the Company that it is (i) a limited purpose trust company organized under the laws of the State of New York, (ii) a "banking organization" within the meaning of the New York Banking Law, (iii) a member of the Federal Reserve System, (iv) a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended and (v) a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants (collectively, the "Participants") and facilitates the clearance and settlement of securities transactions between Participants through electronic book-entry changes to the accounts of its Participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC's Participants include securities brokers and dealers (including the Initial Purchasers), banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies (collectively, the "Indirect Participants") that clear through or maintain a custodial relationship with a Participant, either directly or indirectly. Investors who are not Participants may beneficially own securities held by or on behalf of DTC only through Participants or Indirect Participants.

The Company expects that pursuant to procedures established by DTC (i) upon deposit of the Global Note, DTC will credit the accounts of Participants with an interest in the Global Note and (ii) ownership of the Exchange Notes will be

shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of Participants) and the records of Participants and the Indirect Participants (with respect to the interests of persons other than Participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the Notes represented by a Global Note to such persons may be limited. In addition, because DTC can act only on behalf of its Participants, who in turn act on behalf of persons who hold interests through Participants, the ability of a person having an interest in Exchange Notes represented by a Global Note to pledge or transfer such interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of the Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Exchange Notes represented by the Global Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in the Global Note will not be entitled to have Exchange Notes represented by such Global Note registered in their names, will not receive or be entitled to receive physical delivery of certificated notes, and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Trustee thereunder. Accordingly, each holder owning a beneficial interest in the Global Note must rely on the procedures of DTC and, if such holder is not a Participant or an Indirect Participant, on the procedures of the Participant through which such holder owns its interest, to exercise any rights of a holder of Exchange Notes under the Indenture or such Global Note. The Company understands that under existing industry practice, in the event that the Company requests any action of holders of Exchange Notes, or a holder that is an owner of a beneficial interest in the Global Note desires to take any action that DTC, as the holder of such Global Note, is entitled to take, DTC would authorize the Participants to take such action and the Participants would authorize holders owning through such Participants to take such action or would otherwise act upon the instruction of such holders. Neither the Company nor the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of Exchange Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Exchange Notes.

The Company expects that DTC or its nominee, upon receipt of any payment of principal of or interest on the Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Note as shown on the records of DTC or its nominee. The Company also expects that payments by participants to owners of beneficial interests in the Global Note held through such participants will be governed by standing instructions and customary practices and will be the responsibility of such participants. The Company will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Note for any Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between DTC and its participants or the relationship between such participants and the owners of beneficial interests in the Global Note owning through such participants.

Transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or Cedel Bank will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between the Participants in DTC, on the one hand, and Euroclear or Cedel Bank participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Cedel Bank, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Cedel Bank, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Cedel Bank, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Cedel Bank

participants may not deliver instructions directly to the depositaries for Euroclear or Cedel Bank.

Because of time zone differences, the securities account of a Euroclear or Cedel Bank participant purchasing an interest in a Global Note from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Cedel Bank participant, during the securities settlement processing day (which must be a business day for Euroclear and Cedel Bank) immediately following the settlement date of DTC. Cash received in Euroclear or Cedel Bank as a result of sales of interest in a Global Security by or through a Euroclear or Cedel Bank participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Cedel Bank cash account only as of the business day for Euroclear or Cedel Bank following DTC's settlement date.

Although DTC, Euroclear and Cedel Bank have agreed to the foregoing procedures to facilitate transfers of interests in the Global Note among participants in DTC, Euroclear and Cedel Bank, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Company nor the Trustee will have any responsibility for the performance by DTC, Euroclear or Cedel Bank or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

CERTIFICATED EXCHANGE NOTES

If (i) the Company notifies the Trustee in writing that DTC is no longer willing or able to act as a depositary or DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days of such notice or cessation, (ii) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of Exchange Notes in definitive form under the Indenture or (iii) upon the occurrence of certain other events as provided in the Indenture, then, upon surrender by DTC of the Global Note, certificated Exchange Notes in definitive form in denominations of U.S. $1,000 and integral multiples thereof will be issued to each person that DTC identifies as the beneficial owner of the Notes represented by the Global Note. Upon any such issuance, the Trustee is required to register such certificated Exchange Notes in the name of such person or persons (or the nominee of any thereof) and cause the same to be delivered thereto. Subject to the foregoing, the Global Note is not exchangeable, except for a Global Note of the same aggregate denomination to be registered in the name of DTC or its nominee.

Neither the Company nor the Trustee shall be liable for any delay by DTC or any Participant or Indirect Participant in identifying the beneficial owners of the related Exchange Notes and each such person may conclusively rely on, and shall be protected in relying on, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Exchange Notes to be issued).

PLAN OF DISTRIBUTION

Each broker-dealer that receives Exchange Notes for its own account in exchange for Initial Notes pursuant to the Exchange Offer, where such Initial Notes were acquired by such broker-dealer as a result of market making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Initial Notes where such Initial Notes were acquired as a result of market-making activities or other trading activities. The Company and the Guarantors have agreed that, for a period of 180 days after the Expiration Date, they will make this Prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until , 1999, all dealers effecting transactions in the Exchange Notes may be required to deliver a Prospectus.

Neither the Company nor the Guarantors will receive any proceeds from any sale of Exchange Notes by broker-dealers. Exchange Notes received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or at negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of

commissions or concessions from any such broker-dealer or the purchasers of any such Exchange Notes. Any broker-dealer that resells Exchange Notes that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such Exchange Notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of Exchange Notes and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date, the Company and the Guarantors will promptly send additional copies of this Prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Company and the Guarantors have agreed to pay all expenses incident to the Exchange Offer (including the expenses of one counsel for the holders of the Initial Notes) other than commissions or concessions of any broker-dealers and will indemnify the Holders of the Initial Notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the Exchange Notes offered hereby will be passed upon for the Company by Cleary, Gottlieb, Steen & Hamilton, New York, New York.

EXPERTS

The consolidated financial statements of the Company for the 40 weeks ended June 29, 1996, and as of and for the 52 weeks ended June 28, 1997 and June 27, 1998, included in this Prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Farley Candy Company as of August 30, 1996 and for the 52 weeks then ended included in this Prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The combined financial statements of Sathers Inc. and Related Entities as of December 30, 1995 and for the 52 weeks then ended appearing in this Prospectus have been so included in reliance on the report of Friedman Eisenstein Raemer and Schwartz, LLP ("FERS"), independent auditors, given on the authority of said firm as experts in auditing and accounting. The Company has agreed to indemnify and hold FERS and each partner and employee harmless against and from any and certain losses, claims, damages or liabilities to which FERS may become subject in connection with its issuance of the consent letter relating to the combined financial statements of Sathers Inc. and Related Entities as of December 30, 1995 and for the 52 weeks then ended under any of the federal securities laws.

The financial statements of Kidd & Company, Inc. as of December 31, 1995 and for the year then ended appearing in this Prospectus have been so included in reliance on the report of McGladrey & Pullen, LLP, independent auditors, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Dae Julie, Inc. as of and for the years ended December 31, 1995 and 1996 appearing in this Prospectus have been so included in reliance on the reports of Wolf, Grieco & Co., independent auditors, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Candyland Candies, Inc. as of December 31, 1995 and for the year then ended appearing in this Prospectus have been so included in reliance on the report of Wolf, Grieco & Co., independent auditors, given on the authority of said firm as experts in auditing and accounting.

The combined component financial statements of Mederer Corporation's U.S. Confectionary Operations as of and for the years ended December 31, 1995 and 1996 included in this Prospectus have been so included in reliance on the report of Deloitte & Touche LLP, independent auditors, given on the authority of said firm as experts in auditing and accounting.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholder of Favorite Brands
International, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in stockholder's equity and of cash flows present fairly, in all material respects, the financial position of Favorite Brands International, Inc. and its subsidiaries at June 27, 1998 and June 28, 1997, and the results of their operations and their cash flows for the 52 weeks ended June 27, 1998 and June 28, 1997, and for the 40 weeks from inception on September 25, 1995 to June 29, 1996, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

PricewaterhouseCoopers LLP

Chicago, Illinois
August 21, 1998

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FAVORITE BRANDS INTERNATIONAL, INC.
AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF FAVORITE BRANDS INTERNATIONAL HOLDING CORP.)

CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
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ASSETS	JUNE 28, 1997	JUNE 27, 1998	SEPTEMBER 26, 1998 (UNAUDITED)
<S>	<C>	<C>	<C>
Current Assets:			
Cash and cash equivalents	$ 3,177	$ 6,440	$ 2,574
Accounts receivable, less allowances of $7,650, $14,600 and $16,858 at June 28, 1997, June 27, 1998 and September 26, 1998, respectively	67,667	48,999	70,848

Inventories	87,710	98,232	101,983
Deferred income taxes	18,944	17,846	17,846
Prepaid expenses and other current assets	5,426	3,363	2,798
Total current assets	182,924	174,880	196,049
Property, Plant and Equipment, at Cost:			
Land	3,962	5,200	5,200
Buildings	65,448	67,123	67,139
Machinery and equipment	182,199	200,145	198,862
Construction in progress	25,301	15,561	21,026
	276,910	288,029	292,227
Less accumulated depreciation	21,736	49,129	56,061
	255,174	238,900	236,166
Other Assets:			
Intangible assets, net	367,367	366,775	361,455
Prepaid expenses and other assets	1,588	1,619	1,700
Deferred income taxes	--	27,382	34,406
	368,955	395,776	397,561
	$807,053	$809,556	$829,776

</TABLE>

The accompanying notes are an integral part of these statements.

FAVORITE BRANDS INTERNATIONAL, INC.
AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF FAVORITE BRANDS INTERNATIONAL HOLDING CORP.)

CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

LIABILITIES AND STOCKHOLDER'S EQUITY	JUNE 28, 1997	JUNE 27, 1998	SEPTEMBER 26, 1998 (UNAUDITED)
<S>	<C>	<C>	<C>
Current Liabilities:			
Accounts payable and accrued liabilities	$ 85,331	$110,485	$108,902
Current portion of long-term debt	22,266	2,440	2,440
Other current liabilities	446	916	907
Total current liabilities	108,043	113,841	112,249
Noncurrent Liabilities:			
Long-term debt	511,101	554,950	588,000
Deferred income taxes	8,982	--	--
Other long-term liabilities	2,015	3,020	3,429
Total noncurrent liabilities	522,098	557,970	591,429
Commitments and Contingencies			
Stockholder's Equity:			
Common stock, $.01 par value; 1,000 shares authorized, issued, and outstanding	--	--	--
Additional paid-in capital	179,058	195,324	195,324
Accumulated deficit	(2,146)	(57,579)	(69,226)
Total stockholder's equity	176,912	137,745	126,098
	$807,053	$809,556	$829,776

</TABLE>

The accompanying notes are an integral part of these statements.

FAVORITE BRANDS INTERNATIONAL, INC.
AND SUBSIDIARIES

(A WHOLLY-OWNED SUBSIDIARY OF FAVORITE BRANDS INTERNATIONAL HOLDING CORP.)

CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	40 WEEKS ENDED JUNE 29, 1996	52 WEEKS ENDED JUNE 28, 1997	52 WEEKS ENDED JUNE 27, 1998	13 WEEKS ENDED SEPTEMBER 27, 1997	13 WEEKS ENDED SEPTEMBER 26, 1998
				(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$127,629	$652,538	$763,921	$ 203,570	$ 196,640
Costs and expenses:					
Cost of sales	74,289	433,707	493,095	129,407	123,508
Selling, marketing and administrative	38,110	176,506	237,147	53,827	69,004
Amortization of intangible assets	7,454	9,540	13,670	3,061	3,004
Restructuring and business integration costs	--	--	39,689	3,445	1,047
	119,853	619,753	783,601	189,740	196,563
Income (loss) from operations	7,776	32,785	(19,680)	13,830	77
Nonoperating expenses:					
Interest expense	8,589	33,463	54,581	12,745	14,577
(Loss) income before income taxes, extraordinary charge and cumulative effect of change in accounting principle	(813)	(678)	(74,261)	1,085	(14,500)
(Benefit) provision for income taxes	(305)	960	(27,419)	908	(5,356)
(Loss) income before extraordinary charge and cumulative effect of change in accounting principle	(508)	(1,638)	(46,842)	177	(9,144)
Extraordinary charge--early debt extinguishment, net of income tax benefit	--	--	8,591	4,154	--
Cumulative effect of change in accounting principle, net of income tax benefit	--	--	--	--	2,503
Net loss	$ (508)	$ (1,638)	$(55,433)	$ (3,977)	$ (11,647)

</TABLE>

The accompanying notes are an integral part of these statements.

FAVORITE BRANDS INTERNATIONAL, INC.
AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF FAVORITE BRANDS INTERNATIONAL HOLDING CORP.)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	COMMON STOCK				
	NUMBER OF SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDER'S EQUITY

<S>	<C>	<C>	<C>	<C>	<C>
Balance at September 25, 1995.....	--	$--	$ --	$ --	$ --
Capital contribution on September 25, 1995.....	1,000	--	60,000	--	60,000
Net loss.....	--	--	--	(508)	(508)
Balance at June 29, 1996....	1,000	--	60,000	(508)	59,492
Capital contribution.....	--	--	119,058	--	119,058
Net loss.....	--	--	--	(1,638)	(1,638)
Balance at June 28, 1997....	1,000	--	179,058	(2,146)	176,912
Capital contribution.....	--	--	16,266	--	16,266
Net loss.....	--	--	--	(55,433)	(55,433)
Balance at June 27, 1998....	1,000	--	195,324	(57,579)	137,745
Net loss (unaudited).....	--	--	--	(11,647)	(11,647)
Balance at September 26, 1998 (unaudited).....	1,000	$--	$195,324	$(69,226)	$126,098

</TABLE>

The accompanying notes are an integral part of these statements.

FAVORITE BRANDS INTERNATIONAL, INC.
AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF FAVORITE BRANDS INTERNATIONAL HOLDING CORP.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	40 WEEKS ENDED JUNE 29, 1996	52 WEEKS ENDED JUNE 28, 1997	52 WEEKS ENDED JUNE 27, 1998	13 WEEKS ENDED SEPTEMBER 27, 1997	13 WEEKS ENDED SEPTEMBER 26, 1998
				(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>	<C>
Cash Flows from Operating Activities:					
Net loss.....	$ (508)	$ (1,638)	$ (55,433)	$ (3,977)	$(11,647)
Adjustments:					
Depreciation and amortization.....	10,202	29,089	41,297	9,787	10,110
Deferred income taxes.....	(676)	(2,850)	(28,039)	894	(5,356)
Non-cash restructuring and business integration costs..	--	--	13,847	--	--
Extraordinary charge.....	--	--	8,591	4,154	--
Cumulative effect of change in accounting principle.....	--	--	--	--	2,503
Changes in operating assets and liabilities, net of effects from purchase of confections businesses:					
Accounts receivable.....	(11,015)	9,316	18,631	(23,074)	(21,849)
Inventories.....	5,863	8,876	(10,788)	(144)	(3,751)
Prepaid expenses and other assets.....	5,900	3,994	278	(2,545)	432
Accounts payable and accrued liabilities.....	12,342	(13,014)	23,144	12,778	(1,640)
Income taxes payable.....	372	(1,079)	564	(33)	39

Other liabilities.....	--	(144)	467	(200)	418
Net cash provided by (used in) operating activities.....	22,480	32,550	12,559	(2,360)	(30,741)
Cash Flows from Investing Activities:					
Purchase of confections businesses, net of cash acquired.....	(204,388)	(336,191)	(303)	(78)	--
Capital expenditures..	(8,544)	(31,018)	(27,010)	(4,584)	(5,592)
Net cash used in investing activities.....	(212,932)	(367,209)	(27,313)	(4,662)	(5,592)
Cash Flows from Financing Activities:					
Net borrowings (repayments) on revolving credit loans.....	5,300	31,800	(25,150)	16,471	33,050
Proceeds from term loans and senior subordinated notes...	129,500	380,500	545,000	195,000	--
Repayments of term loans and senior subordinated notes...	--	(14,613)	(495,387)	(187,500)	--
Payments for debt issuance costs.....	(3,412)	(11,330)	(21,006)	(6,255)	(583)
Repayment of assumed debt.....	--	(139,457)	--	--	--
Repayment of other long-term debt.....	--	--	(440)	(440)	--
Proceeds from capital contribution.....	60,000	90,000	15,000	--	--
Net cash provided by financing activities.....	191,388	336,900	18,017	17,276	32,467
Increase in cash and cash equivalents.....	936	2,241	3,263	10,254	(3,866)
Cash and cash equivalents, beginning of period.....	--	936	3,177	3,177	6,440
Cash and cash equivalents, end of period.....	$ 936	$ 3,177	$ 6,440	$ 13,431	$ 2,574
Supplemental Cash Flow Information:					
Income taxes paid.....	$ --	$ 4,996	$ 493	$ 83	$ --
Interest paid.....	$ 8,631	$ 31,585	$ 44,228	$ 4,800	$ 10,898
Purchase of confections businesses, net of cash acquired					
Assets acquired.....	$(206,074)	$(586,920)	$ (1,447)	$ (1,238)	$ --
Liabilities assumed...	1,686	221,671	1,144	1,160	--
Capital contribution..	--	29,058	--	--	--
Cash consideration....	$(204,388)	$(336,191)	$ (303)	$ (78)	$ --

</TABLE>

The accompanying notes are an integral part of these statements.

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Favorite Brands International, Inc. (Company), a wholly-owned subsidiary of Favorite Brands International Holding Corp. (Holdings), manufactures and distributes candy and confection products primarily in North America. The Company was incorporated in Delaware on July 7, 1995, and commenced operations on September 25, 1995, when it acquired certain tangible and intangible assets of a confections manufacturer and distributor for approximately $200 million, plus the assumption of certain liabilities.

2. ACQUISITIONS

During fiscal 1997, the Company made five acquisitions for a total purchase price, including assumed debt, of approximately $500 million. A summary of these acquisitions is as follows (dollars in millions):

NAME	ACQUISITION DATE	PURCHASE PRICE
Farley Candy Company	August 30, 1996	$204
Sathers Inc. and Sather Trucking Corporation	August 30, 1996	107
Kidd & Company, Inc.	August 30, 1996	30
Dae Julie, Inc.	January 27, 1997	42
Mederer Corporation	April 1, 1997	117

All acquisitions have been accounted for as purchases and, accordingly, the purchase prices were allocated to the specific assets and liabilities based upon their fair market values, except for the Kidd & Company, Inc. (Kidd) acquisition. On June 16, 1996, Holdings' controlling stockholder acquired the stock of Kidd for approximately $30 million. The Company acquired the stock of Kidd from the controlling stockholder on August 30, 1996. Accordingly, Kidd's net assets were recorded by the Company on August 30, 1996 at the controlling stockholder's net book value of $30 million.

Unaudited pro forma information with respect to the Company as if the acquisitions had occurred on September 25, 1995 is as follows (dollars in thousands):

	(UNAUDITED) 40 WEEKS ENDED JUNE 29, 1996	(UNAUDITED) 52 WEEKS ENDED JUNE 28, 1997
Net sales.....	$555,404	$812,831
Net income.....	21,120	2,809

Holdings contributed $119.1 million of additional capital during fiscal 1997 in conjunction with these acquisitions. This amount includes $29.1 million of Holdings stock issued to the seller of Farley Candy Company.

Effective at the close of business on the dates indicated below, the following mergers took place:

DATE	COMPANY	WAS MERGED WITH AND INTO	SURVIVING CORPORATION
December 31, 1996	Kidd and Company, Inc.	Favorite Brands International, Inc.	Favorite Brands International, Inc.

December 31, 1997	Dae Julie, Inc.	Farley Candy Company	Farley Candy Company
December 31, 1997	Mederer Corporation	Trolli Inc.	Trolli Inc.
March 31, 1998	Farley Candy Company	Favorite Brands International, Inc.	Favorite Brands International, Inc.
March 31, 1998	Sathers Inc.	Favorite Brands International, Inc.	Favorite Brands International, Inc.

3. SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year End

The Company's fiscal year ends on the Saturday immediately preceding June 30 and generally includes 52 weeks of operations. The fiscal year for the period from September 25, 1995 (inception of operations) through June 29, 1996 includes 40 weeks.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All intercompany accounts and transactions are eliminated. Certain prior period amounts have been reclassified to conform to fiscal 1998 presentation.

Revenue Recognition

Revenues are recognized when products are shipped, and are shown net of discounts (other than trade spending), returns and unsalables.

Cash and Cash Equivalents

All highly liquid debt instruments purchased with an initial maturity of three months or less are considered to be cash equivalents.

Inventories

Inventories are stated at the lower of cost, determined using the first in, first out (FIFO) method, or market.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation is computed using the straight-line method and the following estimated useful lives:

Buildings	35-40 years
Machinery and equipment	3-20 years

Intangible Assets

Intangible assets, consisting primarily of goodwill and deferred financing fees, are amortized on a straight-line basis over 40 years and the terms of the related indebtedness which range from 7 to 10 years, respectively.

Long-Lived Assets

In the event that facts and circumstances indicate that the Company's long-lived assets may be impaired, an evaluation of recoverability must be performed. The Company makes such evaluations by comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow is required.

Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets arising from temporary differences and net operating losses will not be realized.

Risks and Uncertainties

The Company operates primarily in the United States and is subject to varying degrees of risk and uncertainty. The Company insures its business and assets against insurable risks in a manner that it deems appropriate. The Company believes that the risk of loss from noninsurable events would not have a material adverse effect on its operations as a whole.

Sugar, corn syrup, gelatin, and starch are the Company's principal raw materials. The prices of these items vary and may influence the Company's financial results.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheet for current assets and liabilities approximate fair value due to the immediate or short-term maturity of these financial instruments.

The recorded value of long-term debt and related interest rate contracts, which were designated as hedges, approximated fair value as of June 28, 1997 when considering the then prevailing interest rate environment. The estimated fair value of the Company's debt and related interest rate contracts at June 27, 1998 was $541.8 million, which differs from the carrying amount of $557.4 million.

Interim Financial Information

Interim financial information for the 13 weeks ended September 27, 1997 and September 26, 1998 included herein is unaudited; however, in the opinion of the Company, the interim financial information includes all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results of operations for the 13 weeks ended September 26, 1998 are not necessarily indicative of the results to be expected for the year.

Recent Accounting Pronouncements

In 1997, the Financial Accounting Standards Board ("FASB") issued Statement 131, "Disclosure about segments of an enterprise and related information," which requires adoption in fiscal 1999. Statement 131 requires companies to report segment information based on how management disaggregates its business for evaluating performance and making operating decisions. The Company has reviewed Statement 131 and anticipates that it will report as a single segment after adoption of such statement.

In 1998, the FASB issued Statement 133, "Accounting for derivative instruments and hedging activities," which requires adoption in fiscal 2000. Statement 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. The Company believes that the adoption of Statement 133 will not have a material impact on its financial reporting.

4. RESTRUCTURING AND BUSINESS INTEGRATION COSTS

The Company recorded a $39.7 million charge for restructuring and business integration costs during the year ended June 27, 1998. The nature of these costs is discussed below.

During fiscal 1998, the Company began to integrate the acquired companies through various initiatives including consolidation of production facilities, reorganization of certain supply chain functions, integration of certain sales, marketing, and customer service functions, and integration of certain information systems. As a result of these activities, the Company incurred the following business integration charges during fiscal 1998, of which $13.6 million was paid as of fiscal year end (dollars in thousands):

<TABLE>

<S>	<C>
Staff consolidation and related costs	$ 7,372
Manufacturing integration costs	4,902
Distribution and warehouse consolidation costs	6,594
SKU rationalization costs	1,858
Technology licensing costs	1,685
Strategic acquisitions not pursued	1,284
	$23,695

</TABLE>

In addition to the integration activities discussed above, the Board of Directors approved a restructuring of the Company's operations during fiscal year 1998. The restructuring, which management expects to be completed by fiscal 2000, includes (i) rationalizing certain production facilities and outsourcing production of certain candy products and (ii) further consolidating the distribution network by reducing the number of distribution centers used by the Company. In connection with these activities, the Company recorded the following restructuring charges during fiscal 1998 (dollars in thousands):

<TABLE>

<S>	<C>
Loss on impairment of property, plant, and equipment	$13,847
Termination benefits for approximately 500 plant employees	1,250
Plant closing costs	897
	$15,994

</TABLE>

5. INVENTORIES

Inventories consist of (dollars in thousands):

<TABLE>
<CAPTION>

	JUNE 28, 1997	JUNE 27, 1998	SEPTEMBER 26, 1998
			(UNAUDITED)
<S>	<C>	<C>	<C>
Raw materials	$21,945	$22,748	$ 23,931
Work-in-process	16,610	19,521	15,798
Finished goods	49,155	55,963	62,254
	$87,710	$98,232	$101,983

</TABLE>

6. INTANGIBLE ASSETS

Intangible assets, which are shown net of accumulated amortization of $18.9 million and $29.0 million, respectively, consist of (dollars in thousands):

<TABLE>
<CAPTION>

	JUNE 28, 1997	JUNE 27, 1998
<S>	<C>	<C>
Goodwill	$349,863	$342,511
Deferred financing fees	12,951	19,824
Other	4,553	4,440
	$367,367	$366,775

</TABLE>

In connection with the acquisitions made during fiscal 1997 and related

synergies, management revised its estimated useful life for goodwill from fifteen years to forty years on August 30, 1996. This revision has been accounted for prospectively and resulted in reduced amortization expense of $4.9 million in the fiscal year ended June 28, 1997.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of (dollars in thousands):

<TABLE>
<CAPTION>

	JUNE 28, 1997	JUNE 27, 1998
<S>	<C>	<C>
Accounts payable	$43,645	$ 45,654
Accrued liabilities:		
Restructuring termination benefits and plant closing costs	--	2,147
Payroll and related taxes	15,617	13,616
Trade promotions	11,577	17,958
Interest	1,850	10,749
Other	12,642	20,361
	$85,331	$110,485

</TABLE>

8. COMMITMENTS AND CONTINGENCIES

Operating Leases

Certain land, buildings, and equipment are leased under noncancelable operating leases. Certain leases for facilities contain renewal options and require additional payments for maintenance charges and are subject to periodic escalation charges.

Total minimum rental commitments under noncancelable operating leases at June 27, 1998 are: 1999--$5.5 million; 2000--$5.0 million; 2001--$4.1 million; 2002--$3.5 million; 2003--$3.1 million; and thereafter--$21.6 million.

Rental expense amounted to $0.2 million, $6.3 million and $6.6 million for the fiscal years ended June 29, 1996, June 28, 1997 and June 27, 1998, respectively.

Litigation

From time to time, the Company and its subsidiaries are named as defendants in various lawsuits resulting from the ordinary course of business. Although the outcome of any legal proceeding cannot be predicted with certainty, the Company does not expect these lawsuits to materially impact its financial condition.

9. BENEFIT PLANS

During fiscal 1996, the Company established a 401(k) defined-contribution benefit plan (Plan) for salaried and hourly employees. In order to participate in the Plan, employees must be at least 21 years old and have worked at least 1,000 hours during the first 12 months of employment. Each employee may contribute from 1% to 15% of their eligible wages into the Plan. The Company matches 50% of each employee's contributions to the Plan up to a maximum matching contribution of 3% of the employee's eligible wages. In addition, the Company may make a discretionary profit-sharing contribution to the Plan. Total contributions to the Plan were $.6 million, $1.9 million and $3.2 million for the fiscal years ended June 29, 1996, June 28, 1997 and June 27, 1998.

10. LONG-TERM DEBT

Long-term debt consists of (dollars in thousands):

<TABLE>
<CAPTION>

	JUNE 28, 1997	JUNE 27, 1998
<S>	<C>	<C>
Revolving Credit Loans	$ 37,100	$ 11,950
Senior term loan payable ("Term B Loans"), principal due quarterly through May 2005	--	150,000
10.75% Senior notes payable, principal due May 2006	--	200,000
10.25% Senior subordinated notes payable, principal due August 2007	--	195,000
Senior notes payable ("Old Term A Loans"), principal due quarterly through August 2003	196,875	--
Senior notes payable ("Old Term B Loans"), principal due quarterly through August 2004	193,637	--
Senior notes payable ("Old Term C Loans"), principal due quarterly through February 2005	59,875	--
11.125% Senior subordinated notes payable ("Old Senior Subordinated Notes"), principal due April 2007	45,000	--
Other	880	440
	533,367	557,390
Less current portion	22,266	2,440
	$511,101	$554,950

</TABLE>

Aggregate maturities of long-term debt over the next five fiscal years are as follows: 1999--$2.4 million; 2000--$2.0 million; 2001--$2.0 million; 2002--$2.0 million; and 2003--$2.0 million.

During fiscal year 1997, the Company entered into a credit agreement ("Old Senior Credit Agreement") which provided for $200 million of Old Term A Loans, $195 million of Old Term B Loans, $60 million of Old Term C Loans, and $60 million of Old Revolving Credit Loans. The Company also borrowed $45 million of Old Senior Subordinated Notes pursuant to a senior subordinated note agreement.

In August 1997, the Company borrowed $150 million ("Senior Subordinated Notes") pursuant to a second senior subordinated note agreement ("Senior Subordinated Note Agreement"). Funds from the Senior Subordinated Notes were used to prepay $142.5 million of term indebtedness outstanding under the Old Senior Credit Agreement, plus loan fees and accrued interest. In September 1997, the Company amended its Senior Subordinated Note Agreement to increase its borrowings under this agreement from $150 million to $195 million; the amended Senior Subordinated Note Agreement retained substantially all of its original terms. The $45 million in new borrowings were used to extinguish the Old Senior Subordinated Notes. As a result of these early debt extinguishments, the Company recorded a $4.2 million extraordinary charge, net of $2.7 million in income tax benefits.

The Senior Subordinated Note Agreement, as amended, includes certain restrictions including, but not limited to, further borrowings, capitalized leases, certain asset dispositions, making certain loans and investments, and the payment of dividends. The Senior Subordinated Note Agreement also contains a provision that the Company expects will increase the per annum interest by 1.0% beginning on October 1, 1998.

In February 1998, the Company entered into a letter agreement ("Letter Agreement") and a related promissory note ("Promissory Note") with a commercial bank ("Bank") under which it could borrow up to $19 million. All amounts outstanding on the Promissory Note, plus accrued interest, were repaid in

conjunction with the Refinancing discussed below. In connection with this loan, Holdings' controlling stockholder entered into certain agreements with the Bank. In consideration for these agreements, Holdings issued a ten year warrant to purchase 18,666 shares of its common stock at a price of $89.57 per share to the stockholder. The $1.0 million fair market value of the warrant was recorded as expense and paid-in capital during the fiscal year ended June 27, 1998.

In May 1998, the Company entered into a credit agreement ("Senior Credit Agreement") which provided for $150 million of Term B Loans and $75 million of Revolving Credit Loans. The Company also borrowed $200 million ("Senior Notes") pursuant to an indenture ("Indenture"). In addition, Holdings sold 166,667 shares of common stock for $15 million at the time of these borrowings and contributed these proceeds to the Company. Collectively, these transactions are referred to as the Refinancing. Funds from the Refinancing were used to prepay all indebtedness outstanding under the Old Senior Credit Agreement, plus accrued interest, repay the Promissory Note discussed above, and for general corporate purposes. As a result of this early debt extinguishment, the Company recorded a $4.4 million extraordinary charge, net of $2.9 million in income tax benefits.

The Senior Credit Agreement contains covenants that require the Company to comply with specified financial ratios and satisfy certain financial measures, including minimum interest coverage, maximum leverage, and minimum fixed charge coverage ratios. In addition, the Senior Credit Agreement and the Indenture contain covenants relating to, among other things, (i) the incurrence of additional indebtedness (subject to certain permitted indebtedness, as defined), (ii) the payment of dividends on, and redemption of, capital stock of the Company and its restricted subsidiaries (as defined) and the redemption of certain subordinated obligations of the Company and its subsidiaries, (iii) investments, (iv) sales of assets, (v) sales of subsidiary stock (as defined), (vi) transactions with affiliates, (vii) sale-leaseback transactions, (viii) liens, (ix), lines of business, (x) consolidations, mergers and transfers of substantially all of its assets and (xi) distributions from restricted subsidiaries (as defined).

Loans under the Senior Credit Agreement are periodically designated, at management's election, as Prime Rate loans, payable quarterly, or London Interbank Offering Rate ("LIBOR") loans,

payable in maturities of one, two, three, or six months. Each type of term loan bears interest at the designated rate plus an applicable margin based on the Company achieving defined financial ratios. The applicable interest rate was 8.19% on the Revolving Credit Loans and 8.69% on the Term B Loans as of June 27, 1998.

Revolving credit loans have been classified as long-term liabilities since the Company has the ability, and the intent, to maintain these facilities for longer than one year.

The Company terminated several existing interest rate swap agreements in conjunction with the Refinancing. As a result, a $1.5 million termination charge was recorded as interest expense during the fiscal year ended June 27, 1998. The remaining interest rate swap agreements were marked-to-market at the time of the Refinancing and resulted in an additional $0.9 million charge to interest expense during the year ended June 27, 1998. The two remaining interest rate swap agreements are summarized below (dollars in thousands):

<TABLE>
<CAPTION>

DATE	TERM	PRESENT NOTIONAL AMOUNT	FIXED INTEREST RATE PAID	VARIABLE INTEREST RATE RECEIVED
<S>	<C>	<C>	<C>	<C>
December 1996.....	3 years	$81,730	6.26%	5.69%

</TABLE>

The variable rate is adjusted quarterly based on 3-month LIBOR rates. The Company anticipates the counterparties to the swap agreements will fully perform on their obligations. The Company accounts for these agreements as hedges.

11. INCOME TAXES

The provision for income taxes consists of the following (dollars in thousands):

<TABLE>
<CAPTION>

	40 WEEKS ENDED JUNE 29, 1996	52 WEEKS ENDED JUNE 28, 1997	52 WEEKS ENDED JUNE 27, 1998
<S>	<C>	<C>	<C>
Current:			
Federal	$ 368	$(129)	$ --
State	3	123	620
	371	(6)	620
Deferred:			
Federal	(593)	845	(24,534)
State	(83)	121	(3,505)
	(676)	966	(28,039)
Total (benefit) provision for income taxes	$(305)	$ 960	$(27,419)

</TABLE>

Deferred income taxes consist of (dollars in thousands):

<TABLE>
<CAPTION>

	JUNE 28, 1997	JUNE 27, 1998
<S>	<C>	<C>
Deferred tax assets:		
Allowance for doubtful accounts	$ 1,477	$ 365
Accrued promotions	3,022	2,343
Accrued expenses	3,228	8,045
Restructuring reserves	--	5,622
Net operating loss carryforwards	13,595	43,176
Other	207	2,564
Deferred tax assets	21,529	62,115
Deferred tax liabilities:		
Accelerated depreciation	6,970	8,449
Goodwill amortization	3,295	6,859
Other	1,302	1,579
Deferred tax liabilities	11,567	16,887
Net deferred tax asset	$ 9,962	$45,228

</TABLE>

The Company is included in the consolidated income tax return filed by Holdings. There is no tax sharing agreement between the Company and Holdings. For financial reporting purposes, the Company has computed its provision for income taxes on a separate return basis in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

The Company has a $43.2 million deferred tax asset recorded as of June 27, 1998, reflecting the benefit of $107.9 million in net operating loss carryforwards which expire in varying amounts between 2011 and 2013. This benefit will be realized to the extent the Company generates sufficient taxable income prior to the expiration dates of the loss carryforwards. The Company believes it is more likely than not that all of the deferred tax asset will be realized based on estimated future taxable income.

The provision (benefit) for income taxes differs from the amount of income tax provision (benefit) computed by applying the United States federal income tax rate to income before income taxes. A reconciliation of the differences is as follows (dollars in thousands):

<TABLE>
<CAPTION>

	40 WEEKS ENDED JUNE 29, 1996	52 WEEKS ENDED JUNE 28, 1997	52 WEEKS ENDED JUNE 27, 1998
<S>	<C>	<C>	<C>
Computed statutory tax provision	$(285)	$ (237)	$(25,991)
Increase (decrease) resulting from:			
Nondeductible depreciation and amortization	8	1,006	47
State and local taxes	(35)	112	(1,813)
Nondeductible meals and entertainment	4	79	88
Other, net	3	--	250
Provision (benefit) of income taxes	$(305)	$ 960	$(27,419)

</TABLE>

12. STOCK OPTION PLAN

Holdings has a stock option plan pursuant to which its Board of Directors is authorized to grant options to employees to purchase up to 250,000 shares of Holdings' common stock. These options generally expire 10 years from grant (5 years for stockholders with aggregate holdings of 10% or greater) and generally vest ratably over four years. Options are granted at fair value, which has historically been generally determined by the most recent purchase price of Holdings' common stock prior to the date of grant.

Information with respect to options granted under this plan is as follows:

<TABLE>
<CAPTION>

	OPTION PRICE PER SHARE			NUMBER OF SHARES
<S>	<C>	<C>	<C>	<C>
Balance at June 29, 1996			$ 50.25	71,500
Granted	$89.57	to	$105.00	108,736
Exercised	$50.25	to	$ 89.57	(5,186)
Forfeited	$50.25	to	$ 89.57	(9,814)
Balance at June 28, 1997	$50.25	to	$105.00	165,236
Granted			$105.00	99,982
Exercised	$50.25	to	$ 89.57	(9,723)
Forfeited	$50.25	to	$105.00	(15,655)
Balance at June 27, 1998	$50.25	to	$105.00	239,840
Exercisable at June 27, 1998	$50.25	to	$105.00	103,715
Weighted-Average Grant Date Minimum Value	$13.25	to	$ 26.44	

</TABLE>

The minimum value of the options at the date-of-grant was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions: expected life--5 years; interest rate--6.5% for 1997 and 1998; and no dividend yield.

The Company applied Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, in accounting for its stock option plan. No compensation expense has been recognized for all options granted. If compensation cost for the stock plan had been determined based on the fair value at the grant dates for awards under those plans consistent with the method of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the Company's net loss would have been (dollars in thousands):

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 29, 1996	YEAR ENDED JUNE 28, 1997	YEAR ENDED JUNE 27, 1998
<S>	<C>	<C>	<C>
Net loss--as reported.....	$(508)	$(1,638)	$(55,433)
Net loss--pro forma.....	$(604)	$(2,590)	$(56,123)

</TABLE>

13. RELATED PARTY TRANSACTIONS

From time to time, the Company engages certain stockholders and other related parties to provide acquisition, financing and other related services. During fiscal years 1997 and 1998, such fees totaled approximately $4.8 million and $6.6 million, respectively.

14. CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMER

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company places cash and cash equivalents with high-quality financial institutions which are federally insured up to prescribed limits. The Company monitors the credit quality of its customers and maintains an allowance for potential credit losses which, historically, has been adequate.

A single customer and its affiliates accounted for approximately 17% of net sales for both the fiscal years ended June 28, 1997 and June 27, 1998. This customer accounted for approximately 20% and 10% of accounts receivable at June 28, 1997 and June 27, 1998, respectively.

15. SUPPLEMENTAL GUARANTOR INFORMATION

Sather Trucking Corp. and Trolli, Inc. (collectively, the "Guarantors"), wholly-owned subsidiaries of the Company, have unconditionally guaranteed, jointly and severally, the payment of principal, interest, and premium, if any, on the Senior Notes, Senior Subordinated Notes, and all other obligations under the respective Indentures. Sather Trucking Corp. and Trolli, Inc. were acquired on August 30, 1996 and April 1, 1997, respectively. The selected summarized financial information for the Guarantors presented below reflects the fiscal periods subsequent to the dates each guarantor was acquired.

<TABLE>
<CAPTION>

	JUNE 28, 1997	JUNE 27, 1998
<S>	<C>	<C>
Net sales.....	$ 44,995	$106,922
Income from operations.....	2,107	10,679
Net loss.....	(1,285)	(2,648)
Current assets.....	$ 21,453	$ 38,605
Property, plant and equipment, net.....	35,004	38,289
Other assets.....	88,119	85,888
Total assets.....	$144,576	$162,782
Current liabilities.....	$ 20,801	$ 42,195
Noncurrent liabilities.....	105,118	104,578
Total liabilities.....	125,919	146,773
Stockholder's equity.....	18,657	16,009

Total liabilities and stockholder's equity.....	$144,576	$162,782

</TABLE>

FAVORITE BRANDS INTERNATIONAL, INC.
AND SUBSIDIARIES

(A WHOLLY-OWNED SUBSIDIARY OF FAVORITE BRANDS INTERNATIONAL HOLDING CORP.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

16. SUBSEQUENT EVENTS--(UNAUDITED)

Amendment of Senior Credit Agreement

An amendment to the Company's Senior Credit Agreement was approved on September 25, 1998 and became effective in October 1998 this amendment (i) reset certain financial covenants through fiscal 2001, (ii) deleted certain other financial covenants, (iii) changed certain definitions, and (iv) increased the borrowing spread by 0.25 percent. The amendment was sought to avoid a potential future default under the covenants. In connection with the amendment, (i) Holdings' controlling stockholder agreed to loan the Company $17.0 million (the "Sponsor Loan"--terms of which are described further below), and (ii) the Company paid an amendment fee.

The Sponsor Loan ranks senior unsecured and matures on November 20, 2005; the Sponsor Loan accrues interest at a 10% rate per annum due and payable on the maturity date. In connection with the Sponsor Loan, Holdings' controlling stockholder also received a ten-year warrant ($3.9 million estimated fair market value) to purchase 77,500 shares of Holdings' common stock at $0.01 per share.

On October 1, 1998, the interest rate on the Company's $195 million Senior Subordinated Notes increased by 1% (from 10.25% to 11.25%) because the Company was unable to obtain a rating on such notes of at least B- from Standard & Poor's Ratings Service and B3 from Moody's Investors Service, Inc. The Senior Subordinated Notes are rated CCC+ from Standard & Poor's Rating Service and Caa1 from Moody's Investors Service.

Cumulative effect of change in accounting principle

During the first quarter of fiscal 1999, the Company adopted the provisions of Statement of Position 98-5 "Reporting on the Costs of Start-Up Activities" which required the Company to write off unamortized start-up costs of $2.5 million, which amount is net of $1.7 million in income tax benefits.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareholders of Farley Candy Company

In our opinion, the accompanying balance sheet and the related statements of operations and retained earnings and of cash flows present fairly, in all material respects, the financial position of Farley Candy Company at August 30, 1996, and the results of its operations and its cash flows for the 52 weeks then ended, 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 audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Chicago, Illinois
April 22, 1998

FARLEY CANDY COMPANY

BALANCE SHEET

AUGUST 30, 1996

<TABLE>
<CAPTION>

ASSETS

<S>	<C>
Current Assets:	
Cash	$ 1,002,187
Trade receivables, less allowance of $7,812,683	33,199,767
Inventories, less allowance of $831,123	
Finished products	26,819,453
Raw materials and work in process	13,652,389
Prepaid expenses and other current assets	5,942,306
Total current assets	80,616,102
Property, plant, and equipment:	
Land, buildings, and improvements	21,358,484
Machinery and equipment	89,171,871
Total property, plant, and equipment	110,530,355
Less: Accumulated depreciation	(54,559,769)
Property, plant, and equipment	55,970,586
Other assets	1,687,215
Total assets	$138,273,903

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY

<S>	<C>
Current Liabilities:	
Accounts payable	$ 13,702,190
Accrued legal costs	11,050,000
Accrued compensation and employee benefits	7,168,500
Other accrued costs	6,276,292
Current portion of long-term debt	18,671,908
Income taxes payable	402,139
Total current liabilities	57,271,029
Long-term debt, less current portion	57,565,355
Total liabilities	114,836,384
Stockholders' equity	
Common stock, Class A; par value, $50 per share; authorized 2,500 shares; issued, 100 shares	5,000
Common stock, Class B; par value, $1 per share; authorized 100 shares; issued, 2 shares	2
Additional paid-in capital	487,452
Retained earnings	22,945,065
Total stockholders' equity	23,437,519
Total liabilities and stockholders' equity	$138,273,903

</TABLE>

The accompanying notes are an integral part of these statements.

FARLEY CANDY COMPANY

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE 52 WEEKS ENDED AUGUST 30, 1996

<TABLE>

<S>	<C>
Net sales	$283,834,275
Cost of product sales	204,950,289

Gross profit	78,883,986
Operating expenses:	
Selling, marketing and administrative	82,572,255
Operating loss	(3,688,269)
Other expense:	
Interest	6,654,303
Other	108,270
Loss before income taxes	(10,450,842)
State income taxes	484,941
Net loss	(10,935,783)
Retained earnings, beginning of period	35,400,070
Distributions to stockholders	(1,519,222)
Retained earnings, end of period	$ 22,945,065

</TABLE>

The accompanying notes are an integral part of these statements.

FARLEY CANDY COMPANY

STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED AUGUST 30, 1996

<TABLE>
<S> <C>

Operating Activities:	
Net loss	$(10,935,783)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	9,700,885
Changes in net operating assets and liabilities:	
Trade accounts receivable	2,798,472
Inventories	582,574
Prepaid expenses and other assets	2,315,517
Accounts payable	(2,827,520)
Accrued expenses	15,620,170
Income taxes payable	402,139
Net cash flows provided by operating activities	17,656,454
Investing Activities:	
Additions to property, plant, and equipment	(6,115,434)
Financing Activities:	
Payments of long-term debt	(9,760,681)
Distributions to stockholders	(1,519,222)
Net cash flows used in financing activities	(11,279,903)
Net increase in cash	261,117
Cash, beginning of period	741,070
Cash, end of period	$ 1,002,187
Supplemental disclosure of cash flow information:	
Cash paid during the period for interest	$ 6,699,866
Cash paid during the period for taxes	$ 111,426

</TABLE>

The accompanying notes are an integral part of these statements.

FARLEY CANDY COMPANY

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Farley Candy Company (the Company) is a manufacturer of general line confections and snack products. The Company sells primarily to retail grocers, mass merchandisers, club stores, and drug chains. Effective August 30, 1996, the Company was acquired by Favorite Brands International, Inc. (FBI). Credit is extended to customers based on management's evaluations of a customer's financial condition.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Inventories

Inventories are stated at the lower of cost or market using the last in, first out (LIFO) method. If the FIFO method of inventory valuation had been used, inventories would not have differed materially from the amount reported at August 30, 1996.

Property, Plant and Equipment

Property, plant, and equipment is recorded at cost. Depreciation and amortization are computed using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes.

2. ACCOUNTS RECEIVABLE

Revenues from one major customer constituted approximately 15% of total sales for the 52 weeks ended August 30, 1996, and represented approximately 16% of accounts receivable at August 30, 1996.

3. DEBT

The Company's debt structure consisted of the following at August 30, 1996:

<TABLE>

<S>	<C>
Various senior notes due through June 2003 in annual installments, interest payable semiannually at rates ranging from 8.01% to 9.62%	$60,000,000
$15 million revolving credit facility expiring December 1996, interest at prime + 0.5% or LIBOR + 2.25%	6,150,000
Industrial revenue bonds 2019, due May 2019, redeemable at holders' option; initial interest at 3.01%, adjusted weekly and not to exceed 14%; secured by letter of credit	8,500,000
Other	1,587,263
	76,237,263
Less: current portion	18,671,908
Long-term portion of above obligations	$57,565,355

</TABLE>

The senior notes, revolving credit facility, equipment loan and letter of credit are secured by substantially all assets of the Company and a second lien on the Company's stock. Existing agreements place certain restrictions on dividends, require the Company to maintain minimum levels of tangible net worth and working capital, minimum ratios of trade payables to inventory and maximum ratios of liabilities to tangible net worth. The Company was not in compliance with certain financial covenants at August 30, 1996. Substantially all indebtedness was repaid in connection with the Company's acquisition by FBI.

4. COMMITMENTS

The Company leases manufacturing, warehousing and distribution facilities and equipment under various noncancelable operating lease agreements. Total rental expense on operating leases was $1,970,000 for the 52 weeks ended August 30, 1996. Of this amount, $988,440 pertained to facilities leased either from the Company's majority stockholder or from a group of Company officers. Minimum lease payments under noncancelable operating leases at August 30, 1996 are:

1997--$1.9 million; 1998--$1.9 million; 1999--$1.8 million; 2000--$1.7 million; and 2001--$1.7 million; and thereafter--$3.3 million.

5. INCOME TAXES

The stockholders have elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code for state and federal income tax purposes. Pursuant to this election, the net income of the Company is generally reportable on the stockholders' individual state and federal income tax returns.

The provision for income taxes represents various state income taxes.

6. CLASS B COMMON STOCK AND STOCKHOLDER AGREEMENT

A stockholder agreement in effect for the Class B common shares, all of which are held by Company employees, provides for various restrictions on the purchase and sale of these shares.

7. RETIREMENT BENEFITS

The Company has a defined-contribution 401(k) plan which covers substantially all employees. The Company matches employee contributions at 50% up to a maximum of 6% of employee compensation. Total Company contributions for the 52 weeks ended August 30, 1996 were $614,000.

8. CONTINGENCIES

The Company is a defendant in various other legal actions arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a material effect on the financial position of the Company.

In connection with the settlement of certain litigation, the Company recorded approximately $12.2 million of litigation expense during the 52 weeks ended August 30, 1996, which has been included in selling, marketing and administrative expenses.

9. RELATED PARTY TRANSACTIONS

Pursuant to the Credit Agreement, as amended, governing the revolving facility and equipment loan, a line of credit agreement for up to $5,000,000 with the majority stockholder is secured by a first line on the capital stock of the Company and will be considered in determining the amount available under the revolving credit facility.

Trade receivables include a $2,472,000 receivable from the Company's majority stockholder. This receivable was repaid on September 6, 1996.

10. SUBSEQUENT EVENT

The Company was acquired by Favorite Brands International, Inc. effective August 30, 1996.

INDEPENDENT AUDITORS' REPORT

March 16, 1996

To The Board of Directors and Partners of
Sathers Inc. and Related Entities
Round Lake, Minnesota

We have audited the accompanying combined balance sheets of Sathers Inc. and Related Entities as of December 30, 1995, and the related combined statements of income, stockholders' equity and partners' capital and cash flows for the fifty-two weeks then ended. These financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of

material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Sathers Inc. and Related Entities as of December 30, 1995, and the combined results of their operations and their combined cash flows for the fifty-two weeks then ended in conformity with generally accepted accounting principles.

Friedman Eisenstein Raemer and Schwartz, LLP
Chicago, Illinois

SATHERS INC. AND RELATED ENTITIES

COMBINED BALANCE SHEETS

<TABLE>
<CAPTION>

	DECEMBER 30, 1995	JUNE 22, 1996
		(UNAUDITED)
ASSETS		
<S>	<C>	<C>
Current Assets		
Cash	$ 232,413	$ 329,611
Accounts receivable, less allowance for uncollectible accounts of $100,000	8,391,675	12,372,930
Inventories	14,043,254	18,727,823
Prepaid expenses	1,215,339	1,540,209
Total Current Assets	23,882,681	32,970,573
Property, Plant and Equipment		
Land	1,838,134	1,838,134
Buildings and building improvements	18,177,519	18,447,385
Transportation equipment	4,114,237	3,851,367
Other equipment	40,363,581	43,926,582
	64,493,471	68,063,468
Less: Accumulated depreciation	34,268,566	35,763,361
Net Property, Plant and Equipment	30,224,905	32,300,107
Other Assets	1,569,567	1,598,401
	$55,677,153	$66,869,081

<CAPTION>

LIABILITIES, STOCKHOLDERS' EQUITY AND PARTNERS' CAPITAL		
<S>	<C>	<C>
Current Liabilities		
Bank overdrafts	$ 2,169,526	$ 1,904,048
Notes Payable		
Stockholders	--	1,335,000
Bank	965,194	9,259,317
Current maturities of long-term debt	5,005,454	4,464,477
Accounts payable	3,974,415	8,000,327
Accrued expenses and distributions payable	10,471,193	11,113,517
State income taxes payable	48,214	17,739
Total Current Liabilities	22,633,996	36,094,425
Noncurrent Liabilities		
Long-term debt, less current maturities above	15,231,187	13,530,150
Total Liabilities	37,865,183	49,624,575
Stockholders' Equity and Partners' Capital		
Stockholders' equity		
Common Stock	101,000	101,000
Paid-in capital	576,422	576,422
Retained earnings	14,729,703	14,029,327

Partners' capital	2,404,845	2,537,757
Total Stockholders' Equity and Partners' Capital	17,811,970	17,244,506
	$55,677,153	$66,869,081

</TABLE>

The accompanying notes are an integral part of this statement.

SATHERS INC. AND RELATED ENTITIES

COMBINED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	FIFTY-TWO WEEKS ENDED DECEMBER 30, 1995	TWENTY-FIVE WEEKS ENDED JUNE 24, 1995	TWENTY-FIVE WEEKS ENDED JUNE 22, 1996
		(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>
Net Sales	$166,730,263	$76,431,464	$78,660,849
Cost of Sales	138,187,115	63,733,530	65,441,018
Gross Profit	28,543,148	12,697,934	13,219,831
Operating Expenses			
Warehousing	4,794,449	2,242,750	2,319,608
Selling	5,998,589	3,125,552	3,101,319
Administrative and general	9,652,084	4,829,380	4,825,197
Other, net	81,334	102,276	15,025
Total Operating Expenses	20,526,456	10,299,958	10,261,149
Operating Income	8,016,692	2,397,976	2,958,682
Interest Expense	2,435,400	1,067,881	1,027,146
Income before State Income Taxes	5,581,292	1,330,095	1,931,536
State Income Taxes	150,000	36,000	52,000
Net Income	$ 5,431,292	$ 1,294,095	$ 1,879,536

</TABLE>

The accompanying notes are an integral part of this statement.

SATHERS INC. AND RELATED ENTITIES

COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY AND PARTNERS' CAPITAL

<TABLE>
<CAPTION>

	STOCKHOLDER'S EQUITY				TOTAL STOCKHOLDERS'
	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	PARTNERS' CAPITAL	EQUITY AND PARTNERS' CAPITAL
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, January 1, 1995	$101,000	$576,422	$13,119,979	$1,679,195	$15,476,596
ADD (DEDUCT)					
Net income	--	--	4,305,312	1,125,980	5,431,292
Capital withdrawals and S corporation distributions	--	--	(2,695,588)	(400,330)	(3,095,918)
BALANCE, December 30, 1995	101,000	576,422	14,729,703	2,404,845	17,811,970
ADD (DEDUCT)					
Net income (unaudited)	--	--	1,183,282	696,254	1,879,536

Capital withdrawals and S corporation distributions (unaudited).....	--	--	(1,883,658)	(563,342)	(2,447,000)
BALANCE, June 22, 1996 (unaudited).....	$101,000	$576,422	$14,029,327	$2,537,757	$17,244,506

</TABLE>

The accompanying notes are an integral part of this statement.

SATHERS INC. AND RELATED ENTITIES

COMBINED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	FIFTY-TWO WEEKS ENDED DECEMBER 30, 1995	TWENTY-FIVE WEEKS ENDED JUNE 24, 1995	TWENTY-FIVE WEEKS ENDED JUNE 22, 1996
		(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>
Cash Flows from Operating Activities			
Net Income.....	$ 5,431,292	$ 1,294,095	$ 1,879,536
Adjustments to reconcile net income to net cash provided by (used for) operating activities			
Depreciation and amortization.....	5,649,065	2,601,265	2,366,134
Gain on disposition of property, plant and equipment.....	(136,924)	(18,736)	(9,244)
Net (increase) decrease in assets			
Accounts receivable.....	1,478,700	(2,006,418)	(3,981,255)
Inventories.....	(262,231)	(8,362,127)	(4,684,569)
Prepaid expenses.....	(509,454)	(784,115)	(324,870)
Net increase (decrease) in liabilities			
Accounts payable.....	(917,325)	4,688,637	4,025,912
Accrued expenses, other than distributions payable.....	880,567	1,051,159	959,730
State income taxes payable.....	(26,739)	(86,521)	(30,475)
Net Cash Provided by (Used for) Operating Activities....	11,586,951	(1,622,761)	200,899
Cash Flows from Investing Activities			
Additions to property, plant and equipment.....	(4,977,904)	(3,095,152)	(4,330,306)
Proceeds from sale of property, plant and equipment.....	471,923	31,793	8,975
Payment for stockholder life insurance policy premiums.....	(213,170)	(140,024)	(139,595)
Additions to intangibles.....	(120,951)	(47,917)	--
Net Cash Used for Investing Activities.....	(4,840,102)	(3,251,300)	(4,460,926)
Cash Flows from Financing Activities			
Net payments of bank overdrafts.....	(443,723)	(1,138,159)	(265,478)
Net borrowings under (payments of) line of credit agreement.....	(2,318,973)	5,547,012	8,294,123
Net borrowings under notes payable..	--	1,125,000	1,335,000
Proceeds from issuance of long-term debt.....	4,226,000	4,226,000	--
Principal payments on long-term debt.....	(4,775,897)	(1,875,095)	(2,242,014)
Partners' capital withdrawals.....	(400,330)	(350,330)	(563,342)
S corporation distributions.....	(3,025,817)	(2,506,740)	(2,201,064)
Deferred loan costs.....	(7,673)	(7,673)	--
Net Cash (Used for) Provided by Financing Activities.....	(6,746,413)	5,020,015	4,357,225
Net Increase in Cash.....	436	145,954	97,198

Cash			
Beginning of period.....	231,977	231,977	232,413
End of period.....	$ 232,413	$ 377,931	$ 329,611
Supplemental disclosures of cash flow information			
Cash paid during the year for			
Interest.....	$ 2,423,763	$ 934,913	$ 932,364
State income taxes, net of refunds.....	176,739	122,521	82,474
Supplemental Disclosure of Noncash Investing and Financing Activities			
The Company declared dividends (distributions) of which $344,324 were unpaid at December 30, 1995			

</TABLE>

The accompanying notes are an integral part of this statement.

SATHERS INC. AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Principles of Combination

The unaudited combined financial statements for the twenty-five weeks ended June 24, 1995 and June 22, 1996 have been prepared pursuant to the rules and regulations of the SEC. In the opinion of management, all adjustments necessary for a fair presentation for the periods presented have been reflected and are of a normal recurring nature.

The unaudited results of operations for the twenty-five weeks ended June 24, 1995 and June 22, 1996 are not necessarily indicative of the results that may be achieved for the entire fifty-two weeks ended December 30, 1995 and December 28, 1996, respectively. The Companies experience fluctuations in sales based on seasonal demands for their food products. These variations affect interim financial results as compared to the entire fiscal year.

The accompanying combined financial statements include:

<TABLE>
<CAPTION>

NAME	TYPE OF ENTITY	PRINCIPAL BUSINESS ACTIVITY
<S>	<C>	<C>
Sathers Inc.	A Delaware Corporation	Manufactures, packages and distributes food products at wholesale. Sales are nationwide and are primarily made on credit. Approximately 11% of sales and 12% of accounts receivable are represented by one customer in 1995.
Sather Trucking Corporation	An Iowa Corporation	Provides trucking service to Sathers Inc. and other non-related companies.
Sather Realty Company	A Minnesota Partnership	Owns and leases land, buildings and equipment to Sathers Inc. and Sather Trucking Corporation.

</TABLE>

<TABLE>
<CAPTION>

	AMOUNT
<S>	<C>
Sathers Inc.	
Class A voting, $1 par value, 1,000 shares authorized, 500 shares issued and outstanding.....	$ 500
Class B nonvoting, $1 par value, 100,000 shares authorized, issued and outstanding.....	100,000
Sather Trucking Corporation	
$1 par value, 10,000 shares authorized, 500 shares issued and outstanding.....	500
Total.....	$101,000

</TABLE>

The above entities, referred to collectively as the Companies are under the

common ownership and management of the Sather Family; however, the interests of the individual partners and stockholders may vary among the above entities. All significant intercompany transactions and balances have been eliminated from the combined financial statements. The Companies maintain a 52-53 week fiscal year ending on the Saturday nearest to December 31.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts

of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventories

Inventories are valued using the last-in, first-out (LIFO) method of determining inventory costs. Inventories are not priced in excess of market. (See Note 3.)

Other Assets

A noncompete agreement, purchased at a cost of $800,000, is being amortized by use of the straight-line method over a period of five years. The balance, net of amortization, was $144,889 and $72,444 at December 30, 1995 and June 22, 1996 (unaudited), respectively.

In addition, other assets include premium advances collateralized by cash surrender values of life insurance (see Note 8) and certain deferred costs.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation charges are computed based on estimated useful lives using the straight-line method for financial reporting purposes. The useful lives of the principal asset categories are shown below:

<TABLE>
<CAPTION>

DESCRIPTION	YEARS
<S>	<C>
Buildings and building improvements	10-40
Transportation equipment	3-7
Other equipment	3-10

</TABLE>

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property, plant and equipment are included in income.

Income Taxes

The Corporations have elected to be taxed under the Subchapter S provisions of the Internal Revenue Code. As a result of the election, income taxes on the net earnings of the Corporations are payable personally by the stockholders and no provision is made for Federal income taxes in the accompanying financial statements. The income tax provisions consist of State income taxes.

No provision for Federal and State income taxes has been made for the Partnership's results of operations in the accompanying financial statements since such tax liability or benefit accrues to the partners as individuals.

The Companies file separate Federal income tax returns.

2. SALE OF ASSETS (UNAUDITED)

On August 15, 1996, Sathers Inc. and Sather Trucking Corporation adopted a plan of complete liquidation and dissolution. On August 31, 1996, Sathers Inc. and Related Entities sold substantially all their assets, net of liabilities excluding bank indebtedness. Subsequently, the bank indebtedness was paid in full.

Subsequent to the sale, the buyer of the assets will not be an S corporation. Sathers Inc. and Sather Trucking Corporation changed their corporate names to DJLR, Inc. and DJLR Trucking Corporation, respectively, in conjunction with the sale of assets.

3. INVENTORIES

The inventories consist of the following:

<TABLE>
<CAPTION>

	DECEMBER 30, 1995	JUNE 22, 1996
		(UNAUDITED)
<S>	<C>	<C>
Raw materials	$10,570,006	$13,415,409
Work in process	318,958	410,641
Finished goods	5,868,700	7,712,183
Total at first-in, first-out (FIFO) cost method	16,757,664	21,538,233
Less: Amount to reduce inventories to last-in, first-out (LIFO) cost method	2,714,410	2,810,410
Total LIFO Cost	$14,043,254	$18,727,823

</TABLE>

The amount to reduce inventories to the last-in, first-out (LIFO) cost method increased by $258,730 for the year ended December 30, 1995.

4. BANK OVERDRAFTS AND NOTES PAYABLE

Notes payable at December 30, 1995 and June 22, 1996 (unaudited) were $965,194 and $10,594,317, respectively. These notes bear interest at the bank's prime rate of 8.5% and 8.25% at December 30, 1995 and June 22, 1996 (unaudited), respectively. Included in the notes payable at June 22, 1996 (unaudited) were $1,335,000 of notes payable to stockholders.

The notes payable to the bank represent borrowings under a $20,000,000 line of credit (see Note 10) of which a maximum of $6,000,000 is available for standby letters of credit. At December 30, 1995, letters of credit outstanding were $3,750,000, and the amount available under the line of credit was $15,284,806. At June 22, 1996 (unaudited), letters of credit outstanding were $2,565,414, and the amount available under the line of credit was $8,175,270. Under the terms of the line of credit, the maximum amount that may be borrowed at any time is restricted to a level equal to 85% of current accounts receivable plus 60% of eligible inventories. The notes are guaranteed by certain of the stockholders/partners of the Companies, and collateralized by accounts receivable and inventories.

The Companies have arrangements with their principal bank whereby the bank notifies the Companies whenever checks clearing exceed collected balances on hand. The Companies cover the bank overdraft with a transfer of funds from their lending bank, through advances under their line of credit.

5. LONG-TERM DEBT

Long-term debt at December 30, 1995 and June 22, 1996 (unaudited) consists of the following:

<TABLE>
<CAPTION>

	DECEMBER 30, 1995	JUNE 22, 1996
		(UNAUDITED)
<S>	<C>	<C>

Industrial Development Revenue Refunding Bonds City of Chattanooga, Tennessee. Payable in annual installments ranging from $350,000 to $400,000 of principal plus monthly payments of interest at a variable rate based on the prevailing bond market rate, final payment due October, 1999; collateralized by a letter of credit	$1,500,000	$1,500,000
10.375% mortgage note payable, due in monthly installments of $40,271 including interest, final payment due August, 1997; collateralized by certain land and buildings and the assignment of future rents	736,714	528,859
9.89% note payable, due in monthly installments of $16,131 including interest, final payment due December, 1996; collateralized by certain equipment	183,587	94,053
6.5% note payable, due in monthly installments of $8,805 including interest, final payment due March, 1996; collateralized by certain equipment	26,138	--
Note payable, due in monthly installments of $20,233 including interest at 2% over the specified certificate of deposit rate, final payment due March, 1996; collateralized by certain equipment	59,939	--
8.65% note payable, due in monthly installments of $41,178 including interest, final payment due October, 1996; collateralized by certain equipment	395,913	201,510
Noninterest-bearing covenant not to compete payable in monthly installments of $16,667 through November, 1996	183,333	83,333
10.41% mortgage note payable, due in monthly installments of $54,991 including interest, final payment due August, 2006; collateralized by a first mortgage on certain real estate	4,222,571	4,129,162
5% mortgage note payable, due in monthly installments of $15,816 including interest, final payment due August, 2006; collateralized by a second mortgage on certain real estate	1,557,254	1,510,227
8.55% note payable, due in monthly installments of $12,336 including interest, final payment due July, 1996; collateralized by certain equipment	83,314	11,596
Totals Carried Forward	$8,948,763	$8,058,740

</TABLE>

SATHERS INC. AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

<TABLE>
<CAPTION>

	DECEMBER 30, 1995	JUNE 22, 1996
		(UNAUDITED)
<S>	<C>	<C>
Totals Brought Forward	$ 8,948,763	$ 8,058,740
8.35% note payable, due in monthly installments of $81,777 including interest, final payment due May, 1997; collateralized by certain equipment	1,306,859	863,100
9.625% mortgage note payable, due in monthly installments of $18,143 including interest, final payment due August, 2007; collateralized by a first mortgage on certain real estate	1,522,808	1,486,513
6.50% note payable, due in monthly installments of $5,510 including interest, final payment due February, 1997; collateralized by certain equipment	74,099	48,280
7.60% note payable, due in monthly installments of $5,797 including interest, final payment due February, 1997; collateralized by certain equipment	77,249	50,166
9.75% note payable, due in monthly installments of $2,539 including interest, final payment due February, 1997; collateralized by certain equipment	33,394	21,846
6.10% note payable, due in monthly installments of $48,448 including interest, final payment due		

November, 1998; collateralized by certain equipment	1,549,812	1,344,888
Note payable, due in monthly installments of $56,258 including interest at 1.8% over the 30-day LIBOR rate, final payment due July, 1999; collateralized by certain equipment	2,055,648	1,835,836
Note payable, due with monthly principal payments ranging from $59,000 to $85,000 plus interest at the better of LIBOR plus 1.75% or commercial high grade plus 1.75%; final payment due May, 2000; collateralized by certain equipment	3,791,782	3,426,446
9.50% mortgage note payable, due in monthly installments of $9,398 including interest, final payment due January, 2010; collateralized by a first mortgage on certain real estate	873,983	858,812
Other	2,244	--
	20,236,641	17,994,627
Less: Amounts Due Within One Year	5,005,454	4,464,477
Amounts Due Subsequent to One Year	$15,231,187	$13,530,150

Maturities of long-term debt for years subsequent to December 30, 1995 are as follows:

FISCAL YEAR	AMOUNT
1997	$ 3,521,164
1998	2,953,058
1999	2,234,351
2000	1,061,660
2001 and thereafter	5,460,954
	$15,231,187

Maturities of long-term debt for years subsequent to June 22, 1997 (unaudited) are as follows:

YEAR ENDING JUNE,	AMOUNT
	(UNAUDITED)
1998	$ 2,948,118
1999	2,799,235
2000	1,936,999
2001	670,178
2002 and thereafter	5,175,620
	$13,530,150

During 1989, Sather Realty Company refinanced its Industrial Development Revenue Bonds through the issuance of Revenue Refunding Bonds by the City of Chattanooga, Tennessee. As required by the refinancing, the Company maintains a letter of credit of approximately $1,535,000 at December 30, 1995. This letter of credit is collateralized by the land and building acquired with the original bond proceeds.

Certain notes contain covenants which require specific financial performance standards and are personally guaranteed by the owners of the Companies.

6. QUALIFIED PROFIT SHARING PLAN

The Companies have a qualified profit sharing and 401(k) plan covering all eligible employees, as defined, with a specified period of service. The

contribution is discretionary with the Board of Directors and the plan may be amended or terminated at any time. Contributions for the year ended December 30, 1995 and the twenty-five weeks ended June 24, 1995 (unaudited) and June 22, 1996 (unaudited) were $1,700,000, $850,000 and $900,000, respectively. The Companies have a matching contribution feature as part of their plan and made matching contributions for the year ended December 30, 1995 and the twenty-five weeks ended June 24, 1995 (unaudited) and June 22, 1996 (unaudited) of approximately $260,000, $126,000 and $147,000, respectively.

7. COMMITMENTS

The Companies have employment and wage agreements at December 30, 1995 and June 22, 1996 (unaudited) with eight key employees requiring the payment of salaries of approximately $1,165,000 annually, plus a bonus agreement with one employee providing for an annual bonus based on the profitability of the Companies. The Companies have agreements with the stockholders to make annual S corporation dividend distributions of a base amount of $9.96 per share to each of the stockholders, plus 48% of excess taxable income over the base dividend distribution. The Companies declared dividends of $344,324 which were unpaid at December 30, 1995.

At December 30, 1995 and June 22, 1996 (unaudited), the Companies have leased one hundred tractors and thirty trailers, having an approximate original cost to the owner-operators of approximately $6,600,000. All owner-operator leases remain in effect until canceled by either party.

8. LIFE INSURANCE

The Companies make payments on life insurance policies owned by life insurance trusts set up by the stockholders, with a total face value of approximately $24,000,000. The policies insure the lives of the Companies' stockholders and partners. Premiums for these policies were recorded as a receivable from the trusts of $1,071,404 and $1,210,999 at December 30, 1995 and June 22, 1996 (unaudited), respectively. The Companies hold a collateral assignment on the life insurance policies.

9. LEASE AGREEMENTS

The Companies lease transportation and other equipment under the terms of leases expiring through 2002. The leases provide that the Companies are responsible for taxes, insurance and maintenance.

Minimum rental commitments under the noncancelable operating leases at December 30, 1995 are as follows:

<TABLE>
<CAPTION>

FISCAL YEAR	MINIMUM RENTAL PAYMENTS
<S>	<C>
1996.....	$1,736,148
1997.....	1,713,196
1998.....	1,469,653
1999.....	890,198
2000.....	403,640
2001 and thereafter.....	310,329
	$6,523,164

</TABLE>

Minimum rental commitments under the noncancelable operating leases at June 22, 1996 (unaudited) are as follows:

<TABLE>
<CAPTION>

FISCAL YEAR	MINIMUM RENTAL PAYMENTS
	(UNAUDITED)
<S>	<C>
1997.....	$2,254,743
1998.....	2,202,909
1999.....	1,651,124

2000.....	1,148,766
2001.....	727,223
2002 and thereafter.....	667,931
	$8,652,696

</TABLE>

Rent expense for operating leases was approximately $1,820,000, $864,000 and $1,095,000 for the year ended December 30, 1995 and the twenty-five weeks ended June 24, 1995 (unaudited) and June 22, 1996 (unaudited), respectively.

10. STOCK RESTRICTIONS

Under the covenants of the Companies' line of credit agreement, the Companies may not declare or pay dividend distributions (except as indicated in Note 7), purchase, redeem or retire any shares of stock or issue additional shares of stock without prior notification and consent of the bank.

In addition, under the terms of a buy/sell agreement between the Companies and their stockholders, under certain circumstances, the Companies have the option to repurchase shares from the estate of a deceased stockholder and have the right of first refusal on any stock being presented for sale.

11. CONCENTRATIONS OF RISK

The Companies maintain cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $100,000.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kidd & Company, Inc.
Ligonier, Indiana

We have audited the accompanying balance sheet of Kidd & Company, Inc. as of December 31, 1995, and the related statements of income, retained earnings, and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kidd & Company, Inc. as of December 31, 1995, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

McGladrey & Pullen, LLP

Goshen, Indiana
January 25, 1996

KIDD & COMPANY, INC.

BALANCE SHEET

DECEMBER 31, 1995

<TABLE>
<CAPTION>

ASSETS

<S>	<C>
Current Assets:	
Cash	$ 18,515
Receivables	2,731,383
Inventories	1,921,391
Prepaid expenses	26,750
Deferred tax assets	135,000
Total current assets	4,833,039
Leasehold improvements and equipment, at depreciated cost	5,416,415
Other assets	439,778
	$10,689,232

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY

<S>	<C>
Current Liabilities:	
Note payable, bank	$ 2,485,218
Current maturities of long-term debt	1,343,494
Accounts payable	2,824,593
Accrued expenses	840,465
Total current liabilities	7,493,770
Long-term debt, less current maturities	328,346
Deferred tax liabilities	419,000
Commitments and contingencies	
Stockholders' equity	
Common stock	45,478
Additional paid-in capital	348,077
Retained earnings	2,054,561
	2,448,116
	$10,689,232

</TABLE>

See Notes to Financial Statements.

KIDD & COMPANY, INC.

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1995

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1995
<S>	<C>
Net sales	$32,506,108
Cost of goods sold	24,233,058
Gross profit	8,273,050
Operating expenses:	
Delivery, net	3,749,338
Selling, general, and administrative	3,397,608
Contribution to employee benefit trust	68,803
	7,215,749
Operating income	1,057,301
Interest expense	431,395
Income before income taxes	625,906
Federal and state income taxes	149,000

Net income	$ 476,906

</TABLE>

See Notes to Financial Statements.

KIDD & COMPANY, INC.

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1995

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1995
<S>	<C>
Balance, beginning of period	$1,577,655
Net income	476,906
Balance, end of period	$2,054,561

</TABLE>

See Notes to Financial Statements.

KIDD & COMPANY, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1995

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1995
<S>	<C>
Cash Flows from Operating Activities:	
Net income	$ 476,906
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	499,893
Amortization	109,101
Loss on sale of equipment	1,388
Deferred income taxes	39,000
Changes in assets and liabilities:	
Decrease (increase) in:	
Trade receivables	(876,473)
Income tax refund claim	(98,386)
Inventories	(237,486)
Prepaid expenses	24,202
Increase (decrease) in:	
Accounts payable	521,589
Accrued expenses	193,567
Net cash provided by operating activities	653,301
Cash Flows from Investing Activities:	
Purchase of leasehold improvements and equipment	(1,365,379)
Increase in package design costs	(104,054)
Increase in cash value of life insurance	(52,421)
Increase in deposits	(1,095)
Net cash used in investing activities	(1,522,949)
Cash Flows from Financing Activities:	
Net borrowings on revolving credit agreement	1,253,348

Proceeds from life insurance policy loans	162,170
Principal payments on long-term borrowings	(532,643)
Net cash provided by financing activities	882,875
Increase in cash	13,227
Cash, beginning of period	5,288
Cash, end of period	$ 18,515

</TABLE>

See Notes to Financial Statements.

KIDD & COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS, USE OF ESTIMATES, AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS:

The Company is a manufacturer of marshmallows and marshmallow cream products, with facilities in Ligonier, Indiana and Henderson, Nevada. The Company sells its products primarily to customers throughout the United States and Canada, generally on terms of 30 days.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

SIGNIFICANT ACCOUNTING POLICIES:

Cash

The Company has cash on deposit in a financial institution which, at times, may be in excess of FDIC limits.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

The Company purchases its raw materials, principally corn syrup, gelatin, sugar, and coconut, under purchase agreements entered into at the beginning of the calendar year. These agreements require minimum purchase quantities at a predetermined price.

Leasehold Improvements and Equipment

Depreciation of leasehold improvements and equipment is computed principally by the straight-line method over the following estimated useful lives:

<TABLE>
<CAPTION>

	YEARS
<S>	<C>
Leasehold improvements	12-20
Machinery and equipment	12
Automobiles and trucks	5-7
Office equipment	5-12

</TABLE>

KIDD & COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

Amortization

Amortization of package design costs is computed by the straight-line method over a 60-month period.

NOTE 2. RECEIVABLES

Receivables in the accompanying balance sheet at December 31, 1995 consist of the following:

<TABLE>
<CAPTION>

	1995
<S>	<C>
Trade, less allowance for doubtful accounts of $50,000.....	$2,596,714
Income tax refund claim.....	134,669
	$2,731,383

</TABLE>

NOTE 3. INVENTORIES

The composition of inventories at December 31, 1995 is as follows:

<TABLE>
<CAPTION>

	1995
<S>	<C>
Raw materials.....	$ 261,992
Finished goods.....	480,132
Packaging supplies.....	1,099,414
Purchased for resale.....	79,853
	$1,921,391

</TABLE>

NOTE 4. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

The cost of leasehold improvements and equipment and the related accumulated depreciation at December 31, 1995 is as follows:

<TABLE>
<CAPTION>

	1995
<S>	<C>
Leasehold improvements.....	$2,045,514
Machinery and equipment.....	6,620,243
Automobiles and trucks.....	123,195
Office equipment.....	266,973
	9,055,925
Less accumulated depreciation.....	3,639,510
	$5,416,415

</TABLE>

NOTE 5. OTHER ASSETS

Other assets at December 31, 1995 consist of the following:

<TABLE>
<CAPTION>

	1995
<S>	<C>
Cash value of life insurance, less policy loans of $391,351....	$ 74,920
Package design costs, at amortized cost.....	313,663
Deposits.....	51,195
	$439,778

</TABLE>

NOTE 6. PLEDGED ASSETS, NOTE PAYABLE, AND LONG-TERM DEBT

The Company has a loan agreement with a bank which permits it to borrow a maximum of $3,000,000, of which $2,485,218 was outstanding at December 31, 1995. Borrowings under the agreement are due on demand, bear interest at prime (8.5% at December 31, 1995) plus 1.25%, are collateralized by accounts receivable, inventories, and equipment, and are personally guaranteed by a stockholder and spouse. This agreement contains certain restrictive covenants which were complied with at December 31, 1995. Long-term debt and related collateral at December 31, 1995 consist of the following:

<TABLE>
<CAPTION>

	1995
<S>	<C>
Note payable, bank, due in monthly installments of $17,718 plus interest at prime (8.5% at December 31, 1995) plus 1.125%, guaranteed by an officer-stockholder, his wife, and a related partnership, collateralized by accounts receivable, inventories, and machinery and equipment, final payment due July 1996.....	$1,252,256
Note payable, bank, due in monthly installments of $10,947 including interest at 10.6%, collateralized by inventories and equipment, final payment due November 1999.....	419,584
	1,671,840
Less current maturities.....	1,343,494
	$ 328,346

</TABLE>

Aggregate maturities of long-term debt for the years ending December 31, 1997 through 1999 are as follows: 1997 $101,393; 1998 $112,679; and 1999 $114,274.

Based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities, the fair value of the debt instruments approximates their carrying value as of December 31, 1995. In addition, the Company believes it will be able to refinance its obligations that will become due in 1996.

NOTE 7. ACCRUED EXPENSES

Accrued expenses at December 31, 1995 consist of the following:

<TABLE>
<CAPTION>

	1995
<S>	<C>
Salaries and wages.....	$187,984
Payroll taxes.....	38,343
Property taxes.....	87,363
Brokerage fees.....	193,904
Group insurance.....	72,000
Truck expense.....	68,000
Other.....	192,871
	$840,465

</TABLE>

NOTE 8. COMMON STOCK

At December 31, 1995, there were 200,000 shares of no par value common stock authorized with a stated value of $1 per share, of which 45,478 shares were issued.

NOTE 9. EMPLOYEE STOCK OWNERSHIP PLAN

In 1982, the Company established an Employee Stock Ownership Plan to provide additional retirement benefits to substantially all employees. During the year ended December 31, 1990, it obtained a bank loan which has been repaid as of

December 31, 1995, the proceeds of which were used to purchase 488 shares of issued and outstanding common stock from two stockholders. The note was collateralized by the stock which had not been allocated to individual participant accounts. The Company committed to make cash payments to the plan in annual amounts sufficient for it to meet the debt service requirements. Accordingly, the debt was recorded with a corresponding deduction from stockholders' equity. The debt and the deduction from stockholders' equity were reduced as the plan made principal payments to the bank; the final $26,339 payment under this agreement was made during the year ended December 31, 1995. In the event a plan participant desires to sell his or her shares of the Company's stock, the Company may be required to purchase the shares from the participant at their fair market value or make cash contributions to the ESOP to enable the ESOP to purchase the shares. At December 31, 1995, approximately 12,500 shares of the Company's stock were held by the plan participants with a fair market value of approximately $67.00 per share.

NOTE 10. INCOME TAXES

Deferred taxes are provided on a liability method whereby deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The composition of the deferred tax assets and liabilities at December 31, 1995 is as follows:

<TABLE>
<CAPTION>

	1995
<S>	<C>
Gross deferred tax liabilities, depreciation	$(696,000)
Gross deferred tax assets:	
Bad debt allowance	19,000
Operating loss carryforwards	93,000
Alternative minimum tax credit	277,000
Other	23,000
	412,000
Net deferred tax (liabilities)	$(284,000)
Reflected in the accompanying balance sheet as follows:	
Current assets	$ 135,000
Long-term liabilities	(419,000)
	$(284,000)

</TABLE>

During the year ended December 31, 1994, the Company recorded a valuation allowance of $110,000 against the deferred tax assets to reduce the total to an amount that management believed would ultimately be realized. Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carryforwards are expected to be available to reduce taxable income. The elimination of this allowance during the year ended December 31, 1995 reflected management's belief that the assets were fully realizable.

Operating loss carryforwards for tax purposes totaling approximately $225,000 as of December 31, 1995 expire in 2009.

The alternative minimum tax (AMT) credit carryforward may be carried forward indefinitely to reduce future regular federal income taxes payable.

The provision for federal and state income taxes for the year ended December 31, 1995 is as follows:

<TABLE>

<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31, 1995
<S>	<C>
Federal:	
Current	$ 99,000
Deferred	26,000
	125,000
State:	
Current	11,000
Deferred	13,000
	24,000
	$ 149,000
Current tax expense	$ 110,000
Change in valuation allowance	(110,000)
Deferred tax expense	149,000
	$ 149,000

</TABLE>

NOTE 11. LEASE COMMITMENTS AND TOTAL RENTAL EXPENSE

The Company leases its Ligonier facilities from related parties under noncancellable agreements. The agreements expire at various dates through May 2015 and require minimum annual rentals of $279,600, plus the payment of property taxes and insurance on the property. The total minimum rental commitment under the agreements at December 31, 1995 is $3,946,000.

The Company leases its Nevada facilities from a related party under noncancellable agreements. The agreements expire at various dates through February 2009 and require minimum annual rentals totaling $356,400, plus the payment of property taxes and insurance on the property. The total minimum rental commitment under the agreements is $3,874,200 at December 31, 1995.

The Company also leases delivery equipment under noncancellable agreements which expire at various dates through April 2005. The agreements require monthly rentals totaling $87,150. The total minimum rental commitment at December 31, 1995 under these agreements is $4,859,982. Included in the rental expense for these leases for the year ended December 31, 1995 is approximately $220,000 in additional rent based on a vehicle mileage charge. Included in these agreements is delivery equipment under noncancellable agreements with two stockholders and an employee which expire at various dates through December 1999. These agreements require monthly rentals of $8,190.

The total minimum rental commitment at December 31, 1995 under the lease agreements in the preceding paragraphs is $12,680,182 which is due as follows:

<TABLE>
<CAPTION>

	RELATED PARTIES	OTHER	TOTAL
<S>	<C>	<C>	<C>
During the year ending December 31,			
1996	$ 748,960	$ 910,856	$ 1,659,816
1997	745,840	910,856	1,656,696
1998	717,280	857,384	1,574,664
1999	676,480	839,560	1,516,040
2000	549,600	642,957	1,192,557
Thereafter	4,741,000	339,409	5,080,409
	$8,179,160	$4,501,022	$12,680,182

</TABLE>

The total rent expense included in the income statement for the year ended

December 31, 1995 is as follows:

	FOR THE YEAR ENDED DECEMBER 31, 1995
Ligonier facilities, related parties	$ 263,600
Henderson facilities, related party	356,400
Delivery equipment, including $143,000 paid to related parties	1,327,699
Miscellaneous rent paid on a month-to-month basis	6,987
	$ 1,954,686

NOTE 12. EMPLOYEE HEALTH PLAN

The Company has a self-insured health plan for its employees for up to $50,000 per participant and approximately $700,000 in aggregate. The excess loss portion of the employees' coverage has been reinsured with a commercial carrier. The total amount of claims paid for the year ended December 31, 1995 was approximately $400,000. The total amount of premiums paid for excess loss coverage for the year ended December 31, 1995 was approximately $143,000.

NOTE 13. CASH FLOWS INFORMATION

Supplemental information relative to the statements of cash flows for the year ended December 31, 1995 is as follows:

	FOR THE YEAR ENDED DECEMBER 31, 1995
Supplemental disclosures of cash flows information:	
Cash payments for:	
Interest	$431,395
Income taxes	$208,368

NOTE 14. SUBSEQUENT EVENT (UNAUDITED)

On June 16,1996, the controlling shareholder of Favorite Brands International, Inc., acquired all of the common stock of the Company and repaid the notes payable to the bank.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Dae Julie, Inc.
Des Plaines, Illinois 60018

We have audited the accompanying balance sheet of Dae Julie, Inc. (an Illinois S Corporation) as of December 31, 1996 and the related statements of income and cash flows for the year then ended. 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 audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dae Julie, Inc., as of December 31, 1996 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

On January 27, 1997, the Company sold substantially all of their assets. The results of this transaction are summarized in Note 6.

Respectfully submitted,

Wolf, Grieco & Co.

Chicago, Illinois
April 11, 1997

DAE JULIE, INC.

BALANCE SHEET

DECEMBER 31, 1996

<TABLE>
<CAPTION>

ASSETS	DECEMBER 31, 1996
<S>	<C>
Current Assets	
Cash	$ --
Accounts Receivable--Trade (Net of Allowance of $163,396)	2,469,319
Accounts and Note Receivable--Other	149,317
Inventory	6,139,743
Prepaid Expenses	179,382
Total Current Assets	$ 8,937,761
Fixed Assets	
Property, Plant, and Equipment at Cost (Net of Accumulated Depreciation)	13,612,306
Other Assets	
Cash Surrender Value, Life Insurance	182,757
Unamortized Loan Acquisition Costs	23,619
	206,376
Total Assets	$22,756,443

<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY	
<S>	<C>
Current Liabilities	
Accounts Payable	$ 1,747,373
Cash Overdrafts	95,802
Note Payable--Bank	2,591,000
Current Portion of Long-Term Debt	2,665,239
Accrued Expenses	500,876
Total Current Liabilities	$ 7,600,290
Long-Term Liabilities	
Long-Term Debt	$10,655,930
Accrued Rent--Maintenance Reserve	213,808
Total Long-Term Liabilities	10,869,738
Shareholders' Equity	
Common Stock, No Par Value, 1,000 Shares Authorized, Issued and Outstanding	51,000
Retained Earnings	4,235,415
Total Shareholders' Equity	$ 4,286,415
Total Liabilities and Shareholders' Equity	$22,756,443

</TABLE>

See Accompanying Notes and Independent Auditors' Report.

DAE JULIE, INC.

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1996

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31, 1996
<S>	<C>
Sales (Net)	$33,621,596
Cost of Goods Sold	27,903,676
Gross Profit from Operations	$ 5,717,920
Selling Expenses	$ 2,490,513
Administrative Expenses	2,488,101
	4,978,614
Income Before Other Income/(Expenses)	$ 739,306
Net Other Income (Expenses)	(618,679)
Net Income Before Provision for Taxes	$ 120,627
Provision for Taxes	--
Net Income	$ 120,627
Retained Earnings--Beginning	4,309,769
Dividend Distributions	194,981
Retained Earnings--Ending	$ 4,235,415

</TABLE>

See Accompanying Notes and Independent Auditors' Report.

DAE JULIE, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1996

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31, 1996
<S>	<C>
Cash Flows from Operating Activities:	
Net Income	$ 120,627
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and Amortization	$ 1,448,768
Increase in Life Insurance Cash Value	(12,875)
Provision for losses on Accounts Receivable	
Changes in operating assets and liabilities:	
Increase in receivables	(249,066)
Increase in inventory	(1,533,722)
Decrease in prepaid expenses	125,052
Increase in accounts payable	537,533
Decrease in cash overdraft	(407,941)
Decrease in accrued expenses	(17,747)
Total Adjustments	(109,998)
Net Cash Provided by Operating Activities	$ 10,629
Cash Flows from Investing Activities:	

Purchases of fixed assets	(7,426,197)
Net Cash Used in Investing Activities	(7,426,197)
Cash Flows from Financing Activities:	
Proceeds from bank loans	$10,563,476
Principal payments on bank loans	(2,828,289)
Principal payments on related party debt	(200,000)
Unpaid interest expense	50,124
Dividend distributions to shareholders	(194,981)
Net Cash Provided from Financing Activities	7,390,330
Net Decrease in Cash	$ (25,238)
Cash--Beginning	25,238
Cash--Ending	$ -0-
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	$ 838,049
Income Taxes	3,334

</TABLE>

See Accompanying Notes and Independent Auditors' Report.

DAE JULIE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1996

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

The Company's operations solely involve the production and sale of candy to other manufacturers, wholesalers, distributors, and retailers.

Inventory

Inventory is valued at lower of cost or market. Cost which includes labor, material and factory overhead is determined on the first-in, first-out ("FIFO") basis: Inventory on hand at December 31, 1996 contained dated, stale, and unusable finished goods and packaging material. Accordingly, at December 31, 1996, inventory of goods and packaging materials has been written down to its estimated net realized value, and results of operations for 1996 include a corresponding charge of $200,000.

The components of ending inventory are comprised of the following as of December 31, 1996:

<TABLE>
<CAPTION>

<S>	<C>
Finished Goods	$3,919,123
Work in Process	47,215
Raw Materials and Supplies	2,173,405
	$6,139,743

</TABLE>

Property, Plant and Equipment

The Company's policy is to depreciate plant and equipment over the estimated useful lives of the assets as indicated in the following tabulation by use of straight line and accelerated methods.

<TABLE>
<CAPTION>

<S>	YEARS <C>
Leasehold Improvements	31.5-39
Office Equipment	5-7
Machinery and Equipment	10

</TABLE>

The components of property, plant and equipment are as follows as of December 31, 1996:

Machinery and Equipment	$19,050,133
Office Equipment	489,218
Leasehold Improvements	269,346
	$19,808,697
Accumulated Depreciation	6,196,391
	13,612,306
Production Facilities Currently Under Construction	--
	$13,612,306

Concentration of Credit Risk

The Company maintains substantially all of its cash balances at Firstar Bank in Milwaukee, Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation up to $100,000. At December 31, 1996, the Company's uninsured cash balances totaled $186,948.

Business Combination

On December 21, 1995, the Company and Candyland Candies, Inc. agreed in principle to an Agreement and Plan of Merger, with the surviving corporation being Dae Julie, Inc. The effective date of the merger was January 1, 1996. The merger was accounted for as a pooling of interests and, accordingly, the financial statements for the period presented have been restated to include the accounts of Candyland Candies, Inc. The sole shareholder of each separate company, David E. Babiarz, remained the sole shareholder of the surviving corporation. Each of the 1,000 shares of Candyland Candies, Inc. issued and outstanding stock on the effective date of the merger was cancelled and ceased to exist. Each of the 100 shares of Dae Julie, Inc. issued and outstanding stock on the effective date of the merger continued to be issued and outstanding and represent 100 shares of common stock of the surviving corporation. The net assets of Candyland Candies, Inc. on December 31, 1995 were $1,914,680.

The following schedule reflects the operating results as if the merger occurred on January 1, 1995:

	DECEMBER 31, 1995
Sales and Revenues	
Dae Julie, Inc.	$12,582,207
Candyland Candies, Inc.	27,040,422
Eliminations	(4,615,609)
Total	$35,007,020
Net Income	
Dae Julie, Inc.	$ 237,251
Candyland Candies, Inc.	1,115,326
Eliminations	2,567
Total	$ 1,355,144

The net income elimination represents Candyland Candies, Inc. profit within Dae Julie, Inc.'s ending inventory.

Profit-Sharing Plan

The Company has a profit sharing plan and savings plan for all employees not covered by a collective bargaining agreement who have been employed for the full fiscal year and have completed at least 1,000 hours of service during the fiscal year. The plan provides for contributions in such

amounts as the board of directors may determine. For year 1996, the board has determined that no contribution will be made.

Income Taxes

The Company has elected to be taxed as an S corporation under provisions of the Internal Revenue Code. Accordingly, the accompanying financial statements do not reflect income taxes, except for certain state taxes.

Use of Estimates

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

NOTE 2--SHORT-TERM BORROWINGS

The Company has an available line of credit totalling $4,000,000 with Firstar Bank, Milwaukee N.A. The line of credit is secured by a blanket lien on all corporate assets. The line bears interest at the rate of prime, 8.5% at December 31, 1996 and is due on April 30, 1997. At December 31, 1996, $2,591,000 of the line has been used. In addition, the Company has a foreign exchange line of credit totalling $1,200,000 which is unused and unsecured.

NOTE 3--LONG-TERM DEBT

Long-term debt consists of the following at December 31, 1996:

<TABLE>

<S>	<C>
Secured term bank note, payable in monthly installments of $66,667 plus interest through February, 1998 with a balloon payment of $1,800,000 due on February 28, 1998, with interest payable at prime, collateralized by a blanket lien on all corporate assets..	$ 2,733,319
Secured, multiple advance $8,000,000 term loan with advances available through April 1, 1997. Payable in monthly installments of $186,047 plus interest at .25% less than prime through June, 2000 assuming full use.....	7,316,093
Unsecured note, payable in annual installments of $200,000 due each March 31, bearing interest at 6%.....	600,000
Accrued interest on above, payable each March 31 at an amount equal to the accrued interest on the date multiplied by a fraction expressed as the lesser of $200,000 or unpaid principal over the unpaid principal at the date.....	341,004
Subordinated unsecured note due related parties, payable December 11, 2000, bearing simple interest at 7.11% due at maturity.....	1,628,578
Accrued interest due related parties payable December 11, 2000....	702,175
Total long-term obligations.....	$13,321,169
Less--Current portion of long-term debt.....	2,665,239
	$10,655,930

</TABLE>

In accordance with terms of the bank loan agreements, the Company has agreed to, among other things, restrict the incurrence of additional debt and limit officers compensation and dividend distributions.

As of December 31, 1996, the maturities of the long-term obligations are as follows:

1997	$ 3,346,236
1998	4,479,547
1999	2,546,232
2000	2,949,154
	$13,321,169

NOTE 4--OPERATING LEASES

On September 28, 1992, the Company entered into a lease for office and warehouse space with an unrelated third party. The Company's commencement date was December 1, 1992. The following is a schedule by year of future minimum rental payments under the operating lease:

Year Ending December 31	
1997	$217,438
1998	223,961
1999	230,680
	$672,079

The lease requires the payment of real estate taxes, insurance, and building expenses. In addition, the lease stipulates that the termination date is midnight, on the last day of the month in which the seventh anniversary of the commencement date occurs with two five year options.

NOTE 5--RELATED PARTY TRANSACTIONS

The Company leases office, plant and warehouse space under an operating lease from the sole shareholder through November 30, 1999. Total rental expense under this lease was $685,021 for 1996. The following is a schedule of future minimum lease payments required under the lease:

1997	$ 685,021
1998	685,021
1999	641,069
	$2,011,111

The lease requires the payment of real estate taxes, in excess of those taxes assessed for 1992, insurance, and building expenses.

NOTE 6--SUBSEQUENT EVENTS

On January 27, 1997, the Company sold substantially all its assets to Favorite Brands International, Inc., who also assumed certain liabilities. Effective as of the date of sale, the Company changed its name to Babiarz, Inc. All liabilities, as described in Note 3, were paid as of the closing date. In addition, as of the date of sale, the Company ceased operation and is in the process of winding up its affairs.

NOTE 7--OFFICERS LIFE INSURANCE

A collateral assignment by David Babiarz, sole shareholder of Dae Julie, Inc. and the insured, of a life insurance policy, was effective as of the policy issue date, October 15, 1986. The assignment amounts to the total premiums advanced by Dae Julie, Inc. The total premium advances to date are $79,220. As of December 31, 1996, the cash surrender value of said policy is $92,789.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Dae-Julie, Inc.
Des Plaines, Illinois 60018

We have audited the accompanying balance sheet of Dae-Julie, Inc. (an Illinois S Corporation) as of December 31, 1995 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dae-Julie, Inc., as of December 31, 1995 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Respectfully submitted,
Wolf, Grieco & Co.

February 16, 1996

EXHIBIT A

DAE-JULIE, INC.

BALANCE SHEET

DECEMBER 31, 1995

<TABLE>
<CAPTION>

ASSETS

<S>	<C>
Current Assets	
Cash in Banks and on Hand (Note 1)	$ 25,238
Accounts Receivable--Trade (Note 2) (Net of Allowance of $42,407)	934,307
Notes and Accounts Receivable--Other (Note 2)	95,644
Loan to Employee	1,450
Inventory (Notes 1 & 2)	1,738,427
Prepaid Expenses	116,821
Total Current Assets	$2,911,887
Fixed Assets (Note 1)	
(Net of Accumulated Depreciation)	105,475
Other Assets	
Cash Surrender Value, Life Insurance (Note 5)	$ 169,883
Note Receivable (Net of Current Portion) (Note 2)	35,519
	205,402
Total Assets	$3,222,764

<CAPTION>

LIABILITIES AND SHAREHOLDER'S EQUITY

<S>	<C>
Current Liabilities	
Accounts Payable--Trade (Note 2)	$ 647,513
Refund Payable	10,000
Accrued Expenses	119,162
Total Current Liabilities	$ 776,675

Shareholder's Equity	
Common Stock, No Par Value, 2,000 shares authorized, 100 shares issued and outstanding	$ 1,000
Retained Earnings	2,445,089
Total Shareholders' Equity	2,446,089
Total Liabilities and Shareholder's Equity	$3,222,764

</TABLE>

See Accompanying Notes and Independent Auditors Report.

EXHIBIT B

DAE-JULIE, INC.

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1995

<TABLE>

<S>	<C>
Sales (Net)	$12,582,207
Cost of Sales	9,730,731
Gross Profit on Sales	$ 2,851,476
Operating Expenses	
Warehouse Expenses	$ 504,566
Selling Expenses	1,993,656
Administrative Expenses	980,300
	3,478,522
Net Income (Loss) Before Other Income/(Expense)	$ (627,046)
Other Income (Note 2)	$ 959,035
Other Expense (Note 1)	90,966
Net Other Income/(Expense)	868,069
Net Income Before Provision for Taxes	$ 241,023
Provision for Taxes (Note 1)	3,772
Net Income	$ 237,251
Retained Earnings--Beginning	2,036,832
Accumulated Adjustments Account	226,556
Distributions	55,550
Retained Earnings--Ending	$ 2,445,089

</TABLE>

See Accompanying Notes and Independent Auditors' Report.

EXHIBIT C

DAE-JULIE, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1995

<TABLE>

<S>	<C>
Cash Flows from Operating Activities:	
Net Income	$ 237,251
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase in Life Insurance Cash Value	$ (13,529)
Depreciation and Amortization	34,602
Provision for Losses on Accounts Receivable	6,825
Changes in operating assets and liabilities:	
Increase in receivables	(12,870)

Decrease in inventory	305,786
Increase in prepaid expenses	(53,343)
Increase in accounts payable	530,719
Decrease in accrued expenses	(318,301)
Total Adjustments	479,889
Net Cash Provided by Operating Activities	$ 717,140
Cash Flows from Investing Activities:	
Purchases of fixed assets	$ (26,334)
Note Receivable (Note 2)	25,073
Net Cash Used by Investing Activities	(1,261)
Cash Flows from Financing Activities:	
Proceeds of secured debt (Note 3)	$ 4,989,500
Principal payments on secured debt (Note 3)	(5,964,500)
Income distribution to shareholder	(55,550)
Net Cash used in Financing Activities	(1,030,550)
Net Decrease in Cash	$ (314,671)
Cash, January 1, 1995	339,909
Cash, December 31, 1995	$ 25,238
Supplemental disclosures of cash flow information:	
Cash paid during this year for:	
Income Taxes	$ 1,143
Interest	40,795

See Accompanying Notes and Independent Auditor's Report.

DAE-JULIE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1995

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

The company operates principally as a distributor of specialty candies to wholesalers and retailers.

Inventory

Inventory is valued at lower of cost or market. Cost which includes labor, material and factory overhead is determined on the first-in, first-out ("FIFO") basis. Inventory on hand at December 31, 1995 contained dated, stale, and unuseable goods, packaging, and display material inventory. Accordingly, at December 31, 1995, inventory of goods, packaging, and display material has been written down to its estimated net realized value, and results of operations for 1995 include a corresponding charge of $163,431.

Property, Plant and Equipment

The company's policy is to depreciate plant and equipment over the estimated useful lives of the assets as indicated in the following tabulation by use of straight line method.

	YEARS
Leasehold Improvements	31.5 - 39
Furniture, Fixtures and Office Equipment	5
Vehicles	5
Machinery	7

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

Vehicles	$ 8,075
Office Equipment	176,143

Leasehold Improvements	11,183
Machinery	7,279
	$202,680
Accumulated Depreciation	97,205
Total Fixed Assets	$105,475

</TABLE>

Profit-Sharing Plan

The company has a profit sharing plan for all employees not covered by a collective bargaining agreement who have been employed for the full fiscal year and have completed at least 1,000 hours of service during the fiscal year. The plan provides for contributions in such amounts as the board of directors may determine. For year 1995, the board has determined that a $10,000 contribution will be made.

Income Taxes

The company has elected to be taxed as an S corporation under provisions of the Internal Revenue Code. Accordingly, the accompanying financial statements do not reflect income taxes, except for certain state taxes.

Concentration of Credit Risk

The Company maintains substantially all of its cash balances at Firstar Bank in Milwaukee, Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation up to $100,000. At December 31, 1995, the company's uninsured cash balances totaled $27,862.

Use of Estimates

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

Business Combination

On December 21, 1995, the Company and Candyland Candies, Inc. agreed in principle to an Agreement and Plan of Merger, with the surviving corporation being DAE-JULIE, INC. The effective date of the merger would be January 1, 1996. The merger would be accounted for as a pooling of interests. The sole shareholder of each separate Company, David E. Babiarz, shall remain the sole shareholder of the surviving corporation. Each of the 1,000 shares of Candyland Candies, Inc. issued and outstanding stock on the effective date of the merger shall be cancelled and cease to exist. Each of the 100 shares of Dae-Julie, Inc. issued and outstanding stock on the effective date of the merger shall continue to be issued and outstanding and represent 100 shares of common stock of the surviving corporation. The following schedule reflects the operating results as if the merger occurred on January 1, 1995.

<TABLE>
<CAPTION>

SALES AND REVENUES	DECEMBER 31, 1995
<S>	<C>
Dae-Julie, Inc.	$12,582,207
Candyland Candies, Inc.	27,040,422
Eliminations	(4,615,609)
Total	$35,007,020

<CAPTION>

NET INCOME	
<S>	<C>
Dae-Julie, Inc.	$ 237,251
Candyland Candies, Inc.	1,115,326
Eliminations	(15,402)
Total	$ 1,337,175

</TABLE>

The net income elimination represents Candyland Candies, Inc. profit within Dae-Julie, Inc.'s ending inventory.

DAE-JULIE, INC.

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 2--RELATED PARTY TRANSACTIONS

Various transactions were entered into with a company related through common ownership, Candyland Candies, Inc. The following is a description of the major transactions which occurred:

- Purchases of Candyland Candies, Inc. products amount to $4,615,609.
- SEC income received for sale of the company's products totalled $795,589 and is reflected in other income.
- Accounts Receivable as of December 31, 1995 amounted to $69,347.
- Accounts Payable as of December 31, 1995 amounted to $248,846.
- Notes Receivable is in respect to the sale of equipment during 1992. Total receivable is $60,698 with $25,073 due currently.

NOTE 3--SHORT-TERM BORROWINGS

The company has an available line of credit totalling $2,000,000 with Firstar Bank. The line of credit is secured by substantially all assets of the Company and any borrowings under this line bear interest at prime as announced by the Northern Trust Company of Chicago. In addition, the Company has a foreign exchange line of credit totalling $150,000 with Firstar Bank. This line of credit is unsecured.

NOTE 4--OPERATING LEASES

On September 28, 1992, the Company entered into a lease for office and warehouse space with an unrelated third party. As per the lease, the Company's commencement date was December 1, 1992. The following is a schedule by year of future minimum rental payments under the operating lease:

<TABLE>
<CAPTION>

YEAR ENDING DECEMBER 31,	<C>
1996	$211,105
1997	217,438
1998	223,961
1999	230,680
	$883,184

</TABLE>

The real estate lease is net, requiring the payment of real estate taxes, insurance, and building expenses. In addition, the lease stipulates that the termination date is midnight, on the last day of the month in which the seventh anniversary of the commencement date occurs with two five year options.

NOTE 5--OFFICERS LIFE INSURANCE

A collateral assignment by David Babiarz, sole shareholder of Dae-Julie, Inc., of the Valley Forge Life Insurance Co., Policy Number 84000806, was effective as of the policy issue date, October 15, 1986. The assignment amounts to the total premiums advanced by Dae-Julie, Inc. The total premium advances to date are $91,862. As of December 31, 1995, the cash surrender value of said policy is $82,193.

INDEPENDENT AUDITORS' REPORT

Board of Directors

Candyland Candies, Inc.
Des Plaines, Illinois 60018

We have audited the accompanying balance sheet of Candyland Candies, Inc. as of December 31, 1995 and the related statements of income and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the account principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Candyland Candies, Inc. as of December 31, 1995, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

Respectfully submitted,
Wolf, Grieco & Co.

February 21, 1995

EXHIBIT A

CANDYLAND CANDIES, INC.

BALANCE SHEET

DECEMBER 31, 1995

<TABLE>
<CAPTION>

ASSETS

<S>	<C>	<C>
Current Assets		
Accounts Receivable--Trade (Note 4) (Net of Allowance of $81,014)	$1,673,893	
Accounts Receivable--Other	1,934	
Notes Receivable--Employees	5,608	
Inventory (Note 1)	2,867,594	
Prepaid Expenses	187,613	
Total Current Assets		$ 4,736,642
Fixed Assets		
Property, Plant, and Equipment at Cost (Notes 1 & 6) (Net of Accumulated Depreciation)		7,515,870
Other Assets		
Unamortized Loan Acquisition Costs		37,150
Total Assets		$12,289,662

<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY

<S>	<C>	<C>
Current Liabilities		
Accounts Payable (Note 4)	$ 880,520	
Cash Overdrafts	1,121,000	
Note Payable--Bank (Note 2)	503,743	
Current Portion of Long-Term Debt (Note 3)	1,129,784	
Accrued Expenses	442,913	
Total Current Liabilities		$ 4,077,960
Long-Term Liabilities		
Long-Term Debt (Note 3)	$6,136,666	
Accrued Rent--Maintenance Reserve (Note 4)	160,356	
Total Long-Term Liabilities		6,297,022
Shareholders' Equity		
Common Stock, No Par Value, 1,000 Shares Authorized, Issued and Outstanding	$ 50,000	

Retained Earnings	1,864,680	
Total Shareholders' Equity		1,914,680
Total Liabilities and Shareholders' Equity		$12,289,662

</TABLE>

See Accompanying Notes and Independent Auditors' Report.

EXHIBIT B

CANDYLAND CANDIES, INC.

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1995

<TABLE>

<S>	<C>	<C>
Sales (Net) (Notes 4 & 5)		$27,040,422
Cost of goods sold (Note 1)		22,583,765
Gross profit from operations		$ 4,456,657
Selling expenses	$1,577,874	
Administrative expenses	1,223,240	
		2,801,114
Income before other income/(expenses) (Note 1)		$ 1,655,543
Net other expenses		537,650
Net Income		$ 1,117,893
Retained Earnings--Beginning		1,052,716
Dividend Distributions		(305,929)
Retained earnings--ending		$ 1,864,680

</TABLE>

See Accompanying Notes and Independent Auditor's Report.

EXHIBIT C

CANDYLAND CANDIES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1995

<TABLE>

<S>	<C>	<C>
Cash Flows from Operating Activities:		
Net Income		$ 1,117,893
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	$ 961,371	
Changes in operating assets and liabilities:		
Increase in receivables	(22,591)	
Increase in inventory	(901,213)	
Increase in prepaid expenses	(66,213)	
Decrease in accounts payable	(354,187)	
Increase in cash overdraft	503,743	
Increase in accrued expenses	158,647	
Total Adjustments		279,557
Net Cash Provided by Operating Activities		$ 1,397,450
Cash Flows from Investing Activities:		
Purchases of fixed assets	$ 1,610,337	
Net Cash Used in Investing Activities		(1,610,337)
Cash Flows from Financing Activities:		
Proceeds from bank loans	$ 1,871,795	

</TABLE>

Principal payments on bank loans	(1,300,004)	
Principal payments on related party debt	(224,960)	
Unpaid interest expense	62,038	
Income distributions to shareholders	(305,929)	
Net Cash Provided from Financing Activities		102,940
Net Decrease in Cash		$ 109,947
Cash, January 1, 1995		109,947
Cash, December 31, 1995		$ --
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest		$ 398,628
Income Taxes		--

See Accompanying Notes and Independent Auditors' Report.

CANDYLAND CANDIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1995

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

The company's operations solely involve the production and sale of candy to other manufacturers, wholesalers, distributors, and retailers.

Inventory

Inventory is valued at lower of cost or market. Cost which includes labor, material and factory overhead is determined on the first-in, first-out ("FIFO") basis. Inventory on hand at December 31, 1995 contained dated, stale, and unuseable goods and packaging material. Accordingly, at December 31, 1995, inventory of goods and packaging material has been written down to its estimated net realized value, and results of operations for 1995 include a corresponding charge of $82,515.

The components of ending inventory are comprised of the following:

Finished Goods	$1,568,434
Work in Process	25,459
Raw Materials and Supplies	1,273,701
	$2,867,594

Property, Plant and Equipment

The Company's policy is to depreciate plant and equipment over the estimated useful lives of the assets as indicated in the following tabulation by use of straight line and accelerated methods.

	YEARS
Leasehold Improvements	31.5-39
Office Equipment	5-7
Machinery and Equipment	10

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

Machinery and Equipment	$10,497,069
Office Equipment	172,719
Leasehold Improvements	258,504

	$10,928,292
Accumulated Depreciation.....	4,638,342
	$ 6,289,950
Production Facilities Currently Under Construction.....	1,225,920
	$ 7,515,870

</TABLE>

Profit-Sharing Plan

The company has a profit sharing plan for all employees not covered by a collective bargaining agreement who have been employed for the full fiscal year and have completed at least 1,000 hours of service during the fiscal year. The plan provides for contributions in such amounts as the board of directors may determine. For year 1995, the board has determined that a $15,000 contribution will be made.

Income Taxes

The company has elected to be taxed as an S corporation under provisions of the Internal Revenue Code. Accordingly, the accompanying financial statements do not reflect income taxes, except for certain state taxes.

Use of Estimates

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

Business Combination

On December 21, 1995, the Company and Dae-Julie, Inc. agreed in principle to an Agreement and Plan of Merger, with the surviving corporation being DAE-JULIE, INC. The effective date of the merger is January 1, 1996. The merger would be accounted for as a pooling of interests. The sole shareholder of each separate company, David E. Babiarz, shall remain the sole shareholder of the surviving corporation. Each of the 1,000 shares of Candyland Candies, Inc. issued and outstanding stock on the effective date of the merger shall be cancelled and cease to exist.

NOTE 2--SHORT-TERM BORROWINGS

The company has an available line of credit totalling $2,000,000 with Firstar Bank, Milwaukee N.A. The line of credit is secured by a blanket lien on all corporate assets. The line bears interest at the rate of prime, 8.5% at December 31, 1995 and is due on April 30, 1996. At December 31, 1995, $1,121,000 of the line has been used. In addition, the company has a foreign exchange line of credit totalling $1,200,000 which is unused and unsecured.

NOTE 3--LONG-TERM DEBT

Long-term debt consists of the following at December 31, 1995:

<TABLE>

<S>	<C>
Secured term bank note, payable in monthly installments of $66,667 plus interest through February, 1998 with a balloon payment of $1,800,000 due on February 28, 1998, with interest payable at prime, collateralized by a blanket lien on all corporate assets...	$3,533,323
Multiple advance, $7,000,000 credit facility bearing interest at prime. The facility is to be used for an ongoing plant expansion with a start-up date expected to be in the second quarter, 1996. Interest only, payable monthly through July, 1996 with installments of $108,696, assuming full use, plus interest,	

payable monthly from August, 1996 to May, 1999 with a balloon payment of $2,000,0000 due June, 1999	250,795
Unsecured note, payable n annual installments of $200,000 due each March 31, bearing interest at 6%	800,000
Accrued interest on above, payable each March 31 at an amount equal to the accrued interest on that date multiplied by a fraction expressed at $200,000 or unpaid principal, if less, over the unpaid principal at that date	406,671
Subordinated unsecured note due related parties, payable December 11, 2000, bearing simple interest at 7.11% due at maturity	1,628,578
Unsecured term note due Dae-Julie, Inc., a company related through common ownership, payable in monthly installments of $2,090 through May, 1998	60,698
Accrued interest due related parties payable December 11, 2000	586,385
Total long-term obligations	$7,266,450
Less--Current portion of long-term debt	1,129,784
	$6,136,666

In accordance with terms of the bank loan agreements, the company has agreed to, among other things, restrict the incurrence of additional debt and limit officers compensation and dividend distributions.

As of December 31, 1995, the maturities of the long-term obligations are as follows:

1996	$1,129,784
1997	1,116,585
1998	2,250,604
1999	306,752
Thereafter	2,462,725
	$7,266,450

NOTE 4--RELATED PARTY TRANSACTIONS

The company leases office, plant, and warehouse space under an operating lease from the sole shareholder through November 30, 1999. Total rental expenses under this lease were $601,551. The following is a schedule of future minimum lease payments required under the lease:

1996	$ 601,551
1997	601,551
1998	601,551
1999	551,421
	$2,356,074

The lease requires the payment of real estate taxes, in excess of those taxes assessed for 1992, insurance, and building expenses.

Various transactions were entered into with a company related through common ownership, Dae-Julie, Inc. The following is a description of the major transactions which occurred:

- Sales of Dae-Julie, Inc. accounted for approximately $4,615,609 of the company's net sales.

- Commissions paid for sales of the company's product totalled $795,589.

Open balances in respect to Dae-Julie, Inc. are included as Accounts Receivable and Accounts Payable as $248,846 and $69,347, respectively.

NOTE 5--MAJOR CUSTOMERS

One customer accounted for approximately 21% of the company's sales for the year ended December 31, 1995.

NOTE 6--COMMITMENTS

The company has begun construction of a third production facility. As of December 31, 1995, the company was committed to the estimated costs of completion of approximately $6,800,000.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Mederer Corporation:

We have audited the accompanying combined component balance sheets of Mederer Corporation's U.S. Confectionary Operations (Component) as of December 31, 1996 and 1995, and the related combined statements of component income and equity, and of component cash flows for the years then ended. These financial statements are the responsibility of Mederer Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Component as of December 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 8 to the financial statements, on February 24, 1997, Favorite Brands International, Inc. entered into a Stock Purchase Agreement with Mederer Corporation and its stockholders to acquire the Component.

Deloitte & Touche LLP

Des Moines, Iowa
March 3, 1997

MEDERER CORPORATION'S U.S. CONFECTIONARY OPERATIONS (COMPONENT)

COMBINED COMPONENT BALANCE SHEETS

DECEMBER 31, 1995 AND 1996

<TABLE>
<CAPTION>

ASSETS	DECEMBER 31, 1995	DECEMBER 31, 1996
<S>	<C>	<C>
Current Assets:		
Cash	$ --	$ 157,337
Accounts receivable:		
Trade, net of allowance for doubtful accounts of $33,000 and $64,884 at December 31, 1995 and December 31, 1996, respectively	2,449,312	3,748,615
Related parties	263,822	273,218
Other	364,248	152,945
Inventories:		
Raw materials	1,830,576	3,010,763
Finished goods	2,936,232	2,354,167
Deferred income taxes	29,000	62,000
Prepaid expenses	611,101	752,308
Total current assets	8,484,291	10,511,353
Property and Equipment:		

Building and leasehold improvements	5,281,691	8,102,740
Machinery and equipment	21,535,686	27,837,602
	26,817,377	35,940,342
Less accumulated depreciation and amortization	11,195,212	13,829,029
Property and equipment, net	15,622,165	22,111,313
Other Assets	36,898	34,653
Total Assets	$24,143,354	$32,657,319

<CAPTION>
LIABILITIES AND COMPONENT EQUITY

Current Liabilities:		
Checks written in excess of bank balances	$ 199,453	$ --
Accounts payable:		
Trade	3,940,273	6,858,904
Related parties	532,623	181,218
Accrued expenses:		
Payroll and related costs	297,955	643,997
Property taxes	177,608	289,533
Promotional programs	379,938	493,265
Income taxes		427,488
Other	1,640	237,347
Notes payable	1,319,000	2,834,000
Current maturities of long-term debt	1,280,000	1,280,000
Current portion of capital lease obligations	1,616,983	1,682,762
Total current liabilities	9,745,473	14,928,514
Long-Term Debt, less current maturities	4,430,000	3,150,000
Capital Lease Obligations, less current portion	4,904,572	4,072,498
Deferred Income Taxes	809,000	689,000
Total liabilities	19,889,045	22,840,012
Commitments and Contingencies (Note 7)		
Component Equity	4,254,309	9,817,307
Total Liabilities and Component Equity	$24,143,354	$32,657,319

</TABLE>

See notes to combined financial statements.

MEDERER CORPORATION'S U.S. CONFECTIONARY OPERATIONS (COMPONENT)

COMBINED STATEMENTS OF COMPONENT INCOME AND EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31	
	1995	1996
Net Sales	$49,400,861	$62,115,380
Operating Costs and Expenses:		
Cost of goods sold, excluding depreciation and amortization	24,171,727	29,607,201
General and administrative, excluding depreciation and amortization	10,033,647	11,878,213
Selling, excluding depreciation and amortization	6,098,568	7,690,094
Depreciation and amortization	2,721,613	2,632,178
Total operating costs and expenses	43,025,555	51,807,686
Income from Operations	6,375,306	10,307,694
Other Income (Expense):		
Interest income	3,772	22,538
Interest expense	(1,062,595)	(963,043)
Other	49,394	38,046

Total other expense	(1,009,429)	(902,459)
Income before Income Taxes	5,365,877	9,405,235
Income Tax Expense	1,743,390	3,138,258
Net Income	3,622,487	6,266,977
Component Equity, Beginning of Year	6,494,718	4,254,309
Distributions to Fund Other Mederer Corporation Activities	(5,862,896)	(703,979)
Component Equity, End of Year	$ 4,254,309	$ 9,817,307

</TABLE>

See notes to combined financial statements.

MEDERER CORPORATION'S U.S. CONFECTIONARY OPERATIONS (COMPONENT)

COMBINED STATEMENTS OF COMPONENT CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31	
	1995	1996
<S>	<C>	<C>
Cash Flows from Operating Activities:		
Net income	$ 3,622,487	$ 6,266,977
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,721,613	2,632,178
Loss on sale of property and equipment	14	--
Write-down of property and equipment	--	323,541
Deferred income taxes	(29,000)	(153,000)
Changes in:		
Accounts receivable	(395,124)	(1,097,396)
Inventories	(1,589,734)	(598,122)
Prepaid expenses	(443,312)	(141,207)
Other assets	(33,247)	(1,922)
Accounts payable	2,604,693	2,567,225
Accrued expenses	(22,891)	1,234,489
Net cash from operating activities	6,435,499	11,032,763
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	5,200	--
Purchases of property and equipment	(1,904,608)	(8,222,158)
Net cash from investing activities	(1,899,408)	(8,222,158)
Cash Flows from Financing Activities:		
Net borrowings on notes payable	1,180,100	1,515,000
Change in checks written in excess of bank balances	(292,349)	(199,453)
Proceeds from long-term debt	2,620,000	--
Repayments of long-term debt	(2,099,528)	(1,280,000)
Principal repayments on capital lease obligations	(1,401,418)	(1,984,836)
Distributions to fund other Mederer Corporation activities, net	(4,542,896)	(703,979)
Net cash from financing activities	(4,536,091)	(2,653,268)
Net Change in Cash	--	157,337
Cash, Beginning of Period	--	--
Cash, End of Period	$ --	$ 157,337
Supplemental Schedule of Noncash Investing and Financing Activities:		
Capital lease obligation incurred for new equipment and leasehold improvements	$ 1,495,766	$ 1,218,541
Long-term debt incurred in connection with the advance of funds used to retire stock of Mederer		

Corporation	1,320,000	--
Cash Paid for:		
Interest	$ 1,021,411	$ 1,131,871
Income taxes	2,104,494	2,516,500

See notes to combined financial statements.

MEDERER CORPORATION'S U.S. CONFECTIONARY OPERATIONS (COMPONENT)

NOTES TO COMBINED COMPONENT FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation--The combined financial statements of Mederer Corporation's U.S. Confectionary Operations reflect the manufacturing and distribution activities of Mederer Corporation (Mederer) and its wholly-owned U.S. subsidiaries Trolli, Inc. (Trolli) and Gelex Corporation International, Ltd. (Gelex) (a foreign sales corporation), collectively referred to as the "Component." All significant intercompany accounts and transactions between these entities have been eliminated. These combined financial statements do not reflect Mederer Corporation's non-confectionary operations which include its wholly-owned subsidiary Charqui Inc. (Charqui) or its foreign confectionary operations which include its 90% ownership of Trolli Iberica S.A. (Iberica) and its 99% owned subsidiary Trolli de Mexico S.A. de C.V. (Mexico), collectively referred to as the "Excluded Operations." All significant accounts and transactions between Mederer Corporation's U.S. Confectionary Operations and the Excluded Operations are excluded from the combined balance sheets and net income and are reflected as a change in Component equity.

Description of Component Business--Mederer manufactures and distributes candy for human consumption. Mederer distributes its products through Trolli who markets them primarily in the United States. Mederer also sells directly to customers in other countries through Gelex. Sales to one customer, who individually accounted for greater than 10% of total Component sales, were approximately $7.8 million and $10.5 million in 1995 and 1996, respectively.

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Fair Value of Financial Instruments--The fair value of amounts borrowed under the Component's external credit facilities approximates the carrying value as the terms and rates are similar to those currently available to the Component.

Cash Equivalents--All highly liquid investments with a maturity, at time of purchase, of three months or less are considered to be cash equivalents.

Inventories--Inventories are stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment--Property and equipment are recorded at historical cost. Depreciation and amortization of property and equipment is provided using the straight-line method over the following estimated useful lives of the assets.

Buildings and leasehold improvements	7-40 years
Machinery and equipment	3-10 years

MEDERER CORPORATION'S U.S. CONFECTIONARY OPERATIONS (COMPONENT)

NOTES TO COMBINED COMPONENT FINANCIAL STATEMENTS--(CONTINUED)

Long-Lived Assets--The Component assesses at each balance sheet date whether there has been a permanent impairment in the value of long-lived assets.

Income Taxes--The Component is included in the consolidated tax returns of Mederer Corporation. For financial statement purposes, income taxes are

recorded as if the Component filed separate income tax returns. Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. Deferred income tax expense or benefit is based on the changes in the deferred tax assets or liabilities from period to period.

2. LEASES

Mederer leases a building from an affiliated partnership, Mederer Associates, and accounts for it as a capital lease. The lease expires in 2003. Mederer also leases equipment from unrelated parties under capital leases which expire from 1997 through 2000.

Assets under capital leases consist of the following at December 31, 1995 and 1996:

<TABLE>
<CAPTION>

	1995	1996		
	TOTAL	RELATED PARTIES	OTHER	TOTAL
<S>	<C>	<C>	<C>	<C>
Building	$ 2,712,547	$3,931,091	$ --	$ 3,931,091
Equipment	9,358,612	1,086,386	8,272,225	9,358,611
	12,071,159	5,017,477	8,272,225	13,289,702
Less accumulated amortization	4,459,220	1,451,024	4,285,770	5,736,794
	$ 7,611,939	$3,566,453	$3,986,455	$ 7,552,908

</TABLE>

The following is a schedule of future minimum lease payments under capital leases, together with the present value of those payments as of December 31, 1996:

<TABLE>
<CAPTION>

	RELATED PARTIES	OTHER	TOTAL
<S>	<C>	<C>	<C>
Year ended:			
1997	$ 580,671	$1,529,012	$2,109,683
1998	580,671	1,028,836	1,609,507
1999	580,671	454,065	1,034,736
2000	580,671	235,315	815,986
2001	580,671	--	580,671
Thereafter	879,615	--	879,615
Total minimum lease payments	3,782,970	3,247,228	7,030,198
Less amount representing interest	966,543	308,395	1,274,938
Present value of net minimum lease payments	2,816,427	2,938,833	5,755,260
Amounts due within one year	327,998	1,354,764	1,682,762
Obligations under capital leases due after one year	$2,488,429	$1,584,069	$4,072,498

</TABLE>

Under the terms of the leases, Mederer is responsible for maintenance, insurance, taxes and licenses.

The Component leases equipment and office space under various operating leases which expire through 2001. The following is a schedule of future minimum rental payments applicable to operating leases at December 31, 1996:

<TABLE>

<S>	<C>
1997	$165,909
1998	133,842

</TABLE>

1999	107,813
2000	109,775
2001	94,045
Total minimum rental payments required	$611,384

Total rent expense under operating leases was $199,244 and $246,633 for 1995 and 1996, respectively.

3. NOTES PAYABLE AND OTHER LONG-TERM DEBT

Notes Payable--Mederer has entered into a revolving line of credit agreement with a bank with interest payable monthly at .5% above the bank's base rate (8.75% at December 31, 1996). The balances outstanding on the line of credit were $1,319,000 and $2,834,000 at December 31, 1995 and 1996, respectively.

Long-Term Debt--Mederer has entered into a revolving term loan note with a bank with interest payable monthly at .75% above the bank's base rate (9.00% at December 31, 1996). The initial amount of the available term loan was $4,200,000. In October 1995, the loan agreement was amended, increasing the available amount to $4,600,000. The available amount decreases quarterly by $210,000 through December 31, 1999, and is limited to the most current borrowing base (as defined by the agreement). The balances outstanding on this reducing revolving term loan were $4,390,000 and $3,550,000 at December 31, 1995 and 1996, respectively.

Borrowings under the line of credit and long-term debt agreements are secured by substantially all Mederer's assets not otherwise encumbered.

Mederer's credit agreements contain several covenants and require Mederer to maintain certain financial ratios. The most restrictive covenants limit payments of dividends, limit future loans and advances, require a minimum book net worth (in total and in proportion to indebtedness), and requires a minimum cash flow coverage ratio. Mederer was in compliance with such covenants as of December 31, 1996.

In September 1995, Mederer entered into a $1,320,000 unsecured installment note with a former stockholder in connection with the advance of $885,000 in cash used to retire stock of Mederer. Interest is payable quarterly at 2% below prime rate (6.25% at December 31, 1996). The balance of this note at December 31, 1996, $880,000, is due in annual payments of $440,000.

Future maturities of long-term debt at December 31, 1996 are as follows:

1997	$1,280,000
1998	1,280,000
1999	1,870,000
	$4,430,000

4. INCOME TAXES

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 1995 and 1996 were as follows:

	1995	1996
Current deferred taxes:		
Allowance for doubtful accounts	$ 11,000	$ 24,000
Inventories	(161,000)	(49,000)
Accruals	179,000	87,000
	$ 29,000	$ 62,000

Noncurrent deferred taxes:		
Property and equipment	$(774,000)	$(623,000)
Capital leases	(37,000)	(70,000)
Other	2,000	4,000
	$(809,000)	$(689,000)

The components of income tax expense are as follows:

	1995	1996
Current	$1,772,390	$3,291,258
Deferred	(29,000)	(153,000)
Total	$1,743,390	$3,138,258

There are no individual items which cause the effective tax rate to materially differ from the federal statutory rate.

5. RELATED PARTY TRANSACTIONS

The Component entered into various transactions with related parties during 1995 and 1996. A description of those related party transactions are as follows:

- The Component pays fees and enters into various other transactions with officers or other individuals having indirect ownership in Mederer.
- In accordance with a technology and assistance agreement, the Component paid Mederer GmbH (owner of 67.10% of Mederer at December 31, 1996) royalties representing 2% of net sales for the year ended December 31, 1995 and 3.5% of net branded sales for the year ended December 31, 1996.
- Mederer Associates is a partnership affiliated through common ownership. Mederer leases its U.S. manufacturing facilities from Mederer Associates under an agreement accounted for as a capital lease. See Note 2.

- The Component incurred legal fees with a law firm, Foley & Lardner, in which a member of Mederer's Board of Directors was a partner in 1995.
- The Component sells product to two outlet stores, Gummi Bear Paradise and United Gummi Bears, Inc., which are owned by an individual related to a stockholder.
- Mederer sells product to PT Yupi Jelly Gum, an affiliate of Mederer GmbH.
- Mederer buys raw materials from GMI Products, Inc., which has common ownership with Mederer.
- The Component sells product under a distribution agreement to Trolli de Colombia, which has common ownership with Mederer. The agreement has an initial five year term, expiring in 2001, and contains annual minimum purchase requirements.

As of December 31:

	1995		1996	
	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES
Officers and other individuals with indirect ownership	$ 43,912	$ 20,400	$ 87,398	$ 24,000
Mederer GmbH	1,600	475,036	--	54,319
Mederer Associates	88,274	--	58,274	--
Foley & Lardner	--	35,324	--	--

Trolli de Colombia.....	126,555	--	114,237	--
GMI Products, Inc.....	3,481	1,863	3,080	102,899
United Gummi Bears, Inc.....	--	--	10,229	--
Total.....	$263,822	$532,623	$273,218	$181,218

</TABLE>

For the year ended December 31, 1995:

<TABLE>
<CAPTION>

	SALES	PURCHASES	ROYALTIES PAID	LEGAL FEES	RENT PAID	EQUIPMENT PURCHASED	ADMINISTRATIVE FEES
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Officers and other individuals with indirect ownership.....	$ --	$ --	$ --	$ --	$ --	$ --	$144,000
Mederer GmbH.....	1,575	17,000	745,574	--	71,600	22,000	18,000
Mederer Associates.....	--	--	--	--	314,400	--	--
Foley & Lardner.....	--	--	--	85,375	--	--	--
Trolli de Colombia.....	631,844	--	--	--	--	--	--
GMI Products, Inc.....	--	452,336	--	--	--	--	45,188
Totals.....	$633,419	$469,336	$745,574	$85,375	$386,000	$22,000	$207,188

</TABLE>

For the year ended December 31, 1996:

<TABLE>
<CAPTION>

	SALES	PURCHASES	ROYALTIES PAID	INTEREST PAID	HANDLING CHARGES PAID	RENT PAID	EQUIPMENT PURCHASED	ADMINIS-TRATIVE FEES	MISCELLANEOUS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Officers and other individuals with indirect ownership.....	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$144,000	$ --
Mederer GmbH.....	4,152	--	764,419	100,252	47,616	--	68,394	18,000	23,194
Mederer Associates.....	--	--	--	--	--	470,480	--	--	--
Trolli de Colombia.....	710,683	--	--	--	--	--	--	--	--
GMI Products, Inc.....	1,914	489,100	--	--	--	--	--	--	--
United Gummi Bears, Inc.....	25,548	--	--	--	--	--	--	--	--
Gummi Bear Paradise.....	63,173	--	--	--	--	--	--	--	--
PT Yupi Jelly Gum.....	67,357	--	--	--	--	--	--	--	--
Totals.....	$872,827	$489,100	$764,419	$100,252	$47,616	$470,480	$68,394	$162,000	$23,194

</TABLE>

6. EMPLOYEE RETIREMENT PLAN

Mederer has a 401(k) plan which covers substantially all employees of the Component who meet minimum age and service requirements. Mederer is required to match one-half of the employee's contributions up to a maximum Mederer contribution of 2% of employee compensation. Plan expense for 1995 and 1996, was $46,140 and $60,229, respectively.

7. COMMITMENTS AND CONTINGENCIES

Under an agreement with a bank, Mederer has guaranteed a term loan of Mederer Associates. At December 31, 1996, the approximate amount guaranteed by Mederer under this term loan aggregated $2,816,427.

In the normal course of business the Component enters into forward purchase contracts at prevailing market prices for certain raw materials used in the manufacturing process. All such contracts are scheduled for fulfillment within one year. Additionally, in the normal course of business the Component has entered into various manufacturing and contract packaging agreements with customers. Management does not anticipate any loss to be sustained from the fulfillment of or inability to fulfill these contracts and agreements.

The Component is subject to various claims and legal matters arising in the normal course of business. The Component believes that the outcome of all such matters will not have a material effect on the financial statements of the Component.

8. SUBSEQUENT EVENT

On February 24, 1997, Favorite Brands International, Inc. (FBI) entered into a Stock Purchase Agreement with Mederer and its stockholders to acquire all the issued and outstanding capital stock of Mederer. At or prior to the closing, which is anticipated to occur on or around April 1, 1997, all

investments in and advances to Charqui and Iberica and related liabilities will be sold to or assumed by the Mederer stockholders, directly or indirectly. In connection with the disposition of Iberica the stockholders will assume a long-term obligation to Mederer GmbH. Additionally, at or prior to closing, the stockholders shall cause the underlying real property assets of Mederer Associates to be conveyed to Mederer for (1) approximately $400,000; plus (2) assumption of an existing mortgage for the real property approximating $2,800,000; and (3) the discharge of a receivable due from Mederer Associates of approximately $58,000.

COMBINED COMPONENT BALANCE SHEET

(UNAUDITED) MARCH 31, 1997

<TABLE>
<CAPTION>

ASSETS	MARCH 31, 1997
<S>	<C>
Current Assets:	
Cash	$ 1,082,900
Accounts receivable:	
Trade, net of allowance for doubtful accounts of $73,354	5,472,178
Related parties	335,031
Other	153,396
Inventories:	
Raw materials	4,034,846
Finished goods	2,921,872
Deferred income taxes	--
Prepaid expenses	840,317
Total current assets	14,840,540
Property and Equipment:	
Building and leasehold improvements	8,102,740
Machinery and equipment	33,180,270
	41,283,010
Less accumulated depreciation and amortization	(14,569,997)
Property and equipment, net	26,713,013
Other Assets	72,099
Total Assets	$ 41,625,652

<CAPTION>

LIABILITIES AND COMPONENT EQUITY	
<S>	<C>
Current Liabilities:	
Checks written in excess of bank balances	$ --
Accounts payable:	
Trade	7,622,075
Related parties	--
Accrued expenses:	
Payroll and related costs	1,037,057

Property taxes	258,553
Promotional programs	547,425
Income taxes	1,335,938
Other	155,661
Notes payable	3,622,000
Current maturities of long-term debt	1,280,000
Current portion of capital lease obligations	1,659,577
Total current liabilities	17,518,286
Long-Term Debt, less current maturities	3,150,000
Capital Lease Obligations, less current portion	8,557,547
Deferred Income Taxes	689,000
Total liabilities	29,914,833
Component Equity	11,710,819
Total Liabilities and Component Equity	$ 41,625,652

</TABLE>

See notes to combined financial statements.

MEDERER CORPORATION'S U.S. CONFECTIONARY OPERATIONS (COMPONENT)

COMBINED STATEMENTS OF COMPONENT INCOME AND EQUITY

(UNAUDITED) FOR THE THREE MONTHS ENDED MARCH 31, 1996 AND 1997

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31	
	1996	1997
<S>	<C>	<C>
Net Sales	$19,492,268	$18,415,967
Operating Costs and Expenses:		
Cost of goods sold, excluding depreciation and amortization	11,830,018	9,921,447
General and administrative, excluding depreciation and amortization	2,609,113	2,620,589
Selling, excluding depreciation and amortization	1,926,763	1,822,989
Depreciation and amortization	673,412	745,241
Total operating costs and expenses	17,039,306	15,110,266
Income from Operations	2,452,962	3,305,701
Other Income (Expense):		
Interest income	--	--
Interest expense	(323,652)	(364,540)
Other	23,284	--
Total other expense	(300,368)	(364,540)
Income before Income Taxes	2,152,594	2,941,161
Income Tax Expense	735,729	1,016,027
Net Income	1,416,865	1,925,134
Component Equity, Beginning of Period	4,254,309	9,817,307
Distributions to Fund Other Mederer Corporation Activities	--	(31,622)
Component Equity, End of Period	$ 5,671,174	$11,710,819

</TABLE>

See notes to combined financial statements.

MEDERER CORPORATION'S U.S. CONFECTIONARY OPERATIONS (COMPONENT)

COMBINED STATEMENTS OF COMPONENT CASH FLOWS

(UNAUDITED) FOR THE THREE MONTHS ENDED MARCH 31, 1996 AND 1997

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31	
	1996	1997
<S>	<C>	<C>
Cash Flows from Operating Activities:		
Net income	$1,416,865	$1,925,134
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	673,412	745,241
Loss on sale of property and equipment	--	--
Write-down of property and equipment	--	--
Deferred income taxes	29,000	62,000
Changes in:		
Accounts receivable	(2,263,585)	(1,785,827)
Inventories	(252,040)	(1,591,788)
Prepaid expenses	(81,791)	(88,009)
Other assets	(19,557)	(41,719)
Accounts payable	331,943	391,552
Accrued expenses	1,128,381	1,433,405
Net cash from operating activities	962,628	1,049,989
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment		
Purchases of property and equipment	(452,395)	(5,342,668)
Net cash from investing activities	(452,395)	(5,342,668)
Cash Flows from Financing Activities:		
Net borrowings on notes payable	1,370,000	788,000
Change in checks written in excess of bank balances	--	--
Proceeds from long-term debt	--	--
Repayments of long-term debt	(2,635,482)	--
Principal repayments on capital lease obligations	1,019,282	4,461,864
Distributions to fund other Mederer Corporation activities, net	--	(31,622)
Net cash from financing activities	(246,200)	5,218,242
Net Change in Cash	264,033	925,563
Cash, Beginning of Period	--	157,337
Cash, End of Period	$ 264,033	$1,082,900
Cash Paid for:		
Interest	$ 255,353	$ 282,968
Income taxes	319,400	107,577

</TABLE>

See notes to combined financial statements.

MEDERER CORPORATION'S U.S. CONFECTIONARY OPERATIONS (COMPONENT)

NOTES TO COMBINED COMPONENT FINANCIAL STATEMENTS

(UNAUDITED) FOR THE THREE MONTHS ENDING MARCH 31, 1996 AND 1997

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation--The combined financial statements of Mederer Corporation's U.S. Confectionary Operations reflect the manufacturing and distribution activities of Mederer Corporation (Mederer) and its wholly-owned U.S. subsidiaries Trolli, Inc. (Trolli) and Gelex Corporation International, Ltd. (Gelex) (a foreign sales corporation), collectively referred to as the "Component." All significant intercompany accounts and transactions between these entities have been eliminated. These combined financial statements do not reflect Mederer Corporation's non-confectionary operations which include its wholly-owned subsidiary Charqui Inc. (Charqui) or its foreign confectionary operations which include its 90% ownership of Trolli Iberica S.A. (Iberica) and its 99% owned subsidiary Trolli de Mexico S.A. de C.V. (Mexico), collectively referred to as the "Excluded Operations." All significant accounts and

transactions between Mederer Corporation's U.S. Confectionary Operations and the Excluded Operations are excluded from the combined balance sheets and net income and are reflected as a change in Component equity.

Description of Component Business--Mederer manufactures and distributes candy for human consumption. Mederer distributes its products through Trolli who markets them primarily in the United States. Mederer also sells directly to customers in other countries through Gelex.

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Fair Value of Financial Instruments--The fair value of amounts borrowed under the Component's external credit facilities approximates the carrying value as the terms and rates are similar to those currently available to the Component.

Cash Equivalents--All highly liquid investments with a maturity, at time of purchase, of three months or less are considered to be cash equivalents.

Inventories--Inventories are stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment--Property and equipment are recorded at historical cost. Depreciation and amortization of property and equipment is provided using the straight-line method over the following estimated useful lives of the assets.

<TABLE>
<S> <C>
Buildings and leasehold improvements..... 7-40 years
Machinery and equipment..... 3-10 years
</TABLE>

Long-Lived Assets--The Component assesses at each balance sheet date whether there has been a permanent impairment in the value of long-lived assets.

Income Taxes--The Component is included in the consolidated tax returns of Mederer Corporation. For financial statement purposes, income taxes are recorded as if the Component filed separate income tax returns. Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. Deferred income tax expense or benefit is based on the changes in the deferred tax assets or liabilities from period to period.

INTERIM FINANCIAL INFORMATION

Interim financial information for the three months ended March 31, 1996 and 1997 included herein is unaudited; however, in the opinion of management, the interim financial information includes all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results of operations for the three months ended March 31, 1996 and 1997 are not necessarily indicative of the results to be expected for the years ended December 31, 1997 and 1998, due to the seasonal nature of the Company's operations. These financial statements should be read in conjunction with the Component financial statements as of and for the year ended December 31, 1996.

2. STOCK PURCHASE

On February 24, 1997, Favorite Brands International, Inc. (FBI) entered into a Stock Purchase Agreement with Mederer and its stockholders to acquire all the issued and outstanding capital stock of Mederer. At or prior to the closing, which is anticipated to occur on or around April 1, 1997, all investments in and advances to Charqui and Iberica and related liabilities will be sold to or assumed by the Mederer stockholders, directly or indirectly. In connection with the disposition of Iberica the stockholders will assume a long-term obligation to Mederer GmbH. Additionally, at or prior to closing, the stockholders shall cause the underlying real property assets of Mederer Associates to be conveyed to Mederer for (1) approximately $400,000; plus (2) assumption of an existing mortgage for the real property approximating $2,800,000; and (3) the discharge of a receivable due from Mederer Associates of approximately $58,000.

NO DEALER, SALESPERSON OR OTHER PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO REPRESENT ANYTHING NOT CONTAINED IN THIS PROSPECTUS OR IN THE ACCOMPANYING LETTER OF TRANSMITTAL. YOU MUST NOT RELY ON ANY UNAUTHORIZED INFORMATION OR REPRESENTATIONS. THIS PROSPECTUS AND THE ACCOMPANYING LETTER OF TRANSMITTAL ARE AN OFFER TO SELL OR TO BUY ONLY THE SECURITIES OFFERED HEREBY, BUT ONLY UNDER CIRCUMSTANCES AND IN JURISDICTIONS WHERE IT IS LAWFUL TO DO SO. THE INFORMATION CONTAINED IN THIS PROSPECTUS AND IN THE ACCOMPANYING LETTER OF TRANSMITTAL ARE CURRENT ONLY AS OF THEIR RESPECTIVE DATES.

THROUGH AND INCLUDING , 1999 (THE 90TH DAY AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

, 1998

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Certificate of Incorporation of the Registrant provides that the Registrant will indemnify each of its directors and officers to the fullest extent permitted by the General Corporation Law of the State of Delaware (the "DGCL") and may indemnify certain other persons as authorized by the DGCL. Section 145 of the DGCL provides as follows:

145 INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS; INSURANCE--

(a) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

(b) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the court of Chancery or the

court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this section, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(d) Any Indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in subsections (a) and (b) of this section. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

(g) A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person in any such capacity or arising out of such person's status as such whether or not the corporation would have the power to indemnify such person against such liability under this section.

(h) For purposes of this section, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same

position under this section with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which

imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) The Court of Chancery is hereby vested with exclusive jurisdiction to hear and determine all actions for advancement of expenses or indemnification brought under this section or under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. The Court of Chancery may summarily determine a corporation's obligation to advance expenses (including attorneys' fees).

The Registrant also carries liability insurance covering officers and directors.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) EXHIBITS. A list of exhibits included as part of this Registration Statement is set forth in the Exhibit Index which immediately precedes such exhibits and is hereby incorporated by reference herein.

(b) FINANCIAL STATEMENT SCHEDULES. A schedule of valuation and qualifying accounts is included as Schedule I. Other financial statement schedules have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information is included in the financial statements or notes thereto.

ITEM 22. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plans annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by any such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this Form S-4, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(d) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

FAVORITE BRANDS INTERNATIONAL, INC.
AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF FAVORITE BRANDS
INTERNATIONAL HOLDING CORP.)

SCHEDULE I--VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE AT END OF YEAR
<S>	<C>	<C>	<C>	<C>
1998:				
Reserve for bad debts	$7,650	$18,356	$(11,406)	$14,600
1997:				
Reserve for bad debts	$ 500	$ 7,268	$ (118)	$ 7,650
1996:				
Reserve for bad debts	$ --	$ 500	$ --	$ 500

</TABLE>

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, each registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Lincolnshire, State of Illinois, on , 1998.

Favorite Brands International, Inc.

/s/ Richard R. Harshman
By: _____
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated, on , 1998.

<TABLE>

<S>	<C>
/s/ Richard R. Harshman Richard R. Harshman	Chief Executive Officer
/s/ Steven F. Kaplan Steven F. Kaplan	President, Chief Financial Officer and Chief Operating Officer
/s/ Ann Hughes Ann Hughes	Interim Assistant Controller (Chief Accountant)
/s/ Alexander Seaver Alexander Seaver	Director
/s/ William S. Price III William S. Price III	Director

</TABLE>

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, each registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Lincolnshire, State of Illinois, on , 1998.

Trolli Inc.

/s/ Richard R. Harshman
By: _____
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated, on , 1998.

<TABLE>
<S> <C>

/s/ Richard R. Harshman Richard R. Harshman	Chief Executive Officer
/s/ Steven F. Kaplan Steven F. Kaplan	Chief Financial Officer and Chief Operating Officer
/s/ Ann Hughes Ann Hughes	Interim Assistant Controller (Chief Accountant)
/s/ Alexander Seaver Alexander Seaver	Director
/s/ William S. Price III William S. Price III	Director

</TABLE>

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, each registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Lincolnshire, State of Illinois, on , 1998.

Sather Trucking Corporation

/s/ Richard R. Harshman
By: _____
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated, on , 1998.

<TABLE>
<S> <C>

/s/ Richard R. Harshman Richard R. Harshman	Chief Executive Officer
/s/ Steven F. Kaplan Steven F. Kaplan	President, Chief Financial Officer and Chief Operating Officer
/s/ Ann Hughes Ann Hughes	Interim Assistant Controller (Chief Accountant)
/s/ Alexander Seaver Alexander Seaver	Director
/s/ William S. Price III William S. Price III	Director

</TABLE>

EXHIBIT INDEX

<TABLE>

<C>	<S>
3.1	Certificate of Incorporation of Favorite Brands International, Inc.*
3.2	Bylaws of Favorite Brands International, Inc.*

4.1 Indenture, dated as of May 19, 1998, among Favorite Brands International, Inc., as issuer, the Subsidiary Guarantors party thereto and LaSalle National Bank, as trustee, relating to the 10 3/4% Senior Notes due 2006 (the "Indenture")*

4.2 Form of 10 3/4% Senior Notes due 2006 of Favorite Brands International, Inc. (the "Initial Notes") (included as Exhibit A to the Indenture filed as Exhibit 4.1)

4.3 Form of 10 3/4% Senior Notes due 2006 of Favorite Brands International, Inc. (the "Exchange Notes") (included as Exhibit B to the Indenture filed as Exhibit 4.1)

4.4 Form of Subsidiary Guarantee among Favorite Brands International, Inc., the subsidiary guarantors of Favorite Brands International, Inc. that are signatories thereto and LaSalle National Bank, as trustee (included as Exhibit C to the Indenture filed as Exhibit 4.1)

4.5 Registration Rights Agreement, dated as of May 13 1998, by and among Favorite Brands International, Inc., Trolli Inc. and Sather Trucking Corp., as Guarantors, and the Initial Purchasers named therein relating to $200,000,000 aggregate principal amount of the Initial Notes**

4.6 Credit Agreement, dated as of May 19, 1998, among Favorite Brands International, Inc., Favorite Brands International Holding Corp., The Chase Manhattan Bank, as Administrative Agent, Swingline Lender and Co-Syndication Agent, Bank of America National Trust and Savings Association, as Documentation Agent and Co-Syndication Agent, and the other financial institutions party thereto (the "Credit Agreement")*

4.7 First Amendment and Waiver to the Credit Agreement, dated as of August 26, 1998*

4.8 Second Amendment and Waiver to the Credit Agreement, dated as of September 25, 1998*

4.9 10% Senior Note Due 2005 payable to TPG Partners, L.P.**

4.10 Amended and Restated Senior Subordinated Note Agreement, dated as of September 12, 1997 related to Series A Senior Subordinated Notes due August 20, 2007 of Favorite Brands International, Inc. ("Amended and Restated Senior Subordinated Note Agreement")*

4.11 Form of Series A Senior Subordinated Note due August 20, 2007 (included as Exhibit I to Amended and Restated Senior Subordinated Note Agreement filed as Exhibit 4.10)

4.12 Form of Indenture among Favorite Brands International, Inc., the restricted subsidiaries of Favorite Brands International, Inc., as Guarantors, and the trustee party thereto, relating to Senior Subordinated Notes due August 20, 2007 (included as Exhibit V to Amended and Restated Senior Subordinated Note Agreement filed as Exhibit 4.10)

4.13 Amendment No. 1 to the Amended and Restated Senior Subordinated Note Agreement, dated as of March 20, 1998*

4.14 Amendment No. 2 to the Amended and Restated Senior Subordinated Note Agreement, dated as of June 19, 1998*

5.1 Opinion of Cleary, Gottlieb, Steen & Hamilton regarding legality of the Exchange Notes*

10.1 Operating Services Agreement, dated as of July 13, 1998, by and between Favorite Brands International, Inc. and Exel Logistics, Inc.*

10.2 Operating Services Agreement, dated as of July 27, 1998, by and between Favorite Brands International, Inc. and Exel Logistics, Inc.*

</TABLE>

<TABLE>
<C> <S>

10.3 Lease Agreement, dated as of September 26, 1994, between FLLC, L.L.C., as Landlord, and Farley Candy Company, d/b/a Farley Foods, U.S.A., as Tenant*

10.4 Lease Agreement, dated as of December 23, 1996, between David E. Babiarz, as Lessor, and D.J. Acquisition Corp., as Lessee*

10.5 Lease Agreement, dated as of May 12, 1994, between American National Bank and Trust Company Land Trust 65387, as Landlord, and Farley Candy Company, as Tenant, and addendum thereto*

10.6 Transition Agreement, dated April 1, 1997, by and among Mederer Corporation, Favorite Brands International, Inc. and Jose Minski*

10.7 The Merrill Lynch Special Non-Qualified Deferred Compensation Plan, effective as of January 1, 1997*

10.8 Stock Option Agreement, dated as of August 31, 1996 between Favorite Brands International Holding Corp. and Alexander M. Seaver*

10.9 Favorite Brands International Holding Corp. Stock Option Plan, effective as of September 25, 1995*

10.10 Employment Agreement, dated as of May 5, 1997, between Favorite Brands International, Inc. and Al Multari, and amendment thereto, dated as of May 15, 1997*

10.11 Employment Agreement, dated as of August 15, 1996, between Favorite Brands International, Inc. and Dennis J. Nemeth*

10.12 Form of Change of Control Agreement*

12.1 Calculation of Ratio of Earnings to Fixed Charges*

21.1 Subsidiaries of Favorite Brands International, Inc.*

23.1 Consent of PricewaterhouseCoopers LLP, independent accountants*

23.2 Consent of Friedman Eisenstein Raemer and Schwartz, LLP, independent

accountants*
23.3 Consent of McGladrey & Pullen, independent accountants*
23.4 Consent of Wolf, Grieco & Co., independent accountants*
23.5 Consent of Deloitte & Touche LLP, independent accountants*
23.6 Consent of Cleary, Gottlieb, Steen & Hamilton (included in its opinion filed as Exhibit 5.1)
25.1 Form T-1 with respect to the eligibility of LaSalle National Bank with respect to the Indenture*
27.1 Financial Data Schedule*
99.1 Form of Letter of Transmittal*
99.2 Form of Notice of Guaranteed Delivery*
99.3 Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees*
99.4 Form of Letter to Clients*
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*Filed Herewith.
**To be filed by amendment.

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "FAVORITE BRANDS INTERNATIONAL, INC.", FILED IN THIS OFFICE ON THE NINETEENTH DAY OF SEPTEMBER, A.D. 1995, AT 9 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE KENT COUNTY RECORDER OF DEEDS FOR RECORDING.

/s/ Edward J. Freel

Edward J. Freel, Secretary of State

[SEAL]

AUTHENTICATION: 7644629

DATE: 09-19-95

CERTIFICATE OF AMENDMENT OF THE

CERTIFICATE OF INCORPORATION

OF

FAVORITE BRANDS INTERNATIONAL, INC.

Pursuant to Section 241 of the General
Corporation Law of the State of Delaware

Favorite Brands International, Inc., a Delaware corporation (the "Corporation"), does hereby certify as follows:

FIRST: The Corporation's Certificate of Incorporation is hereby amended by deleting in its entirety the present Section 10.

SECOND: The Corporation has not received any payment for any of

its capital stock.

THIRD: The foregoing amendment was duly adopted in accordance with Section 241 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, James J. O'Brien has caused this certificate to be duly executed in its corporate name this 19th day of September, 1995 and affirms that the statements made herein are true under penalties of perjury.

FAVORITE BRANDS INTERNATIONAL, INC.

By: /s/ James J. O'Brien

Name: James J. O'Brien
Title: Vice President

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "MARSHMALLOW ACQUISITION CORP.", CHANGING ITS NAME FROM "MARSHMALLOW ACQUISITION CORP." TO "FAVORITE BRANDS INTERNATIONAL, INC.", FILED IN THIS OFFICE ON THE TWENTY-FIRST DAY OF AUGUST, A.D. 1995, AT 3 O'CLOCK P.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE KENT-COUNTY RECORDER OF DEEDS FOR RECORDING.

[SEAL]

[SEAL] /s/ Edward J. Freel

Edward J. Freel, Secretary of State

AUTHENTICATION: 7615683

CERTIFICATE OF AMENDMENT OF THE CERTIFICATE OF INCORPORATION OF MARSHMALLOW ACQUISITION CORP.

Pursuant to Section 241 of the General Corporation Law of the State of Delaware

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Marshmallow Acquisition Corp., a Delaware corporation (the "Corporation"), does hereby certify as follows:

FIRST: Section 1 of the Corporation's Restated Certificate of Incorporation is hereby amended by deleting in its entirety the present Section 1 and substituting in lieu thereof the following new Section 1:

"1. The name of the corporation is Favorite Brands International, Inc. (the "Corporation")."

SECOND: The Corporation has not received any payment for any of its capital stock.

THIRD: The foregoing amendment was duly adopted in accordance with Section 241 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, James J. O'Brien has caused this Certificate to be duly executed in its corporate name this 18th day of August, 1995 and affirms that the statements made herein are true under penalties of perjury.

MARSHMALLOW ACQUISITION CORP.

By: James J. O'Brien

Name: James J. O'Brien
Title: Vice President

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "MARSHMALLOW ACQUISITION CORP.", FILED IN THIS OFFICE ON THE SEVENTH DAY OF JULY, A.D. 1995, AT 1 O'CLOCK P.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE KENT COUNTY RECORDER OF DEEDS FOR RECORDING.

/s/ Edward J. Freel

Edward J. Freel, Secretary of State

[SEAL]

AUTHENTICATION: 7566710

DATE: 07-07-95

CERTIFICATE OF INCORPORATION
of
MARSHMALLOW ACQUISITION CORP.

The undersigned incorporator, in order to form a corporation under the General Corporation Law of the State of Delaware (the "General Corporation Law"), certifies as follows:

1. Name. The name of the corporation is Marshmallow Acquisition Corp. (the "Corporation").

2. Address; Registered Office and Agent. The address of the Corporation's registered office is 9 East Loockerman Street, City of Dover, County of Kent, State of Delaware; and its registered agent at such address is National Corporate Research, Ltd.

3. Purposes. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organised under the General Corporation Law.

4. Number of Shares. The total number of shares of stock that the

Corporation shall have authority to issue is: One Thousand (1,000), all of which shall be shares of Common Stock of the par value of One Cent ($.01) each.

5. Name and Mailing Address of Incorporator.

The name and mailing address of the incorporator are: Colleen A. Keating, c/o Paul, Weiss, Rifkind Wharton & Garrison, 1285 Avenue of the Americas, New York, New York 10019-6064.

6. Election of Directors. Members of the Board of Directors of the Corporation (the "Board") may be elected either by written ballot or by voice vote.

7. Limitation of Liability. No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that this provision shall not eliminate or limit the liability of a director (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under section 174 of the General Corporation Law or (d) for any transaction from which the director derived any improper personal benefits.

Any repeal or modification of the foregoing provision shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

8. Indemnification.

8.1 To the extent not prohibited by law, the Corporation shall indemnify any person who is or was made, or threatened to be made, a party to any threatened, pending or completed action, suit or proceeding (a "Proceeding"), whether civil, criminal, administrative or investigative, including, without limitation, an action by or in the right of the Corporation to procure a judgment in its favor, by reason of the fact that such person, or a person of whom such person is the legal representative, is or was a director or officer of the Corporation, or, at the request of the Corporation, is or was serving as a director or officer of any other corporation or in a capacity with comparable authority or responsibilities for any partnership, joint venture, trust, employee benefit plan or other enterprise (an "Other Entity"), against judgments, fines, penalties, excise taxes, amounts paid in settlement and costs, charges and expenses (including attorneys' fees, disbursements and other charges). Persons who are not directors or officers of the Corporation (or

otherwise entitled to indemnification pursuant to the preceding sentence) may be similarly indemnified in respect of service to the Corporation or to an Other Entity at the request of the Corporation to the extent the Board at any time

specifies that such persons are entitled to the benefits of this Section 8.

8.2 The Corporation shall, from time to time, reimburse or advance to any director or officer or other person entitled to indemnification hereunder the funds necessary for payment of expenses, including attorneys' fees and disbursements, incurred in connection with any Proceeding, in advance of the final disposition of such Proceeding; provided, however, that, if required by
-------- -------
the General Corporation Law, such expenses incurred by or on behalf of any director or officer or other person may be paid in advance of the final disposition of a Proceeding only upon receipt by the Corporation of an undertaking, by or on behalf of such director or officer (or other person indemnified hereunder), to repay any such amount so advanced if it shall ultimately be determined by final judicial decision from which there is no further right of appeal that such director, officer or other person is not entitled to be indemnified for such expenses.

8.3 The rights to indemnification and reimbursement or advancement of expenses provided by, or granted pursuant to, this Section 8 shall not be deemed exclusive of any other rights to which a person seeking indemnification or reimbursement or advancement of expenses may have or hereafter be entitled under any statute, this Certificate or

Incorporation, the By-laws of the Corporation (the "By-laws"), any agreement, any vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

8.4 The rights to indemnification and reimbursement or advancement of expenses provided by, or granted pursuant to, this Section 8 shall continue as to a person who has ceased to be a director or officer (or other person indemnified hereunder) and shall inure to the benefit of the executors, administrators, legatees and distributees of such person.

8.5 The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of an other Entity, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the

Corporation would have the power to indemnify such person against such liability under the provisions of this Section 8, the By-laws or under section 145 of the General Corporation Law or any other provision of law.

8.6 The provisions of this Section 8 shall be a contract between the Corporation, on the one hand, and each director and officer who serves in such capacity at any time while this Section 8 is in effect and any other person entitled to indemnification hereunder, on the other hand, pursuant to which the Corporation and each such director, officer, or other person intend to be, and shall be, legally bound. No repeal or modification of this Section 8 shall affect any rights or obligations with respect to any state of facts then or theretofore existing or thereafter arising or any proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

8.7 The rights to indemnification and reimbursement or advancement of expenses provided by, or granted pursuant to, this Section 8 shall be enforceable by any person entitled to such indemnification or reimbursement or advancement of expenses in any court of competent jurisdiction. The burden of proving that such indemnification or reimbursement or advancement of expenses is not appropriate shall be on the Corporation. Neither the failure of the Corporation (including its Board, its independent legal counsel and its stockholders) to have made a determination prior to the commencement of such action that such indemnification or reimbursement or advancement of expenses is

proper in the circumstances nor an actual determination by the Corporation (including its Board, its independent legal counsel and its stockholders) that such person is not entitled to such indemnification or reimbursement or advancement of expenses shall constitute a defense to the action or create a presumption that such person is not so entitled. Such a person shall also be indemnified for any expenses incurred in connection with successfully establishing his or her right to such indemnification or reimbursement or advancement of expenses, in whole or in part, in any such proceeding.

8.8 Any director or officer of the Corporation serving in any capacity (a) another corporation of which a majority of the shares entitled to vote in the election of its directors is held, directly or indirectly, by the Corporation or (b) any employee benefit plan of the Corporation or any corporation referred to in clause (a) shall be deemed to be doing so at the request of the Corporation.

8.9 Any person entitled to be indemnified or to reimbursement or advancement of expenses as a matter of right pursuant to this Section 8 may elect to have the right to indemnification or reimbursement or advancement of expenses interpreted on the basis of the applicable law in effect at the time of the occurrence of the event or events

giving rise to the applicable Proceeding, to the extent permitted by law, or on the basis of the applicable law in effect at the time such indemnification or reimbursement or advancement of expenses is sought. Such election shall be made, by a notice in writing to the Corporation, at the time indemnification or reimbursement or advancement of expenses is sought; provided, however, that if no such notice is given, the right to indemnification or reimbursement or advancement of expenses shall be determined by the law in effect at the time indemnification or reimbursement or advancement of expenses is sought.

9. Adoption, Amendment and/or Repeal of By-Laws. The Board may from time to time adopt, amend or repeal the By-laws of the Corporation; provided, however, that any By-laws adopted or amended by the Board may be amended or repealed, and any By-laws may be adopted, by the stockholders of the Corporation by vote of a majority of the holders of shares of stock of the Corporation entitled to vote in the election of directors of the Corporation.

[10. Action by Stockholders. Notwithstanding the provisions of section 228 of the General Corporation Law (or any successor statute), any action required or permitted by the General Corporation Law to be taken at any annual or special meeting of stockholders of the Corporation may be

taken only at such an annual or special meeting of stockholders and cannot be taken by written consent without a meeting.

WITNESS the signature of this Certificate this 7th day of July, 1995.

/s/ Colleen A. Keating
Colleen A. Keating, Incorporator

EXHIBIT 3.2

BY-LAWS

of

MARSHMALLOW ACQUISITION CORP.

(A Delaware Corporation)

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ARTICLE 1

DEFINITIONS

As used in these By-laws, unless the context otherwise requires, the term:

1.1 "Assistant Secretary" means an Assistant Secretary of the Corporation.

1.2 "Assistant Treasurer" means an Assistant Treasurer of the Corporation.

1.3 "Board" means the Board of Directors of the Corporation.

1.4 "By-laws" means the initial by-laws of the Corporation, as amended from time to time.

1.5 "Certificate of Incorporation" means the initial certificate of incorporation of the Corporation, as amended, supplemented or restated from time to time.

1.6 "Chairman" means the Chairman of the Board of Directors of the Corporation.

1.7 "Corporation" means Marshallow Acquisition Corp.

1.8 "Directors" means directors of the Corporation.

1.9 "Entire board" means all directors of the Corporation in office, whether or not present at a meeting of the Board, but disregarding vacancies.

1.10 "General Corporation Law" means the General Corporation Law of the State of Delaware, as amended from time to time.

1.11 "Office of the Corporation" means the executive office of the Corporation, anything in section 131 of the General Corporation Law to the contrary notwithstanding.

1.12 "President" means the President of the Corporation.

1.13 "Secretary" means the Secretary of the Corporation.

1.14 "Stockholders" means stockholders of the Corporation.

1.15 "Treasurer" means the Treasurer of the Corporation.

1.16 "Vice President" means a vice President of the Corporation.

ARTICLE 2

STOCKHOLDERS

2.1 Place of Meetings. Every meeting of stockholders shall be held at the office of the Corporation or at such other place within or without the State of Delaware as

shall be specified or fixed in the notice of such meeting or in the waiver of notice thereof.

2.2 Annual Meeting. A meeting of stockholders shall be held annually for the election of Directors and the transaction of other business at such hour and on such business day in May or as may be determined by the Board and designated in the notice of meeting.

2.3 Deferred Meeting for Election of Directors, Etc. If the annual meeting of stockholders for the election of Directors and the transaction of other business is not held within the months specified in Section 2.2 hereof, the Board shall call a meeting of stockholders for the election of Directors and the transaction of other business as soon thereafter as convenient.

2.4 Other Special Meetings. A special meeting of stockholders (other than a special meeting for the election of Directors), unless otherwise prescribed by statute, may be called at any time by the Board or by the President or by the Secretary. At any special meeting of stockholders only such

business may be transacted as is related to the purpose or purposes of such meeting set forth in the notice thereof given pursuant to Section 2.6 hereof or in any waiver of notice thereof given pursuant to Section 2.7 hereof.

2.5 Fixing Record Date. For the purpose of (a) determining the stockholders entitled (i) to notice of or to vote at any meeting of stockholders or any adjournment thereof, (ii) to express consent to corporate action in writing without a meeting or (iii) to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock; or (b) any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date was adopted by the Board and which record date shall not be (x) in the case of clause (a) (i) above, more than 60 nor less than 10 days before the date of such meeting, (y) in the case of clause (a) (ii) above, more than 10 days after the date upon which the resolution fixing the record date was adopted by the Board and (z) in the case of clause (a) (iii) or (b) above, more than 60 days prior to such action. If no such record date is fixed:

2.5.1 the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held;

2.5.2 the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board is required under the General Corporation Law, shall be the first day on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded; and when prior action by the Board is required under the General Corporation Law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board adopts the resolution taking such prior action; and

2.5.3 the record date for determining stockholders for any purpose other than those specified in Sections 2.5.1 and 2.5.2 shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

When a determination of stockholders entitled to notice of or to vote at any meeting of stockholders has been made as provided in this Section 2.5, such determination shall apply

to any adjournment thereof unless the Board fixes a new record date for the adjourned meeting. Delivery made to the Corporation's registered office in accordance with Section 2.5.2 shall be by hand or by certified or registered mail, return receipt requested.

2.6 Notice of Meetings of Stockholders. Except as otherwise provided in Sections 2.5 and 2.7 hereof, whenever under the provisions of any statute, the Certificate of Incorporation or these By-laws, stockholders are required or permitted to take any action at a meeting, written notice shall be given stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by any statute, the Certificate of Incorporation or these By-laws, a copy of the notice of any meeting shall be given, personally or by mail, not less than ten nor more than sixty days before the date of the meeting, to each stockholder entitled to notice of or to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, with postage prepaid, directed to the stockholder at his or her address as it appears on the records of the Corporation. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent of the Corporation that the notice required by this Section 2.6 has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted at the meeting as originally called. If, however, the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.7 Waivers of Notice. Whenever the giving of any notice is required by statute, the Certificate of Incorporation or these By-laws, a waiver thereof, in writing, signed by the stockholder or stockholders entitled to said notice, whether before or after the event as to which such notice is required, shall be deemed equivalent to notice. Attendance by a stockholder at a meeting shall constitute a waiver of notice of such meeting except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the

meeting, to the transaction of any business on the ground that the meeting has not been lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by statute, the Certificate of Incorporation or these By-laws.

2.8 List of Stockholders. The Secretary shall prepare and make, or cause to be prepared and made, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, the stockholder's agent, or attorney, at the stockholder's expense, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The Corporation shall maintain the stockholder list in written form or in another form capable of conversion into written form within a reasonable time. Upon the willful neglect or refusal of the Directors to produce such a list at any meeting for the election of Directors, they shall be ineligible for election to any office at such meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list

of stockholders or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

2.9 Quorum of Stockholders; Adjournment. Except as otherwise provided by any statute, the Certificate of Incorporation or these By-laws, the holders of one-third of all outstanding shares of stock entitled to vote at any meeting of stockholders, present in person or represented by proxy, shall constitute a quorum for the transaction of any business at such meeting. When a quorum is once present to organize a meeting of stockholders, it is not broken by the subsequent withdrawal of any stockholders. The holders of a majority of the shares of stock present in person or represented by proxy at any meeting of stockholders, including an adjourned meeting, whether or not a quorum is present, may adjourn such meeting to another time and place. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that

the foregoing shall not limit the right of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

2.10 Voting; Proxies. Unless otherwise provided in the Certificate of Incorporation, every stockholder of

record shall be entitled at every meeting of stockholders to one vote for each share of capital stock standing in his or her name on the record of stockholders determined in accordance with section 2.5 hereof. If the Certificate of Incorporation provides for more or less than one vote for any share on any matter, each reference in the By-laws or the General Corporation Law to a majority or other proportion of stock shall refer to such majority or other proportion of the votes of such stock. The provisions of Sections 212 and 217 of the General Corporation Law shall apply in determining whether any shares of capital stock may be voted and the persons, if any, entitled to vote such shares; but the Corporation shall be protected in assuming that the persons in whose names shares of capital stock stand on the stock ledger of the Corporation are entitled to vote such shares. Holders of redeemable shares of stock are not entitled to vote after the notice of redemption is mailed to such holders and a sum sufficient to redeem the stocks has been deposited with a bank, trust company, or other financial institution under an irrevocable obligation to pay the holders the redemption price on surrender of the shares of stock. At any meeting of stockholders (at which a quorum was present to organize the meeting), all matters, except as otherwise provided by statute or by the Certificate of Incorporation or by these By-laws, shall be decided by a majority of the votes cast at such meeting by

the holders of shares present in person or represented by proxy and entitled to vote thereon, whether or not a quorum is present when the vote is taken. All elections of Directors shall be by written ballot unless otherwise provided in the Certificate of Incorporation. In voting on any other question on which a vote by ballot is required by law or is demanded by any stockholder entitled to vote, the voting shall be by ballot. Each ballot shall be signed by the stockholder voting or the stockholder's proxy and shall state the number of shares voted. On all other questions, the voting may be viva voce. Each
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stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy. The validity and enforceability of any proxy shall be determined in accordance with Section 212 of the General Corporation Law. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by delivering a proxy in accordance with applicable law bearing a later date to the Secretary.

2.11 Voting Procedures and Inspectors of Election at Meetings of
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Stockholders. The Board, in advance of any meeting of stockholders, may appoint
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one or more inspectors to act at the meeting and make a written report thereof. The Board may designate one or more persons as alternate

inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting, the person presiding at the meeting may appoint, and on the request of any shareholder entitled to vote thereat shall appoint, one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall (a) ascertain the number of shares outstanding and the voting power of each, (b) determine the shares represented at the meeting and the validity of proxies and ballots, (c) count all votes and ballots, (d) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (e) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the

performance of their duties. Unless otherwise provided by the Board, the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be determined by the person presiding at the meeting and shall be announced at the meeting. No ballot, proxies or votes, or any revocation thereof or change thereto, shall be accepted by the inspectors after the

closing of the polls unless the Court of Chancery of the State of Delaware upon application by a stockholder shall determine otherwise.

2.12 Organization. At each meeting of stockholders, the Chairman, or
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in the absence of the Chairman the President, or in the absence of the President a Vice President, and in case more than one Vice President shall be present, that Vice President designated by the Board (or in the absence of any such designation, the most senior Vice President, based on age, present), shall act as chairman of the meeting. The Secretary, or in his or her absence one of the Assistant Secretaries, shall act as secretary of the meeting. In case none of the officers above designated to act as chairman or secretary of the meeting, respectively, shall be present, a chairman or a secretary of the meeting, as the case may be, shall be chosen by a majority of the votes cast at such meeting by the holders of shares of capital stock present in person or represented by proxy and entitled to vote at the meeting.

2.13 Order of Business. The order of business at all meetings of
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stockholders shall be as determined by the chairman of the meeting, but the order of business to be followed at any meeting at which a quorum is present may be changed by a majority of the votes cast at such meeting by the holders of shares of capital stock present in person or represented by proxy and entitled to vote at the meeting.

2.14 Written Consent of Stockholders Without a Meeting. Unless
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otherwise provided in the Certificate of Incorporation, any action required by the General Corporation Law to be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered (by hand or by certified or registered

mail,return receipt requested) to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Every written consent shall bear the date of signature of each shareholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered in the manner required by this Section 2.14, written consents signed by a sufficient number of holders to take action are delivered to the Corporation as aforesaid. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be

given to those stockholders who have not consented in writing.

ARTICLE 3

Directors

3.1 General Powers. Except as otherwise provided in the Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board. The Board may adopt such rules and regulations, not inconsistent with the Certificate of Incorporation or these By-laws or applicable laws, as it may deem proper for the conduct of its meetings and the management of the Corporation. In addition to the powers expressly conferred by these By-laws, the Board may exercise all powers and perform all acts that are not required, by these By-laws or the Certificate of Incorporation or by statute, to be exercised and performed by the stockholders.

3.2 Number; Qualification; Term of Office. The Board shall consist of one or more members. The number of Directors shall be fixed initially by the incorporator and may thereafter be changed from time to time by action of the stockholders or by action of the Board. Directors need not be stockholders. Each Director shall hold office until a successor is elected and qualified or until the Director's death, resignation or removal.

3.3 Election. Directors shall, except as otherwise required by statute or by the Certificate of

Incorporation, be elected by a plurality of the votes cast at a meeting of stockholders by the holders of shares entitled to vote in the election.

3.4 Newly Created Directorships and Vacancies. Unless otherwise provided in the Certificate of Incorporation, newly created Directorships resulting from an increase in the number of Directors and vacancies occurring in the Board for any other reason, including the removal of Directors without cause, may be filled by the affirmative votes of a majority of the entire Board, although less than a quorum, or by a sole remaining Director, or may be elected by a plurality of the votes cast by the holders of shares of capital stock entitled to vote in the election at a special meeting of stockholders called for that purpose. A Director elected to fill a vacancy shall be elected to hold office until a successor is elected and qualified, or until the Director's earlier death, resignation or removal.

3.5 Resignation. Any Director may resign at any time by written notice to the Corporation. Such resignation shall take effect at the time therein specified, and, unless otherwise specified in such resignation, the acceptance of such resignation shall not be necessary to make it effective.

3.6 Removal. Subject to the provisions of Section 141(k) of the General Corporation Law, any or all of the Directors may be removed with or without cause by vote

of the holders of a majority of the shares then entitled to vote at an election of Directors.

3.7 Compensation. Each Director, in consideration of his or her service as such, shall be entitled to receive from the Corporation such amount per annum or such fees for attendance at Directors' meetings, or both, as the Board may from time to time determine, together with reimbursement for the reasonable out-of-pocket expenses, if any, incurred by such Director in connection with the performance of his or her duties. Each Director who shall serve as a member of any committee of Directors in consideration of serving as such shall be entitled to such additional amount per annum or such fees for attendance at committee meetings, or both, as the Board may from time to time determine, together with reimbursement for the reasonable out-of-pocket expenses, if any, incurred by such Director in the performance of his or her duties. Nothing contained in this Section 3.7 shall preclude any Director from serving the Corporation or its subsidiaries in any other capacity and receiving proper compensation therefor.

3.8 Times and Places of Meetings. The Board may hold meetings, both regular and special, either within or without the State of Delaware. The times and places for holding meetings of the Board may be fixed from time to time by

resolution of the Board or (unless contrary to a resolution of the Board) in the notice of the meeting.

3.9 Annual Meetings. On the day when and at the place where the annual meeting of stockholders for the election of Directors is held, and as soon as practicable thereafter, the Board may hold its annual meeting, without notice of such meeting, for the purposes of organization, the election of officers and the transaction of other business. The annual meeting of the Board may be held at any other time and place specified in a notice given as provided in Section 3.11 hereof for special meetings of the Board or in a waiver of notice thereof.

3.10 Regular Meetings. Regular meetings of the Board may be held without notice at such times and at such places as shall from time to time be determined by the Board.

3.11 Special Meetings. Special meetings of the Board may be called by the Chairman, the President or the Secretary or by any two or more Directors then serving on at least one day's notice to each Director given by one of the means specified in Section 3.14 hereof other than by mail, or on at least three days' notice if given by mail. Special meetings shall be called by the Chairman, President or Secretary in like manner and on like notice on the written request of any two or more of the Directors then serving.

3.12 Telephone Meetings. Directors or members of any committee designated by the Board may participate in a meeting of the Board or of such committee by means of

conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.12 shall constitute presence in person at such meeting.

3.13 Adjourned Meetings. A majority of the Directors present at any meeting of the Board, including an adjourned meeting, whether or not a quorum is present, may adjourn such meeting to another time and place. At least one day's notice of any adjourned meeting of the Board shall be given to each Director whether or not present at the time of the adjournment, if such notice shall be given by one of the means specified in Section 3.14 hereof other than by mail, or at least three days' notice if by mail. Any business may be transacted at an adjourned meeting that might have been transacted at the meeting as originally

called.

3.14 Notice Procedure. Subject to Sections 3.11 and 3.17 hereof, whenever, under the provisions of any statute, the Certificate of Incorporation or these By-laws, notice is required to be given to any Director, such notice shall be deemed given effectively if given in person or by telephone, by mail addressed to such Director at such Director's address as it appears on the records of the Corporation, with postage thereon prepaid, or by telegram, telex, telecopy or similar means addressed as aforesaid.

3.15 Waiver of Notice. Whenever the giving of any notice is required by statute, the Certificate of Incorporation or these By-laws, a waiver thereof, in writing, signed by the person or persons entitled to said notice, whether before or after the event as to which such notice is required, shall be deemed equivalent to notice. Attendance by a person at a meeting shall constitute a waiver of notice of such meeting except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting has not been lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Directors or a committee of Directors need be specified in any written waiver of notice unless so required by statute, the Certificate of Incorporation or these By-laws.

3.16 Organization. At each meeting of the Board, the Chairman, or in the absence of the Chairman the President, or in the absence of the President a chairman chosen by a majority of the Directors present, shall preside. The Secretary shall act as secretary at each meeting of the Board. In case the Secretary shall be absent from any meeting of the Board, an Assistant Secretary shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the Secretary and all

Assistant Secretaries, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

3.17 Quorum of Directors. The presence in person of a majority of the entire Board shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board, but a majority of a smaller number may adjourn any such meeting to a later date.

3.18 Action by Majority Vote. Except as otherwise expressly required

by statute, the Certificate of Incorporation or these By-laws, the act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board.

3.19 Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these By-laws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all Directors or members of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

ARTICLE 4

COMMITTEES OF THE BOARD

The Board may, by resolution passed by a vote of the entire Board, designate one or more committees, each committee to consist of one or more of the Directors of the Corporation. The Board may designate one or more Directors

as alternate members of any committee to replace absent or disqualified members at any meeting of such committee. If a member of a committee shall be absent from any meeting, or disqualified from voting thereat, the remaining member or members present and not disqualified from voting, whether or not such member or members constitute a quorum, may, by a unanimous vote, appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in a resolution of the Board passed as aforesaid, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be impressed on all papers that may require it, but no such committee shall have the power or authority of the Board in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation under Section 251 or 252 of the General Corporation Law, selling, leasing or exchanging all or substantially all of the Corporation's property and assets, dissolving or revoking the dissolution of the Corporation or amending the By-laws of the Corporation; and, unless the resolution designating it expressly so provides, no such committee shall have the power and authority to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to section 253 of the General

Corporation Law. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board. Unless otherwise specified in the resolution of the Board designating a committee, at all meetings of such committee a majority of the total number of members of the committee shall constitute a quorum for the transaction of business, and the vote of a majority of the members of the committee present at any meeting at which there is a quorum shall be the act of the committee. Each committee shall keep regular minutes of its meetings. Unless the Board otherwise provides, each committee designated by the Board may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article 3 of these By-laws.

ARTICLE 5

OFFICERS

5.1 Positions. The officers of the Corporation shall be a Chairman, a

President, a Secretary, a Treasurer and such other officers as the Board may appoint, including one or more Vice Presidents and one or more Assistant Secretaries and Assistant Treasurers, who shall exercise such powers and perform such duties as shall be determined from time to time by the Board. The Board may designate one or more Vice Presidents as Executive Vice Presidents and may

use descriptive words or phrases to designate the standing, seniority or areas of special competence of the Vice Presidents elected or appointed by it. Any number of offices may be held by the same person unless the Certificate of Incorporation or these By-laws otherwise provide.

5.2 Appointment. The officers of the Corporation shall be chosen by the Board annually or at such other time or times as the Board shall determine.

5.3 Compensation. The compensation of all officers of the Corporation shall be fixed by the Board. No officer shall be prevented from receiving a salary or other compensation by reason of the fact that the officer is also a Director.

5.4 Term of Office. Each officer of the Corporation shall hold office until such officer's successor is chosen and qualifies or until such officer's earlier death, resignation or removal. Any officer may resign at any time upon written notice to the Corporation. Such resignation shall take effect at the date of receipt of such notice or at such later time as is therein specified, and, unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective. The resignation of an officer shall be without prejudice to the contract rights of the Corporation, if any. Any officer elected or appointed by the Board may be removed at any

time, with or without cause, by vote of a majority of the entire Board. Any vacancy occurring in any office of the Corporation shall be filled by the Board. The removal of an officer without cause shall be without prejudice to the officer's contract rights, if any. The election or appointment of an officer shall not of itself create contract rights.

5.5 Fidelity Bonds. The Corporation may secure the fidelity of any or all of its officers or agents by bond or otherwise.

5.6 Chairman. The Chairman shall preside at all meetings of the Board and shall exercise such powers and perform such other duties as shall be determined from time to time by the Board.

5.7 President. The President shall be the Chief Executive Officer of the Corporation and shall have general supervision over the business of the Corporation, subject, however, to the control of the Board and of any duly authorized committee of Directors. The President shall preside at all meetings of the stockholders and at all meetings of the Board at which the Chairman is not present. The President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts and other instruments except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these By-laws to some other officer or agent of the Corporation or shall be

required by statute otherwise to be signed or executed and, in general, the President shall perform all duties incident to the office of President of a corporation and such other duties as may from time to time be assigned to the President by the Board.

5.8 Vice Presidents. At the request of the President, or, in the President's absence, at the request of the Board, the Vice Presidents shall (in such order as may be designated by the Board or, in the absence of any such designation, in order of seniority based on age) perform all of the duties of the President and, in so performing, shall have all the powers of, and be subject to all restrictions upon, the President. Any Vice President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these By-laws to some other officer or agent of the Corporation, or shall be required by statute otherwise to be signed or executed, and each Vice President shall perform such other

duties as from time to time may be assigned to such Vice President by the Board or by the President.

5.9 Secretary. The Secretary shall attend all meetings of the Board
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and of the stockholders and shall record all the proceedings of the meetings of the Board and of the stockholders in a book to be kept for that purpose,

and shall perform like duties for committees of the Board, when required. The Secretary shall give, or cause to be given, notice of all special meetings of the Board and of the stockholders and shall perform such other duties as may be prescribed by the Board or by the President, under whose supervision the

Secretary shall be. The Secretary shall have custody of the corporate seal of the Corporation, and the Secretary, or an Assistant Secretary, shall have authority to impress the same on any instrument requiring it, and when so impressed the seal may be attested by the signature of the Secretary or by the signature of such Assistant Secretary. The Board may give general authority to any other officer to impress the seal of the Corporation and to attest the same by such officer's signature. The Secretary or an Assistant Secretary may also attest all instruments signed by the President or any Vice President. The Secretary shall have charge of all the books, records and papers of the Corporation relating to its organization and management, shall see that the reports, statements and other documents required by statute are properly kept and filed and, in general, shall perform all duties incident to the office of Secretary of a corporation and such other duties as may from time to time be assigned to the Secretary by the Board or by the President.

5.10 Treasurer. The Treasurer shall have charge and custody of, and
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be responsible for, all funds,

securities and notes of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any sources whatsoever; deposit all such moneys and valuable effects in the name and to the credit of the Corporation in such depositaries as may be designated by the Board; against proper vouchers, cause such funds to be disbursed by checks or drafts on the authorized depositaries of the Corporation signed in such manner as shall be determined by the Board and be responsible for the accuracy of the amounts of all moneys so disbursed; regularly enter or cause to be entered in books or other records maintained for the purpose full and adequate account of all moneys received or paid for the account of the Corporation; have the right to require from time to time reports or statements giving such information as the Treasurer may desire with respect to any and all financial transactions of the Corporation from the officers or agents transacting the same; render to the President or the Board, whenever the President or the Board shall require the Treasurer so to do, an account of the financial condition of the Corporation and of all financial transactions of the Corporation; exhibit at all reasonable times the records and books of account to any of the Directors upon application at the office of the Corporation where such records and books are kept; disburse the funds of the Corporation as ordered by the Board; and, in general, perform all duties incident to the office of Treasurer of a

corporation and such other duties as may from time to time be assigned to the Treasurer by the Board or the President.

5.11 Assistant Secretaries and Assistant Treasurers. Assistant Secretaries and Assistant Treasurers shall perform such duties as shall be assigned to them by the Secretary or by the Treasurer, respectively, or by the Board or by the President.

ARTICLE 6

CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

6.1 Execution of Contracts. The Board, except as otherwise provided in these By-laws, may prospectively or retroactively authorize any officer or officers, employee or employees or agent or agents, in the name and on behalf of

the Corporation, to enter into any contract or execute and deliver any instrument, and any such authority may be general or confined to specific instances, or otherwise limited.

6.2 Loans. The Board may prospectively or retroactively authorize the President or any other officer, employee or agent of the Corporation to effect loans and advances at any time for the Corporation from any bank, trust company or other institution, or from any firm, corporation or individual, and for such loans and advances the person so authorized may make, execute and deliver promissory notes, bonds or other certificates or evidences of indebtedness of the Corporation, and, when authorized by

the Board so to do, may pledge and hypothecate or transfer any securities or other property of the Corporation as security for any such loans or advances. Such authority conferred by the Board may be general or confined to specific instances, or otherwise limited.

6.3 Checks, Drafts, Etc. All checks, drafts and other orders for the payment of money out of the funds of the Corporation and all evidences of indebtedness of the Corporation shall be signed on behalf of the Corporation in such manner as shall from time to time be determined by resolution of the Board.

6.4 Deposits. The funds of the Corporation not otherwise employed shall be deposited from time to time to the order of the Corporation with such banks, trust companies, investment banking firms, financial institutions or other depositaries as the Board may select or as may be selected by an officer, employee or agent of the Corporation to whom such power to select may from time to time be delegated by the Board.

ARTICLE 7

STOCK AND DIVIDENDS

7.1 Certificates Representing Shares. The shares of capital stock of the Corporation shall be represented by certificates in such form (consistent with the provisions of Section 158 of the General Corporation Law) as shall be approved by the Board. Such certificates shall be signed by

the Chairman, the President or a Vice President and by the Secretary or an

Assistant Secretary or the Treasurer or an Assistant Treasurer, and may be impressed with the seal of the Corporation or a facsimile thereof. The signatures of the officers upon a certificate may be facsimiles, if the certificate is countersigned by a transfer agent or registrar other than the Corporation itself or its employee. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon any certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may, unless otherwise ordered by the Board, be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

7.2 Transfer of Shares. Transfers of shares of capital stock of the Corporation shall be made only on the books of the Corporation by the holder thereof or by the holder's duly authorized attorney appointed by a power of attorney duly executed and filed with the Secretary or a transfer agent of the Corporation, and on surrender of the certificate or certificates representing such shares of capital stock properly endorsed for transfer and upon payment of all necessary transfer taxes. Every certificate exchanged, returned or surrendered to the Corporation shall be marked "Cancelled," with the date of cancellation, by the

Secretary or an Assistant Secretary or the transfer agent of the Corporation. A person in whose name shares of capital stock shall stand on the books of the Corporation shall be deemed the owner thereof to receive dividends, to vote as such owner and for all other purposes as respects the Corporation. No transfer of shares of capital stock shall be valid as against the Corporation, its stockholders and creditors for any purpose, except to render the transferee liable for the debts of the Corporation to the extent provided by law, until such transfer shall have been entered on the books of the Corporation by an entry showing from and to whom transferred.

7.3 Transfer and Registry Agents. The Corporation may from time to time maintain one or more transfer offices or agents and registry offices or agents at such place or places as may be determined from time to time by the Board.

7.4 Lost, Destroyed, Stolen and Mutilated Certificates. The holder of any shares of capital stock of the Corporation shall immediately notify the Corporation of any loss, destruction, theft or mutilation of the certificate representing such shares, and the Corporation may issue a new certificate to replace the certificate alleged to have been lost, destroyed, stolen or mutilated. The Board may, in its discretion, as a condition to the issue of any such new certificate, require the owner of the lost, destroyed,

stolen or mutilated certificate, or his or her legal representatives, to make proof satisfactory to the Board of such loss, destruction, theft or mutilation and to advertise such fact in such manner as the Board may require, and to give the Corporation and its transfer agents and registrars, or such of them as the Board may require, a bond in such form, in such sums and with such surety or sureties as the Board may direct, to indemnify the Corporation and its transfer agents and registrars against any claim that may be made against any of them on account of the continued existence of any such certificate so alleged to have been lost, destroyed, stolen or mutilated and against any expense in connection with such claim.

7.5 Rules and Regulations. The Board may make such rules and regulations as it may be deem expedient, not inconsistent with these By-laws or with the Certificate of Incorporation, concerning the issue, transfer and registration of certificates representing shares of its capital stock.

7.6 Restriction on Transfer of Stock. A written restriction on the transfer or registration of transfer of capital stock of the Corporation, if permitted by Section 202 of the General Corporation Law and noted conspicuously on the certificate representing such capital stock, may be enforced against the holder of the restricted capital stock or any successor or transferee of the holder, including an

executor, administrator, trustee, guardian or other fiduciary entrusted with like responsibility for the person or estate of the holder. Unless noted conspicuously on the certificate representing such capital stock, a restriction, even though permitted by Section 202 of the General Corporation Law, shall be ineffective except against a person with actual knowledge of the restriction. A restriction on the transfer or registration of transfer of capital stock of the Corporation may be imposed either by the Certificate of Incorporation or an agreement among any number of stockholders or among such stockholders and the Corporation. No restriction so imposed shall be binding with respect to capital stock issued prior to the adoption of the restriction unless the holders of such capital stock are parties to an agreement or voted in favor of the restriction.

7.7 Dividends, Surplus, Etc. Subject to the provisions of the Certificate of Incorporation and of law, the Board:

7.7.1 may declare and pay dividends or make other distributions on the outstanding shares of capital stock in such amounts and at such time or times as it, in its discretion, shall deem advisable giving due consideration to the condition of the affairs of the Corporation;

7.7.2 may use and apply, in its discretion, any of the surplus of the Corporation in purchasing or acquiring any shares of capital stock of the Corporation, or purchase warrants therefor, in accordance with law, or any of its bonds, debentures, notes, scrip or other securities or evidences of indebtedness; and

7.7.3 may set aside from time to time out of such surplus or net profits such sum or sums as, in its discretion, it may think proper, as a reserve fund to meet contingencies, or for equalizing dividends or for the purpose of maintaining or increasing the property or business of the Corporation, or for any purpose it may think conducive to the best interests of the Corporation.

ARTICLE 8

INDEMNIFICATION

8.1 Indemnity Undertaking. To the extent not prohibited by law, the Corporation shall indemnify any person who is or was made, or threatened to be made, a party to any threatened, pending or completed action, suit or proceeding (a "Proceeding"), whether civil, criminal, administrative or investigate, including, without limitation, an action by or in the right of the Corporation to procure a judgment in its favor, by reason of the fact that such person, or a person of whom such person is the

legal representative, is or was a Director or officer of the Corporation, or is or was serving in any capacity at the request of the Corporation for any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise (an "Other Entity"), against judgments, fines, penalties, excise taxes, amounts paid in settlement and costs, charges and expenses (including attorneys' fees and disbursements). Persons who are not Directors or officers of the Corporation may be similarly indemnified in respect of service to the Corporation or to an Other Entity at the request of the Corporation to the extent the Board at any time specifies that such persons are entitled to the benefits of this Article 8.

8.2 Advancement of Expenses. The Corporation shall, from time to time, reimburse or advance to any Director or officer or other person entitled to indemnification hereunder the funds necessary for payment of expenses, including attorneys' fees and disbursements, incurred in connection with any Proceeding, in advance of the final disposition of such Proceeding; provided, however, that,

if required by the General Corporation Law, such expenses incurred by or on behalf of any Director or officer or other person may be paid in advance of the final disposition of a Proceeding only upon receipt by the Corporation of an undertaking, by or on behalf of such Director or officer (or other person indemnified hereunder),

to repay any such amount so advanced if it shall ultimately be determined by final judicial decision from which there is no further right of appeal that such Director, officer or other person is not entitled to be indemnified for such expenses.

8.3 Rights Not Exclusive. The rights to indemnification and reimbursement or advancement of expenses provided by, or granted pursuant to, this Article 8 shall not be deemed exclusive of any other rights to which a person seeking indemnification or reimbursement or advancement of expenses may have or hereafter be entitled under any statute, the Certificate or Incorporation, these By-laws, any agreement, any vote of stockholders or disinterested Directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

8.4 Continuation of Benefits. The rights to indemnification and reimbursement or advancement of expenses provided by, or granted pursuant to, this Article 8 shall continue as to a person who has ceased to be a Director or officer (or other person indemnified hereunder) and shall inure to the benefit of the executors, administrators, legatees and distributees of such person.

8.5 Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the

Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of an Other Entity, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article 8, the Certificate of Incorporation or under Section 145 of the General Corporation Law or any other provision of law.

8.6 Binding Effect. The provisions of this Article 8 shall be a contract between the Corporation, on the one hand, and each Director and officer who serves in such capacity at any time while this Article 8 is in effect and any other person indemnified hereunder, on the other hand, pursuant to which the Corporation and each such Director, officer or other person intend to be legally bound. No repeal or modification of this Article 8 shall affect any rights or obligations with respect to any state of facts then or theretofore existing or thereafter arising or any proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

8.7 Procedural Rights. The rights to indemnification and reimbursement or advancement of expenses provided by, or granted pursuant to, this Article 8 shall be

enforceable by any person entitled to such indemnification or reimbursement or advancement of expenses in any court of competent jurisdiction. The burden or proving that such indemnification or reimbursement or advancement of expenses is not appropriate shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, its independent legal counsel and its stockholders) to have made a determination prior to the commencement of such action that such indemnification or reimbursement or advancement of expenses is proper in the circumstances nor an actual determination by the Corporation (including its Board of Directors, its independent legal counsel and its stockholders) that such is not entitled to such indemnification or reimbursement or advancement of expenses shall constitute a defense to the action or create a presumption that such person is not so entitled. Such a person shall also be indemnified for any expenses incurred in connection with successfully establishing his or her right to such indemnification or reimbursement or advancement of expenses, in whole or in part, in any such proceeding.

8.8 Service Deemed at Corporation's Request. Any Director or officer of the Corporation serving in any capacity (a) another corporation of which a majority of the shares entitled to vote in the election of its directors is held, directly or indirectly, by the Corporation or (b) any

employee benefit plan of the Corporation or any corporation referred to in clause (a) shall be deemed to be doing so at the request of the Corporation.

8.9 Election of Applicable Law. Any person entitled to be indemnified or to reimbursement or advancement of expenses as a matter of right pursuant to this Article 8 may elect to have the right to indemnification or reimbursement or advancement of expenses interpreted on the basis of the applicable law in effect at the time of the occurrence of the event or events giving rise to the applicable Proceeding, to the extent permitted by law, or on the basis of the applicable law in effect at the time such indemnification or reimbursement or advancement of expenses is sought. Such election shall be made, by a notice in writing to the Corporation, at the time indemnification or reimbursement or advancement of expenses is sought; provided, however, that if no such notice is given, the right to indemnification or reimbursement or advancement of expenses shall be determined by the law in effect at the time indemnification or reimbursement or advancement of expenses is sought.

ARTICLE 9

BOOKS AND RECORDS

9.1 Books and Records. There shall be kept at the principal office of the Corporation correct and complete records and books of account recording the financial

transactions of the Corporation and minutes of the proceedings of the stockholders, the Board and any committee of the Board. The Corporation shall keep at its principal office, or at the office of the transfer agent or registrar of the Corporation, a record containing the names and addresses of all stockholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof.

9.2 Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs, or any other information storage device, provided that the records so kept can be converted into clearly legible written form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

9.3 Inspection of Books and Records. Except as otherwise provided by law, the Board shall determine from time to time whether, and, if allowed, when and under what conditions and regulations, the accounts, books, minutes and other records of the Corporation, or any of them, shall be open to the stockholders for inspection.

ARTICLE 10

SEAL

The corporation seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporation Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

ARTICLE 11

FISCAL YEAR

The fiscal year of the Corporation shall be fixed, and may be changed, by resolution of the Board.

ARTICLE 12

PROXIES AND CONSENTS

Unless otherwise directed by the Board, the Chairman, the President, and any Vice President, the Secretary or the Treasurer, or any one of them, may execute and deliver on behalf of the Corporation proxies respecting any and all shares or other ownership interests of any Other Entity owned by the Corporation appointing such person or persons as the officer executing the same shall deem proper to represent and vote the shares or other ownership interests so owned at any and all meetings of holders of shares or other ownership interests, whether general or special, and/or to execute and deliver consents respecting such shares or other ownership interests, or any of the

aforesaid officers may attend any meeting of the holders of shares or other ownership interests of such Other Entity and thereat vote or exercise any or all other powers of the Corporation as the holder of such shares or other ownership interests.

ARTICLE 13

EMERGENCY BY-LAWS

Unless the Certificate of Incorporation provides otherwise, the following provisions of this Article 13 shall be effective during an emergency, which is defined as when a quorum of the Corporation's Directors cannot be readily assembled because of some catastrophic event. During such emergency:

13.1 Notice to Board Members. Any one member of the Board or any one of the following officers: Chairman, President, any Vice President, Secretary, or Treasurer, may call a meeting of the Board. Notice of such meeting need be given only to those Directors whom it is practicable to reach, and may be given in any practical manner, including by publication and radio. Such notice shall be given at least six hours prior to commencement of the meeting.

13.2 Temporary Directors and Quorum. One or more officers of the Corporation present at the emergency Board meeting, as is necessary to achieve a quorum, shall be considered to be Directors for the meeting, and shall so serve in order of rank, and within the same rank, in order

of seniority. In the event that less than a quorum of the Directors are present

(including any officers who are to serve as Directors for the meeting), those Directors present (including the officers serving as Directors) shall constitute a quorum.

13.3 Actions Permitted To Be Taken. The Board as constituted in Section 13.2, and after notice as set forth in Section 13.1 may:

13.3.1 prescribe emergency powers to any officer of the Corporation;

13.3.2 delegate to any officer or Director, any of the powers of the Board;

13.3.3 designate lines of succession of officers and agents, in the event that any of them are unable to discharge their duties;

13.3.4 relocate the principal place of business, or designate successive or simultaneous principal places of business; and

13.3.5 take any other convenient, helpful or necessary action to carry on the business of the Corporation.

ARTICLE14

AMENDMENTS

These By-laws may be altered, amended, or repealed and new By-laws may be adopted by a vote of the holders of shares entitled to vote in the election of Directors or by a vote of two-thirds of the entire Board. Notwithstanding the preceding sentence, none of the provisions of this Article 14 shall be altered, amended or repealed by the Board. Any By-laws adopted, altered or amended by the Board may be altered, amended or repealed by the stockholders entitled to vote thereon only to the extent and in the manner provided in the Certificate of Incorporation and these By-laws.

EXHIBIT 4.1

EXECUTION COPY

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FAVORITE BRANDS INTERNATIONAL, INC.,

THE SUBSIDIARY GUARANTORS PARTIES HERETO,

AND

LASALLE NATIONAL BANK,
AS TRUSTEE

10 3/4% Senior Notes due 2006

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INDENTURE

Dated as of May 19, 1998

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N.A. means Not Applicable.

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

INDENTURE dated as of May 19, 1998, among FAVORITE BRANDS INTERNATIONAL, INC., a Delaware corporation (the "Company"), THE SUBSIDIARY GUARANTORS (as defined) and LaSalle National Bank, a national bank organized and existing under the laws of the United States of America (the "Trustee") as Trustee.

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of (i) the Company's 10 3/4% Senior Notes due 2006 on the date hereof (the "Original Securities"), (ii) any

Subsequent Series Securities (as defined herein) that may be issued after the Issue Date (all such securities in clause (i) and (ii) being referred to collectively as "Initial Securities"), (iii) if and when issued in exchange for Initial Securities as provided in the Registration Rights Agreement or a similar agreement relating to Initial Securities (as hereinafter defined), the Company's 10 3/4% Senior Notes due 2006 (the "Exchange Securities") and (iv) if and when issued as provided in the Registration Rights Agreement, the Private Exchange Securities (as defined in the Registration Rights Agreement; together with Initial Securities and Exchange Securities, the "Securities").

ARTICLE I

Definitions and Incorporation by Reference

SECTION 1.1. Definitions.

"Additional Assets" means (i) any property or assets (other than Indebtedness and Capital Stock) to be used by the Company or a Restricted Subsidiary in a Related Business; (ii) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary of the Company; or (iii) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company; provided, however, that, in the case of clauses (ii) and (iii), such Restricted Subsidiary is primarily engaged in a Related Business.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing; provided that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"Asset Disposition" means any sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition (or series of related sales, leases, transfers, issuances or dispositions that are part of a common plan) of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Company or any of its Restricted Subsidiaries (including any disposition by means of a merger, consolidation or similar transaction) other than (i) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Wholly-Owned

Subsidiary (other than a Receivables Entity), (ii) the sale of Cash Equivalents in the ordinary course of business, (iii) a disposition of inventory in the ordinary course of business, (iv) a disposition of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries, (v) transactions permitted under Section 4.1 of this Indenture, (vi) for purposes of Section 3.6 of this Indenture only, the making of a Permitted Investment or a disposition subject to Section 3.4 of this Indenture, (vii) an issuance of Capital Stock by a Restricted Subsidiary of the Company to the Company or to a Wholly-Owned Subsidiary (other than a Receivables Entity), (viii) sales of accounts receivable and related assets of the type specified in the definition of "Qualified Receivables Transaction" to a Receivables Entity, (ix) the licensing of intellectual property and (x) sales of assets in any fiscal year not to exceed a fair market value of $1.0 million in the aggregate.

"Attributable Indebtedness" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Securities, compounded semi-annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (ii) the sum of all such payments.

"Bank Indebtedness" means any and all amounts, whether outstanding on the Issue Date or thereafter Incurred, payable by the Company under or in respect of a Senior Credit Agreement and any related notes, collateral documents, letters of credit and guarantees and any Interest Rate Agreement entered into in connection with a Senior Credit Agreement, including principal, premium, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company at the rate specified therein whether or not a claim for post filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

"Board of Directors" means, as to any Person, the board of directors of such Person or any duly authorized committee thereof.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banking institutions are authorized or required by law to close in New York City.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Capitalized Lease Obligation" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made in accordance with GAAP, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"Cash Equivalents" means (i) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality thereof, having maturities of not more than one year from the date of acquisition; (ii) marketable general obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition thereof, having a credit rating of "A" or better from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc.; (iii) certificates of deposit or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any commercial bank having combined capital and surplus in excess of $250 million; (iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i), (ii) and (iii) entered into with any bank meeting the qualifications specified in clause (iii) above; (v) commercial paper rated at the time of acquisition thereof at least "A-1" or the equivalent thereof by Standard & Poor's Rating Group or "P-1" or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in either case maturing within one year after the date of acquisition thereof; and (vi) interests in any money market fund which invests solely in instruments of the type specified in clauses (i) through (v) above.

"Closing Date" with respect to any Initial Securities, means the date on which such Initial Securities are originally issued.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" means Favorite Brands International, Inc. or a successor.

"Consolidated Coverage Ratio" means as of any date of determination with respect to any Person, the ratio of (i) the aggregate amount of Consolidated EBITDA of such Person for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal financial statements are in existence to (ii) Consolidated Interest Expense for such four fiscal quarters; provided, however, that (1) if the Company or any Restricted Subsidiary (x) has Incurred any Indebtedness since the beginning

of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, Consolidated EBITDA and Consolidated Interest

Expense for such period will be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation will be computed based on (A) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding or (B) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation) and the discharge of any other Indebtedness repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Indebtedness as if such discharge had occurred on the first day of such period, or (y) has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of the period that is no longer outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio involves a discharge of Indebtedness (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and the related commitment terminated), Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving effect on a pro forma basis to such discharge of such Indebtedness, including with the proceeds of such new Indebtedness, as if such discharge had occurred on the first day of such period (2) if since the beginning of such period the Company or any Restricted Subsidiary will have made any Asset Disposition or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Asset Disposition, the Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period will be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale), (3) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary or is merged with or into the Company) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit, division or line of business, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period and (4) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of

such period) will have made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) above if made by the Company or a Restricted Subsidiary during such period, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving pro forma effect thereto as if such Asset Disposition or Investment occurred on the first day of such period. For purposes of this definition, whenever pro forma effect is to be given to an Investment or acquisition of assets and the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations will be determined in good faith by a responsible financial or accounting officer of the Company (including giving pro forma effect to cost reductions that would be permitted by the SEC to be reflected in pro forma financial statements included in a registration statement filed by the SEC). If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months).

"Consolidated EBITDA" for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income: (i) Consolidated Income Taxes, (ii) Consolidated Interest Expense, (iii) consolidated depreciation expense, (iv) consolidated amortization of intangibles and (v) other non-cash

charges reducing Consolidated Net Income (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash charges in any future period or amortization of a prepaid cash expense that was paid in a prior period not included in the calculation). Notwithstanding the foregoing, clause (i) and clauses (iii) through (v) relating to amounts of a Restricted Subsidiary of a Person will be added to Consolidated Net Income to compute Consolidated EBITDA of such Person only to the extent (and in the same proportion) that the net income (loss) of such Subsidiary was included in calculating the Consolidated Net Income of such Person and, to the extent the amounts set forth in clause (i) and clauses (iii) through (v) are in excess of those necessary to offset a net loss of such Restricted Subsidiary or if such Restricted Subsidiary has net income for such period, only if a corresponding amount would be permitted at the date of determination to be dividended to the Company by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its consolidated Restricted Subsidiaries, whether paid or accrued plus, to the extent not included in such interest expense, (i) interest expense attributable to Capitalized Lease Obligations and the interest portion of rent expense associated with Attributable Indebtedness in respect of the relevant lease giving rise thereto, determined as if such lease were a capitalized lease in accordance with GAAP and the interest component of any deferred payment obligations, (ii) amortization of debt discount and debt issuance cost, (iii) capitalized interest and accrued interest, (iv) non-cash interest expense, (v) commissions,

discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) interest actually paid by the Company or any such Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person, (vii) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period, (viii) the product of (a) all dividends paid in cash, Cash Equivalents or Indebtedness or accrued during such period on any series of Disqualified Stock of such Person or on Preferred Stock of its Restricted Subsidiaries payable to a party other than the Company or a Wholly-Owned Subsidiary, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state, provincial and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP and (ix) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with Indebtedness Incurred by such plan or trust; provided, however, that there will be excluded therefrom any such interest expense of any Unrestricted Subsidiary to the extent the related Indebtedness is not Guaranteed or paid by the Company or any Restricted Subsidiary. For purposes of the foregoing, total interest expense will be determined after giving effect to any net payments made or received by the Company and its Subsidiaries with respect to Interest Rate Agreements.

"Consolidated Net Income" means, for any period, the net income (loss) of the Company and its consolidated Restricted Subsidiaries, determined in accordance with GAAP; provided, however, that there will not be included in such Consolidated Net Income: (i) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that (A) subject to the limitations contained in (iv) below, the Company's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (iii) below) and (B) the Company's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period will be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Company or a Restricted Subsidiary; (ii) any net income (loss) of any Person acquired by the Company or a Subsidiary in a pooling of interests transaction for any period prior to the date of such acquisition; (iii) any net income of any Restricted Subsidiary if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company, except that (A) subject to the limitations contained in (iv) below the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend

(subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause) and (B) the Company's equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income; (iv) any gain (loss) realized upon the sale or other disposition of any property, plant or equipment of the Company or its consolidated Restricted Subsidiaries (including pursuant to any

Sale/Leaseback Transaction) which is not sold or otherwise disposed of in the ordinary course of business and any gain (loss) realized upon the sale or other disposition of any Capital Stock of any Person; (v) any extraordinary gain or loss; (vi) amortization of premiums, fees and expenses incurred on or prior to the Issue Date in connection with the offering of the Securities and the Senior Subordinated Notes and borrowings under the Senior Credit Agreement; and (vii) the cumulative effect of a change in accounting principles.

"Currency Agreement" means in respect of a Person any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party or a beneficiary.

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

"Defaulted Interest" shall have the meaning set forth in Section 2.13.

"Definitive Securities" means certificated Securities, including Institutional Accredited Investor Notes.

"Disqualified Stock" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event (i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise (other than in connection with a Change of Control or Asset Sale), (ii) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary) or (iii) is redeemable at the option of the holder thereof, in whole or in part, in each case on or prior to the Stated Maturity of the Securities (other than in connection with a Change of Control or Asset Sale), in each case on or prior to the date that is 91 days after the date (x) on which the Securities mature or (y) on which there are no Securities outstanding, provided, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such Stated Maturity will be deemed to be Disqualified Stock; provided further, that Capital Stock issued to any plan for the benefit of employees of the Company or its Subsidiaries or by any such plan to such employees shall not constitute Disqualified Stock solely because it may be required to be purchased by the Company in order to satisfy applicable statutory or regulatory obligations.

"Domestic Subsidiary" means any Restricted Subsidiary that is organized under the laws of the United States of America or any state thereof or the District of Columbia.

"DTC" means The Depository Trust Company, its nominees and their respective successors and assigns, or such other depository institution hereinafter appointed by the Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Securities" has the meaning ascribed to it in the second introductory paragraph of this Indenture.

"Excluded Contribution" means Net Cash Proceeds or Qualified Proceeds, in each case, received by the Company from (a) contributions to its common equity capital and (b) the sale (other than to a Subsidiary or to any Company or Subsidiary management equity plan or stock option plan or any other management or employee benefit plan or agreement) of Capital Stock (other than Disqualified Stock) of the Company, in each case designated as Excluded Contributions pursuant to an Officers' Certificate executed by the principal executive officer and the principal financial officer of the Company on the date such capital contributions are made or the date such Capital Stock is sold, as the case may be, which are excluded from the calculation set forth in Section 3.4(a)(3).

"Fiscal Year" means a 52 or 53 week period ending on the last Saturday in

June.

"Foreign Subsidiary" means any Restricted Subsidiary that is not organized under the laws of the United States of America or any state thereof or the District of Columbia.

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the date of this Indenture, including those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession; provided, however, that all reports and other financial information provided by the Company to the holders, the Trustee and/or the SEC shall be prepared in accordance with GAAP, as in effect on the date of such report or other financial information. All ratios and computations based on GAAP contained in this Indenture shall be computed in conformity with GAAP.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); provided, however, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantor Subordinated Obligation" means, with respect to a Subsidiary Guarantor, any Indebtedness of such Subsidiary Guarantor (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinate in right of payment to the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee pursuant to a written agreement; including without limitation, Guarantees in respect of the Senior Subordinated Notes.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"Holder" or "Securityholder" means the Person in whose name a Security is registered in the Note Register.

"Holdings" means Favorite Brands International Holding Corp., a Delaware corporation.

"Incur" means issue create, assume, Guarantee, incur or otherwise become, contingently or otherwise, liable for; provided, however, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication), (i) the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money; (ii) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (iii) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including reimbursement obligations with respect thereto); (iv) all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto; (v) all Capitalized Lease Obligations and all Attributable Indebtedness of such Person; (vi) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends); (vii) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of such Indebtedness will be the lesser of (A) the fair market value of such asset at such date of determination and (B) the amount of such Indebtedness of such other Persons; (viii) all Indebtedness of other Persons to the extent Guaranteed by such Person; and (ix) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to

such obligation that would be payable by such Person at such time). The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the

maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

In addition, "Indebtedness" of any Person shall include Indebtedness described in the foregoing paragraph that would not appear as a liability on the balance sheet of such Person if (1) such Indebtedness is the obligation of a partnership or joint venture that is not a Restricted Subsidiary (a "Joint Venture"), (2) such Person or a Restricted Subsidiary is a general partner of the Joint Venture (a "General Partner") and (3) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person or a Restricted Subsidiary of such Person; and such Indebtedness shall be included in an amount not to exceed (x) the greater of (A) the net assets of the General Partner and (B) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person or a Restricted Subsidiary of such Person (other than the General Partner) or (y) if less than the amount determined pursuant to clause (x) immediately above, the actual amount of such Indebtedness that is recourse to such Person, if the Indebtedness is evidenced by a writing and is for a determinable amount and the related interest expense shall be included in Consolidated Interest Expense to the extent paid by the Company or its Restricted Subsidiaries.

"Indenture" means this Indenture as amended or supplemented from time to time.

"Independent Appraiser" means, with respect to any transaction or series of related transactions, an independent, nationally recognized appraisal or investment banking firm or other expert with experience in evaluating or appraising the terms and conditions of such transaction or series of related transactions.

"Initial Securities" has the meaning ascribed to it in the second introductory paragraph of this Indenture.

"Interest Rate Agreement" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"Investment" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan (other than advances to customers in the ordinary course of business) or other extension of credit (including by way of Guarantee or similar arrangement, but excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP; provided that (i) Hedging Obligations entered into in the ordinary course of

business and in compliance with this Indenture, (ii) endorsements of negotiable instruments and documents in the ordinary course of business and (iii) an acquisition of assets, Capital Stock or other securities by the Company for consideration consisting exclusively of common equity securities of the Company shall not be deemed to be an Investment. For purposes of Section 3.4, (i) "Investment" will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (x) the Company's "Investment" in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and (ii) any property

transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Company. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Capital Stock of any Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such entity is no longer a Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of.

"Issue Date" means the date on which the Original Securities are originally issued.

"Joint Venture" means (i) any corporation, association, or other business entity (other than a partnership) of which no less than 25% and no more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by the Company or one or more Restricted Subsidiaries or a combination thereof or (ii) any partnership, joint venture, limited liability company or similar entity of which (x) no less than 25% and no more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by the Company or one or more other Restricted Subsidiaries or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise and (y) the Company or any Restricted Subsidiary is a controlling general partner or otherwise controls such entity, which in the case of each of clauses (i) and (ii) is engaged in a Related Business.

"Legal Holiday" has the meaning ascribed to it in Section 11.8.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Moody's" means Moody's Investors Service, Inc., and its successors.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other noncash form) therefrom, in each case net of (i) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses incurred, and all Federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under GAAP (after taking into account any available tax credits or deductions and any tax sharing arrangements), as a consequence of such Asset Disposition, (ii) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition, (iii) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition and (iv) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds", with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credits or deductions and any tax sharing arrangements).

"Non-Recourse Debt" means Indebtedness (i) as to which neither the Company nor any Restricted Subsidiary (a) provides any guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise), (ii) no default with respect to which (including any rights that the holders thereof may have to take enforcement

action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity and (iii) the explicit terms of which provide there is no recourse against any of the assets of the Company or its Restricted Subsidiaries.

"Non-U.S. Person" means a person who is not a U.S person, as defined in Regulation S.

"Note Register" means the register of Securities, maintained by the Trustee, pursuant to Section 2.3.

"Obligations" has the meaning ascribed to it in Section 10.1.

"Officer" means the Chairman of the Board, the President, any Vice President, the Treasurer or the Secretary of the Company.

"Officers' Certificate" means a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"Original Securities" means the Company's 10 3/4% Senior Notes due 2006 originally issued on the Issue Date.

"Pari Passu Indebtedness" means Indebtedness that ranks pari passu in right of payment to the Securities.

"Permitted Holders" means TPG Partners, L.P., TPG Parallel I L.P., InterWest Partners V, L.P., InterWest Investors V, L.P., Nassau Capital Partners L.P., NAS Partners I, L.L.C. and Al J. Bono.

"Permitted Investment" means an Investment by the Company or any Restricted Subsidiary in (i) the Company, a Restricted Subsidiary (other than a Receivables Entity) or a Person which will, upon the making of such Investment, become a Restricted Subsidiary (other than a Receivables Entity); provided, however, that the primary business of such Restricted Subsidiary is a Related Business; (ii) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary (other than a Receivables Entity); provided, however, that such Person's primary business is a Related Business; (iii) cash and Cash Equivalents; (iv) receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances; (v) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business; (vi) loans or advances to employees made in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary; (vii) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor; (viii) Investments made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 3.6; (ix) Investments in existence on the Issue Date; (x) Investments by the Company or any of its Restricted Subsidiaries in an aggregate amount not to exceed $15.0 million outstanding at any one time (plus, to the extent

not previously reinvested, any return of capital not previously realized made pursuant to this clause (x)); (xi) Investments by the Company or a Restricted Subsidiary in a Receivables Entity or any Investment by a Receivables Entity in any other Person, in each case, in connection with a Qualified Receivables

Transaction, provided, that any Investment in any such Person is in the form of a Purchase Money Note, or any equity interest or interests in accounts receivable and related assets generated by the Company or a Restricted Subsidiary and transferred to any Person in connection with a Qualified Receivables Transaction or any such Person owning such accounts receivable; and (xii) any Investment received as consideration in a transaction not constituting an Asset Disposition by reason of the $1.0 million threshold contained in the definition thereof.

"Permitted Liens" means, with respect to any Person, (a) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws or similar legislation, or in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or to secure public or statutory obligations of such Person or deposits or cash or United States government bonds to secure surety or appeal bonds to which such Person is a party, or for contested taxes or import or custom duties or for the payment of rent, in each case Incurred in the ordinary course of business; (b) Liens imposed by law, including carriers', warehousemen's, mechanics' supplies, materialmen and repairmen Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings, if a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof; (c) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings provided reserves required pursuant to GAAP have been taken on the books of the Company or its Restricted Subsidiaries, as the case may be; (d) Liens in favor of issuers of surety or performance bonds or bankers' acceptance or letters of credit issued pursuant to the request of and for the account of such Person in the ordinary course of its business; provided, however, that such letters of credit do not constitute Indebtedness; (e) encumbrances, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person; (f) Liens securing a Hedging Obligation, so long as the related Indebtedness is, and is permitted to be under this Indenture, secured by a Lien on the same property securing the Interest Rate Protection Agreement or Currency Agreement, as the case may be; (g) leases and subleases of real property which do not materially interfere with the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries; (h) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired; (i) Liens for the purpose of securing the payment (or the refinancing of the payment) of all or a part of the purchase price of, or Capitalized Lease Obligations with respect to, assets or property acquired or constructed in the ordinary course of business provided that (x) the aggregate principal amount of Indebtedness secured by such

Liens is otherwise permitted to be Incurred under this Indenture and does not exceed the cost of the assets or property so acquired or constructed and (y) such Liens are created within 90 days of construction or acquisition of such assets or property and do not encumber any other assets or property of the Company or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto; (j) Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository institution; provided that such deposit account is not a pledged cash collateral account; (k) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business; (l) Liens existing on the Issue Date; (m) Liens on property or shares of stock of a Person at the time such Person becomes a Subsidiary; provided, however, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such other Person becoming a Subsidiary; provided further, however, that any such Lien may not extend to any other property owned by the Company or any Restricted Subsidiary; (n) Liens on property at the time the Company or a Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Company or any Restricted Subsidiary; provided, however, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; provided further, however, that such Liens may not extend to any other property owned by

the Company or any Restricted Subsidiary; (o) Liens securing Indebtedness or other obligations of a Subsidiary owing to the Company or a Wholly-Owned Subsidiary (other than a Receivables Entity); (p) Liens securing the Securities and Subsidiary Guarantees; (q) Liens securing Refinancing Indebtedness Incurred to Refinance Indebtedness that was previously so secured, provided that (A) such Liens are not materially less favorable to the Holders and are not materially more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being refinanced and (B) any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the obligations to which such Liens relate; (r) Liens on assets transferred to a Receivables Entity or on assets of a Receivables Entity, in either case incurred in connection with a Qualified Receivables Transaction; (s) Liens securing Indebtedness and other obligations under a Senior Credit Agreement and related Interest Rate Agreements and Liens on assets of Restricted Subsidiaries securing Guarantees of Indebtedness and other obligations under a Senior Credit Agreement permitted to be incurred under this Indenture; (t) Liens arising out of consignment or similar arrangements for the sale of goods entered into by the Company or any Restricted Subsidiary in the ordinary course of business; and (u) Liens securing Indebtedness permitted to be incurred pursuant to Section 3.3(b)(xi).

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision hereof or any other entity.

"Preferred Stock", as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"Private Exchange Securities" shall have the meaning set forth in the Registration Rights Agreement or a similar agreement relating to Initial Securities.

"Public Equity Offering" means a public offering for cash by either of the Company or Holdings of its respective common stock, or options, warrants or rights with respect to its common stock (other than public offerings on Forms S-4 or S-8).

"Purchase Money Note" means a promissory note of a Receivables Entity evidencing a line of credit, which may be irrevocable, from the Company or any Restricted Subsidiary of the Company in connection with a Qualified Receivables Transaction to a Receivables Entity, which note is repayable from cash available to the Receivables Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts owing to such investors and amounts paid in connection with the purchase of newly generated accounts receivable.

"QIB" means any "qualified institutional buyer" (as defined in Rule 144A under the Securities Act).

"Qualified Proceeds" means any of the following or any combination of the following: (i) cash, (ii) Cash Equivalents, (iii) long-term assets that are used or useful in a Related Business and (iv) the Capital Stock of any Person engaged primarily in a Related Business, if in connection with the receipt by the Company or any Restricted Subsidiary of the Company of such Capital Stock (a) such Person becomes a Wholly-Owned Subsidiary and Subsidiary Guarantor or (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or any Wholly-Owned Subsidiary that is a Subsidiary Guarantor.

"Qualified Receivables Transaction" means any transaction or series of transactions that may be entered into by the Company or any of its Restricted Subsidiaries pursuant to which the Company or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Entity (in the case of a transfer by the Company or any of its Restricted Subsidiaries) and (b) any other Person (in the case of a transfer by a Receivables Entity), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Restricted Subsidiaries, and any

assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations involving accounts receivables.

"Receivables Entity" means a Wholly-Owned Subsidiary of the Company which engages in no activities other than in connection with the financing of accounts receivable and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Entity, (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any Restricted Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Company or any Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings or (iii) subjects any property or asset of the Company or any Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings, (b) with which neither the Company nor any Restricted Subsidiary of the Company has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Transaction) other than on terms no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing accounts receivable, and (c) to which neither the Company nor any Restricted Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results. Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions.

"Redemption Date" means, with respect to any redemption of Securities, the date of redemption with respect thereto.

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) (collectively, "refinance", "refinances," and "refinanced" shall have a correlative meaning) any Indebtedness existing on the date of this Indenture or Incurred in compliance with this Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of a Subsidiary Guarantor or Indebtedness of any Foreign Subsidiary that refinances Indebtedness of another Foreign Subsidiary) including Indebtedness that refinances Refinancing Indebtedness, provided, however, that (i) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced, (ii) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced, (iii) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding (plus, without duplication, accrued interest, fees and expenses, including any premium and defeasance costs) of the Indebtedness being refinanced and (iv) if the Indebtedness being extended, refinanced, replaced, defeased or

refunded is subordinated in right of payment to the Securities, such Refinancing Indebtedness is subordinated in right of payment to the Securities on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"Registered Exchange Offer" shall have the meaning set forth in the Registration Rights Agreement.

"Registration Rights Agreement" means the Exchange and Registration Rights Agreement, dated May 19, 1998, among the Company, the Subsidiary Guarantors, Chase Securities Inc. and BancAmerica Robertson Stephens.

"Related Business" means any business which is the same as, similar to or reasonably related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the date of this Indenture.

"Related Party" with respect to any Permitted Holder means (A) any controlling stockholder or a majority of (or more) owned Subsidiary of such Permitted Holder or, in the case of an individual, any spouse or immediate family member of such Permitted Holder, or (B) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a majority (or more) controlling interest of which consist of such Permitted Holder and/or such other Persons referred to in the immediately preceding clause (A). Without limiting the generality of the foregoing, each of TPG Advisors, Inc., TPG Advisors II, Inc. and SKC GenPar LLC and their respective Affiliates shall be deemed Related Parties of the Permitted Holders.

"Restricted Period" means the 40 consecutive days beginning on and including the later of (A) the day on which the Initial Securities are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (B) the Issue Date.

"Restricted Securities Legend" means the Private Placement Legend set forth in clause (A) of Section 2.1(c) or the Regulation S Legend set forth in clause (B) of Section 2.1(c), as applicable.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired whereby the Company or a Restricted Subsidiary transfers such property to a Person and the Company or a Subsidiary leases it from such Person.

"SEC" means the Securities and Exchange Commission.

"Secured Indebtedness" means any Indebtedness of the Company secured by a Lien.

"Securities" means the collective reference to the Initial Securities, Exchange Securities and Private Exchange Securities.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Custodian" means the custodian with respect to the Global Security (as appointed by DTC), or any successor Person thereto and shall initially be the Trustee.

"Senior Credit Agreement" means, with respect to the Company, one or more debt facilities (including, without limitation, the Senior Secured Credit Agreement to be entered into among the Company, The Chase Manhattan Bank, as Administrative Agent, and the lenders parties thereto from time to time) or commercial paper facilities with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time (and whether or not with the original administrative agent and lenders or another administrative agent or agents or other lenders).

"Senior Subordinated Notes" means obligations issued under the Amended and Restated Senior Subordinated Note Agreement dated as of September 12, 1997, as the same may be amended, supplemented or otherwise modified.

"Significant Subsidiary" means any Subsidiary that would be a "Significant Subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"Standard Securitization Undertakings" means representations, warranties, covenants and indemnities entered into by the Company or any Subsidiary of the Company which are reasonably customary in securitization of accounts receivable transactions.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, but shall not include any contingent obligations to

repay, redeem, or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"Subordinated Obligation" means any Indebtedness of the Company (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the Securities pursuant to a written agreement, including without limitation, Indebtedness in respect of the Senior Subordinated Notes.

"Subsequent Series Securities" has the meaning ascribed to it in Section 2.2.

"Subsidiary" of any Person means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the

occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary shall refer to a Subsidiary of the Company.

"Subsidiary Guarantee" means, individually, any Guarantee of payment of the Securities by a Subsidiary Guarantor pursuant to the terms of this Indenture, and, collectively, all such Guarantees. Each such Subsidiary Guarantee by any Restricted Subsidiary created or acquired by the Company after the Issue Date (other than a Foreign Subsidiary or a Receivables Entity) will be in the form set forth in Exhibit C of this Indenture.

"Subsidiary Guarantor" means each Subsidiary of the Company in existence on the Issue Date and any Restricted Subsidiary created or acquired by the Company after the Issue Date (in each case other than a Foreign Subsidiary or a Receivables Entity).

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

"Trustee" means the party named as such in this Indenture until a successor replaces it and, thereafter, means the successor.

"Trust Officer" shall mean, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"Unrestricted Subsidiary" means (i) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein) to be an Unrestricted Subsidiary only if (a) such Subsidiary does not own any Capital Stock of, or own or hold any Lien on any property of, any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; (b) all the Indebtedness of such Subsidiary and its Subsidiaries shall, at the date of designation, and will at all times thereafter, consist of Non-Recourse Debt; (c) the Company certifies that such designation complies with the limitations of Section 3.4; (d) such Subsidiary, either alone or in the aggregate with all other Unrestricted Subsidiaries, does not operate, directly or indirectly, all or substantially all of the business of the Company and its Subsidiaries; (e) such Subsidiary does not, directly or indirectly, own any Indebtedness of or Capital Stock of, and has no investments in, the Company or any Restricted Subsidiary; and (f) such Subsidiary is a Person

with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (1) to subscribe for additional Capital Stock of such Person or (2) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results. Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary shall be deemed to be Incurred as of such date. The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, that immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof and the Company could incur at least $1.00 of additional Indebtedness under Section 3.3(a) on a pro forma basis taking into account such designation.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

"Voting Stock" of a corporation means all classes of Capital Stock of such corporation then outstanding and normally entitled to vote in the election of directors.

"Wholly-Owned Subsidiary" means a Restricted Subsidiary of the Company, all of the Capital Stock of which (other than directors' qualifying shares) is owned by the Company or another Wholly-Owned Subsidiary.

<TABLE>
<CAPTION>

SECTION 1.2. Other Definitions.

Term	Defined in Section
<S>	<C>
"Affiliate Transaction"	3.7
"Agent Member"	2.1(d)
"Authenticating Agent"	2.2
"Bankruptcy Law"	6.1
"Change of Control"	3.8
"Change of Control Offer"	3.8
"Change of Control Payment"	3.8
"Change of Control Payment Date"	3.8
"Company Order"	2.2
"covenant defeasance option"	8.1(b)
"Custodian"	6.1

</TABLE>

<TABLE>

<S>	<C>
"Definitive Securities"	2.1(e)
"Event of Default"	6.1
"Excess Proceeds"	3.6
"Exchange Global Note"	2.1
"Global Securities"	2.1(a)
"IAI"	2.1
"Institutional Accredited Investor Note"	2.1
"Legal Defeasance Option"	8.1(b)
"Offer"	3.6
"Offer Amount"	3.6
"Offer Period"	3.6
"Paying Agent"	2.3
"Private Placement Legend"	2.1(c)
"Purchase Date"	3.6
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"Regulation S"	2.1(a)

"Regulation S Certificate"..... 2.1
"Regulation S Global Note"..... 2.1
"Regulation S Legend"..... 2.1
"Regulation S Note"..... 2.1
"Regulation S Permanent Global Note"..... 2.1
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"Release Date"..... 2.1
"Resale Restriction Termination Date"..... 2.6
"Restricted Payment"..... 3.4
"Rule 144A"..... 2.1(b)
"Rule 144A Global Note"..... 2.1
"Rule 144A Note"..... 2.1
"Special Interest Payment Date"..... 2.13
"Special Record Date"..... 2.13
"Successor Company"..... 4.1
</TABLE>

SECTION 1.3. Incorporation by Reference of Trust Indenture Act. This Indenture is subject to the mandatory provisions of the TIA which are incorporated by reference in and made a part of this Indenture. The following TIA terms have the following meanings:

"Commission" means the SEC.

"indenture securities" means the Securities.

"indenture security holder" means a Securityholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined in the TIA by reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

SECTION 1.4. Rules of Construction. Unless the context otherwise requires:

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

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) "including" means including without limitation;

(5) words in the singular include the plural and words in the plural include the singular;

(6) unsecured Indebtedness shall not be deemed to be subordinate or junior to Secured Indebtedness merely by virtue of its nature as unsecured Indebtedness;

(7) the principal amount of any noninterest bearing or other discount security at any date shall be the principal amount thereof that would be shown on a balance sheet of the issuer dated such date prepared in accordance with GAAP; and

(8) the principal amount of any Preferred Stock shall be (i) the maximum liquidation value of such Preferred Stock or (ii) the maximum mandatory redemption or mandatory repurchase price with respect to such Preferred Stock, whichever is greater.

ARTICLE II

The Securities

SECTION 2.1. Form, Dating and Terms. (a) The Original Securities are being offered and sold by the Company pursuant to a Purchase Agreement,

dated May 14, 1998, among the Company, the Subsidiary Guarantors, Chase Securities Inc. and BancAmerica Robertson Stephens. The Original Securities will be resold initially only to (A) qualified institutional buyers (as defined in Rule 144A under the Securities Act ("Rule 144A")) in reliance on Rule 144A ("QIBs") and (B) Persons other than U.S. Persons (as defined in Regulation S under the Securities Act ("Regulation S")) in reliance on Regulation S. Such Original Securities may thereafter be transferred to among others, QIBs, purchasers

in reliance on Regulation S and IAIs in accordance with Rule 501 of the Securities Act in accordance with the procedure described herein.

Initial Securities offered and sold to qualified institutional buyers in the United States of America in reliance on Rule 144A (the "Rule 144A Note") will be issued on a Closing Date in the form of a permanent global Security, without interest coupons, substantially in the form of Exhibit A, which is hereby incorporated by reference and made a part of this Indenture, including appropriate legends as set forth in Section 2.1(c) (the "Rule 144A Global Note"), deposited with the Trustee, as custodian for DTC, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The Rule 144A Global Note may be represented by more than one certificate, if so required by DTC's rules regarding the maximum principal amount to be represented by a single certificate. The aggregate principal amount of the Rule 144A Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC or its nominee, as hereinafter provided.

Initial Securities offered and sold outside the United States of America (the "Regulation S Note") in reliance on Regulation S will be issued on a Closing Date in the form of a temporary global Security, without interest coupons, substantially in the form set forth in Exhibit A, which is hereby incorporated by reference and made a part of this Indenture, including appropriate legends as set forth in Section 2.1(c) (a "Regulation S Temporary Global Note"). Beneficial interests in a Regulation S Temporary Global Note will be exchangeable for beneficial interests in a single permanent global security (the "Regulation S Permanent Global Note", together with the Regulation S Temporary Global Note, the "Regulation S Global Note") on or after the expiration of the Restricted Period (the "Release Date") upon the receipt by the Trustee or its agent of a certificate certifying that the Holder of the beneficial interest in the Regulation S Temporary Global Note is a non-United States Person within the meaning of Regulation S (a "Regulation S Certificate"), substantially in the form set forth in Section 2.8. Upon receipt by the Trustee or Paying Agent of a Regulation S Certificate, (i) with respect to the first such Regulation S Certificate, the Company shall execute and upon receipt of a Company Order for authentication, the Authenticating Agent (as defined in Section 2.2) shall authenticate and deliver to the custodian, the applicable Regulation S Permanent Global Note and (ii) with respect to the first and all subsequent Regulation S Certificates, the custodian shall exchange on behalf of the applicable beneficial owners the portion of the applicable Regulation S Temporary Global Note covered by such Regulation S Certificates for a comparable portion of the applicable Regulation S Permanent Global Note. Upon any exchange of a portion of a Regulation S Temporary Global Note for a comparable portion of a Regulation S Permanent Global Note, the custodian shall endorse on the schedules affixed to each of such Regulation S Global Note (or on continuations of such schedules affixed to each of such Regulation S Global Note and made parts thereof) appropriate notations evidencing the date of transfer and (x) with respect to the applicable Regulation S Temporary Global Note, a decrease in the principal amount thereof equal to the amount covered by the applicable certification and (y) with respect to the applicable Regulation S Permanent Global Note, an increase in the principal amount thereof equal to the principal amount of the decrease in the applicable Regulation S Temporary Global Note pursuant to clause (x) above. The Regulation S Global Note will be deposited with the

Trustee, as custodian for DTC, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The Regulation S Global Note may be represented by more than one certificate, if so required by DTC's rules regarding the maximum principal amount to be represented by a single certificate. The aggregate principal amount of the Regulation S Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC or its nominee, as hereinafter provided.

Initial Securities resold to institutional "accredited investors" (as defined in Rules 501(a)(1), (2), (3) and (7) under the Securities Act) who are not QIBs ("IAIs") in the United States of America will be issued in non-global,

fully registered form, without interest coupons, substantially in the form set forth in Exhibit A, which is hereby incorporated by reference and made a part of this Indenture, including appropriate legends as set forth in Section 2.1(c), duly executed by the Company and authenticated by the Trustee as hereinafter provided (each, an "Institutional Accredited Investor Note"). Upon such issuance, the Trustee shall register such Institutional Accredited Investor Note in the name of the beneficial owner or owners of such note (or the nominee of such beneficial owner or owners) and deliver the certificates for such Institutional Accredited Investor Notes to the respective beneficial owner or owners. Upon transfer of such Institutional Accredited Investor Notes to a QIB or to a Non-U.S. Person, such Institutional Accredited Investor Notes will, unless the Rule 144A Global Note, in the case of a transfer to a QIB, or the Regulation S Global Note, in the case of a transfer to a Non-U.S. Person, has previously been exchanged for Definitive Securities pursuant to Section 2.1(e), be exchanged for an interest in a Global Security pursuant to the provisions of Section 2.6.

Exchange Securities exchanged for interests in the Rule 144A Note, the Regulation S Note and the Institutional Accredited Investor Notes will be issued in the form of a permanent global Security substantially in the form of Exhibit B, which is hereby incorporated by reference and made a part of this Indenture, deposited with the Trustee as hereinafter provided, including the appropriate legend set forth in Section 2.1(c) (the "Exchange Global Note"). The Exchange Global Note may be represented by more than one certificate, if so required by DTC's rules regarding the maximum principal amount to be represented by a single certificate.

The Rule 144A Global Note, the Regulation S Global Note and the Exchange Global Note are sometimes collectively herein referred to as the "Global Securities."

The principal of (and premium, if any) and interest on the Securities shall be payable at the office or agency of the Company maintained for such purpose in The City of New York, or at such other office or agency of the Company as may be maintained for such purpose pursuant to Section 2.3; provided, however, that, at the option of the Company, each installment of interest may be paid by (i) check mailed to addresses of the Persons entitled thereto as such addresses shall appear on the Note Register or (ii) wire transfer to an account located in the United States maintained by the payee. Payments in respect of Securities represented by a Global Note (including principal, premium and interest) will be made by wire transfer of immediately available funds to the accounts specified by DTC.

The Private Exchange Securities shall be in the form of Exhibit A. The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage, in addition to those set forth on Exhibits A and B and in Section 2.1(c). The Company and the Trustee shall approve the forms of the Securities and any notation, endorsement or legend on them. Each Security shall be dated the date of its authentication. The terms of the Securities set forth in Exhibit A and Exhibit B are part of the terms of this Indenture and, to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to be bound by such terms.

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

(c) Restrictive Legends. Unless and until (i) an Initial Security is sold under an effective registration statement or (ii) an Initial Security is exchanged for an Exchange Security in connection with an effective registration statement, in each case pursuant to the Registration Rights Agreement or a similar agreement,

(A) the Rule 144A Global Note and the Institutional Accredited Investor Notes shall bear the following legend (the "Private Placement Legend") on the face thereof:

> "THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.
>
> THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES, ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED

SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A

QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A TRANSACTION INVOLVING A MINIMUM PRINCIPAL AMOUNT OF $250,000 OF SECURITIES, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) AND (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE."; and

(B) the Regulation S Global Note shall bear the following legend (the "Regulation S Legend") on the face thereof:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), (2) BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER

THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S, (E) TO AN INSTITUTIONAL ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A TRANSACTION INVOLVING A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND IN THE CASE OF THE FOREGOING CLAUSE (E), A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE COMPANY AND THE TRUSTEE. THIS LEGEND WILL BE REMOVED AFTER 40 CONSECUTIVE DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DAY ON WHICH THE SECURITIES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S) AND (B) THE DATE OF THE CLOSING OF THE ORIGINAL OFFERING. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS

GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT."

(C) The Global Securities, whether or not an Initial Security, shall bear the following legend on the face thereof:

"UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF."

(D) The Regulation S Temporary Global Note shall also bear the following legend on the face thereof:

THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"). NEITHER THIS TEMPORARY GLOBAL NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE INDENTURE REFERRED TO BELOW.

NO BENEFICIAL OWNERS OF THIS TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL OR INTEREST HEREON UNLESS THE REQUIRED CERTIFICATIONS HAVE BEEN DELIVERED PURSUANT TO THE TERMS OF THE INDENTURE.

(E) Each Institutional Accredited Investor Note shall also bear the following additional legend on the face thereof:

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIED WITH THE FOREGOING RESTRICTIONS.

(d) Book-Entry Provisions. (i) This Section 2.1(d) shall apply only to Global Securities deposited with the Trustee, as custodian for DTC.

(ii) Each Global Security initially shall (x) be registered in the name of DTC for such Global Security or the nominee of DTC, (y) be delivered to the Trustee as custodian for DTC and (z) bear legends as set forth in Section 2.1(c).

(iii) Members of, or participants in, DTC ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by DTC or by the Trustee as the custodian of DTC or under such Global Security, and DTC may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by DTC or impair, as between DTC and its Agent Members, the

operation of customary practices of DTC governing the exercise of the rights of a holder of a beneficial interest in any Global Security.

(iv) In connection with any transfer of a portion of the beneficial interest in a Global Security pursuant to subsection (e) of this Section to beneficial owners who are required to hold Definitive Securities or to IAIs who shall hold certificated Institutional Accredited Investor Notes pursuant to Section 2.1(a), the Securities Custodian shall reflect on its books and records the date and a decrease in the principal amount of such Global Security in an amount equal to the principal amount of the beneficial interest in the Global Security to be transferred, and the Company shall execute, and the Trustee shall authenticate and deliver, one or more Definitive Securities of like tenor and

amount.

(v) In connection with the transfer of an entire Global Security to beneficial owners pursuant to subsection (e) of this Section, such Global Security shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by DTC in exchange for its beneficial interest in such Global Security, an equal aggregate principal amount of Definitive Securities of authorized denominations.

(vi) The registered holder of a Global Security may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

(e) Definitive Securities. (i) Except as provided below, owners of beneficial interests in Global Securities will not be entitled to receive Definitive Securities. If required to do so pursuant to any applicable law or regulation, beneficial owners may obtain Definitive Securities in exchange for their beneficial interests in a Global Security upon written request in accordance with DTC's and the Registrar's procedures. In addition, Definitive Securities shall be transferred to all beneficial owners in exchange for their beneficial interests in a Global Security if (a) DTC notifies the Company that it is unwilling or unable to continue as depositary for such Global Security or DTC ceases to be a clearing agency registered under the Exchange Act, at a time when DTC is required to be so registered in order to act as depositary, and in each case a successor depositary is not appointed by the Company within 90 days of such notice or, (b) the Company executes and delivers to the Trustee and Registrar an Officers' Certificate stating that such Global Security shall be so exchangeable or (c) an Event of Default has occurred and is continuing and the Registrar has received a request from DTC.

(ii) Any Definitive Security delivered in exchange for an interest in a Global Security pursuant to Section 2.1(d)(iv) or (v) shall, except as otherwise provided by Section 2.6(c), bear the applicable legend regarding transfer restrictions applicable to the Definitive Security set forth in Section 2.1(c).

(iii) In connection with the exchange of a Definitive Security for a beneficial interest in a Global Security pursuant to a transfer of an Institutional Accredited Investor Note

to a QIB or a Non-U.S. Person, upon receipt by the Trustee of such Institutional Accredited Investor Note, duly endorsed or accompanied by appropriate instruments of transfer in accordance with Section 2.6(a), the Trustee shall cancel such Institutional Accredited Investor Note and cause, or direct the Securities Custodian to cause, in accordance with the standing instructions and procedures existing between DTC and the Securities Custodian, the aggregate principal amount of Securities represented by the Global Security to be increased accordingly. If no Global Securities are then outstanding, the Company shall issue and the Trustee shall authenticate, upon written order of the Company in the form of an Officers' Certificate, a new Global Security in the appropriate principal amount. The Trustee shall deliver copies of each certification and instruction received by it to DTC and, upon receipt thereof, the Securities Custodian shall reflect on its books and records the date and an increase in the principal amount of such Global Security in an amount equal to the principal amount of the Institutional Accredited Investor Note so transferred to reflect the exchange of such Institutional Accredited Investor Note for an interest in the Global Security.

(iv) In connection with the exchange of a portion of a Definitive Security for a beneficial interest in a Global Security, the Trustee shall cancel such Definitive Security, and the Company shall execute, and the Trustee shall authenticate and deliver, to the transferring Holder a new Definitive Security representing the principal amount not so transferred.

SECTION 2.2. Execution and Authentication. One Officer shall sign the Securities for the Company by manual or facsimile signature. If an Officer whose signature is on a Security no longer holds that office at the time the Trustee authenticates the Security, the Security shall be valid nevertheless, after giving effect to any exchange of Initial Securities for Exchange Securities.

A Security shall not be valid until an authorized signatory of the Trustee manually authenticates the Security. The signature of the Trustee on a Security shall be conclusive evidence that such Security has been duly and validly authenticated and issued under this Indenture.

At any time and from time to time after the execution and delivery of this Indenture, the Trustee shall authenticate and make available for delivery: (1) Original Securities for original issue on the Issue Date in an aggregate principal amount of $200.0 million, (2) Exchange Securities for issue only in a Registered Exchange Offer pursuant to the Registration Rights Agreement, and only in exchange for Initial Securities of an equal principal amount, and (3) additional series of notes which may be offered subsequent to the Issue Date (the "Subsequent Series Securities") in an aggregate principal amount not to exceed $100,000,000, and, if applicable, the related exchange of Initial Securities for Exchange Securities, in each case upon a written order of the Company signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company (the "Company Order"). Such Company Order shall specify the amount of the Securities to be authenticated and the date on which the original issue of Securities is to be authenticated and whether the Securities are to be Initial Securities or Exchange Securities. The aggregate principal amount of notes which may be authenticated and delivered under this Indenture is limited to $300.0 million outstanding, except for Securities authenticated and

delivered upon registration or transfer of, or in exchange for, or in lieu of, other Securities of the same class pursuant to Section 2.6, Section 2.9, Section 2.11, Section 5.8, Section 9.5 and except for transactions similar to the Registered Exchange Offer. No Subsequent Series Securities may be authenticated and delivered in an aggregate principal amount of less than $25,000,000. All Securities issued on the Issue Date and all Subsequent Series Securities shall be identical in all respects other than issue dates, the date from which interest accrues and any changes relating thereto. Notwithstanding anything to the contrary contained in this Indenture, all notes issued under this Indenture shall vote and consent together on all matters as one class and no series of notes will have the right to vote or consent as a separate class on any matter.

The Trustee may appoint an agent (the "Authenticating Agent") reasonably acceptable to the Company to authenticate the Securities. Unless limited by the terms of such appointment, any such Authenticating Agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by the Authenticating Agent.

In case the Company or any Subsidiary Guarantor, pursuant to Article IV, shall be consolidated or merged with or into any other Person or shall convey, transfer, lease or otherwise dispose of its properties and assets substantially as an entirety to any Person, and the successor Person resulting from such consolidation, or surviving such merger, or into which the Company or any Subsidiary Guarantor shall have been merged, or the Person which shall have received a conveyance, transfer, lease or other disposition as aforesaid, shall have executed an indenture supplemental hereto with the Trustee pursuant to Article IV, any of the Securities authenticated or delivered prior to such consolidation, merger, conveyance, transfer, lease or other disposition may, from time to time, at the request of the successor Person, be exchanged for other Securities executed in the name of the successor Person with such changes in phraseology and form as may be appropriate, but otherwise in substance of like tenor as the Securities surrendered for such exchange and of like principal amount; and the Trustee, upon Company Order of the successor Person, shall authenticate and deliver Securities as specified in such order for the purpose of such exchange. If Securities shall at any time be authenticated and delivered in any new name of a successor Person pursuant to this Section 2.2 in exchange or substitution for or upon registration of transfer of any Securities, such successor Person, at the option of the Holders but without expense to them, shall provide for the exchange of all Securities at the time outstanding for Securities authenticated and delivered in such new name.

SECTION 2.3. Registrar and Paying Agent. The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where Securities may be presented for payment (the "Paying Agent"). The Company shall cause each of the Registrar and the Paying Agent to maintain an office or agency in the Borough of Manhattan, The City of New York. The Registrar shall keep a register of the Securities and of their transfer and exchange (the "Note Register"). The Company may have one or more co-registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any

Registrar, Paying Agent or co-registrar not a party to this Indenture, which shall incorporate the terms of the TIA. The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of each such agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.7. The Company or any of its domestically incorporated Wholly-Owned Subsidiaries may act as Paying Agent, Registrar, co-registrar or transfer agent.

The Company initially appoints the Trustee as Registrar and Paying Agent for the Securities.

SECTION 2.4. Paying Agent To Hold Money in Trust. By at least 10:00 a.m (New York City time) on the date on which any principal of or interest on any Security is due and payable, the Company shall deposit with the Paying Agent a sum sufficient to pay such principal or interest when due. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that such Paying Agent shall hold in trust for the benefit of Securityholders or the Trustee all money held by such Paying Agent for the payment of principal of or interest on the Securities and shall notify the Trustee in writing of any default by the Company or any Subsidiary Guarantor in making any such payment. If the Company or a Subsidiary acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent (other than the Trustee) to pay all money held by it to the Trustee and to account for any funds disbursed by such Paying Agent. Upon complying with this Section, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money delivered to the Trustee. Upon any bankruptcy, reorganization or similar proceeding with respect to the Company, the Trustee shall serve as Paying Agent for the Securities.

SECTION 2.5. Securityholder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, or to the extent otherwise required under the TIA, the Company shall furnish to the Trustee, in writing at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Securityholders.

SECTION 2.6. Transfer and Exchange.

(a) The following provisions shall apply with respect to any proposed transfer of a Rule 144A Note or an Institutional Accredited Investor Note prior to the date which is two years after the later of the date of its original issue and the last date on which the Company or any affiliate of the Company was the owner of such Securities (or any predecessor thereto) (the "Resale Restriction Termination Date"):

(i) a transfer of a Rule 144A Note or an Institutional Accredited Investor Note or a beneficial interest therein to a QIB shall be made upon the representation of the transferee in the form of an assignment on the reverse of the certificate that it is purchasing the Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A;

(ii) a transfer of a Rule 144A Note or an Institutional Accredited Investor Note or a beneficial interest therein to an IAI shall be made upon receipt by the Trustee or its agent of a certificate substantially in the form set forth in Section 2.7 from the proposed transferee and, if requested by the Company or the Trustee, the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them; and

(iii) a transfer of a Rule 144A Note or an Institutional Accredited Investor Note or a beneficial interest therein to a Non-U.S. Person shall be made upon receipt by the Trustee or its agent of a certificate substantially in the form set forth in Section 2.8 from the proposed transferee and, if requested by the Company or the Trustee, the delivery of an opinion of counsel, certification and/or other information

satisfactory to each of them.

(b) The following provisions shall apply with respect to any proposed transfer of a Regulation S Note prior to the expiration of the Restricted Period:

(i) a transfer of a Regulation S Note or a beneficial interest therein to a QIB shall be made upon the representation of the transferee, in the form of assignment on the reverse of the certificate, that it is purchasing the Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A;

(ii) a transfer of a Regulation S Note or a beneficial interest therein to an IAI shall be made upon receipt by the Trustee or its agent of a certificate substantially in the form set forth in Section 2.7 from the proposed transferee and, if requested by the Company or the Trustee, the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them; and

(iii) a transfer of a Regulation S Note or a beneficial interest therein to a Non-U.S. Person shall be made upon receipt by the Trustee or its agent of a certificate substantially in the form set forth in Section 2.8 hereof from the proposed transferee and, if requested by the Company or the Trustee, receipt by the Trustee or its agent of an opinion of counsel, certification and/or other information satisfactory to each of them.

After the expiration of the Restricted Period, interests in the Regulation S Note may be transferred without requiring certification set forth in Section 2.7, Section 2.8 or any additional certification.

(c) Restricted Securities Legend. Upon the transfer, exchange or replacement of Securities not bearing a Restricted Securities Legend, the Registrar shall deliver Securities that do not bear a Restricted Securities Legend. Upon the transfer, exchange or replacement of Securities bearing a Restricted Securities Legend, the Registrar shall deliver only Securities that bear a Restricted Securities Legend unless there is delivered to the Registrar an Opinion of Counsel to the effect that neither such legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act.

(d) The Company shall deliver to the Trustee an Officer's Certificate setting forth the Resale Restriction Termination Date and the Restricted Period.

The Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 2.1 or this Section 2.6. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

(e) Obligations with Respect to Transfers and Exchanges of Securities.

(i) To permit registrations of transfers and exchanges, the Company shall, subject to the other terms and conditions of this Article II, execute and the Trustee shall authenticate Definitive Securities and Global Securities at the Registrar's or co-registrar's request.

(ii) No service charge shall be made to a Holder for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax, assessments, or similar governmental charge payable in connec tion therewith (other than any such transfer taxes, assessments or similar governmental charges payable upon exchange or transfer pursuant to Sections 3.6, 3.8 or 9.5).

(iii) The Registrar or co-registrar shall not be required to register the transfer of or exchange of any Security for a period beginning (1) 15 days before the mailing of a notice of an offer to repurchase or redeem Securities and ending at the close of business on the day of such mailing or (2) 15 days before an interest payment date and ending on such interest payment date.

(iv) Prior to the due presentation for registration of transfer of any Security, the Company, the Trustee, the Paying Agent, the Registrar or any co-registrar may deem and treat the person in whose name a Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and interest on such Security and for all other purposes whatsoever, whether or not such Security is overdue, and none of the Company, the Trustee, the Paying Agent, the Registrar or any co-registrar shall be affected by notice to the contrary.

(v) Any Definitive Security (including any Institutional Accredited Investor Note) delivered in exchange for an interest in a Global Security pursuant to Section 2.1(d) shall, except as otherwise provided by Section 2.6(c), bear the applicable legend regarding transfer restrictions applicable to the Definitive Security set forth in Section 2.1(c).

(vi) All Securities issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Securities surrendered upon such transfer or exchange.

(f) No Obligation of the Trustee. (i) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Security, a member of, or a participant in, DTC or other Person with respect to the accuracy of the records of DTC or its nominee or of any participant or member thereof, with respect to any ownership interest in the Securities or with respect to the delivery to any participant, member, beneficial owner or other Person (other than DTC) of any notice (including any notice of redemption) or the payment of any amount or delivery of any Securities (or other security or property) under or with respect to such Securities. All notices and communications to be given to the Holders and all payments to be made to Holders in respect of the Securities shall be given or made only to or upon the order of the registered Holders (which shall be DTC or its nominee in the case of a Global Security). The rights of beneficial owners in any Global Security shall be exercised only through DTC subject to the applicable rules and procedures of DTC. The Trustee may rely and shall be fully protected in relying upon information furnished by DTC with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Security (including any transfers between or among Depositary participants, members or beneficial owners in any Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

SECTION 2.7. Form of Certificate to be Delivered in Connection with Transfers to Institutional Accredited Investors.

[Date]

LaSalle National Bank
135 South LaSalle Street
Chicago, Illinois 60603
Attention: Corporate Trust Services Division

Dear Sirs:

This certificate is delivered to request a transfer of $ principal amount of the 10 3/4% Senior Notes due 2006 (the "Securities") of Favorite Brands International, Inc. (the "Company").

Upon transfer, the Securities would be registered in the name of the new beneficial owner as follows:

Name: _____

Address: _____

Taxpayer ID Number: _____

The undersigned represents and warrants to you that:

1. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended (the "Securities Act")) purchasing for our own account or for the account of such an institutional "accredited investor" at least $250,000 principal amount of the Securities, and we are acquiring the Securities not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risk of our investment in the Securities and we invest in or purchase securities similar to the Securities in the normal course of our business. We and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

2. We understand that the Securities have not been registered under the Securities Act and, unless so registered, may not be sold except as permitted in the following sentence. We agree on our own behalf and on behalf of any investor account for which we are purchasing Securities to offer, sell or otherwise transfer such Securities prior to the date which is two years after the later of the date of original issue and the last date on which the Company or any affiliate of the Company was the owner of such Securities (or any predecessor thereto) (the "Resale Restriction Termination Date") only (a) to the Company, (b) pursuant to a registration statement which has been declared effective under the Securities

Act, (c) in a transaction complying with the requirements of Rule 144A under the Securities Act, to a person we reasonably believe is a qualified institutional buyer under Rule 144A (a "QIB") that purchases for its own account or for the account of a QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States within the meaning of Regulation S under the Securities Act, (e) to an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act that is purchasing for its own account or for the account of such an institutional "accredited investor," in each case in a minimum principal amount of Securities of $250,000 or (f) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and in compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Securities is proposed to be made pursuant to clause (e) above prior to the Resale Restriction Termination Date, the transferor shall deliver a letter from the transferee substantially in the form of this letter to the Company and the Trustee, which shall provide, among other things, that the transferee is an institutional "accredited investor" (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act) and that it is acquiring such Securities for investment purposes and not for distribution in violation of the Securities Act. Each purchaser acknowledges that the Company and the Trustee reserve the right prior to any offer, sale or other transfer prior to the Resale Termination Date of the Securities pursuant to clauses (d), (e) or (f) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Company and the Trustee.

TRANSFEREE:_____

BY_____

Signature Medallion Guaranteed

SECTION 2.8. Form of Certificate to be Delivered in Connection with Transfers Pursuant to Regulation S.

[Date]

LaSalle National Bank
135 South LaSalle Street
Chicago, Illinois 60603

Attention: Corporate Trust Services Division

Re: Favorite Brands International, Inc.
10 3/4% Senior Notes due 2006 (the "Securities")

Ladies and Gentlemen:

In connection with our proposed sale of $_____ aggregate principal amount of the Securities, we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(a) the offer of the Securities was not made to a person in the United States;

(b) either (i) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States or (ii) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(c) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable; and

(d) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

In addition, if the sale is made during a restricted period and the provisions of Rule 903(c)(3) or Rule 904(c)(1) of Regulation S are applicable thereto, we confirm that such sale has been made in accordance with the applicable provisions of Rule 903(c)(3) or Rule 904(c)(1), as the case may be.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By:_____

_____
Authorized Signature

Signature Medallion Guaranteed

SECTION 2.9. Mutilated, Destroyed, Lost or Stolen Securities. If a mutilated Security is surrendered to the Registrar or if the Holder of a Security claims that the Security has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Security if the requirements of Section 8-405 of the Uniform

Commercial Code are met and the Holder satisfies any other reasonable requirements of the Trustee. If required by the Trustee or the Company, such Holder shall furnish an indemnity bond sufficient in the judgment of the Company and the Trustee to protect the Company, the Trustee, the Paying Agent, the Registrar and any co-registrar from any loss which any of them may suffer if a Security is replaced, and, in the absence of notice to the Company, any Subsidiary Guarantor or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon Company Order the Trustee shall authenticate and make available for delivery, in exchange for any such mutilated Security or in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount, bearing a number

not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) in connection therewith.

Every new Security issued pursuant to this Section in lieu of any mutilated, destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, any Subsidiary Guarantor (if applicable) and any other obligor upon the Securities, whether or not the mutilated, destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 2.10. Outstanding Securities. Securities outstanding at any time are all Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation and those described in this Section as not outstanding. A Security ceases to be outstanding in the event the Company or a Subsidiary of the Company holds the Security, provided, however, that (i) for purposes of determining which are outstanding for consent or voting purposes hereunder, Securities shall cease to be outstanding in the event the Company or an Affiliate of the Company holds the Security and (ii) in determining whether the Trustee shall be protected in making a determination whether the holders of the requisite principal amount of outstanding Securities are present at a meeting of holders of Securities for quorum purposes or have consented to or voted in favor of any request, demand, authorization, direction, notice, consent, waiver, amendment or modification hereunder, or relying upon any such quorum, consent or vote, only Securities which the Trustee actually knows to be held by the Company or an Affiliate of the Company shall not be considered outstanding.

If a Security is replaced pursuant to Section 2.9, it ceases to be outstanding unless the Trustee and the Company receive proof satisfactory to them that the replaced Security is held by a bona fide purchaser.

If the Paying Agent segregates and holds in trust, in accordance with this Indenture, on a redemption date or maturity date money sufficient to pay all principal and interest payable on that date with respect to the Securities (or portions thereof) to be redeemed or maturing, as the case may be, and the Paying Agent is not prohibited from paying such money to the Securityholders on that date pursuant to the terms of this Indenture, then on and after that date such Securities (or portions thereof) cease to be outstanding and interest on them ceases to accrue.

SECTION 2.11. Temporary Securities. Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of Definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate Definitive Securities. After the preparation of Definitive Securities, the temporary Securities shall be exchangeable for Definitive Securities upon surrender of the temporary Securities at any office or agency maintained by the Company for that purpose and such exchange shall be without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities, the Company shall execute, and the Trustee shall authenticate and make available for delivery in exchange therefor, one or more Definitive Securities representing an equal principal amount of Securities. Until so exchanged, the Holder of temporary Securities shall in all respects be entitled to the same benefits under this Indenture as a holder of Definitive Securities. At the end of the Restricted Period, the Regulation S Temporary Global Note will be exchangeable for the Regulation S Permanent Global Note as set forth in Section 2.1(a).

SECTION 2.12. Cancellation. The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration

of transfer, exchange or payment. The Trustee and no one else shall cancel and return to the Company all Securities surrendered for registration of transfer, exchange, payment or cancellation. The Company may not issue new Securities to replace Securities it has paid or delivered to the Trustee for cancellation for any reason other than in connection with a transfer or exchange.

SECTION 2.13. Payment of Interest; Defaulted Interest. Interest on any Security which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the Person in whose name such Security (or one or more predecessor Securities) is registered at the close of business on the regular record date for such interest at the office or agency of the Company maintained for such purpose pursuant to Section 2.3.

Any interest on any Security which is payable, but is not paid when the same becomes due and payable and such nonpayment continues for a period of 30 days shall forthwith cease to be payable to the Holder on the regular record date by virtue of having

been such Holder, and such defaulted interest and (to the extent lawful) interest on such defaulted interest at the rate borne by the Securities (such defaulted interest and interest thereon herein collectively called "Defaulted Interest") shall be paid by the Company, at its election in each case, as provided in clause (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective predecessor Securities) are registered at the close of business on a Special Record Date (as defined below) for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date (not less than 30 days after such notice) of the proposed payment (the "Special Interest Payment Date"), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a record date (the "Special Record Date") for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the Special Interest Payment Date and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date, and in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date and Special Interest Payment Date therefor to be given in the manner provided for in Section 11.2, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date and Special Interest Payment Date therefor having been so given, such Defaulted Interest shall be paid on the Special Interest Payment Date to the Persons in whose names the Securities (or their respective predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (b).

(b) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of, transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 2.14. Computation of Interest. Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 2.15. CUSIP Numbers. The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use) and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders;

provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such CUSIP numbers.

In the event that the Company shall issue and the Trustee shall authenticate any Subsequent Series Securities pursuant to Section 2.2, the Company shall use its best efforts to obtain the same CUSIP number for such Subsequent Series Securities as is printed on the Securities outstanding at such time; provided, however, that if any series of Subsequent Series Securities is determined, pursuant to an Opinion of Counsel, to be a different class of security than the Securities outstanding at such time for federal income tax purposes, the Company may obtain a CUSIP number for such series of Subsequent Series Securities that is different from the CUSIP number printed on the Securities then outstanding.

ARTICLE III

Covenants

SECTION 3.1. Payment of Securities. The Company shall promptly pay the principal of and interest on the Securities on the dates and in the manner provided in the Securities and in this Indenture. Principal and interest shall be considered paid on the date due if on such date the Trustee or the Paying Agent holds in accordance with this Indenture money sufficient to pay all principal and interest then due and the Trustee or the Paying Agent, as the case may be, is not prohibited from paying such money to the Securityholders on that date pursuant to the terms of this Indenture.

The Company shall pay interest on overdue principal at the rate specified therefor in the Securities, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

Notwithstanding anything to the contrary contained in this Indenture, the Company may, to the extent it is required to do so by law, deduct or withhold income or other similar taxes imposed by the United States of America from principal or interest payments hereunder.

SECTION 3.2. SEC Reports and Available Information. Notwithstanding that the Company may not be subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, to the extent permitted by the Exchange Act, the Company will file with the SEC, and provide, within 15 days after the Company is required to file the same with the SEC, the Trustee and the holders of Securities with the annual reports and the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC

may, by rules and regulations prescribe), that are specified in Sections 13 and 15(d) of the Exchange Act. In the event that the Company is not permitted to file such reports, documents and information with the SEC pursuant to the Exchange Act, the Company will nevertheless deliver such Exchange Act information to the Trustee and the holders of the Securities as if the Company were subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act; provided that with respect to the periods ended March 28, 1998 and June 27, 1998, in lieu of Exchange Act information the Company will be permitted to provide to the Trustee and Holders the information and reports required to be delivered to the holders of the Senior Subordinated Notes and in the same time period as required therein. In addition, for so long as any of the Securities remain outstanding the Company shall make available to any prospective purchaser of the Securities or beneficial owner of the Securities in connection with any sale thereof the information required by Rule 144A(d)(4) under the Securities Act. The Company shall also comply with the other provisions of TIA (S) 314(a). Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 3.3. Limitation on Indebtedness. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness; provided, however, that the Company and the Subsidiary Guarantors may Incur Indebtedness if on the date thereof the Consolidated Coverage Ratio for the Company and its Restricted Subsidiaries for the Company's most recently

ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such Indebtedness is Incurred (A) is at least 2.00 to 1.00 and (B) no Default or Event of Default will have occurred or be continuing or would occur as a consequence thereof.

(b) Notwithstanding the foregoing paragraph (a) the Company and its Restricted Subsidiaries may Incur the following Indebtedness: (i) Indebtedness Incurred pursuant to a Senior Credit Agreement together with amounts outstanding under Qualified Receivables Transactions in an aggregate amount up to $250.0 million less the aggregate principal amount of all scheduled principal repayments unless refinanced on the date of such repayment under this clause (i) and all mandatory prepayments of principal in excess of $25.0 million in the aggregate from the proceeds of Asset Sales permanently reducing the commitments thereunder; (ii) the Subsidiary Guarantees and Guarantees of Indebtedness by the Subsidiary Guarantors Incurred in accordance with the provisions of this Indenture; provided that in the event such Indebtedness that is being Guaranteed is subordinated in right of payment to any other Indebtedness, the related Guarantee shall be subordinated in right of payment to the Subsidiary Guarantee; (iii) Indebtedness of the Company owing to and held by any Wholly-Owned Subsidiary (other than a Receivables Entity) or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Wholly-Owned Subsidiary (other than a Receivables Entity); provided, however, (x) if the Company is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the Securities and (y)(A) any subsequent issuance or transfer of Capital Stock that results in any such Indebtedness being beneficially held by a

Person other than the Company or a Wholly-Owned Subsidiary (other than a Receivables Entity) of the Company and (B) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Wholly-Owned Subsidiary (other than a Receivables Entity) of the Company shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Subsidiary, as the case may be; (iv) Indebtedness represented by (x) the Securities, (y) any Indebtedness (other than the Indebtedness described in clauses (i), (ii) and (iii)) outstanding on the Issue Date, including the Senior Subordinated Notes and the related Guarantees and (z) any Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (iv) or clause (v) or Incurred pursuant to paragraph (a) above; (v) Indebtedness of a Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Company or (B) otherwise in connection with, or in contemplation of, such acquisition) in an aggregate principal amount not to exceed $20.0 million at any time outstanding or, with respect to Indebtedness under this clause (v) in excess thereof, only in the event that at the time such Restricted Subsidiary is acquired by the Company, the Company would have been able to Incur $1.00 of additional Indebtedness pursuant to paragraph (a) above after giving effect to the Incurrence of such Indebtedness pursuant to this clause (v); (vi) Indebtedness under Currency Agreements and Interest Rate Agreements; provided, however, that in the case of Currency Agreements, such Currency Agreements are related to business transactions of the Company or its Restricted Subsidiaries entered into in the ordinary course of business or in the case of Currency Agreements and Interest Rate Agreements such Currency Agreements and Interest Rate Agreements are entered into for bona fide hedging purposes of the Company or its Restricted Subsidiaries (as determined in good faith by the Board of Directors or senior management of the Company) and substantially correspond in terms of notional amount, duration, currencies and interest rates, as applicable, to Indebtedness of the Company or its Restricted Subsidiaries Incurred without violation of this Indenture; (vii) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations with respect to assets other than Capital Stock or other Investments, in each case Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvements of property used in the business of the Company or such Restricted Subsidiary, in an aggregate principal amount not to exceed $10.0 million at any time outstanding; (viii) Indebtedness Incurred in respect of workers' compensation claims, self-insurance obligations, performance, surety and similar bonds and completion guarantees provided by the Company or a Restricted Subsidiary in the ordinary course of business; (ix) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, Incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Restricted Subsidiary, provided that the maximum aggregate liability in respect of all such

Indebtedness shall at no time exceed the gross proceeds actually received by the Company and its Restricted Subsidiaries in connection with such disposition; (x) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business,

provided, however, that such Indebtedness is extinguished within five business days of Incurrence; and (xi) Indebtedness (other than Indebtedness described in clauses (i)--(x)) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (xi) and then outstanding, will not exceed $35.0 million (which may be of any ranking).

(c) The Company will not Incur any Indebtedness under Section 3.3(b) if the proceeds thereof are used, directly or indirectly, to refinance any Subordinated Obligations of the Company unless such Indebtedness will be subordinated to the Securities to at least the same extent as such Subordinated Obligations. No Subsidiary Guarantor will incur any Indebtedness under Section 3.3(b) if the proceeds thereof are used, directly or indirectly, to refinance any Guarantor Subordinated Obligations of such Subsidiary Guarantor unless such Indebtedness will be subordinated to the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee to at least the same extent as such Guarantor Subordinated Obligations. No Restricted Subsidiary will Incur any Indebtedness under Section 3.3(b) to refinance Indebtedness of the Company.

(d) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with, this Section 3.3, the Company, in its sole discretion, will classify such item of Indebtedness on the date of Incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses; and (ii) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP. If Indebtedness is issued at less than the principal amount thereof, the amount of such Indebtedness for purposes of the above limitations shall equal the amount of the liability as determined in accordance with GAAP. Accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness will not be deemed to be an incurrence of Indebtedness for purposes of this covenant.

(e) The Company will not permit any Unrestricted Subsidiary to Incur any Indebtedness other than Non-Recourse Debt; provided, however, if any such Indebtedness ceases to be Non-Recourse Debt, such event will be deemed to constitute an incurrence of Indebtedness by the Company or a Restricted Subsidiary.

SECTION 3.4. Limitation on Restricted Payments. (a) The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to (i) declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except (A) dividends or distributions payable in its Capital Stock (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock and (B) dividends or distributions payable to the Company or a Restricted Subsidiary of the Company (and if such Restricted Subsidiary is not a Wholly-Owned Subsidiary, to its other holders of Capital Stock on a pro rata basis), (ii) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company held by Persons other than a Restricted Subsidiary of the Company or any Capital Stock of a Restricted Subsidiary of the Company

held by any Affiliate of the Company, other than the Company or another Restricted Subsidiary (in either case, other than to the extent such repurchase, redemption, retirement or other acquisition constitutes a Permitted Investment or other than in exchange for its Capital Stock (other than Disqualified Stock)), (iii) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than the purchase, repurchase or other acquisition of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, repurchase or acquisition) or (iv) make any Investment (other than a Permitted Investment) in any Person (any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Investment

being herein referred to in clauses (i) through (iv) as a "Restricted Payment"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(1) a Default shall have occurred and be continuing (or would result therefrom); or

(2) the Company is not able to incur an additional $1.00 of Indebtedness pursuant to Section 3.3(a); or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made subsequent to the Issue Date would exceed the sum of: (A) 50% of the Consolidated Net Income for the period (treated as one accounting period) from the beginning of the first full fiscal quarter commencing after the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment as to which internal financial statements are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit); (B) the aggregate Net Cash Proceeds received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock) or other capital contributions subsequent to the Issue Date (other than Net Cash Proceeds received from (x) an issuance or sale of such Capital Stock to a Subsidiary of the Company or an employee stock ownership plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Company or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination and (y) the sale of Capital Stock of Holdings to employees or management of the Company or any Subsidiary which are contributed to the Company after the Issue Date to the extent such amounts have been applied to make Restricted Payments in accordance with clause (v) of the next succeeding paragraph); (C) the amount by which Indebtedness of the Company is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Issue Date of any Indebtedness of the Company convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or other property, distributed by the Company upon such conversion or exchange); and (D) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries in any Person resulting from (i) repurchases or redemptions of such Restricted Investments by such

Person, proceeds realized upon the sale of such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend or distribution) by such Person to the Company or any Restricted Subsidiary of the Company or (ii) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount in each case under this clause (D) was included in the calculation of the amount of Restricted Payments; provided, however, that no amount will be included under this clause (D) to the extent it is already included in Consolidated Net Income.

(b) The provisions of Section 3.4(a) will not prohibit: (i) any purchase or redemption of Capital Stock or Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Company or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination); provided, however, that (A) such purchase or redemption will be excluded in subsequent calculations of the amount of Restricted Payments and (B) the Net Cash Proceeds from such sale will be excluded from clause (3)(B) of paragraph (a); (ii) any purchase or redemption of Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the sale of, Subordinated Obligations of the Company that qualifies as Refinancing Indebtedness; provided, however, that such purchase or redemption will be excluded in subsequent calculations of the amount of Restricted Payments; (iii) so long as no Default or Event of Default has occurred and is continuing, any purchase or redemption of Subordinated Obligations from Net Available Cash to the extent permitted under Section 3.6; provided, however, that such purchase or redemption will be excluded in subsequent calculations of the amount of Restricted Payments; (iv) dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this provision; provided, however, that such dividends will be

included in subsequent calculations of the amount of Restricted Payments; (v) so long as no Default or Event of Default has occurred and is continuing, cash dividends to Holdings for the purpose of, and in amounts equal to, amounts required to permit Holdings (A) to redeem or repurchase Capital Stock of Holdings from existing or former employees or management of the Company or Holdings or any Subsidiary of the Company or their assigns, estates or heirs, in each case in connection with the repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees; provided that the aggregate of such redemptions or repurchases pursuant to this clause will not exceed (x) in any calendar year $5.0 million in the aggregate (with unused amounts in any calendar year being carried over to succeeding calendar years) and (y) $12.5 million in the aggregate; provided, further that such amount in the aggregate may be increased by an amount not to exceed the cash proceeds from the sale of Capital Stock of Holdings which is contributed to the common equity of the Company to employees or management after the Issue Date (to the extent the cash proceeds of such transactions have not otherwise been

applied to the payment of Restricted Payments by virtue of the preceding paragraph (a), less the amount of Restricted Payments made pursuant to this proviso) in the aggregate; provided, however, that such dividends will be included in the calculation of the amount of Restricted Payments, and (B) to make loans or advances to employees or directors of the Company or Holdings or any Subsidiary of the Company the proceeds of which are used to purchase Capital Stock of Holdings or the Company, in an aggregate amount not in excess of $2.0 million at any one time outstanding; provided, however, that such dividends will be included in the calculation of the amount of Restricted Payments; (vi) cash dividends or loans to Holdings in amounts equal to (A) the amounts required for Holdings to pay any Federal, state or local income taxes to the extent that such income taxes are attributable to the income of the Company and its Subsidiaries and (B) the amounts required for Holdings to pay costs and expenses Incurred by Holdings in its capacity as a holding company or for services rendered by Holdings on behalf of the Company in an amount per annum not to exceed $500,000; provided, however, that such dividends will be excluded from the calculation of the amount of Restricted Payments; (vii) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price hereof; provided, however, that such repurchases will be excluded from the calculation of the amount of Restricted Payments; (viii) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Company issued in accordance with the terms of this Indenture; provided, however, that the payment of such dividends will be excluded from the calculation of the amount of Restricted Payments; and (ix) Investments in Joint Ventures and Unrestricted Subsidiaries that are made with Excluded Contributions.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any non-cash Restricted Payment shall be determined by the Board of Directors whose resolution with respect thereto shall be delivered to the Trustee, such determination to be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing if such fair market value is estimated to exceed $10.0 million. Not later than the date of making any Restricted Payment, the Company shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by Section 3.4 were computed, together with a copy of any fairness opinion or appraisal required by this Indenture.

SECTION 3.5. Limitation on Restrictions on Distributions from Restricted Subsidiaries. The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to (i) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary, (ii) make any loans or advances to the Company or any Restricted Subsidiary or (iii) transfer any of its property or assets to the Company or any Restricted Subsidiary, except (a) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the date of this Indenture (including, without

limitation, this Indenture and the Senior Credit Agreement in effect on the date

hereof); (b) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Indebtedness Incurred by a Restricted Subsidiary on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company or in contemplation thereof) and outstanding on such date; (c) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement effecting a refinancing of Indebtedness Incurred pursuant to an agreement referred to in clause (a) or (b) of this Section 3.5 or this clause (c) or contained in any amendment to an agreement referred to in clause (a) or (b) of this Section 3.5 or this clause (c); provided, however, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or amendment are no less favorable in any material respect to the Holders of the Securities than encumbrances and restrictions contained in such agreements referred to in clauses (a) and (b); (d) in the case of clause (iii) above, any encumbrance or restriction (A) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any such lease, license or other contract, (B) contained in mortgages, pledges or other security agreements securing Indebtedness of a Restricted Subsidiary to the extent such encumbrance or restrictions restrict the transfer of the property subject to such mortgages, pledges or other security agreements; provided that such mortgage, pledge or other security agreement is permitted under this Indenture or (C) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary; (e) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (iii) above on the property so acquired; (f) any Purchase Money Note or other Indebtedness or contractual requirements Incurred with respect to a Qualified Receivables Transaction relating exclusively to a Receivables Entity that, in the good faith determination of the Board of Directors, are necessary to effect such Qualified Receivables Transaction; (g) any restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition; and (h) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order.

SECTION 3.6. Limitation on Sales of Assets and Subsidiary Stock. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless (i) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Disposition at least equal to the fair market value, as determined in good faith by the Board of Directors (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition, (ii) at least 75% of the consideration thereof received by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents or Qualified Proceeds; provided that the aggregate fair market value of Qualified Proceeds (other than cash or Cash Equivalents) which may be received in consideration for

Asset Dispositions pursuant to this clause (ii) shall not exceed $7.5 million after the Issue Date, and (iii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company (or such Restricted Subsidiary, as the case may be) (A) first, to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness), to prepay, repay or purchase Indebtedness (other than Subordinated Obligations) or Indebtedness (other than any Preferred Stock or any Guarantor Subordinated Obligation) of a Wholly-Owned Subsidiary that is a Subsidiary Guarantor (in each case other than Indebtedness owed to the Company or an Affiliate of the Company) within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; (B) second, to the extent of the balance of such Net Available Cash after application in accordance with clause (A), at the Company's election to invest in Additional Assets within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; (C) third, to the extent of the balance of such Net Available Cash after application and in accordance with clauses (A) and (B) (the "Excess Proceeds"), to make an offer to purchase the Securities and other Pari Passu Indebtedness outstanding with similar provisions requiring the Company to make an offer to purchase such Pari Passu Indebtedness with the proceeds from any Asset Disposition ("Pari Passu Notes") at 100% of the principal amount thereof (or 100% of the accreted value of such Pari Passu Notes so tendered if such Pari Passu Notes were issued at a discount) plus accrued and

unpaid interest, if any, to the date of purchase; and (D) fourth, to the extent of the balance of the Excess Proceeds, after application in accordance with clause (C), to fund other corporate purposes not prohibited by this Indenture; provided, however, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to clause (A) above, the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased. Pending the final application of any such Net Available Cash, the Company or its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner that is not prohibited by this Indenture. Upon completion of such Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero. Notwithstanding the foregoing provisions, the Company and its Restricted Subsidiaries will not be required to apply any Net Available Cash in accordance herewith except to the extent that the aggregate Net Available Cash from all Asset Dispositions which have not been applied in accordance with this covenant exceed $5.0 million.

For the purposes of this Section 3.6, the following will be deemed to be cash: (x) the assumption by the transferee of Indebtedness (other than Subordinated Obligations) of the Company or Indebtedness (other than Guarantor Subordinated Obligations) of any Restricted Subsidiary of the Company and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition (in which case the Company will, without further action, be deemed to have applied such assumed Indebtedness in accordance with clause (A) of the preceding paragraph) and (y) securities, notes or other obligations received by the Company or any Restricted Subsidiary of the Company from the transferee that are promptly converted by the Company or such Restricted Subsidiary into cash.

(b) In the event of an Asset Disposition that requires the purchase of Securities pursuant to clause (iii)(C) of paragraph (a) of this Section 3.6, the Company will be required to apply such Excess Proceeds to the repayment of the Securities and any Pari Passu Notes as follows: (A) the Company will make an offer to purchase (an "Offer") within ten days of such time from all Holders in accordance with the procedures set forth in this Indenture in the maximum principal amount (expressed as a multiple of $1,000) of Securities that may be purchased out of an amount (the "Note Amount") equal to the product of such Excess Proceeds multiplied by a fraction, the numerator of which is the outstanding principal amount of the Securities and the denominator of which is the sum of the outstanding principal amount of the Securities and the outstanding principal amount (or accreted value, as the case may be) of the Pari Passu Notes at a purchase price of 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase and (B) the Company will make an offer to purchase any Pari Passu Notes (a "Pari Passu Offer") in an amount equal to the excess of the Excess Proceeds over the Note Amount in accordance with the documentation governing such Pari Passu Notes with respect to the Pari Passu Offer. If the aggregate purchase price of the Securities and Pari Passu Notes tendered pursuant to the Offer and the Pari Passu Offer is less than the Excess Proceeds, the remaining Excess Proceeds will be available to the Company for use in accordance with clause (iii)(D) of paragraph (a) of this Section 3.6. If the aggregate principal amount of Securities surrendered by Holders thereof exceeds the Note Amount, the Trustee shall select the Securities to be purchased on a pro rata basis. The Company will not be required to make an Offer for Securities pursuant to this Section 3.6 if the Excess Proceeds available therefor are less than $10.0 million (which lesser amounts will be carried forward for purposes of determining whether an Offer is required with respect to the Excess Proceeds from any subsequent Asset Disposition).

(c) (1) Promptly, and in any event within 10 days after the Company is required to make an Offer, the Company will deliver to the Trustee and send, by first-class mail to each Holder, a written notice stating that the Holder may elect to have his Securities purchased by the Company either in whole or in part (subject to prorating as hereinafter described in the event the Offer is oversubscribed) in integral multiples of $1,000 of principal amount, at the applicable purchase price. The notice shall specify a purchase date not less than 30 days nor more than 60 days after the date of such notice (the "Purchase Date").

(2) Not later than the date upon which such written notice of an Offer is delivered to the Trustee and the Holders, the Company will deliver to the Trustee an Officers' Certificate setting forth (i) the amount of the Offer (the "Offer Amount"), (ii) the allocation of the Net Available Cash from the Asset Dispositions as a result of which such Offer is being made and (iii) the compliance of such allocation with the provisions of Section 3.6(a). Upon the expiration of the period (the "Offer Period") for which the Offer remains open, the Company shall deliver to the Trustee for cancellation the Securities or

portions thereof which have been properly tendered to and are to be accepted by the Company. The Trustee shall, on the Purchase Date, mail or deliver payment to each tendering Holder in the amount of the purchase price of the Securities tendered by such Holder to the extent such funds are available to the Trustee.

(3) Holders electing to have a Security purchased will be required to surrender the Security, with an appropriate form entitled "Option of Holder to Elect Purchase" duly completed, to the Company at the address specified in the notice prior to the expiration of the Offer Period. Each Holder will be entitled to withdraw its election if the Trustee or the Company receives, not later than one Business Day prior to the expiration of the Offer Period, a facsimile transmission or overnight mail from such Holder setting forth the name of such Holder, the principal amount of the Security or Securities which were delivered for purchase by such Holder and a statement that such Holder is withdrawing his election to have such Security or Securities purchased. If at the expiration of the Offer Period the aggregate principal amount of Securities surrendered by Holders exceeds the Offer Amount, the Company shall select the Securities to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Company so that only Securities in denominations of $1,000, or integral multiples thereof, shall be purchased). Holders whose Securities are purchased only in part will be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered.

(d) The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Securities pursuant to this Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section 3.6, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Indenture by virtue thereof.

SECTION 3.7. Limitation on Affiliate Transactions. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (an "Affiliate Transaction") unless: (i) the terms of such Affiliate Transaction are no less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction in arm's-length dealings with a Person who is not such an Affiliate; (ii) in the event such Affiliate Transaction involves an aggregate amount in excess of $5.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Company and by a majority of the members of such Board having no personal stake in such transaction, if any (and such majority or majorities, as the case may be, determines that such Affiliate Transaction satisfies the criteria in (i) above); and (iii) in the event such Affiliate Transaction involves an aggregate amount in excess of $10.0 million, the Company has received an opinion to the Holders that such Affiliate Transaction is fair from a financial point of view issued by an independent accounting, appraisal or investment banking firm of nationally recognized standing.

(b) The foregoing paragraph (a) will not apply to (i) any Restricted Payment (other than Restricted Investments) permitted to be made pursuant to Section 3.4, (ii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans and other reasonable fees, compensation, benefits and indemnities paid or entered into

by the Company or its Restricted Subsidiaries in the ordinary course of business to or with consultants or with the officers, directors or employees of Holdings or the Company and its Restricted Subsidiaries, (iii) loans or advances to employees in the ordinary course of business of Holdings or the Company or any of its Restricted Subsidiaries, (iv) any transaction between the Company and a Restricted Subsidiary (other than a Receivables Entity) or between Restricted Subsidiaries (other than a Receivables Entity), (v) transactions with suppliers or other purchasers for the sale or purchase of goods in the ordinary course of business and otherwise in accordance with the terms of this Indenture which are fair to the Company and its Restricted Subsidiaries, in the good faith determination of the Board of Directors of the Company or the senior management of the Company and are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party, (vi) the issuance of Capital Stock (other than Disqualified Stock) of the Company to any Permitted Holder or any Related Party, (vii) any agreement in effect on the Issue Date, (viii) sales or other transfers or dispositions of accounts receivable and other

related assets customarily transferred in an asset securitization transaction involving accounts receivable to a Receivables Entity in a Qualified Receivables Transaction, and acquisitions of Permitted Investments in connection with a Qualified Receivables Transaction and (ix) the purchase by the Company or any of its Restricted Subsidiaries of any assets from any of their respective Affiliates (previously purchased by such Affiliate from a Person that is not an Affiliate) if the amount paid therefor does not exceed the sum of (x) the amount paid by such Affiliate for such asset, plus (y) recourse liabilities Incurred by such Affiliate in connection with such asset, plus (z) the cost of funds to such Affiliate in connection with the purchase of such asset.

SECTION 3.8. Change of Control.

Upon the occurrence of any of the following events (each a "Change of Control"), unless the Company shall have exercised its right to redeem the Securities as described in Section 5.1, each Holder will have the right to require the Company to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Securities at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) (the "Change of Control Payment"):

(i) (A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders or their Related Parties, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 40% of the total voting power of the Voting Stock of the Company or Holdings (or its successor by merger, consolidation or purchase of all or substantially all of its assets) (for the purposes of this clause, such person shall be deemed to beneficially own any Voting Stock of the Company or Holdings held by an entity, if such person "beneficially owns" (as defined above), directly or indirectly, more than 40% of the voting power of the Voting Stock of such entity); and (B) the Permitted Holders or their Related Parties "beneficially own" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or

indirectly, in the aggregate a lesser percentage of the total voting power of the Voting Stock of the Company or Holdings (or its successor by merger, consolidation or purchase of all or substantially all of its assets) than such other person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of the Company or Holdings or such successor (for the purposes of this clause, such other person shall be deemed to beneficially own any Voting Stock of a specified entity held by an entity, if such other person "beneficially owns," directly or indirectly, more than 40% of the voting power of the Voting Stock of such entity and the Permitted Holders or their Related Parties "beneficially own," directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such entity and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of such entity); or

(ii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company or Holdings (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company or Holdings, as the case may be, was approved by a vote of at least a majority of the directors of the Company or Holdings then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved or is a designee of the Permitted Holders or their Related Parties or was nominated or elected by such Permitted Holders or their Related Parties or any of their designees) cease for any reason to constitute a majority of the Board of Directors of the Company or Holdings then in office; provided, however, that this clause (ii) shall not apply to the Board of Directors of the Company so long as the Company is a wholly-owned Subsidiary of Holdings; or

(iii) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) other than a Permitted Holder or their Related Parties; or

(iv) the adoption by the stockholders of the Company of a plan or proposal for the liquidation or dissolution of the Company; or

(v) the occurrence of a change of control as defined in the indenture relating to the Senior Subordinated Notes.

Within 30 days following any Change of Control, unless the Company has mailed a redemption notice with respect to all the outstanding Securities in connection with such Change of Control as described in Section 5.1, the Company shall mail a notice to each Holder with a copy to the Trustee stating: (i) that a Change of Control has occurred and that such Holder has the right to require the Company pursuant to this Section 3.8 to purchase such Holder's Securities (the "Change of Control Offer") at a purchase price in cash equal to

101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date); (ii) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); (iii) that any Security not tendered shall continue to accrue interest, if any; (iv) that, unless the Company defaults in the payment of principal or interest, all Securities accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest, if any, after the Change of Control Payment Date; (v) that Holders electing to have any Securities purchased pursuant to a Change of Control Offer shall be required to surrender the Securities to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the date of purchase for the Change of Control Payment Date; (vi) that Holders shall be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Securities delivered for purchase, and a statement that such Holder is withdrawing his election to have the Securities purchased; and (vii) that Holders whose Securities are being purchased only in part shall be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof.

On a Business Day that is no earlier than 30 days nor later than 60 days from the date that the Company mails or causes to be mailed notice of the Change of Control to the holders (the "Change of Control Payment Date"), the Company shall, to the extent lawful, (i) accept for payment all Securities or portions thereof properly tendered pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all the Securities or portions thereof so tendered and (iii) deliver or cause to be delivered to the Trustee the Securities so accepted together with an Officers' Certificate stating the aggregate principal amount of such Securities or portions thereof being purchased by the Company. The Paying Agent shall promptly mail to each Holder of the Securities so tendered the Change of Control Payment for such Securities, and the Trustee shall promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder a new Security equal in principal amount to any unpurchased portion of the Securities surrendered, if any; provided that each such new Security shall be in a principal amount of $1,000 or an integral multiple thereof. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 3.8 applicable to a Change of Control Offer made by the Company and purchases all Securities validly tendered and not withdrawn under such Change of Control Offer.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Securities pursuant to this Section 3.8. To the extent that the

provisions of any securities laws or regulations conflict with provisions of this Indenture, the Company will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in this Indenture by virtue thereof.

SECTION 3.9. Limitation on Dispositions of Capital Stock of

Restricted Subsidiaries. The Company will not sell any shares of Capital Stock of a Restricted Subsidiary, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of its Capital Stock except: (i) to the Company or a Wholly-Owned Subsidiary (other than a Receivables Entity); or (ii) in compliance with Section 3.6 if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would continue to be a Restricted Subsidiary or if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer be a Restricted Subsidiary, the Investment of the Company in such Person after giving effect to such issuance or sale would have been permitted to be made under Section 3.4 as if made on the date of such issuance or sale. Notwithstanding the foregoing, the Company may sell all the Capital Stock of a Subsidiary as long as the Company is in compliance with the terms of Section 3.6.

SECTION 3.10. Limitation on Liens. The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur or suffer to exist any Lien (other than Permitted Liens) upon any of its property or assets (including Capital Stock), whether owned on the date of this Indenture or thereafter acquired, securing any Indebtedness, unless contemporaneously therewith effective provision is made to secure the Indebtedness due under this Indenture and the Securities or, in respect of Liens on any Restricted Subsidiary's property or assets, any Subsidiary Guarantee of such Restricted Subsidiary, equally and ratably with (or prior to in the case of Liens with respect to Subordinated Obligations or Guarantor Subordinated Obligations, as the case may be) the Indebtedness secured by such Lien for so long as such Indebtedness is so secured.

SECTION 3.11. Future Subsidiary Guarantors. After the Issue Date, the Company will cause each Restricted Subsidiary (other than a Foreign Subsidiary or a Receivables Entity) created or acquired by the Company to execute and deliver to the Trustee a Subsidiary Guarantee pursuant to which such Restricted Subsidiary will unconditionally Guarantee, on a joint and several basis with the other Subsidiary Guarantors, the full and prompt payment of the principal of, premium, if any, and interest on the Securities on a senior basis and become a party to this Indenture as a Subsidiary Guarantor for all purposes of the Indenture.

SECTION 3.12. Limitation on Lines of Business. The Company will not, nor will it permit any Restricted Subsidiary to, engage in any line of business other than a Related Business.

SECTION 3.13. Limitation on Sale/Leaseback Transactions. The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale/Leaseback Transaction unless (i) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Sale/Leaseback Transaction at least equal to the fair market value (as evidenced by a resolution of the Board of Directors delivered to

the Trustee) of the property subject to such transaction; (ii) the Company or such Restricted Subsidiary with respect thereto is permitted to Incur Indebtedness in an amount equal to the Attributable Indebtedness in respect of such Sale/Leaseback Transaction pursuant to Section 3.3; (iii) the Company or such Restricted Subsidiary is permitted to create a Lien on the property subject to such Sale/Leaseback Transaction without securing the Securities by the covenant described under Section 3.10; and (iv) the Sale/Leaseback Transaction is treated as an Asset Disposition and all of the conditions of this Indenture described under Section 3.6 (including the provisions concerning the application of Net Available Cash) are satisfied with respect to such Sale/Leaseback Transaction, treating all of the consideration received in such Sale/Leaseback Transaction as Net Available Cash for purposes of such covenant.

SECTION 3.14. Maintenance of Office or Agency.

The Company will maintain in The City of New York, an office or agency where the Securities may be presented or surrendered for payment, where, if applicable, the Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The principal corporate trust office (the "Corporate Trust Office") of the Trustee shall be such office or agency of the Company, unless the Company shall designate and maintain some other office or agency for one or more of such purposes. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby

appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in or outside of The City of New York) where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind any such designation; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in The City of New York for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and any change in the location of any such other office or agency.

SECTION 3.15. Corporate Existence.

Subject to Article IV and Section 10.2, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and that of each Restricted Subsidiary and the corporate rights (charter and statutory) licenses and franchises of the Company and each Restricted Subsidiary; provided, however, that the Company shall not be required to preserve any such existence (except the Company), right, license or franchise if the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and each of its Restricted Subsidiaries, taken as a whole, and that the loss thereof is not, and will

not be, disadvantageous in any material respect to the Holders, and provided, further, the Company may merge in accordance with Sections 4.1 and 10.2.

SECTION 3.16. Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all material taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary and (ii) all lawful claims for labor, materials and supplies, which, if unpaid, might by law become a material liability or lien upon the property of the Company or any Restricted Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which appropriate reserves, if necessary (in the good faith judgment of management of the Company), are being maintained in accordance with GAAP or where the failure to effect such payment will not be disadvantageous to the Holders.

SECTION 3.17. Compliance Certificate. The Company shall deliver to the Trustee within 120 days after the end of each Fiscal Year of the Company an Officers' Certificate stating that in the course of the performance by the signers of their duties as Officers of the Company they would normally have knowledge of any Default or Event of Default and whether or not the signers know of any Default or Event of Default that occurred during such period. If they do, the certificate shall describe the Default or Event of Default, its status and what action the Company is taking or proposes to take with respect thereto. The Company also shall comply with TIA (S) 314(a)(4).

SECTION 3.18. Further Instruments and Acts. Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

ARTICLE IV

Successor Company

SECTION 4.1. Merger and Consolidation. The Company shall not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(i) the resulting, surviving or transferee Person (the "Successor Company") shall be a corporation, partnership, trust, limited liability company or other similar entity organized and existing under the laws of

the United States of America, any State thereof or the District of Columbia and the Successor Company (if not the Company) shall expressly assume, by supplemental indenture, executed and delivered

to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Securities and this Indenture;

(ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction, the Successor Company would be able to Incur at least an additional $1.00 of Indebtedness pursuant to paragraph (a) of Section 3.3 of this Indenture;

(iv) each Subsidiary Guarantor, unless it is the other party to the transactions described above, in which case clause (i) and Section 10.2 shall apply, shall have by supplemental indenture confirmed that its Subsidiary Guarantee shall apply for such Person's obligations in respect of this Indenture and the Securities; and

(v) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with this Indenture.

For purposes of this Section 4.1, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture, but, in the case of a lease of all or substantially all its assets, the Company will not be released from the obligation to pay the principal of and interest on the Securities. Solely for the purpose of computing amounts described in clause 3(A) of Section 3.4(a), the Successor Company shall only be deemed to have succeeded and be substituted for the Company with respect to periods subsequent to the effective time of such merger, consolidation, combination or transfer of assets.

Notwithstanding clause (iii) of the first sentence of this Section 4.1, (x) any Restricted Subsidiary of the Company (other than a Receivables Entity) may consolidate with, merge into or transfer all or part of its properties and assets to the Company, (y) the Company may consolidate with or merge into a wholly owned subsidiary of Holdings created exclusively for the purpose of holding the Capital Stock of the Company and (z) the Company may merge with an Affiliate incorporated solely for the purpose of reincorporating the Company in another jurisdiction to realize tax or other benefits.

ARTICLE V

Redemption of Securities

SECTION 5.1. Optional Redemption. The Securities may be redeemed, as a whole or from time to time in part, subject to the conditions and at the redemption prices specified in the form of Securities set forth in Exhibits A and B hereto, which are hereby incorporated by reference and made a part of this Indenture, together with accrued and unpaid interest to the Redemption Date.

SECTION 5.2. Applicability of Article. Redemption of Securities at the election of the Company or otherwise, as permitted or required by any provision of this Indenture, shall be made in accordance with such provision and this Article.

SECTION 5.3. Election to Redeem; Notice to Trustee. The election of the Company to redeem any Securities pursuant to Section 5.1 shall be evidenced

by a Board Resolution. In case of any redemption at the election of the Company, the Company shall, upon not less than 30 and not more than 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities to be redeemed and shall deliver to the Trustee such documentation and records as shall enable the Trustee to select the Securities to be redeemed pursuant to Section 5.4.

SECTION 5.4. Selection by Trustee of Securities to Be Redeemed. If less than all the Securities are to be redeemed at any time pursuant to an optional redemption, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the outstanding Securities not previously called for redemption, in compliance with the requirements of the principal securities exchange, if any, on which such Securities are listed, or, if such Securities are not so listed, on a pro rata basis, by lot or by such other method as the Trustee shall deem fair and appropriate (and in such manner as complies with applicable legal requirements) and which may provide for the selection for redemption of portions of the principal of the Securities; provided, however, that no such partial redemption shall reduce the portion of the principal amount of a Security not redeemed to less than $1,000.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed.

SECTION 5.5. Notice of Redemption. Notice of redemption shall be given in the manner provided for in Section 11.2 not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed. The Trustee shall give notice of redemption in the Company's name and at the Company's expense; provided, however, that the Company shall deliver to the Trustee, at least 45 days prior to the Redemption Date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the following items.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the redemption price and the amount of accrued interest to the Redemption Date payable as provided in Section 5.7, if any,

(3) if less than all outstanding Securities are to be redeemed, the identification of the particular Securities (or portion thereof) to be redeemed, as well as the aggregate principal amount of Securities to be redeemed and the aggregate principal amount of Securities to be outstanding after such partial redemption,

(4) in case any Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the Holder will receive, without charge, a new Security or Securities of authorized denominations for the principal amount thereof remaining unredeemed,

(5) that on the Redemption Date the redemption price (and accrued interest, if any, to the Redemption Date payable as provided in Section 5.7) will become due and payable upon each such Security, or the portion thereof, to be redeemed, and, unless the Company defaults in making the redemption payment, that interest on Securities called for redemption (or the portion thereof) will cease to accrue on and after said date,

(6) the place or places where such Securities are to be surrendered for payment of the Redemption Price and accrued interest, if any,

(7) the name and address of the Paying Agent,

(8) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price,

(9) the CUSIP number, and that no representation is made as to the accuracy or correctness of the CUSIP number, if any, listed in such notice or printed on the Securities, and

(10) the paragraph of the Securities pursuant to which the Securities are to be redeemed.

SECTION 5.6. Deposit of Redemption Price. Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 2.4) an amount of money sufficient to pay the redemption price of, and accrued interest on, all the Securities which are to be redeemed on that date.

SECTION 5.7. Notes Payable on Redemption Date. Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified (together with accrued interest, if any, to the Redemption Date), and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the redemption price, together with accrued interest, if any, to the Redemption Date (subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate borne by the Securities.

SECTION 5.8. Securities Redeemed in Part.

Any Security which is to be redeemed only in part (pursuant to the provisions of this Article) shall be surrendered at the office or agency of the Company maintained for such purpose pursuant to Section 3.14 (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and make available for delivery to the Holder of such Security at the expense of the Company, a new Security or Securities, of any authorized denomination as requested by such Holder, in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered, provided, that each such new Security will be in a principal amount of $1,000 or integral multiple thereof.

ARTICLE VI

Defaults and Remedies

SECTION 6.1. Events of Default. An "Event of Default" occurs if:

(1) the Company defaults in any payment of interest on any Security when the same becomes due and payable, and such default continues for a period of 30 days;

(2) the Company defaults in the payment of the principal or premium, if any, of any Security when the same becomes due and payable at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) the Company or any Subsidiary Guarantor fails to comply with Article IV or Section 10.2 of this Indenture;

(4) the Company fails to comply with any of Sections 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, and 3.16 (in each case other than a failure to repurchase Securities when required pursuant to Sections 3.6 or 3.8, which failure shall constitute an Event of Default under Section 6.1(2)) and such failure continues for 30 days after

the notice specified below;

(5) the Company defaults in the performance of or a breach by the Company of any other covenant or agreement in this Indenture or under the Securities (other than those referred to in (1), (2), (3) or (4) above) and such default continues for 60 days after the notice specified below;

(6) there is a default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), other than Indebtedness owed to the Company or a Wholly-Owned Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of this Indenture, which default (a) is caused by a failure to pay principal of or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness unless being contested in good faith by appropriate proceedings ("Payment Default") or (b) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10.0 million or more or its foreign currency equivalent at the time;

(7) the Company or any Significant Subsidiary or a group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Subsidiaries), would constitute a Significant Subsidiary, pursuant to or within the meaning of any Bankruptcy Law (as defined below):

(A) commences a voluntary case;

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

(C) consents to the appointment of a Custodian (as defined below) of it or for any substantial part of its property; or

(D) makes a general assignment for the benefit of its creditors; or takes any comparable action under any foreign laws relating to insolvency;

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

(A) is for relief against the Company or any Significant Subsidiary in an involuntary case;

(B) appoints a Custodian of the Company or any Significant Subsidiary or for any substantial part of its property; or

(C) orders the winding up or liquidation of the Company or any Significant Subsidiary;

or any similar relief is granted under any foreign laws and the order, decree or relief remains unstayed and in effect for 60 days;

(9) the Company or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Subsidiaries) would constitute a Significant Subsidiary fails to pay final judgments aggregating in excess of $5.0 million or its foreign currency equivalent at the time (net of any amounts with respect to which a reputable and creditworthy insurance company has acknowledged liability in writing), which judgments are not paid, discharged or stayed for a period of 60 days; or

(10) any Subsidiary Guarantee ceases to be in full force and effect (except as contemplated by the terms hereof), or any Subsidiary Guarantee is declared in a judicial proceeding to be null and void, or any Subsidiary Guarantor denies or disaffirms its obligations under the terms of this Indenture or its Subsidiary Guarantee.

The foregoing will constitute Events of Default whatever the reason

for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

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

Notwithstanding the foregoing, a Default under clause (4) or (5) of this Section 6.1 will not constitute an Event of Default until the Trustee or the Holders of more than 25% in principal amount of the outstanding Securities notify the Company of the Default and the Company does not cure such Default within the time specified in said clause (4) or (5) after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default".

The Company shall deliver to the Trustee, within 30 days after the occurrence thereof, written notice in the form of an Officers' Certificate of any Default or Event of Default under clauses (3), (4), (5), (6), (9) or (10) of this Section 6.1.

SECTION 6.2. Acceleration. If an Event of Default (other than an Event of Default specified in Section 6.1(7) or (8)) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in outstanding principal amount of the Securities by notice to the Company and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued but unpaid interest, on all the Securities to be due and payable. Upon such a declaration, such principal, premium, if any, and accrued and unpaid interest shall be immediately due and payable. In the event of a declaration of acceleration because an Event of Default set forth in Section 6.1(6) above has occurred and is continuing, such declaration of acceleration shall be automatically rescinded and annulled if the event of default or payment default triggering such Event of Default pursuant to Section 6.1(6) shall be remedied or cured by the Company and/or the relevant Restricted Subsidiary or the holders of the relevant Indebtedness have rescinded the declaration of acceleration in respect of such Indebtedness within 20 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Securities would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, other than the nonpayment of principal, premium or interest on the Securities that has become due solely because of such acceleration, have been cured or waived. If an Event of Default specified in Section 6.1(7) or (8) occurs, the principal of, premium and accrued and unpaid interest on all the Securities will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. No such rescission shall affect any subsequent Default or Event of Default or impair any right consequent thereto.

SECTION 6.3. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal

of (or premium, if any) or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

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

SECTION 6.4. Waiver of Past Defaults. The Holders of a majority in principal amount of the Securities by notice to the Trustee may waive, by their consent (including, without limitation consents obtained in connection with a purchase of, or tender offer or exchange offer for, Securities), an existing Default or Event of Default and its consequences except (i) a Default or Event of Default in the payment of the principal of or interest on a Security or (ii) a Default or Event of Default in respect of a provision that under Section 9.2 cannot be amended without the consent of each Securityholder affected. When a Default or Event of Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any consequent right.

SECTION 6.5. Control by Majority. The Holders of a majority in

principal amount of the Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to Sections 7.1 and 7.2, that the Trustee determines is unduly prejudicial to the rights of other Securityholders or would involve the Trustee in personal liability; provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

SECTION 6.6. Limitation on Suits. Subject to Section 6.7, a Securityholder may not pursue any remedy with respect to this Indenture or the Securities unless:

(1) the Holder gives to the Trustee written notice stating that an Event of Default is continuing;

(2) the Holders of at least 25% in outstanding principal amount of the Securities make a request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee reasonable security or indemnity against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and

(5) the Holders of a majority in principal amount of the Securities do not give the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request during such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Securities are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under this Indenture, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

SECTION 6.7. Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture (including, without limitation, Section 6.6), the right of any Holder to receive payment of principal of, premium (if any) or interest on the Securities held by such Holder, on or after the respective due dates expressed in the Securities, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.8. Collection Suit by Trustee. If an Event of Default specified in Section 6.1(1) or (2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount then due and owing (together with interest on any unpaid interest to the extent lawful) and the amounts provided for in Section 7.7.

SECTION 6.9. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Securityholders allowed in any judicial proceedings relative to the Company, its Subsidiaries or its or their respective creditors or properties and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election of a trustee in bankruptcy or other Person performing similar functions, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.7.

SECTION 6.10. Priorities. If the Trustee collects any money or property pursuant to this Article VI, it shall pay out the money or property in the following order:

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

SECOND: to Securityholders for amounts due and unpaid on the Securities for principal, premium, if any, and interest, ratably, without preference or priority of any

kind, according to the amounts due and payable on the Securities for principal and interest, respectively; and

THIRD: to the Company.

The Trustee may fix a record date and payment date for any payment to Securityholders pursuant to this Section. At least 15 days before such record date, the Company shall mail to each Securityholder and the Trustee a notice that states the record date, the payment date and amount to be paid.

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

ARTICLE VII

Trustee

SECTION 7.1. Duties of Trustee. (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs; provided that if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee reasonable indemnity or security against loss, liability or expense.

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

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall examine such certificates and opinions to determine

whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own wilful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section;

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

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction

received by it pursuant to Section 6.5.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section.

(e) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

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

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section and to the provisions of the TIA.

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

(j) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses (including reasonable attorneys' fees and expenses) and liabilities that might be incurred by it in compliance with such request or direction.

SECTION 7.2. Rights of Trustee. Subject to Section 7.1, (a) The Trustee may rely on any document reasonably believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Officers' Certificate or Opinion of Counsel.

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

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that the Trustee's conduct does not constitute wilful misconduct or negligence.

(e) The Trustee may consult with counsel of its selection, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Securities shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

SECTION 7.3. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

SECTION 7.4. Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities, and it shall not be responsible for any statement of the Company in this Indenture or in any document issued in connection with the sale of the Securities or in the Securities other than the Trustee's certificate of authentication.

SECTION 7.5. Notice of Defaults. If a Default or Event of Default occurs and is continuing and if a Trust Officer has actual knowledge thereof, the Trustee shall mail to each Securityholder notice of the Default or Event of

Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium (if any), or interest on any Security (including payments pursuant to the optional redemption or required repurchase provisions of such Security, if any), the Trustee may withhold the notice if and so long as its board of directors, a committee of its board of directors or a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of Securityholders.

SECTION 7.6. Reports by Trustee to Holders. As promptly as practicable after each June 30 beginning with the June 30 following the date of this Indenture, and in any event prior to August 31 in each year, the Trustee shall mail to each Securityholder a brief report dated as of such June 30 that complies with TIA (S) 313(a). The Trustee also shall comply with TIA (S) 313(b). The Trustee shall also transmit by mail all reports required by TIA (S) 313(c).

A copy of each report at the time of its mailing to Securityholders shall be filed with the SEC and each stock exchange (if any) on which the Securities are listed. The Company agrees to notify promptly the Trustee whenever the Securities become listed on any stock exchange and of any delisting thereof.

SECTION 7.7. Compensation and Indemnity. The Company shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder as the Company and the Trustee shall from time to time agree in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, costs of preparing and reviewing reports, certificates and other documents, costs of preparation and mailing of notices to Securityholders and reasonable costs of counsel retained by the Trustee in connection with the delivery of an Opinion of Counsel or otherwise, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. The Company shall indemnify the Trustee against any and all loss, liability or expense (including reasonable attorneys' fees and expenses) incurred by it without negligence or bad faith on its part in connection with the administration of this trust and the performance of its duties hereunder, including the costs and expenses of enforcing this Indenture (including this Section 7.7) and of defending itself against any claims (whether asserted by any Securityholder, the Company or otherwise). The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee may have separate counsel and the Company shall pay the fees and expenses of such counsel provided that the Company shall not be required to pay such fees and expenses if it assumes the Trustee's defense, and, in the reasonable judgment of outside counsel to the Trustee, there is no conflict of interest between the Company and the Trustee in connection with such defense. The Company need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own wilful misconduct, negligence or bad faith.

To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest on particular Securities. The Trustee's right to receive payment of any amounts due under this Section 7.7 shall not be subordinate to any other liability or Indebtedness of the Company.

The Company's payment obligations pursuant to this Section shall survive the discharge of this Indenture. When the Trustee incurs expenses after the occurrence of a Default specified in Section 6.1(7) or (8) with respect to the Company, the expenses are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.8. Replacement of Trustee. The Trustee may resign at any time by so notifying the Company. The Holders of a majority in principal amount of the Securities may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee. The Company shall remove the Trustee if:

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

(2) the Trustee is adjudged bankrupt or insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property; or

(4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed by the Company or by the Holders of a majority in principal amount of the Securities and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of the Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Company shall promptly appoint a successor Trustee.

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

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

If the Trustee fails to comply with Section 7.10, any Securityholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding the replacement of the Trustee pursuant to this Section, the Company's obligations under Section 7.7 shall continue for the benefit of the retiring Trustee.

SECTION 7.9. Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or

assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture, any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Securities so authenticated; and in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 7.10. Eligibility; Disqualification. The Trustee shall at all times satisfy the requirements of TIA (S) 310(a). The Trustee shall have a combined capital and surplus of at least $100 million as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA (S) 310(b); provided, however, that there shall be excluded from the operation of TIA (S) 310(b)(1) any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Company are outstanding if the requirements for such exclusion set forth in TIA (S) 310(b)(1) are met.

SECTION 7.11. Preferential Collection of Claims Against Company. The Trustee shall comply with TIA (S) 311(a), excluding any creditor relationship listed in TIA (S) 311(b). A Trustee who has resigned or been removed shall be subject to TIA (S) 311(a) to the extent indicated.

ARTICLE VIII

Discharge of Indenture; Defeasance

SECTION 8.1. Discharge of Liability on Securities; Defeasance. (a) Subject to Section 8.1(c), when (i)(x) the Company delivers to the Trustee all

outstanding Securities (other than Securities replaced pursuant to Section 2.9) for cancellation or (y) all outstanding Securities not theretofore delivered for cancellation have become due and payable, whether at maturity or upon redemption or will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name and at the expense of the Company and the Company or any Subsidiary Guarantor irrevocably deposits or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders cash in U.S. dollars, non-callable U.S. Government Securities, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption, (ii) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit and such deposit will not result

in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Guarantor is bound; (iii) the Company or any Subsidiary Guarantor has paid or caused to be paid all sums payable by it under this Indenture and the Securities; and (iv) the Company has delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of such Securities at maturity or the Redemption Date, as the case may be, then the Trustee shall acknowledge satisfaction and discharge of this Indenture on demand of the Company (accompanied by an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent specified herein relating to the satisfaction and discharge of this Indenture have been complied with) and at the cost and expense of the Company.

(b) Subject to Sections 8.1(c) and 8.2, the Company at any time may terminate (i) all its obligations under the Securities and this Indenture ("legal defeasance option"), and after giving effect to such legal defeasance, any omission to comply with such obligations shall no longer constitute a Default or Event of Default or (ii) its obligations under Sections 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.16, 3.17, and 4.1(iii) and the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall no longer constitute a Default or an Event of Default under Section 6.1(3), 6.1(4) and 6.1(5) and the operation of Sections 6.1(6), 6.1(7) (but only with respect to a Significant Subsidiary), 6.1(8) (but only with respect to a Significant Subsidiary), 6.1(9) and 6.1(10), and the events specified in such Sections shall no longer constitute an Event of Default (clauses (ii) being referred to as the "covenant defeasance option"), but except as specified above, the remainder of this Indenture and the Securities shall be unaffected thereby. The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its covenant defeasance option, the Company may elect to have any Subsidiary Guarantees in effect at such time terminate.

If the Company exercises its legal defeasance option, payment of the Securities may not be accelerated because of an Event of Default, and the Subsidiary Guarantees in effect at such time shall terminate. If the Company exercises its covenant defeasance option, payment of the Securities may not be accelerated because of an Event of Default specified in Sections 6.1(3) (as such Section relates to 4.1(iii)), 6.1(4) (as such Section relates to Sections 3.2 through 3.16), 6.1(5) (as such Section relates to Section 3.17), 6.1(6), 6.1(7) (but only with respect to a Significant Subsidiary), 6.1(8) (but only with respect to a Significant Subsidiary), 6.1(9) or 6.1(10) or because of the failure of the Company to comply with Section 4.1(iii).

Upon satisfaction of the conditions set forth herein and upon request of the Company, the Trustee shall acknowledge in writing the discharge of those obligations that the Company terminates.

(c) Notwithstanding the provisions of Sections 8.1(a) and (b), the Company's obligations in Sections 2.2, 2.3, 2.4, 2.5, 2.6, 2.9, 2.10, 2.11, 6.7, 7.7, 7.8 and in this Article 8

shall survive until the Securities have been paid in full. Thereafter, the Company's obligations in Sections 7.7, 8.4 and 8.5 shall survive.

SECTION 8.2. Conditions to Defeasance. The Company may exercise its legal defeasance option or its covenant defeasance option only if:

(1) the Company irrevocably deposits in trust with the Trustee for the benefit of the Holders money in U.S. dollars or U.S. Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Securities to maturity or redemption, as the case may be;

(2) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all the Securities to maturity;

(3) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or, with respect to certain bankruptcy or insolvency Events of Default, on the 91st day after such date of deposit;

(4) such legal defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a Default under, this Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(5) the Company shall have delivered to the Trustee an Opinion of Counsel (subject to customary assumptions and exclusions) to the effect that (A) the Securities and (B) assuming no intervening bankruptcy of the Company between the date of deposit and the 91st day following the deposit and that no Holder of the Securities is an insider of the Company, after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' right generally;

(6) the deposit does not constitute a default under any other agreement binding on the Company;

(7) the Company delivers to the Trustee an Opinion of Counsel (subject to customary assumptions and exclusions) to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(8) in the case of the legal defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel (subject to customary assumptions and exclusions) in the United States stating that (i) the Company has received from, or

there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of this Indenture there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Securityholders will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

(9) in the case of the covenant defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel (subject to customary assumptions and exclusions) in the United States to the effect that the Securityholders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and covenant defeasance and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and covenant defeasance had not occurred; and

(10) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Securities and this Indenture as contemplated by this Article VIII have been complied with.

SECTION 8.3. Application of Trust Money. The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to this Article VIII. It shall apply the deposited money and the money from U.S.

Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Securities.

SECTION 8.4. Repayment to Company. The Trustee and the Paying Agent shall promptly turn over to the Company upon request any excess money or securities held by them upon payment of all the obligations under this Indenture.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal of or interest on the Securities that remains unclaimed for two years, and, thereafter, Securityholders entitled to the money must look to the Company for payment as general creditors.

SECTION 8.5. Indemnity for U.S. Government Obligations. The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

SECTION 8.6. Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article VIII by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the

obligations of the Company under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article VIII until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article VIII; provided, however, that, if the Company has made any payment of interest on or principal of any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE IX

Amendments

SECTION 9.1. Without Consent of Holders. The Company, the Subsidiary Guarantors and the Trustee may amend this Indenture or the Securities without notice to or consent of any Securityholder:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to comply with Article IV in respect of the assumption by a Successor Company of an obligation of the Company under this Indenture;

(3) to provide for uncertificated Securities in addition to or in place of certificated Securities; provided, however, that the uncertificated Securities are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Securities are described in Section 163(f)(2)(B) of the Code;

(4) to add guarantees with respect to the Securities or to secure the Securities;

(5) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company;

(6) to comply with any requirements of the SEC in connection with qualifying this Indenture under the TIA;

(7) to make any change that does not adversely affect the rights of any Securityholder; or

(8) to provide for the issuance of the Exchange Securities, which will have terms substantially identical in all material respects to the Initial Securities (except that the transfer restrictions contained in the Initial Securities will be modified or eliminated, as appropriate), and which will be treated, together with any outstanding Initial Securities, as a single issue of securities.

After an amendment under this Section becomes effective, the Company shall mail to Securityholders a notice briefly describing such amendment. The failure to give such notice to all Securityholders, or any defect therein, shall not impair or affect the validity of an amendment under this Section.

SECTION 9.2. With Consent of Holders. The Company, the Subsidiary Guarantors and the Trustee may amend this Indenture or the Securities without notice to any Securityholder but with the written consent of the Holders of at least a majority in principal amount of the Securities (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Securities). However, without the consent of each Securityholder affected, an amendment may not:

(1) reduce the amount of Securities whose Holders must consent to an amendment;

(2) reduce the rate of or extend the time for payment of interest on any Security;

(3) reduce the principal of or extend the Stated Maturity of any Security;

(4) reduce the premium payable upon the redemption or repurchase of any Security or change the time at which any Security may or shall be redeemed or repurchased in accordance with this Indenture;

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

(6) impair the right of any Holder to receive payment of principal of and interest on such Holder's Securities on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Securities; or

(7) make any change to the amendment provisions which require each Holder's consent or to the waiver provisions.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

After an amendment under this Section becomes effective, the Company shall mail to Securityholders a notice briefly describing such amendment. The failure to give such notice to all Securityholders, or any defect therein, shall not impair or affect the validity of an amendment under this Section.

SECTION 9.3. Compliance with Trust Indenture Act. Every amendment to this Indenture or the Securities shall comply with the TIA as then in effect.

SECTION 9.4. Revocation and Effect of Consents and Waivers. A consent to an amendment or a waiver by a Holder of a Security shall bind the Holder and every subsequent Holder of that Security or portion of the Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent or waiver is not made on the Security. However, any such Holder or subsequent Holder may revoke the consent or waiver as to such Holder's Security or portion of the Security if the Trustee receives the notice of revocation before the date the amendment or waiver becomes effective. After an amendment or waiver becomes effective, it shall bind every Securityholder. An amendment or waiver shall become effective upon receipt by the Trustee of the requisite number of written consents under Section 9.1 or 9.2 as applicable.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Securityholders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Securityholders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall become valid or effective more than 120 days after such record date.

SECTION 9.5. Notation on or Exchange of Securities. If an amendment changes the terms of a Security, the Trustee may require the Holder of the

Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security regarding the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms. Failure to make the appropriate notation or to issue a new Security shall not affect the validity of such amendment.

SECTION 9.6. Trustee To Sign Amendments. The Trustee shall sign any amendment authorized pursuant to this Article IX if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may but need not sign it. In signing such amendment the Trustee shall be entitled to receive indemnity reasonably satisfactory to it and to receive, and (subject to Sections 7.1 and 7.2) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture.

ARTICLE X

Guarantee

SECTION 10.1. Guarantee. Each Subsidiary Guarantor hereby fully, unconditionally and irrevocably guarantees, as primary obligor and not merely as surety, jointly and severally with each other Subsidiary Guarantor, to each Holder of the Securities and the Trustee the full and punctual payment when due, whether at maturity, by acceleration,

by redemption or otherwise, of the principal of, premium, if any, and interest on the Securities and all other obligations of the Company under this Indenture (all the foregoing being hereinafter collectively called the "Obligations"). Each Subsidiary Guarantor further agrees (to the extent permitted by law) that the Obligations may be extended or renewed, in whole or in part, without notice or further assent from it, and that it will remain bound under this Article X notwithstanding any extension or renewal of any Obligation.

Each Subsidiary Guarantor waives presentation to, demand of payment from and protest to the Company of any of the Obligations and also waives notice of protest for nonpayment. Each Subsidiary Guarantor waives notice of any default under the Securities or the Obligations. The obligations of each Subsidiary Guarantor hereunder shall not be affected by (a) the failure of any Holder to assert any claim or demand or to enforce any right or remedy against the Company or any other person under this Indenture, the Securities or any other agreement or otherwise; (b) any extension or renewal of any thereof; (c) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Securities or any other agreement; (d) the release of any security held by any Holder or the Trustee for the Obligations or any of them; (e) the failure of any Holder to exercise any right or remedy against any other Subsidiary Guarantor; or (f) any change in the ownership of the Company.

Each Subsidiary Guarantor further agrees that its Subsidiary Guarantee herein constitutes a Guarantee of payment when due (and not a Guarantee of collection) and waives any right to require that any resort be had by any Holder to any security held for payment of the Obligations.

The obligations of each Subsidiary Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than payment of the Obligations in full), including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Subsidiary Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder to assert any claim or demand or to enforce any remedy under this Indenture, the Securities or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the Obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of any Subsidiary Guarantor or would otherwise operate as a discharge of such Subsidiary Guarantor as a matter of law or equity.

Each Subsidiary Guarantor further agrees that its Subsidiary Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any of

the Obligations is rescinded or must otherwise be restored by any Holder upon the bankruptcy or reorganization of the Company or otherwise.

In furtherance of the foregoing and not in limitation of any other right which any Holder has at law or in equity against any Subsidiary Guarantor by virtue hereof, upon the failure of the Company to pay any of the Obligations when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, each Subsidiary Guarantor hereby promises to and will, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash, to the Holders an amount equal to the sum of (i) the unpaid amount of such Obligations then due and owing and (ii) accrued and unpaid interest on such Obligations then due and owing (but only to the extent not prohibited by law).

Each Subsidiary Guarantor further agrees that, as between such Subsidiary Guarantor, on the one hand, and the Holders, on the other hand, (x) the maturity of the Obligations guaranteed hereby may be accelerated as provided in this Indenture for the purposes of its Subsidiary Guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Obligations guaranteed hereby and (y) in the event of any such declaration of acceleration of such Obligations, such Obligations (whether or not due and payable) shall forthwith become due and payable by the Subsidiary Guarantor for the purposes of this Subsidiary Guarantee.

Each Subsidiary Guarantor also agrees to pay any and all reasonable costs and expenses (including reasonable attorneys' fees) incurred by the Trustee or the Holders in enforcing any rights under this Section.

SECTION 10.2. Limitation on Liability; Termination, Release and Discharge. The obligations of each Subsidiary Guarantor hereunder will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor (including, without limitation, any guarantees under a Senior Credit Agreement) and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Subsidiary Guarantee or pursuant to its contribution obligations under this Indenture, result in the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law.

Each Subsidiary Guarantor may consolidate with or merge into or sell its assets to the Company or another Subsidiary Guarantor without limitation. Each Subsidiary Guarantor may consolidate with or merge into or sell all or substantially all its assets to a corporation, partnership or trust other than the Company or another Subsidiary Guarantor (whether or not affiliated with the Subsidiary Guarantor), except that if the surviving corporation of any such merger or consolidation is a Subsidiary of the Company, such merger, consolidation or sale shall not be permitted unless (i) the Person formed by or surviving any such consolidation or merger assumes all the obligations of such Subsidiary under the Subsidiary Guarantee pursuant to a supplemental indenture in form and substance reasonably satisfactory to the Trustee in respect of the Securities, this Indenture and the Subsidiary Guarantee, (ii) immediately after giving effect to such transaction, no Default or Event of Default exists; and (iii) the Company delivers to the Trustee an Officers' Certificate

and an Opinion of Counsel addressed to the Trustee with respect to the foregoing matters. Upon the sale or disposition of a Subsidiary Guarantor (by merger, consolidation, the sale of its Capital Stock or the sale of all or substantially all of its assets) to a Person (whether or not an Affiliate of the Subsidiary Guarantor) which is not a Subsidiary of the Company, which sale or disposition is otherwise in compliance with this Indenture (including Section 3.6), such Subsidiary Guarantor will be deemed released from all its obligations under this Indenture and its Subsidiary Guarantee and such Subsidiary Guarantee will terminate; provided, however, that any such termination will occur only to the extent that all obligations of such Subsidiary Guarantor under a Senior Credit Agreement and all of its guarantees of, and under all of its pledges of assets or other security interests which secure, any other Indebtedness of the Company will also terminate upon such release, sale or transfer.

A Subsidiary Guarantor will be deemed released and relieved of its obligations under this Indenture and its Subsidiary Guarantee without any further action required on the part of the Company or such Subsidiary Guarantor upon the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary

in accordance with the terms of this Indenture.

SECTION 10.3. Right of Contribution. Each Subsidiary Guarantor hereby agrees that to the extent that any Subsidiary Guarantor shall have paid more than its proportionate share of any payment made on the obligations under the Subsidiary Guarantees, such Subsidiary Guarantor shall be entitled to seek and receive contribution from and against the Company or any other Subsidiary Guarantor who has not paid its proportionate share of such payment. Each Subsidiary Guarantor's right of contribution shall be subject to the terms and conditions of Section 3.5. The provisions of this Section 10.3 shall in no respect limit the obligations and liabilities of each Subsidiary Guarantor to the Trustee and the Holders and each Subsidiary Guarantor shall remain liable to the Trustee and the Holders for the full amount guaranteed by such Subsidiary Guarantor hereunder.

SECTION 10.4. No Subrogation. Notwithstanding any payment or payments made by each Subsidiary Guarantor hereunder, no Subsidiary Guarantor shall be entitled to be subrogated to any of the rights of the Trustee or any Holder against the Company or any other Subsidiary Guarantor or any collateral security or guarantee or right of offset held by the Trustee or any Holder for the payment of the Obligations, nor shall any Subsidiary Guarantor seek or be entitled to seek any contribution or reimbursement from the Company or any other Subsidiary Guarantor in respect of payments made by such Subsidiary Guarantor hereunder, until all amounts owing to the Trustee and the Holders by the Company on account of the Obligations are paid in full. If any amount shall be paid to any Subsidiary Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full, such amount shall be held by such Subsidiary Guarantor in trust for the Trustee and the Holders, segregated from other funds of such Subsidiary Guarantor, and shall, forthwith upon receipt by such Subsidiary Guarantor, be turned over to the Trustee in the exact form received by such Subsidiary Guarantor (duly indorsed by such Subsidiary Guarantor to the Trustee, if required), to be applied against the Obligations.

ARTICLE XI

Miscellaneous

SECTION 11.1. Trust Indenture Act Controls. If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the provision required by the TIA shall control. Each Subsidiary Guarantor in addition to performing its obligations under its Subsidiary Guarantee shall perform such other obligations as may be imposed upon it with respect to this Indenture under the TIA.

SECTION 11.2. Notices. Any notice or communication shall be in writing and delivered in person or mailed by first-class mail addressed as follows:

if to the Company:

Favorite Brands International, Inc.
25 Tri State International, Suite 400
Lincolnshire, Illinois 60069
Attention: Brooks B. Gruemmer

With a copy to:

Cleary, Gottlieb, Steen & Hamilton
1 Liberty Plaza
New York, NY 10006
Attention: Christopher E. Austin

if to the Trustee:

LaSalle National Bank
135 South LaSalle Street, Suite 1825
Chicago, Illinois 60603
Attention: Corporate Trust Services Division

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

Any notice or communication mailed to a registered Securityholder shall be mailed to the Securityholder at the Securityholder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

SECTION 11.3. Communication by Holders with other Holders. Securityholders may communicate pursuant to TIA (S) 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA (S) 312(c).

SECTION 11.4. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take or refrain from taking any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 11.5. Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture shall include:

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

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

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

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

In giving such Opinion of Counsel, counsel may rely as to factual matters on an Officers' Certificate or on certificates of public officials.

SECTION 11.6. When Securities Disregarded. In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which the Trustee knows are so owned shall be so disregarded. Also,

subject to the foregoing, only Securities outstanding at the time shall be considered in any such determination.

SECTION 11.7. Rules by Trustee, Paying Agent and Registrar. The Trustee may make reasonable rules for action by, or a meeting of, Securityholders. The Registrar and the Paying Agent may make reasonable rules for their functions.

SECTION 11.8. Legal Holidays. A "Legal Holiday" is a Saturday, a Sunday or other day on which commercial banking institutions are authorized or required to be closed in New York City. If a payment date is a Legal Holiday, payment shall be made on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period. If a regular record date is a Legal Holiday, the record date shall not be affected.

SECTION 11.9. GOVERNING LAW. THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW

YORK.

SECTION 11.10. No Recourse Against Others. An incorporator, director, officer, employee, stockholder or controlling person, as such, of each of Holdings, the Company or any Subsidiary Guarantor shall not have any liability for any obligations of the Company under the Securities, this Indenture or the Subsidiary Guarantees or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Securities.

SECTION 11.11. Successors. All agreements of the Company in this Indenture and the Securities shall bind their respective successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.12. Multiple Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

SECTION 11.13. Variable Provisions. The Company initially appoints the Trustee as Paying Agent and Registrar and custodian with respect to any Global Securities.

SECTION 11.14. Qualification of Indenture. The Company shall qualify this Indenture under the TIA in accordance with the terms and conditions of the Registration Rights Agreement and shall pay all reasonable costs and expenses (including attorneys' fees and expenses for the Company, the Trustee and the Holders) incurred in connection therewith, including, but not limited to, costs and expenses of qualification of this Indenture and the Securities and printing this Indenture and the Securities. The Trustee shall be entitled to receive from the Company any such Officers' Certificates, Opinions of Counsel or other documentation as it may reasonably request in connection with any such qualification of this Indenture under the TIA.

SECTION 11.15. Table of Contents; Headings. The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

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

FAVORITE BRANDS INTERNATIONAL, INC.

/s/ Brooks Gruemmer
By:_____

Name: Brooks Gruemmer
Title: Vice President

TROLLI INC., as a Subsidiary Guarantor

/s/ Brooks Gruemmer
By:_____

Name: Brooks Gruemmer
Title: Vice President

SATHER TRUCKING CORPORATION, as a Subsidiary Guarantor

/s/ Brooks Gruemmer
By:_____

Name: Brooks Gruemmer
Title: Vice President

LASALLE NATIONAL BANK, as Trustee

By:_____

Name:
Title:

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

FAVORITE BRANDS INTERNATIONAL, INC.

By:_____

Name:
Title:

TROLLI INC., as a Subsidiary Guarantor

By:_____

Name:
Title:

SATHER TRUCKING CORPORATION, as a Subsidiary Guarantor

By:_____

Name:
Title:

LASALLE NATIONAL BANK, as Trustee

/s/ Wayne M. Evans
By:_____

Name: Wayne M. Evans
Title: Vice President

Exhibit A

EXHIBIT A

[FORM OF FACE OF INITIAL SECURITY]

No. [___] Principal Amount $[_____], as revised by the Schedule of Increases

and Decreases in Global Security
attached hereto

CUSIP NO. _____

10 3/4% Senior Notes due 2006

Favorite Brands International, Inc., a Delaware corporation, promises to pay to [_____], or registered assigns, the principal sum of [_____] Dollars, as revised by the Schedule of Increases and Decreases in Global Security attached hereto, on _____ __, 2006.

Interest Payment Dates: May 15 and November 15
Record Dates: May 1 and November 1

Additional provisions of this Security are set forth on the other side of this Security.

FAVORITE BRANDS INTERNATIONAL, INC.

By: _____

TRUSTEE'S CERTIFICATE OF
AUTHENTICATION

LASALLE NATIONAL BANK
as Trustee, certifies
that this is one of
the Securities referred
to in the Indenture.

By _____
Authorized Signatory

Date: _____, 1998

[FORM OF REVERSE SIDE OF INITIAL SECURITY]

10 3/4% Senior Note due 2006

1. Interest

Favorite Brands International, Inc., a Delaware corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above.

The Company will pay interest semiannually on May 15 and November 15 of each year commencing November 15, 1998. Interest on the Securities will accrue from the most recent date to which interest has been paid on the Securities or, if no interest has been paid, from May 19, 1998. The Company shall pay interest on overdue principal or premium, if any (plus interest on such interest to the extent lawful), at the rate borne by the Securities to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment

By at least 10:00 a.m. (New York City time) on the date on which any principal of or interest on any Security is due and payable, the Company shall irrevocably deposit with the Trustee or the Paying Agent money sufficient to pay such principal, premium, if any, and/or interest. The Company will pay interest (except Defaulted Interest) to the Persons who are registered Holders of Securities at the close of business on the May 1 or November 1 next preceding the interest payment date even if Securities are cancelled, repurchased or redeemed after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments in respect of Securities represented by a Global Security (including principal, premium, if any, and interest) will be made by the transfer of immediately available funds to the accounts specified by the Depository Trust Company. The Company will make all payments in respect of a Definitive Security (including principal, premium,if any, and interest) by mailing a check to the registered address of each Holder thereof; provided,

however, that payments on the Securities may also be made, in the case of a Holder of a least $1,000,000 aggregate principal amount of Securities, by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 15 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

Initially, LaSalle National Bank, a national bank organized and existing under the laws of the United States of America (the "Trustee"), will act as Trustee, Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice to

any Securityholder. The Company or any of its domestically incorporated Wholly-Owned Subsidiaries may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Company issued the Securities under an Indenture dated as of May 19, 1998 (as it may be amended or supplemented from time to time in accordance with the terms thereof, the "Indenture"), among the Company, the Subsidiary Guarantors and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. (S)(S) 77aaa-77bbbb) as in effect on the date of the Indenture (the "Act"). Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the Act for a statement of those terms.

The Securities are general unsecured senior obligations of the Company limited to $300.0 million aggregate principal amount (subject to Section 2.6, Section 2.9, Section 2.11, Section 5.8 and Section 9.5 of the Indenture), of which $200.0 million in aggregate principal amount will be initially issued on the Issue Date. Subject to the conditions set forth in the Indenture, the Company may issue up to an additional $100.0 million aggregate principal amount of Subsequent Series Notes. This Security is one of the Original Securities referred to in the Indenture. The Initial Securities, Private Exchange Securities and the Exchange Securities will be treated as a single class of securities under the Indenture. The Indenture imposes certain limitations on, among other things: the Incurrence of Indebtedness by the Company and its Restricted Subsidiaries, the payment of dividends and other distributions on the Capital Stock of the Company and its Restricted Subsidiaries, the purchase or redemption of Capital Stock of the Company and Capital Stock of such Restricted Subsidiaries, certain purchases or redemptions of Subordinated Obligations, the Incurrence of Liens by the Company or its Restricted Subsidiaries, the entering into Sale/Leaseback Transactions by the Company or its Restricted Subsidiaries, the sale or transfer of assets and Capital Stock of Restricted Subsidiaries, the issuance or sale of Capital Stock of Restricted Subsidiaries, the business activities and investments of the Company and its Restricted Subsidiaries, and transactions with Affiliates. In addition, the Indenture limits the ability of the Company and its Restricted Subsidiaries to restrict distributions and dividends from Restricted Subsidiaries.

To guarantee the due and punctual payment of the principal, premium, if any, and interest on the Securities and all other amounts payable by the Company under the Indenture and the Securities when and as the same shall be due and payable, whether at maturity, by acceleration or otherwise, according to the terms of the Securities and the Indenture, the Subsidiary Guarantors have unconditionally guaranteed (and future Subsidiary Guarantors, together with the Subsidiary Guarantors, will unconditionally guarantee), jointly and severally, such obligations on a senior basis pursuant to the terms of the Indenture.

5. Redemption

Except as set forth below, the Securities will not be redeemable at the option of the Company prior to May 15, 2003. On and after such date, the Securities will be redeemable, at the Company's option, in whole or in part, at any time upon not less than 30 nor more than 60 days prior notice mailed by first-class mail to each holder's registered address, at the following

redemption prices (expressed in percentages of principal amount), plus accrued and unpaid interest to the redemption date (subject to the right of holders of

record on the relevant record date to receive interest due on the relevant interest payment date):

If redeemed during the 12-month period commencing on May 15 of the years set forth below:

<TABLE>
<CAPTION>

Period	Redemption Price
<S>	<C>
2003	105.375%
2004	102.688%
2005 and thereafter	100.000%

</TABLE>

In addition, at any time and from time to time prior to May 15, 2001, the Company may redeem in the aggregate up to 35% of the original principal amount of the Securities with the proceeds of one or more Public Equity Offerings received by, or invested in, the Company at a redemption price (expressed as a percentage of principal amount) of 110.750% plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided, however, that at least 65% of the original principal amount of the Securities must remain outstanding after each such redemption; provided further, that each such redemption occurs within 90 days of the date of closing of such Public Equity Offering.

In the case of any partial redemption, selection of the Securities for redemption will be made by the Trustee on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate, although no Securities of $1,000 in original principal amount or less will be redeemed in part. If any Security is to be redeemed in part only, the notice of redemption relating to such Security shall state the portion of the principal amount thereof to be redeemed. A new Security in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Security. On and after the redemption date, interest will cease to accrue on Securities or portions thereof called for redemption as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture.

6. Repurchase Provisions

(a) Upon a Change of Control any Holder of Securities will have the right to cause the Company to repurchase all or any part of the Securities of such Holder at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) as provided in, and subject to the terms of, the Indenture.

(b) In the event of an Asset Disposition that requires the purchase of Securities pursuant to clause (iii)(C) of paragraph (a) of Section 3.6 of the Indenture, the Company will be required to apply such Excess Proceeds to the repayment of the Securities and any Pari Passu Notes in accordance with the procedures set forth in Section 3.6 of the Indenture.

7. Denominations; Transfer; Exchange

The Securities are in registered form without coupons in denominations of principal amount of $1,000 and whole multiples of $1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange (i) any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) for a period beginning 15 days before the mailing of a notice of Securities to be redeemed and ending on the date of such mailing or (ii) any Securities for a period beginning 15 days before an interest payment date and ending on such interest payment date.

8. Persons Deemed Owners

The registered holder of this Security may be treated as the owner of

it for all purposes.

9. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

10. Defeasance

Subject to certain conditions set forth in the Indenture, the Company at any time may terminate some or all of its obligations under the Securities and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Securities to redemption or maturity, as the case may be.

11. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended with the written consent of the Holders of at least a majority in principal amount of the then outstanding Securities and (ii) any default (other than with respect to nonpayment or in respect of a provision that cannot be amended without the written consent of each Securityholder affected) or noncompliance with any provision may be waived with the written consent of the Holders of a majority in principal amount of the then outstanding Securities. Subject to certain exceptions set forth in the Indenture, without the consent of any Securityholder, the Company and the Trustee may amend the Indenture or the Securities to cure any ambiguity, omission, defect or inconsistency, or to comply with Article IV of the Indenture, or to provide for uncertificated Securities in addition to or in place of certificated Securities, or to add guarantees with respect to the Securities or to secure the Securities, or to add additional covenants or surrender rights and powers conferred on the Company, or to comply with any request of the SEC in connection with

qualifying the Indenture under the Act, or to make any change that does not adversely affect the rights of any Securityholder, or to provide for the issuance of Exchange Securities.

12. Defaults and Remedies

Under the Indenture, Events of Default include (i) default for 30 days in payment of interest when due on the Securities; (ii) default in payment of principal or premium, if any, on the Securities at Stated Maturity, upon required repurchase or upon optional redemption pursuant to paragraphs 5 and 6 of the Securities, upon declaration or otherwise; (iii) the failure by the Company or any Subsidiary Guarantor to comply with its obligations under Article IV or Section 10.2 of the Indenture; (iv) failure by the Company to comply for 30 days after notice with any of its obligations under the covenants described under Sections 3.2 through 3.16 inclusive of the Indenture (in each case, other than a failure to purchase Securities when required pursuant to Sections 3.6 or 3.8, which failure shall constitute an Event of Default under clause (ii) above); (v) the failure by the Company to comply for 60 days after notice with its other agreements contained in the Indenture or under the Securities (other than those referred to in (i), (ii), (iii) or (iv) above); (vi) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), other than Indebtedness owed to the Company or a Wholly-Owned Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default (a) is caused by a failure to pay principal of or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness unless being contested in good faith by appropriate proceedings ("Payment Default") or (b) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10.0 million or more (the "cross acceleration provision"); (vii) certain events of bankruptcy, insolvency or reorganization of the Company or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Subsidiaries), would constitute a Significant Subsidiary (the "bankruptcy provisions"); (viii) failure by the Company or any Significant Subsidiary or group of Restricted

Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Subsidiaries) would constitute a Significant Subsidiary to pay final judgments aggregating in excess of $5.0 million or its foreign currency equivalent at the time (net of any amounts with respect to which a reputable and creditworthy insurance company has acknowledged liability in writing), which judgments are not paid, discharged or stayed for a period of 60 days (the "judgment default provision") or (ix) any Subsidiary Guarantee ceases to be in full force and effect (except as contemplated by the terms of the Indenture) or is declared null and void in a judicial proceeding or any Subsidiary Guarantor denies or disaffirms its obligations under the Indenture or its Subsidiary Guarantee. However, a default under clauses (iv) and (v) will not constitute an Event of Default until the Trustee or the holders of more than 25% in principal amount of the outstanding Securities notify the Company of the default and the Company does not cure such default within the time specified in clauses (iv) and (v) hereof after receipt of such notice.

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Securities may declare all the Securities to be due and payable

immediately. Certain events of bankruptcy or insolvency are Events of Default which will result in the Securities being due and payable immediately upon the occurrence of such Events of Default.

Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of a majority in principal amount of the Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing Default or Event of Default (except a Default or Event of Default in payment of principal or interest) if it determines that withholding notice is in their interest.

13. Trustee Dealings with the Company

Subject to certain limitations set forth in the Indenture, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its affiliates with the same rights it would have if it were not Trustee.

14. No Recourse Against Others

An incorporator, director, officer, employee, stockholder or controlling person, as such, of each of Holdings, the Company, or any Subsidiary Guarantor shall not have any liability for any obligations of the Company under the Securities, the Indenture or any Subsidiary Guarantees or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

15. Authentication

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the certificate of authentication on the other side of this Security.

16. Abbreviations

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entirety), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian) and U/G/M/A (=Uniform Gift to Minors Act).

17. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Securities and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Securityholders. No representation is made as to the accuracy of such numbers either as printed on

the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

18. Governing Law

This Security shall be governed by, and construed in accordance with, the laws of the State of New York.

The Company will furnish to any Securityholder upon written request and without charge to the Securityholder a copy of the Indenture which has in it the text of this Security in larger type. Requests may be made to:

Favorite Brands International, Inc.
25 Tri State International, Suite 400
Lincolnshire, IL 60069
Attention:

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

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

(Insert assignee's soc. sec. or tax I.D. No.)

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

Date:_____ Your Signature:_____

Signature Guarantee:_____
(Signature must be guaranteed)

Sign exactly as your name appears on the other side of this Security.

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to S.E.C. Rule 17Ad-15.

In connection with any transfer or exchange of any of the Securities evidenced by this certificate occurring prior to the date that is two years after the later of the date of original issuance of such Securities and the last date, if any, on which such Securities were owned by the Company or any Affiliate of the Company, the undersigned confirms that such Securities are being:

CHECK ONE BOX BELOW:

1 [ ] acquired for the undersigned's own account, without transfer; or

2 [ ] transferred to the Company; or

3 [ ] transferred pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"); or

4 [ ] transferred pursuant to an effective registration statement under the Securities Act; or

5 [ ] transferred pursuant to and in compliance with Regulation S under the Securities Act; or

6 [ ] transferred to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act), that has furnished to the Trustee a signed letter containing certain representations and agreements (the form of which letter appears as Section 2.7 of the Indenture); or

7 [ ] transferred pursuant to another available exemption from the registration requirements of the Securities Act of 1933.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (5), (6) or (7) is checked, the Trustee or the Company may require, prior to registering any such transfer of the Securities, in their sole discretion, such legal opinions, certifications and other information as the Trustee or the Company may reasonably request to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, such as the exemption provided by Rule 144 under such Act.

_____
Signature

Signature Guarantee:

_____ _____
(Signature must be guaranteed) Signature

_____

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to S.E.C. Rule 17Ad-15.

TO BE COMPLETED BY PURCHASER IF (1) OR (3) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated:

[TO BE ATTACHED TO GLOBAL SECURITIES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The following increases or decreases in this Global Security have been made:

<TABLE>
<CAPTION>

Date of Exchange	Amount of decrease in Principal Amount of this Global Security	Amount of increase in Principal Amount of this Global Security	Principal Amount of this Global Security following such decrease or increase	Signature of authorized signatory of Trustee or Securities Custodian
<S>	<C>	<C>	<C>	<C>

</TABLE>

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section 3.6 or 3.8 of the Indenture, check either box:

[ ] 3.6 [ ] 3.8

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 3.6 or 3.8 of the Indenture, state the amount in principal amount (must be integral multiple of $1,000): $

Date: _____ Your Signature _____
(Sign exactly as your name appears on the other side of the Security)

Signature Guarantee: _____
(Signature must be guaranteed)

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to S.E.C. Rule 17Ad-15.

Exhibit B

EXHIBIT B

[FORM OF FACE OF EXCHANGE SECURITY]

No. [_____] Principal Amount $[_____], as revised by the Schedule of Increases and Decreases in Global Security attached hereto

CUSIP NO. _____

10 3/4% Senior Notes due 2006

Favorite Brands International, Inc., a Delaware corporation, promises to pay to [_____], or registered assigns, the principal sum of [_____] Dollars, as revised by the Schedule of Increases and Decreases in Global Security attached hereto, on _____ __, 2006.

Interest Payment Dates: May 15 and November 15

Record Dates: May 1 and November 1

Additional provisions of this Security are set forth on the other side of this Security.

FAVORITE BRANDS INTERNATIONAL, INC.

By:_____

TRUSTEE'S CERTIFICATE OF
AUTHENTICATION

LASALLE NATIONAL BANK
as Trustee, certifies
that this is one of
the Securities referred
to in the Indenture.

By:_____
Authorized Signatory Date: _____

[FORM OF REVERSE SIDE OF EXCHANGE SECURITY]

10 3/4% Senior Note due 2006

1. Interest

Favorite Brands International, Inc., a Delaware corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above.

The Company will pay interest semiannually on May 15 and November 15 of each year commencing November 15, 1998. Interest on the Securities will accrue from the most recent date to which interest has been paid on the Securities or, if no interest has been paid, from May 19, 1998. The Company shall pay interest on overdue principal or premium, if any (plus interest on such interest to the extent lawful), at the rate borne by the Securities to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment

By at least 10:00 a.m. (New York City time) on the date on which any principal of or interest on any Security is due and payable, the Company shall irrevocably deposit with the Trustee or the Paying Agent money sufficient to pay such principal, premium, if any, and/or interest. The Company will pay interest (except Defaulted Interest) to the Persons who are registered Holders of Securities at the close of business on the May 1 or November 1 next preceding the interest payment date even if Securities are cancelled, repurchased or redeemed after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments in respect of Securities represented by a Global Security (including principal, premium, if any, and interest) will be made by the transfer of immediately available funds to the accounts specified by the Depository Trust Company. The Company will make all payments in respect of a Definitive Security (including principal, premium, if any, and interest), by mailing a check to the registered address of each Holder thereof; provided,

however, that payments on the Securities may also be made, in the case of a Holder of a least $1,000,000 aggregate principal amount of Securities, by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 15 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion). Payments in respect of Securities represented by a Global Security (including principal, premium, if any, and interest) will be made by the transfer of immediately available funds to the accounts specified by the Depository Trust Company. The Company will make all payments in respect of a Definitive Security (including principal, premium, if any, and interest), by mailing a check to the registered address of each Holder thereof; provided, however, that payments on the Securities may also be made, in the case of a Holder of a least $1,000,000 aggregate principal amount of Securities, by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect

designating such account no later than 15 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

Initially, LaSalle National Bank, a national bank organized and existing under the laws of the United States of America (the "Trustee"), will act as Trustee, Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice to any Securityholder. The Company or any of its domestically incorporated Wholly-Owned Subsidiaries may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Company issued the Securities under an Indenture dated as of May 19, 1998 (as it may be amended or supplemented from time to time in accordance with the terms thereof, the "Indenture"), among the Company, the Subsidiary Guarantors and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. (S)(S) 77aaa-77bbbb) as in effect on the date of the Indenture (the "Act"). Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the Act for a statement of those terms.

The Securities are general unsecured senior obligations of the Company limited to $300.0 million aggregate principal amount (subject to Section 2.6, Section 2.9, Section 2.11, Section 5.8 and Section 9.5 of the Indenture), of which $200.0 million in aggregate principal amount will be initially issued on the Issue Date. Subject to the conditions set forth in the Indenture, the Company may issue up to an additional $100.0 million aggregate principal amount of Subsequent Series Notes. The Initial Securities, Private Exchange Securities and the Exchange Securities will be treated as a single class of securities under the Indenture. The Indenture imposes certain limitations on, among other things: the Incurrence of Indebtedness by the Company and its Restricted Subsidiaries, the payment of dividends and other distributions on the Capital Stock of the Company and its Restricted Subsidiaries, the purchase or redemption of Capital Stock of the Company and Capital Stock of such Restricted Subsidiaries, certain purchases or redemptions of Subordinated Obligations, the Incurrence of Liens by the Company or its Restricted Subsidiaries, the entering into Sale/Leaseback Transactions by the Company or its Restricted Subsidiaries, the sale or transfer of assets and Capital Stock of Restricted Subsidiaries, the issuance or sale of Capital Stock of Restricted Subsidiaries, the business activities and investments of the Company and its Restricted Subsidiaries, and transactions with Affiliates. In addition, the Indenture limits the ability of the Company and its Restricted Subsidiaries to restrict distributions and dividends from Restricted Subsidiaries.

To guarantee the due and punctual payment of the principal, premium, if any, and interest on the Securities and all other amounts payable by the Company under the Indenture and the Securities when and as the same shall be due and payable, whether at maturity, by acceleration or otherwise, according to the terms of the Securities and the Indenture, the Subsidiary Guarantors have unconditionally guaranteed (and future Subsidiary Guarantors, together with the Subsidiary Guarantors, will unconditionally guarantee), jointly and severally, such obligations on a senior basis pursuant to the terms of the Indenture.

5. Redemption

Except as set forth below, the Securities will not be redeemable at the option of the Company prior to May 15, 2003. On and after such date, the Securities will be redeemable, at the Company's option, in whole or in part, at any time upon not less than 30 nor more than 60 days prior notice mailed by first-class mail to each holder's registered address, at the following redemption prices (expressed in percentages of principal amount), plus accrued and unpaid interest to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date):

If redeemed during the 12-month period commencing on May 15 of the years set forth below:

Period	Redemption Price
2003	105.375%
2004	102.688%
2005 and thereafter	100.000%

In addition, at any time and from time to time prior to May 15, 2001, the Company may redeem in the aggregate up to 35% of the original principal amount of the Securities with the proceeds of one or more Public Equity Offerings received by, or invested in, the Company at a redemption price (expressed as a percentage of principal amount) of 110.750% plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided, however, that at least 65% of the original principal amount of the Securities must remain outstanding after each such redemption; provided further, that each such redemption occurs within 90 days of the date of closing of such Public Equity Offering.

In the case of any partial redemption, selection of the Securities for redemption will be made by the Trustee on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate, although no Securities of $1,000 in original principal amount or less will be redeemed in part. If any Security is to be redeemed in part only, the notice of redemption relating to such Security shall state the portion of the principal amount thereof to be redeemed. A new Security in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Security. On and after the redemption date, interest will cease to accrue on Securities or portions thereof called for redemption as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture.

6. Repurchase Provisions

(a) Upon a Change of Control, any Holder of Securities will have the right to cause the Company to repurchase all or any part of the Securities of such Holder at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) as provided in, and subject to the terms of, the Indenture.

(b) In the event of an Asset Disposition that requires the purchase of Securities pursuant to clause (iii)(C) of paragraph (a) of Section 3.6 of the Indenture, the Company will be required to apply such Excess Proceeds to the repayment of the Securities and any Pari Passu Notes in accordance with the procedures set forth in Section 3.6 of the Indenture.

7. Denominations; Transfer; Exchange

The Securities are in registered form without coupons in denominations of principal amount of $1,000 and whole multiples of $1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange (i) any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) for a period beginning 15 days before the mailing of a notice of Securities to be redeemed

and ending on the date of such mailing or (ii) any Securities for a period beginning 15 days before an interest payment date and ending on such interest payment date.

8. Persons Deemed Owners

The registered holder of this Security may be treated as the owner of it for all purposes.

9. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

10. Defeasance

Subject to certain conditions set forth in the Indenture, the Company at any time may terminate some or all of its obligations under the Securities and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Securities to redemption or maturity, as the case may be.

11. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended with the written consent of the Holders of at least a majority in principal amount of the then outstanding Securities and (ii) any default (other than with respect to nonpayment or in respect of a provision that cannot be amended without the written consent of each Securityholder affected) or noncompliance with any provision may be waived with the written consent of the Holders of a majority in principal amount of the then outstanding Securities. Subject to certain exceptions set forth in the Indenture, without the consent of any Securityholder, the Company and the Trustee may amend the Indenture or the Securities to cure any ambiguity,

omission, defect or inconsistency, or to comply with Article IV of the Indenture, or to provide for uncertificated Securities in addition to or in place of certificated Securities, or to add guarantees with respect to the Securities or to secure the Securities, or to add additional covenants or surrender rights and powers conferred on the Company, or to comply with any request of the SEC in connection with qualifying the Indenture under the Act, or to make any change that does not adversely affect the rights of any Securityholder, or to provide for the issuance of Exchange Securities.

12. Defaults and Remedies

Under the Indenture, Events of Default include (i) default for 30 days in payment of interest when due on the Securities; (ii) default in payment of principal or premium, if any, on the Securities at Stated Maturity, upon required repurchase or upon optional redemption pursuant to paragraphs 5 and 6 of the Securities, upon declaration or otherwise; (iii) the failure by the Company or any Subsidiary Guarantor to comply with its obligations under Article IV or Section 10.2 of the Indenture; (iv) failure by the Company to comply for 30 days after notice with any of its obligations under the covenants described under Sections 3.2 through 3.16 inclusive of the Indenture (in each case, other than a failure to purchase Securities, when required pursuant to Section 3.6 or 3.8, which failure shall constitute an Event of Default under clause (ii) above); (v) the failure by the Company to comply for 60 days after notice with its other agreements contained in the Indenture or under the Securities (other than those referred to in (i), (ii), (iii) or (iv) above); (vi) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), other than Indebtedness owed to the Company or a Wholly-Owned Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default (a) is caused by a failure to pay principal of or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness unless being contested in good faith by appropriate proceedings ("Payment Default") or (b) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10.0 million or more (the

"cross acceleration provision"); (vii) certain events of bankruptcy, insolvency or reorganization of the Company or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Subsidiaries), would constitute a Significant Subsidiary (the "bankruptcy provisions"); (viii) failure by the Company or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Subsidiaries) would constitute a Significant Subsidiary to pay final judgments aggregating in excess of $5.0 million or its foreign currency equivalent at the time (net of any amounts with respect to which a reputable and creditworthy insurance company has acknowledged liability in writing), which judgments are not paid, discharged or stayed for a period of 60 days (the "judgment default provision") or (ix) any Subsidiary Guarantee ceases to be in full force and effect (except as contemplated by the terms of the Indenture) or is declared null and void in a judicial proceeding or any Subsidiary Guarantor denies or disaffirms its obligations under the Indenture or its Subsidiary Guarantee. However, a default under clauses (iv) and (v) will not constitute an Event of Default until the Trustee or the holders of more than 25% in principal amount of the outstanding Securities notify the Company of

the default and the Company does not cure such default within the time specified in clauses (iv) and (v) hereof after receipt of such notice.

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Securities may declare all the Securities to be due and payable immediately. Certain events of bankruptcy or insolvency are Events of Default which will result in the Securities being due and payable immediately upon the occurrence of such Events of Default.

Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of a majority in principal amount of the Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing Default or Event of Default (except a Default or Event of Default in payment of principal or interest) if it determines that withholding notice is in their interest.

13. Trustee Dealings with the Company

Subject to certain limitations set forth in the Indenture, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its affiliates with the same rights it would have if it were not Trustee.

14. No Recourse Against Others

An incorporator, director, officer, employee, stockholder or controlling person, as such, of each of Holdings, the Company or any Subsidiary Guarantor shall not have any liability for any obligations of the Company under the Securities, the Indenture or any Subsidiary Guarantees or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

15. Authentication

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the certificate of authentication on the other side of this Security.

16. Abbreviations

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entirety), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian) and U/G/M/A (=Uniform Gift to Minors Act).

17. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Securities and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Securityholders. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

18. Governing Law

This Security shall be governed by, and construed in accordance with, the laws of the State of New York.

The Company will furnish to any Securityholder upon written request and without charge to the Securityholder a copy of the Indenture which has in it the text of this Security in larger type. Requests may be made to:

Favorite Brands International, Inc.
25 Tri State International, Suite 400
Lincolnshire, IL 60069
Attention:

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

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

(Insert assignee's soc. sec. or tax I.D. No.)

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

Date: _____ Your Signature _____

Signature Guarantee: _____
(Signature must be guaranteed)

Sign exactly as your name appears on the other side of this Security.

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to S.E.C. Rule 17Ad-15.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section 3.6 or 3.8 of the Indenture, check either box:

[ ] 3.6 [ ] 3.8

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 3.6 or 3.8 of the Indenture, state the amount in principal amount (must be integral multiple of $1,000): $

Date: _____ Your Signature: _____
(Sign exactly as your name appears on the other side of the Security)

Signature Guarantee: _____
(Signature must be guaranteed)

The signature(s) should be guaranteed by an eligible guarantor institution

(banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to S.E.C. Rule 17Ad-15.

EXHIBIT C

FORM OF SUBSIDIARY GUARANTEE

This Supplemental Indenture, dated as of [_____] (this "Supplemental Indenture" or "Guarantee"), among [name of future Subsidiary Guarantor] (the "Guarantor"), Favorite Brands International, Inc. (together with its successors and assigns, the "Company"), each other then existing Subsidiary Guarantor under the Indenture referred to below, and LaSalle National Bank, as Trustee under the Indenture referred to below.

W I T N E S S E T H:

WHEREAS, the Company and the Trustee have heretofore executed and delivered an Indenture, dated as of May 19, 1998 (as amended, supplemented, waived or otherwise modified, the "Indenture"), providing for the issuance of an aggregate principal amount of $200.0 million of __% Senior Notes due 2006 of the Company (the "Securities");

WHEREAS, Section 3.11 of the Indenture provides that the Company is required to cause each Restricted Subsidiary (other than a Foreign Subsidiary or a Receivables Entity) created or acquired by the Company to execute and deliver to the Trustee a Subsidiary Guarantee pursuant to which such Restricted Subsidiary will unconditionally Guarantee, on a joint and several basis with the other Subsidiary Guarantors, the full and prompt payment of the principal of, premium, if any, and interest on the Securities on a senior basis; and

WHEREAS, pursuant to Section 9.1 of the Indenture, the Trustee and the Company are authorized to execute and deliver this Supplemental Indenture to amend the Indenture, without the consent of any Securityholder;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantor, the Company, the other Subsidiary Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Securities as follows:

ARTICLE I

Definitions

SECTION 1.1 Defined Terms. As used in this Subsidiary Guarantee, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined, except that the term "Holders" in this Guarantee shall refer to the term "Holders" as defined in the Indenture and the Trustee acting on behalf or for the benefit of such holders. The words "herein," "hereof" and "hereby" and other words of similar import used in this Supplemental Indenture refer to this Supplemental Indenture as a whole and not to any particular section hereof.

ARTICLE II

Agreement to be Bound; Guarantee

SECTION 2.1 Agreement to be Bound. The Guarantor hereby becomes a party to the Indenture as a Subsidiary Guarantor and as such will have all of the rights and be subject to all of the obligations and agreements of a Subsidiary Guarantor under the Indenture. The Guarantor agrees to be bound by all of the provisions of the Indenture applicable to a Subsidiary Guarantor and to perform all of the obligations and agreements of a Subsidiary Guarantor under

the Indenture.

SECTION 2.2 Guarantee. The Guarantor hereby fully, unconditionally and irrevocably guarantees, as primary obligor and not merely as surety, jointly and severally with each other Subsidiary Guarantor, to each Holder of the Securities and the Trustee, the full and punctual payment when due, whether at maturity, by acceleration, by redemption or otherwise, of the Obligations pursuant to Article X of the Indenture.

ARTICLE III

Miscellaneous

SECTION 3.1 Notices. All notices and other communications to the Guarantor shall be given as provided in the Indenture to the Guarantor, at its address set forth below, with a copy to the Company as provided in the Indenture for notices to the Company.

SECTION 3.2 Parties. Nothing expressed or mentioned herein is intended or shall be construed to give any Person, firm or corporation, other than the Holders and the Trustee, any legal or equitable right, remedy or claim under or in respect of this Supplemental Indenture or the Indenture or any provision herein or therein contained.

SECTION 3.3 Governing Law. This Supplemental Indenture shall be governed by the laws of the State of New York.

SECTION 3.4 Severability Clause. In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability.

SECTION 3.5 Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby. The Trustee makes no representation or warranty as to the validity or sufficiency of this Supplemental Indenture.

SECTION 3.6 Counterparts. The parties hereto may sign one or more copies of this Supplemental Indenture in counterparts, all of which together shall constitute one and the same agreement.

SECTION 3.7 Headings. The headings of the Articles and the sections in this Guarantee are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

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

[NAME OF GUARANTOR],
as a Subsidiary Guarantor

By:_____
Name:
Title:

FAVORITE BRANDS INTERNATIONAL, INC.

By:_____
Name:
Title:

TROLLI INC.,
as a Subsidiary Guarantor

By:_____
Name:
Title:

SATHER TRUCKING CORPORATION,
as a Subsidiary Guarantor

By:_____
Name:
Title:

[Add signature block for any other existing Subsidiary Guarantors]

LASALLE NATIONAL BANK, as Trustee

By:_____
Name:
Title:

EXHIBIT 4.6

EXECUTION COPY

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CREDIT AGREEMENT

Dated as of May 19, 1998

among

FAVORITE BRANDS INTERNATIONAL, INC.,

the Borrower,

FAVORITE BRANDS INTERNATIONAL HOLDING CORP.,

THE CHASE MANHATTAN BANK,

as Administrative Agent,

Swingline Lender,

Co-Syndication Agent,

and

Letter of Credit Issuing Bank,

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,

as Documentation Agent

and

Co-Syndication Agent

and

THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO

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CREDIT AGREEMENT

This CREDIT AGREEMENT (this "Agreement") is entered into as of May 19, 1998 among Favorite Brands International, Inc., a Delaware corporation (the "Borrower"), Favorite Brands International Holding Corp. ("Holdings"), the financial institutions from time to time party to this Agreement (collectively, the "Lenders"; individually, a "Lender"), Bank of America National Trust and Savings Association, as documentation agent for the Lenders (in such capacity, the "Documentation Agent") and as co-syndication agent (in such capacity, a "Co-Syndication Agent"), and The Chase Manhattan Bank, as letter of credit issuing bank, swingline lender, and as administrative lender for the Lenders (in such capacity, the "Administrative Agent") and as co-syndication agent (in such capacity, a "Co-Syndication Agent").

WHEREAS, the Borrower and Holdings have requested that the Lenders, the Documentation Agent and the Administrative Agent provide a $75,000,000 revolving credit facility and $150,000,000 term loan facility to the Borrower;

WHEREAS, the Borrower, Holdings, the Lenders, the Documentation Agent and the Administrative Agent now desire to enter into this Agreement and to become parties to this Agreement upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the Borrower, Holdings, the Lenders, the Documentation Agent and the Administrative Agent hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1. Certain Defined Terms.

The following terms have the following meanings:

"Accumulated Funding Deficiency" means a funding deficiency described in Section 302 of ERISA.

"Acquisition" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of Permitted Securities constituting in excess of 50% of the voting power of the outstanding Voting Stock of a Person (or, in the case of a Person other than a corporation, other equity interests) which affords the holder the present and continuing ability to control such Person or elect a majority of the board of such Person, or (c) a merger or

consolidation or any other combination with another Person (other than a Person that is a Subsidiary of the Borrower) provided that the Borrower or a Subsidiary of the Borrower is the surviving entity.

"Administrative Agent" means Chase in its capacity as administrative lender for the Lenders hereunder, and any successor administrative lender under Section 10.9.

"Administrative Agent-Related Persons" means Chase, any successor Administrative Agent under Section 10.9, and any successor Issuing Bank or Swingline Lender hereunder, together with their respective Affiliates, and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Administrative Agent's Payment Office" means the address for payments set forth on Schedule 11.2 in relation to the Administrative Agent, or such other address as the Administrative Agent may from time to time specify.

"Affected Lender" shall have the meaning specified in subsection 4.7(a).

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract, or otherwise.

"After-Acquired Property" shall have the meaning specified in Section 7.13.

"Aggregate Commitment" means the combined Revolving Credit Commitments of the Revolving Credit Lenders plus the combined Facility B Term Commitments as such amount may be reduced from time to time pursuant to this Agreement.

"Agreement" means this Credit Agreement, as the same may be amended, modified or supplemented from time to time.

"Applicable Margin" means (a) with respect to Base Rate Loans under the Facility B Term Commitment, 2.00%, (b) with respect to Offshore Rate Loans under the Facility B Term Commitment, 3.00%, (c) with respect to Base Rate Loans under any Revolving Credit Commitment, 1.50% and (d) with respect to Offshore Rate Loans under any Revolving Credit Commitment, 2.50% (i) in each case for the period from the Closing Date through the date which is three Business Days after the delivery of the financial reports and certificate delivered to the Administrative Agent pursuant to subsection 7.1(a) or 7.1(b) and subsection 7.2(b), respectively, for the fiscal quarter ending June 1999 and (ii) thereafter, the percentage specified below opposite the Total Debt to EBITDA Ratio (which ratio shall be calculated for the Four Trailing Quarters ending on the last day of such fiscal quarter) calculated for the periods described below.

<TABLE>
<CAPTION>

Total Debt to EBITDA Ratio at End of Fiscal Quarter	Applicable Margin			
	Facility B Term Loans		Revolving Credit Loan	
	Base Rate Loans	Offshore Rate Loans	Base Rate Loans	Offshore Rate Loans
<S>	<C>	<C>	<C>	<C>
Less than 3.50 to 1.00	1.50%	2.50%	.50%	1.50%
Greater than or equal to 3.50 to 1.00 but less than 4.00 to 1.00	1.50%	2.50%	.75%	1.75%
Greater than or equal to 4.00 to 1.00				

but less than 4.50 to 1.00	1.75%	2.75%	1.0%	2.0%
Greater than or equal to 4.50 to 1.00 but less than 5.00 to 1.00	1.75%	2.75%	1.25%	2.25%
Greater than or equal to 5.00 to 1.00	2.00%	3.00%	1.50%	2.50%

</TABLE>

The Applicable Margin shall be adjusted automatically as to all Facility B Term Loans and Revolving Credit Loans then outstanding (without regard to the timing of Interest Periods) three Business Days after the delivery to the Administrative Agent of the financial reports and certificate delivered pursuant to subsections 7.1(a), 7.1(b) and 7.2(b), respectively, for the fiscal quarter ending June 1999, and three Business Days after delivery to the Administrative Agent of such financial reports and certificate for each fiscal quarter thereafter. If the Borrower fails to deliver such financial reports and certificate to the Administrative Agent for any such fiscal quarter by the date required hereunder, then the Applicable Margin for all Loans of any Type beginning three Business Days after such date shall, until three Business Days after delivery of such financial reports and certificate, be the next highest Applicable Margin for such Type as set forth in the chart above immediately below the previously effective Applicable Margin; thus, if the Applicable Margin for Facility B Term Loans had previously been 1.50% for Base Rate Loans and 2.50% for Offshore Rate Loans, a failure to deliver quarterly financials on a timely basis would cause the Applicable Margin for such Loans to be 1.75% and 2.75%, respectively, until three Business Days after such delivery.

"Approved Fund" shall mean, with respect to any Lender that is a fund that invests in bank loans, any other fund that invests in bank loans and is advised or managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Assignee" shall have the meaning specified in subsection 11.8(a).

"Assignment and Acceptance" shall have the meaning specified in subsection 11.8(a).

"Attorney Costs" means and includes all fees and disbursements of any law firm or other external counsel, the direct non-duplicative cost of internal legal services and all disbursements of internal counsel.

"Bankruptcy Code" means the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. (S) 101, et seq.).

"BARS" means BancAmerica Robertson Stephens, as arranger of the Facilities.

"Base LIBOR Rate" means the rate per annum at which Dollar deposits are offered to Chase in the interbank Eurocurrency market in which Chase customarily conducts its operations on the second LIBOR Business Day (as defined in clause (ii) of the definition of "Business Day") prior to the commencement of an Interest Period at or about 11:00 A.M. (London time) for delivery on the first day of such Interest Period, for a term comparable to the number of days in such Interest Period and in an amount approximately equal to the principal amount to which such Interest Period shall apply.

"Base Rate" means, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of: (a) the Prime Rate in effect on such day; (b) the Base CD Rate in effect on such day plus 1%; and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes of this definition and otherwise:

"Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City. The Prime Rate is not intended to be the lowest rate of interest charged by Chase in connection with extensions of credit to debtors.

"Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) a fraction, the numerator of which is one and the denominator of which is one minus the CD Reserve Percentage and (b) the CD Assessment Rate.

"CD Reserve Percentage" shall mean for any day as applied to any calculation of the Base CD Rate, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the FRB for determining the maximum reserve requirement for a Depositary Institution (as defined in Regulation D of the FRB) in respect of new non-personal time deposits in Dollars having a maturity of 30 days or more.

"Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or if such day is not a Business Day, the next preceding Business Day) by the FRB through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the FRB, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate is not so reported, the average (rounded upwards to the nearest 1/100 of 1%) of the secondary

market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day or next preceding Business Day by the Administrative Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it.

"Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average quotations, for the day, of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent clearly demonstrable error) that it is unable to ascertain the Base CD Rate or the Federal Funds Effective Rate or both for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Base Rate shall be determined without regard to clause (b) or (c), or both, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Base Rate, the Three-Month Secondary CD Rate of the Federal Funds Effective Rate shall be effective as of the opening of business on the date of such change.

"Base Rate Loan" means a Loan that bears interest based on the Base Rate.

"Base Rate Revolving Credit Loan" means a Revolving Credit Loan or an L/C Advance that bears interest based on the Base Rate.

"Benefit Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which the Borrower or any ERISA Affiliate maintains or to which the Borrower or any ERISA Affiliate makes, is making, or is obligated to make, contributions, and includes any Plan.

"BofA" means Bank of America National Trust and Savings Association.

"Borrower" means Favorite Brands International, Inc.

"Borrowing" means a borrowing hereunder consisting of Loans of the same Type made to the Borrower on the same day by the Lenders, or a Swingline Loan made to the Borrower by the Swingline Lender, in each case pursuant to Article II, and, other than in the case of Base Rate Loans, having the same Interest Period.

"Borrowing Date" means any date on which a Borrowing occurs under Section 2.3.

"Business Day" means (i) any day other than a Saturday, Sunday or other day on which commercial banks in New York or Chicago are authorized or required by law to close, and (ii) if the applicable Business Day relates to any Offshore Rate Loan, any day which (A) is a

Business Day described in clause (i), and (B) is a day on which dealings are carried on in the London interbank Eurocurrency market (each such day a "LIBOR Business Day").

"CD Assessment Rate" shall mean for any day the net annual assessment rate (rounded upwards, if necessary, to the next 1/100 of 1%) determined by The Chase Manhattan Bank to be payable on such day to the Federal Deposit Insurance Corporation or any successor ("FDIC") for FDIC's insuring time deposits made in Dollars at offices of The Chase Manhattan Bank in the United States.

"Capital Adequacy Regulation" means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, applying to banks similarly regulated, in each case regarding capital adequacy of any bank or of any corporation controlling a bank.

"Capital Expenditures" means, for any period and with respect to any Person, the aggregate of all expenditures (whether paid in cash or other consideration or accrued as a liability and including that portion of Capital Leases that is capitalized on the balance sheet of such Person including in connection with a sale-leaseback transaction) by such Person and its Subsidiaries for the acquisition or leasing of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) which are required to be capitalized under GAAP on a consolidated balance sheet of such Person and its Subsidiaries, and excluding for all purposes capitalized interest. For purposes of this definition, (i) the purchase price of equipment which is purchased simultaneously with the trade-in of existing equipment owned by such Person or any of its Subsidiaries or with insurance proceeds shall be included in Capital Expenditures only to the extent of the gross amount of such purchase price less the credit granted by the seller of such equipment for such equipment being traded in at such time, or the amount of such proceeds, as the case may be, and (ii) capital expenditures, to the extent made with the proceeds of the sale of assets in accordance with subsection 2.7(b)(i) and subsection 8.2(c)(iii), Permitted Acquisitions and Special Investments shall not be deemed a "Capital Expenditure".

"Capital Lease" means any leasing or similar arrangement which, in accordance with GAAP, is classified as a capital lease.

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation and any and all warrants or options to purchase any of the foregoing.

"Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of (i) in the case of L/C Obligations, the Administrative Agent, the Issuing Bank and the Lenders and (ii) in the case of Offshore Rate Loans, the Administrative Agent and the Lenders, in each case as collateral for the L/C Obligations or the Offshore Rate Loans, as the case may be, cash or deposit account balances pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and, if applicable, the Issuing Bank. Derivatives of such term shall have corresponding meaning. Cash collateral shall be maintained in blocked, interest bearing deposit accounts at Chase or invested

in such other Cash Equivalents as directed by the Borrower and for which the Borrower shall have provided evidence reasonably satisfactory to the Administrative Agent that the Administrative Agent shall have a perfected, first priority security interest in such Cash Collateral.

"Cash Equivalents" means, as to any Person, (i) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition, (ii) securities issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof having maturities of not more than twelve months from the date of acquisition and having one of the two highest ratings from either Standard & Poor's Ratings Services Group, a division of the McGraw Hill

Companies, Inc. ("S&P"), or Moody's Investors Service, Inc. ("Moody's"), (iii) domestic and Eurodollar certificates of deposit, time or demand deposits or bankers' acceptances maturing within six months after the date of acquisition issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, (A) any Lender, (B) any commercial bank organized under the laws of the United States or any state thereof or the District of Columbia having combined capital and surplus of not less than $500,000,000 or (C) any branch of any Lender or any commercial bank organized under the laws of the United Kingdom or Canada having combined capital and surplus of not less than $500,000,000 or (D) any domestic commercial bank the deposits of which are guaranteed by the Federal Deposit Insurance Corporation, provided, that (y) the full amount of the deposits of the Person making such investment are so guaranteed and (z) the aggregate amount of investments under this clause (D) does not exceed $500,000, (iv) repurchase obligations with a term of not more than thirty days for underlying securities of the types described in clause (i) and (ii) above entered into with any branch or bank meeting the qualifications specified in clause (iii) above, (v) commercial paper issued by the parent corporation of any Lender or any commercial bank (provided that the parent corporation and the bank are both incorporated in the United States) having capital and surplus in excess of $500,000,000 and commercial paper issued by any Person incorporated in the United States, which commercial paper (if issued by a Person other than the parent corporation of a Lender or any commercial bank meeting the above requirements) is rated at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's, and in each case maturing not more than twelve months after the date of acquisition by such Person and (vi) investments in money market funds substantially all the assets of which are comprised of securities of the types described in clauses (i) through (v) above, (vii) investments in the Overland Sweep Fund, a fund managed by Overland Express Funds, Inc. and (viii) investments in The Pacific Horizon Money Market Fund (or successor cash management funds) or any other money market fund managed by BofA.

"CERCLA" shall have the meaning specified in the definition of "Environmental Laws."

"Change of Control" shall have the meaning specified in subsection 9.1(l).

"Chase" shall mean The Chase Manhattan Bank.

"Closing Date" means the date on which all conditions precedent set forth in Section 5.1 are satisfied or waived by the Majority Lenders (or, in the case of subsection 5.1(f), waived by the Person entitled to receive such payment).

"Code" means the Internal Revenue Code of 1986, and regulations promulgated thereunder.

"Collateral" means all property and interests in property and proceeds thereof now owned or hereafter acquired by the Borrower, any of its Subsidiaries and Holdings in or upon which a Lien now or hereafter exists in favor of the Lenders, or the Administrative Agent on behalf of the Lenders, whether under this Agreement or under any other documents executed by any such Person and delivered to the Administrative Agent or the Lenders.

"Collateral Documents" means, collectively, the Guarantee and Collateral Agreement, the Mortgages, and all other guarantee and collateral agreements, security agreements, mortgages, deeds of trust, lease assignments and other similar agreements between the Borrower, any of its Subsidiaries or Holdings and the Lenders, or the Administrative Agent for the benefit of the Lenders, now or hereafter delivered (pursuant to Section 7.13 or otherwise) to the Lenders or the Administrative Agent pursuant to or in connection with the transactions contemplated hereby, and all financing statements (or comparable documents now or hereafter filed in accordance with the UCC or comparable law) against the Borrower, any of its Subsidiaries or Holdings as debtor in favor of the Lenders, or the Administrative Agent for the benefit of the Lenders, as secured party.

"Commitment", as to each Lender, means either the Revolving Credit Commitment or the Facility B Term Commitment, or both of them, as applicable.

"Commitment Fee Percentage" means (a) for the period from the Closing Date through the date three Business Days after the delivery of the financial

reports and certificate delivered to the Administrative Agent pursuant to subsection 7.1(a) or 7.1(b) and subsection 7.2(b), respectively, for the fiscal quarter ending June 1999, 0.50% per annum, and (b) thereafter, a rate per annum equal to the percentage specified below opposite the Total Debt to EBITDA Ratio (which ratio shall be calculated for the Four Trailing Quarters ending on the last day of such fiscal quarter) calculated for the periods described below.

<TABLE>
<CAPTION>

Total Debt to EBITDA Ratio at End of Fiscal Quarter	Commitment Fee
<S>	<C>
Less than 3.50 to 1.00	0.375%
Greater than or equal to 3.50 to 1.00 but less than 4.00 to 1.00	0.375%
Greater than or equal to 4.00 to 1.00 but less than 4.50 to 1.00	0.50%
Greater than or equal to 4.50 to 1.00 but less than 5.0 to 1.0	0.50%
Greater than or equal to 5.00 to 1.00	0.50%

</TABLE>

The Commitment Fee Percentage shall be adjusted automatically three Business Days after the delivery to the Administrative Agent of the financial reports and certificate delivered pursuant to subsection 7.1(a) or 7.1(b) and subsection 7.2(b), respectively, for the fiscal quarter ending June 1999, and three Business Days after delivery to the Administrative Agent of such financial reports and certificate for each fiscal quarter thereafter. If the Borrower fails to deliver such financial reports and certificate to the Administrative Agent for any fiscal quarter by the date required hereunder, then the Commitment Fee Percentage beginning three Business Days after such date shall, until three Business Days after delivery of such financial reports and certificate, be the highest Commitment Fee Percentage as set forth in the chart above.

"Compliance Certificate" means a certificate substantially in the form of Exhibit D.

"Concentration Account" shall have the meaning specified in each of the Security Agreements.

"Confidential Information Memorandum" means the Confidential Information Memorandum dated April 1998 and distributed to the Lenders in connection with this Agreement.

"Consolidated Interest Expense" means, for any period, for the Borrower and its Subsidiaries on a consolidated basis and determined in accordance with GAAP, gross interest expense for the period (including that portion of Capital Leases attributable to interest, all capitalized interest and all commissions, discounts, fees and other charges in connection with standby letters of credit and similar instruments, but excluding any write up or write down of the value of interest rate Swap Contracts that are marked to market (including any termination of a Swap Contract in connection with the refinancings hereunder to occur within 60 days of the Closing Date), plus any payments made under interest rate Swap Contracts to the extent not included in gross interest expense, less the sum of (i) any payments received under interest rate Swap Contracts, plus (ii) to the extent included in gross interest expense, any amounts referred to in the Other Fee Letter payable to the Administrative Agent and the Lenders on or before the

Closing Date and any agency and other administrative fees payable to the Administrative Agent and any other costs and expenses incurred in connection with the closing of this Agreement and any amendments thereto, plus (iii) an

aggregate amount of up to $300,000 in interest income plus (iv) amortization of financing fees for the Senior Notes and the Senior Subordinated Notes and any amendments thereto.

"Consolidated Net Worth" means, as to the Borrower, the Net Worth of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Contingent Obligation" means, as to any Person, any direct or indirect liability of that Person, whether or not contingent, with or without recourse, without duplication, (a) with respect to any Indebtedness, lease, dividend, letter of credit or other obligation (the "primary obligations") of another Person (the "primary obligor"), including any obligation of that Person (i) to purchase, repurchase or otherwise acquire such primary obligations or any security therefor, (ii) to advance or provide funds for the payment or discharge of any such primary obligation, or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof (each, a "Guaranty Obligation"); (b) with respect to any Surety Instrument issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings or payments; or (c) to purchase any materials, supplies or other property from, or to obtain the services of, another Person if the relevant contract or other related document or obligation requires that payment for such materials, supplies or other property, or for such services, shall be made regardless of whether delivery of such materials, supplies or other property is ever made or tendered, or such services are ever performed or tendered. The amount of any Guaranty Obligations shall be deemed to be the lower of (y) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guaranty Obligation is made and (z) the maximum amount for which such guaranteeing Person may be liable pursuant to the terms of the instrument embodying such Guaranty Obligation, unless such primary obligation and the maximum amount for which such guaranteeing Person may be liable are not stated or determinable, in which case the amount of such Guaranty Obligation shall be such guaranteeing Person's reasonably anticipated liability in respect thereof. The amount of any other Contingent Obligations shall be equal to the reasonably anticipated liability in respect thereof.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

"Conversion/Continuation Date" means any date on which, under Section 2.4, the Borrower (a) converts Loans of one Type to another Type, or (b) continues as Loans of the same Type, but with a new Interest Period, Loans having Interest Periods expiring on such date.

"Co-Syndication Agents" means Chase and BofA in their capacities as co-syndication agents for the Facilities.

"Credit Extension" means and includes (a) the making of any Loans or A Loans hereunder, including any conversion into or continuation of an Offshore Rate Loan but not including any conversion into a Base Rate Loan, and (b) the Issuance of any Letters of Credit hereunder.

"CSI" means Chase Securities Inc., as arranger of the Facilities.

"Default" means any event or circumstance which, with the giving of notice, the lapse of time, or both, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

"Defaulting Lender" shall have the meaning specified in Section 2.13.

"Documentation Agent" shall have the meaning referred to in the introductory clause hereto.

"Dollars", "dollars" and "$" each means lawful money of the United

States.

"Domestic Subsidiaries" means each Subsidiary of the Company organized under the laws of any State of the United States.

"EBITDA" means, as measured quarterly on the last day of each fiscal quarter for the Four Trailing Quarters then ending, and determined on a consolidated basis for the Borrower and its Subsidiaries, an amount equal to the sum of, without duplication, the following amounts (each calculated in accordance with GAAP): (i) consolidated net income (or loss) for such period, plus (ii) all amounts treated as expenses for depreciation, Consolidated Interest Expense, and the amortization or writeoff of intangibles and other assets (including capitalized finance fees, goodwill and organizational and start-up costs and expenses) of any kind to the extent included in the determination of such consolidated net income (or loss), plus (iii) all taxes on or measured by income to the extent included in the determination of such consolidated net income (or loss) net of refunds in respect thereof, plus (iv) amortization of the inventory write-up associated with purchase accounting pursuant to APB 16 to the extent included in the determination of such consolidated net income (or loss), plus (v) amounts actually received in cash by the Borrower and its Subsidiaries from minority interests in Persons which are not Subsidiaries in which Special Investments are made; provided, however, that consolidated net income (or loss) shall be computed for these purposes without giving effect to extraordinary losses or extraordinary gains or to any gains or losses associated with sales or write-downs of assets outside the ordinary course of business (it being agreed for this purpose that the following are outside the ordinary course of the A business: the discontinuation of lines of business, and the closing of facilities); provided, further, that EBITDA will be calculated to exclude without duplication (a) non-cash charges relating to the Transactions, (b) non-cash asset write-downs, (c) non-cash non-recurring charges and non-cash gains and losses and (A) for the fiscal quarter ending June 30, 1998, a one-time restructuring charge, which shall include cash

charges of no greater than $7,500,000, with the total restructuring charge not to exceed $35,000,000.

"Effective Amount" means with respect to any Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any Borrowing and prepayments or repayments thereof occurring on such date.

"Eligible Assignee" means (i) a commercial bank, savings and loan association or savings bank having total assets in excess of $250,000,000, or (ii) a financially-sound finance company, insurance company, other financial institution, fund or trust, reasonably acceptable to the Administrative Agent.

"Eligible Successor Administrative Agent" means a commercial bank having combined capital and surplus of not less than $500,000,000 organized under the laws of the United States or any State thereof or the District of Columbia or organized under the laws of another jurisdiction and operating under a duly licensed branch or agency in the United States.

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for (i) violation of any Environmental Law, or (ii) release or injury to the environment or threat to public health, personal injury (including sickness, disease or death), property damage or natural resources damage pursuant to Environmental Laws, or (iii) damages (punitive or otherwise), cleanup, removal, remedial or response costs, restitution, civil or criminal penalties, injunctive relief, or other type of relief resulting from or based upon the presence, placement, discharge, emission or release (including intentional and unintentional, negligent and non-negligent, sudden or non-sudden, accidental or non-accidental placement, spills, leaks, discharges, emissions or releases) of any Hazardous Material at, in, or from any property, whether or not owned by the Borrower.

"Environmental Indemnified Liabilities" shall have the meaning specified in subsection 11.5(b).

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to

environmental, workers' health and safety, natural resource and land use matters, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), the Clean Air Act, the Federal Water Pollution Control Act of 1972, the Solid Waste Disposal Act, the Federal Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Emergency Planning and Community Right-to-Know Act, the Endangered Species Act and similar state and local laws.

"Environmental Permits" shall have the meaning specified in subsection 6.12(b).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) which together with the Borrower would be treated as a single employer under Section 4001 of ERISA.

"Event of Default" means any of the events or circumstances specified in Section 9.1.

"Event of Loss" means, with respect to any property, any of the following: (a) any loss, destruction or damage of such property, or (b) any actual condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, of such property, or confiscation of such property or the requisition of the use of such property.

"Excess Cash Flow" means, for any period, (i) EBITDA for such period, less (ii) the sum of, without duplication, (A) Capital Expenditures actually made in cash during such period by the Borrower and its Subsidiaries to the extent permitted by Section 8.9 (net of any proceeds relating to any financing with respect to such expenditures), plus (B) taxes on or measured by income paid in cash during such period by the Borrower and its Subsidiaries, plus (C) dividends paid in cash during such period by the Borrower to the extent permitted by subsection 8.10, plus (D) Consolidated Interest Expense paid or payable in cash for such period, plus (E) scheduled principal payments on account of the Term Loans, Capital Leases and other Indebtedness paid in cash during such period, plus (F) optional principal payments on account of the Term Loans during such period in accordance with Section 2.6, plus (G) the cash portion of the restructuring charges referred to in the penultimate sentence of the definition of "EBITDA" requiring future cash payments to the extent excluded from EBITDA.

"Excess Cash Flow Percentage" means, as of any date of determination, if the Total Debt to EBITDA Ratio is (a) greater than or equal to 5.0 to 1.00, 50%, (b) less than 5.0 to 1.00 but greater than or equal to 4.0 to 1.00, 25%, and (c) less than 4.0 to 1.00, 0%.

"Exchange Act" means the Securities Exchange Act of 1934, and regulations promulgated thereunder.

"Existing Credit Agreement" means the Amended and Restated Credit Agreement dated as of August 30, 1996, as amended prior to the Closing Date, to which the Borrower is a party.

"Facility" shall have the meaning specified in the definition of "Loan."

"Facility B Lender" means each Lender listed on Schedule 2.1 providing for a Facility B Term Commitment.

"Facility B Term Commitment" shall have the meaning specified in subsection 2.1(a).

"Facility B Term Loan" means, collectively, each of the Loans made to the Borrower in accordance with subsection 2.1(a).

"Facility B Term Loan Maturity Date" means May 19, 2005.

"Facility B Term Note" shall have the meaning specified in Section 2.2.

"Facility B Term Pro Rata Share" means, as to any Facility B Lender at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Facility B Lender's Facility B Term Commitment divided by the aggregate Facility B Term Commitments.

"Fixed Charge Coverage Ratio" means, as measured quarterly on the last day of each fiscal quarter for the Four Trailing Quarters then ending, the ratio of

(i) EBITDA, plus Operating Lease expense, minus all payments in cash for taxes on or measured by income made during the period then ending by the Borrower and its Subsidiaries, minus Capital Expenditures during such period, minus dividends paid in cash during such period by the Borrower;

to

(ii) an amount equal to the sum of (A) the Consolidated Interest Expense for the period then ending, plus (B) the aggregate amount of mandatory principal repayments on the Term Loans as required by subsection 2.7(a) during such period, plus Operating Lease expense plus (without duplication) scheduled payments made with respect to Capital Leases and other Indebtedness for such period.

"Four Trailing Quarters" means the Borrower's most recent four fiscal quarters ending as of the last day of the most recent fiscal quarter for which financial statements are required to have been delivered pursuant to subsection 7.1(a) or 7.1(b).

"FRB" means the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants, and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

"Gelex" means Gelex Corporation International, Ltd., a Barbados corporation, and a wholly-owned Subsidiary of the Borrower.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Guarantee and Collateral Agreement" means the Guarantee and Collateral Agreement, dated as of the Closing Date, by Holdings, the Borrower and the other Loan Parties in favor of the Administrative Agent for the benefit of the Lenders substantially in the form of Exhibit I, as the same may be amended, supplemented or otherwise modified from time to time.

"Guaranty Obligation" shall have the meaning specified in the definition of "Contingent Obligation."

"Hazardous Materials" means all those substances that are regulated by, or which may form the basis of liability under, any Environmental Law, including all substances identified under any Environmental Law as a pollutant, contaminant, hazardous waste, hazardous constituent, special waste, hazardous substance, hazardous material, toxic substance, or petroleum or petroleum derived substance or waste.

"Hedging Obligations" of any Person means all liabilities of such Person under Swap Contracts entered into with any Lender or an Affiliate of any Lender or otherwise with the written consent of the Administrative Agent,

including in any case termination obligations thereunder; provided, however, that such liabilities under a Swap Contract with an Affiliate of a Lender shall not constitute Hedging Obligations hereunder unless and until such liabilities are certified as such in writing to the Administrative Agent by the Borrower and such Lender's Affiliate.

"Highest Lawful Rate" means and refers to, with respect to any Lender, the maximum non-usurious interest rate, as in effect from time to time, that may be charged, contracted for, reserved, received, or collected by such Lender in connection with this Agreement, or any of the Loan Documents.

"Holdings" means Favorite Brands International Holding Corp., a Delaware corporation.

"Honor Date" shall have the meaning specified in subsection 3.3(b).

"Indebtedness" of any Person means, without duplication, (a) all indebtedness for borrowed money; (b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business on ordinary terms); (c) all non-contingent reimbursement or payment obligations with respect to Surety Instruments; (d) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (e) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with

respect to property acquired by the Person (even though the rights and remedies of the seller or under such agreement in the event of default are limited to repossession or sale of such property, in which case the amount of the Indebtedness with respect thereto shall be equal to the fair market value of such property); (f) the imputed principal portion of all Capital Leases; (g) all obligations with respect to Swap Contracts that have been closed out and the termination value thereof determined in accordance therewith after taking into account any legally enforceable netting arrangement relating thereto; (h) all indebtedness referred to in clauses (a) through (g) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including accounts and contracts rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness (the amount of Indebtedness to be calculated as the lesser of the fair market value of the property subject to such Lien or contingent Lien and the amount of such secured obligation); and (i) all Guaranty Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (g) above.

"Indemnified Liabilities" shall have the meaning specified in Section 11.5(a).

"Indemnified Person" shall have the meaning specified in Section 11.5(a).

"Independent Auditor" shall have the meaning specified in subsection 7.1(a).

"Insolvency Proceeding" means (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors, or other similar arrangement in respect of its creditors generally or any substantial portion of its creditors, in each case undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

"Intellectual Property" shall have the meaning specified in Section 6.16.

"Intercompany Advances" means loans made by the Borrower with the proceeds of Loans to Sathers Trucking, Trolli or any other Wholly-Owned Subsidiary acquired in a Permitted Acquisition or formed to complete a Permitted Acquisition, which loans shall (a) bear interest at the rate from time to time applicable to Base Rate Loans, which interest shall be payable monthly in

arrears, (b) be maintained in book entry form or, in accordance with clause (i) of the proviso set forth in subsection 8.4(d), evidenced by a promissory note or other negotiable instrument, and (c) be subordinated to repayment of the Obligations as provided in the Guarantee and Collateral Agreement.

"Interest Payment Date" means, (a) with respect to any Offshore Rate Loan, the last day of each Interest Period applicable to such Loan and (b) with respect to any Base Rate Loan, including Swingline Loans, the last Business Day of each calendar quarter; provided, however, that if any Interest Period for an Offshore Rate Loan exceeds three months, the date that falls three months after the beginning of such Interest Period shall also be an Interest Payment Date.

"Interest Period" means, as to any Offshore Rate Loan, the period commencing on the Borrowing Date of such Loan, or on the Conversion/Continuation Date on which the Loan is converted into or continued as an Offshore Rate Loan, and ending on the date one, two, three or six months thereafter as selected by the Borrower in the Notice of Borrowing or Notice of Conversion/Continuation; provided, that:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day unless, in the case of an Offshore Rate Loan, the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(ii) any Interest Period pertaining to an Offshore Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) (A) no Interest Period for any Revolving Credit Loan shall extend beyond the Revolving Termination Date and (B) no Interest Period for any Facility B Term Loan shall extend beyond the Facility B Term Loan Maturity Date.

"Interim Loan" means the loans of up to $19,000,000 made by Wells Fargo Bank, N.A. to the Borrower.

"InterWest" means, collectively, InterWest Partners V, L.P. and InterWest Investors, or any of their affiliated funds.

"IRS" means the Internal Revenue Service, and any Governmental Authority succeeding to any of its principal functions.

"Issuance Date" shall have the meaning specified in subsection 3.1(a).

"Issue" means, with respect to any Letter of Credit, to issue or to extend the expiry of, or to renew or increase the amount of, such Letter of Credit; and the terms "Issued," "Issuing" and "Issuance" have corresponding meanings.

"Issuing Affiliate" shall have the meaning specified in Section 3.10.

"Issuing Bank" means Chase or any of its affiliates, including Chase Manhattan Bank (Delaware), in its capacity as issuer of one or more Letters of Credit hereunder, together with any replacement letter of credit issuer arising under Section 4.7, subsection 10.1(b) or Section 10.9.

"L/C Advance" means each Revolving Credit Lender's participation in any L/C Borrowing in accordance with its Revolving Credit Pro Rata Share.

"L/C Amendment Application" means an application form for amendment of outstanding standby and commercial letters of credit as shall at any time be in use at the Issuing Bank, as the Issuing Bank shall request.

"L/C Application" means an application form for Issuances of standby and commercial letters of credit as shall at any time be in use at the Issuing

Bank, as the Issuing Bank shall request.

"L/C Borrowing" means an extension of credit resulting from a drawing under any Letter of Credit which shall not have been reimbursed by the Borrower on the date when made nor converted into a Borrowing of Revolving Credit Loans under subsections 3.3(b) and 3.3(c).

"L/C Commitment" means the commitment of the Issuing Bank to Issue, and the commitment of the Revolving Credit Lenders severally to participate in, Letters of Credit from time to time Issued or outstanding under Article III, in an aggregate amount not to exceed on any date the amount of $20,000,000, as the same shall be reduced as a result of a reduction in the L/C Commitment pursuant to subsection 2.7(d); provided, that the L/C Commitment is a part of the combined Revolving Credit Commitments, rather than a separate, independent commitment.

"L/C Obligations" means at any time the sum of (a) the aggregate undrawn amount of all Letters of Credit then outstanding, plus (b) the amount of all unreimbursed drawings under all Letters of Credit, including, without duplication, all outstanding L/C Borrowings.

"L/C-Related Documents" means the Letters of Credit, the L/C Applications, the L/C Amendment Applications and any other document relating to any Letter of Credit, including any of the Issuing Bank=s standard form documents for letter of credit Issuances.

"Lender" shall have the meaning specified in the introductory clause hereto and shall include any Affiliate of a Lender to the extent it is owed Hedging Obligations as provided in the definition thereof. References to the "Lenders" shall include Chase, including in its capacity as the Issuing Bank and the Swingline Lender; for purposes of clarification only, to the extent that Chase may have any rights or obligations in addition to those of the Lenders due to its status as the Issuing Bank, its status as such will be specifically referenced.

"Lender-Indemnitees" means Chase in its capacity as Administrative Agent hereunder and any successor Administrative Agent under Section 10.9, together with the respective officers, directors, employees, agents and attorneys-in-fact of such Persons in such capacity.

"Lending Office" means, as to any Lender and the Swingline Lender, the office or offices of such Lender or the Swingline Lender, as applicable, specified as its "Lending Office" or "Domestic Lending Office" or "Offshore Lending Office," as the case may be, on Schedule 11.2, or such other office or offices as such Lender or the Swingline Lender may from time to time indicate in a written notice to the Borrower and the Administrative Agent.

"Letter of Credit Rate" means, for any period, a rate per annum equal to the Applicable Margin in effect for such period with respect to Revolving Credit Loans bearing interest at the Offshore Rate. The Letter of Credit Rate shall be adjusted automatically as to all Letters of Credit then outstanding as of the effective date of any change in the Letter of Credit Rate.

"Letters of Credit" means any standby and commercial letters of credit Issued by the Issuing Bank pursuant to Article III incurred in the ordinary course of Borrower's business.

"LIBOR Business Day" shall have the meaning specified in the definition of "Business Day".

"Lien" means any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, encumbrance, sale of accounts (other than sales of accounts permitted pursuant to subsection 8.2(f)), lien (statutory or other) or preferential arrangement of any kind or nature whatsoever in respect of any property (including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a Capital Lease, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of or agreement to file any financing statement under the UCC or any comparable law naming the owner of the asset to which such lien relates as debtor), and any contingent or other agreement to provide any of the foregoing other than any such agreement that is expressly conditioned upon repayment in full of the

Obligations and termination of the Commitments, but not including the interest of a lessor under an Operating Lease.

"Loan" means an extension of credit by a Lender to the Borrower under Article II or Article III in the form of a Loan or an L/C Advance, and may be a Base Rate Loan or an Offshore Rate Loan (each a "Type" of Loan), within the Revolving Credit Commitment, the Swingline Commitment or the Facility B Term Commitment (each a "Facility") of such Lender, and includes any Revolving Credit Loan, Swingline Loan or Term Loan.

"Loan Documents" means this Agreement, any Notes, the Collateral Documents, the Other Fee Letter, the L/C-Related Documents, any Swap Contracts evidencing Hedging Obligations, and all other documents delivered to the Administrative Agent or any Lender pursuant hereto or thereto.

"Loan Parties" shall mean Holdings, the Borrower and each of their respective Subsidiaries which is a party to a Loan Document.

"Majority Facility B Lenders" means, at any time, (i) Facility B Lenders then holding at least 51% of the then aggregate unpaid principal amount of the Facility B Term Loans, or (ii) if no Facility B Term Loans are outstanding, Facility B Lenders then having at least 51% of the aggregate amount of the Facility B Term Commitments hereunder or, if the Facility B Term Commitments have been terminated, 51% of the Facility B Term Commitments as in effect immediately before such termination.

"Majority Lenders" means, (i) at any time that Loans are outstanding and the Revolving Credit Commitments are in effect, the Lenders holding 51% of the sum of the Revolving Credit Commitments and the aggregate unpaid principal amount of the Term Loans, (ii) at any time that Loans are outstanding but the Revolving Credit Commitments have been terminated, the Lenders holding 51% of the aggregate unpaid principal amount of the Loans, and (iii) at any time that no Loans are outstanding, the Lenders having 51% of the Aggregate Commitments hereunder or, if the Commitments have been terminated, 51% of the Aggregate Commitments as in effect immediately before such termination.

"Majority Revolving Credit Lenders" means, at any time, (i) the Revolving Credit Lenders then holding at least 51% of the then aggregate unpaid principal amount of the Revolving Credit Loans, or (ii) if no Revolving Credit Loans are outstanding, Revolving Credit Lenders then having at least 51% of the aggregate amount of the Revolving Credit Commitments hereunder or, if the Revolving Credit Commitments have been terminated, 51% of the Revolving Credit Commitments as in effect immediately before such termination.

"Margin Stock" means "margin stock" as such term is defined in Regulation G, T, U or X of the FRB.

"Material Adverse Effect" means any event, development or circumstance that has had or could reasonably be expected to (a) have a material adverse effect on (i) the business, assets, property, condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries taken as a whole, or (ii) the rights and remedies of the Administrative Agent and the Lenders under any Loan Document, taken as a whole, or (b) materially impair the ability of Holdings or any Subsidiary thereof to perform under any Loan Document.

"Mortgaged Property" means all property subject to a Lien pursuant to the Mortgages, provided that the Borrower and its Subsidiaries shall not be required to subject their real property located (a) in Rogers, Minnesota to a Mortgage to the extent such property is subject to a letter of intent or binding agreement for sale and (b) their real property located in Oklahoma City, Oklahoma to a Mortgage to the extent doing so would result in a mortgage recording tax; provided, that, upon the occurrence of a Default or Event of Default such property shall be mortgaged pursuant to a Mortgage upon the request of the Administrative Agent.

"Mortgages" means each mortgage, deed of trust or other instrument listed on Schedule 1.1 attached hereto, together with each other mortgage or deed of trust or similar instrument executed and delivered to the Administrative Agent pursuant hereto or otherwise in connection herewith after the Closing Date.

"Multiemployer Plan" means a plan described in Section 4001(a)(3) of

ERISA to which the Borrower or any ERISA Affiliate is required to contribute on behalf of any of its employees.

"Net Proceeds" means, in respect of any disposition or Event of Loss, the proceeds in cash or Cash Equivalents received by the Borrower or any of its Subsidiaries with respect to or on account of such disposition or Event of Loss, net of: (a) in the case of a disposition, the direct

costs of such disposition then payable by the recipient of such proceeds or, in the case of an Event of Loss, the direct costs of collecting insurance or other proceeds, in each case excluding amounts payable to the Borrower or any Affiliate of the Borrower, (b) sales, use and other taxes paid or payable by such recipient as a result thereof, and (c) amounts required to be applied to repay principal, interest and prepayment premiums and penalties on Indebtedness secured by a Permitted Lien on the properties subject to such disposition or Event of Loss.

"Net Worth" means, as to any Person, the sum of its Capital Stock, capital in excess of par or stated value of shares of its Capital Stock, retained earnings and any other account which, in accordance with GAAP, constitutes stockholders' equity.

"Non-U.S. Lender" shall have the meaning specified in subsection 4.1(e).

"Note" means any Revolving Credit Note, Facility B Term Note or Swingline Note.

"Notice of Borrowing" means a notice in substantially the form of Exhibit A.

"Notice of Conversion/Continuation" means a notice in substantially the form of Exhibit B.

"Obligations" means all advances, debts, liabilities, obligations, covenants and duties including, without limitation, Hedging Obligations, arising under any Loan Document, owing by the Borrower to any Lender, the Administrative Agent, the Issuing Bank, the Swingline Lender or any Indemnified Person, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising.

"Offshore Rate" means, for each Interest Period for each Offshore Rate Loan, the rate per annum (rounded upward, if necessary, to the nearest whole 1/16 of 1%) determined by the Administrative Agent pursuant to the following formula:

$$\text{Offshore Rate} = \frac{\text{Base LIBOR Rate}}{100\% - \text{Reserve Percentage}}$$

Where,

"Reserve Percentage" means, for any day for any Interest Period, the maximum reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day (whether or not applicable to any Lender) under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities") having a term comparable to such Interest Period.

The Offshore Rate shall be adjusted automatically as to all Offshore Rate Loans then outstanding as of the effective date of any change in the Reserve Percentage.

"Offshore Rate Loan" means a Loan that bears interest based on the Offshore Rate.

"Operating Lease" means, as applied to any Person, a lease of property which is not a Capital Lease.

"Organizational Documents" means, for any corporation, the certificate or articles of incorporation, the bylaws, and any instrument relating to the rights of preferred shareholders of such corporation.

"Other Fee Letter" shall have the meaning specified in subsection 2.10(a).

"Other Taxes" means any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant" shall have the meaning specified in subsection 11.8(d).

"PBGC" means the Pension Benefit Guaranty Corporation, or any Governmental Authority succeeding to any of its principal functions under ERISA.

"Permitted Acquisition" means an Acquisition complying with Section 7.13 and Section 8.4(e).

"Permitted Liens" shall have the meaning specified in Section 8.1.

"Permitted Securities" means the common or preferred stock of a corporation, the limited partnership interest in a limited partnership or the membership interest in a limited liability company or similar equity interest of another entity.

"Person" means an individual, partnership, corporation, limited liability company, limited liability partnership, business trust, joint stock company, trust, unincorporated association, joint venture, other business entity, or Governmental Authority.

"Plan" means any plan (other than a Multiemployer Plan) subject to Title IV of ERISA maintained for employees of the Borrower or any ERISA Affiliate (and any such plan no longer maintained by the Borrower or any of its ERISA Affiliates to which the Borrower or any of its ERISA Affiliates has made or was required to make any contributions within five years preceding any date of determination).

"Pledged Collateral" shall mean all Investment Property as such term is defined in the Guarantee and Collateral Agreement.

"Prohibited Transaction" means any transaction described in Section 406 of ERISA which is not exempt by reason of Section 408 of ERISA, the transitional rules set forth in Section 414(c) of ERISA or any administrative exemption and any transaction described in Section 4975(c)(1) of the Code which is not exempt by reason of Section 4975(c)(2) or Section 4975(d) of the Code, the transitional rules of Section 2003(c) of ERISA or any administrative exemption.

"Register" shall have the meaning specified in Section 11.8(f).

"Replacement Lender" shall have the meaning specified in subsection 4.7(a).

"Reportable Event" means (i) any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder (except such events for which notice thereof is waived by regulation); (ii) a withdrawal from a Plan described in Section 4063 of ERISA; (iii) a cessation of operations described in Section 4062(e) of ERISA; (iv) an amendment to a Plan necessitating the posting of security under Section 401(a)(29) of the Code; or (v) a failure to make a payment required by Section 412(m) of the Code or Section 302(e) of ERISA when due.

"Requirement of Law" means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"Reserve Percentage" shall have the meaning specified in the definition of "Offshore Rate."

"Responsible Officer" means, as to the Borrower or any of its Subsidiaries, the chief executive officer, the president or the Person serving as the secretary and general counsel of the Borrower or such Subsidiary, as applicable, or any other officer having substantially the same authority and responsibility; or, with respect to compliance with financial covenants, the chief financial officer, the treasurer, the controller or the vice president of finance of the Borrower or such Subsidiary, as applicable, or any other officer having substantially the same authority and responsibility.

"Restricted Payment" shall have the meaning specified in Section 8.10.

"Revolving Credit Commitment" shall have the meaning specified in subsection 2.1(b).

"Revolving Credit Lender" means each Lender listed on Schedule 2.1 providing for a Revolving Credit Commitment.

"Revolving Credit Loan" shall have the meaning specified in subsection 2.1(b).

"Revolving Credit Pro Rata Share" means, as to any Revolving Credit Lender at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place)

at such time of such Lender's Revolving Credit Commitment divided by the aggregate Revolving Credit Commitments or, if the Revolving Credit Commitments have expired or been terminated, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of the Effective Amount of such Lender's Revolving Credit Loans divided by the aggregate Effective Amount of all Revolving Credit Loans.

"Revolving Termination Date" means the earlier to occur of:

(a) May 19, 2004; and

(b) the date on which the Revolving Credit Commitments terminate in accordance with the provisions of this Agreement.

"Sathers Trucking" means Sather Trucking Corporation (as successor to STC Acquisition Corp.), a Delaware corporation and a Wholly-Owned Subsidiary of the Borrower.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Senior Note Indenture" means the Indenture entered into by the Borrower and certain of its Subsidiaries in connection with the issuance of the Senior Notes, together with all instruments and other agreements entered into by the Borrower or such Subsidiaries in connection therewith and any other indenture with substantially identical terms as such Indenture entered into by the Borrower in connection with the exchange of the original Senior Notes, as the same may be amended, supplemented or otherwise modified from time to time in accordance with Section 8.23.

"Senior Notes" means the 10 3/4% senior notes due 2006 of the Borrower issued on the Closing Date pursuant to the Senior Note Indenture and any notes issued by the Borrower in exchange for, or as contemplated by, the Senior Notes with substantially identical terms as the Senior Notes.

"Solvent" means, as to any Person at any time, that (a) the fair value of the property of such Person on a going concern basis is greater than the amount of such Person's liabilities (including contingent liabilities), as such value is established and such liabilities are evaluated for purposes of Section 101(32) of the Bankruptcy Code and, in the alternative, for purposes of the Illinois Uniform Fraudulent Transfer Act or any similar state statute applicable to the Borrower or any of its Subsidiaries; (b) the present fair salable value of the property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person is able to realize upon its property and

pay its debts and other liabilities (including contingent liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital.

"Special Investment" means the making of loans or advances to, or the acquisition of voting stock or other equity interests (in the case of Persons other than corporations) in, any U.S. or foreign corporation, association, partnership, limited liability company, limited liability partnership, joint venture or other business entity by the Borrower, or one or more of the Subsidiaries of the Borrower, or any combination thereof, which is designated as a "Special Investment" by the Borrower in a notice to the Administrative Agent and the Lenders before being made.

"Subordinated Note Agreement" means the Amended and Restated Senior Subordinated Note Agreement dated as of September 12, 1997, as amended by the First Amendment thereto dated as of March 20, 1998, among the Borrower, the Subsidiaries of the Borrower parties thereto as guarantors, and the lenders identified therein in connection with the issuance of the Subordinated Notes, together with all instruments and other agreements entered into by the Borrower or such Subsidiaries in connection therewith, and the Indenture, substantially in the form of Exhibit V to the Subordinated Note Agreement, to be entered into by the Borrower, the Subsidiaries of the Borrower parties thereto as guarantors and the lenders identified therein in connection with the exchange of the original Subordinated Notes, in each case as the same may be amended, supplemented, or otherwise modified from time to time in accordance with Section 8.23.

"Subordinated Notes" means the Series A Senior Subordinated Notes due August 20, 2007 of the Borrower issued pursuant to the Subordinated Note Agreement and any notes issued by the Borrower in exchange for, or as contemplated by, the Subordinated Note Agreement.

"Subsidiary" of a Person means any corporation, association, partnership, limited liability company, limited liability partnership, joint venture or other business entity of which more than 50% of the Voting Stock or other equity interests (in the case of Persons other than corporations) is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or any combination thereof, excluding however for all purposes any Person in which the Borrower or any of its Subsidiaries has made a Special Investment unless (1) such Person was a Subsidiary of the Borrower or one of its Subsidiaries before giving effect to such Special Investment or (2) the Board of Directors of the Borrower has designated such Person as a Subsidiary (and once so designated such Person may not be redesignated).

"Surety Instruments" means all letters of credit (including standby and commercial), banker's acceptances, bank guaranties, shipside bonds, surety bonds and similar instruments.

"Swap Contracts" means swap agreements (as such term is defined in Section 101 of the Bankruptcy Code), and any agreements or arrangements of whatever nature designed to provide protection against fluctuations in interest or currency exchange rates or commodity prices.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such

Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the marked-to-market value(s) for such Swap Contracts, as reasonably determined by the Majority Lenders based upon one or more mid-market or other readily available quotations provided by any

recognized dealer in such Swap Contracts (which may include any Lender).

"Swingline Borrowing" means a Borrowing hereunder consisting of one or more Swingline Loans made to the Borrower on the same day by the Swingline Lender.

"Swingline Commitment" shall have the meaning specified in Section 2.17.

"Swingline Lender" means Chase.

"Swingline Loan" shall have the meaning specified in Section 2.17.

"Taxes" means any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender (or any Transferee) and the Administrative Agent, such taxes (including income taxes or franchise taxes) as are imposed on or measured by each Lender's (or the Transferee's) or the Administrative Agent's net income (including branch profits tax), in each case, by the United States (or any political subdivision thereof) or any jurisdiction (or any political subdivision thereof) under the laws of which such Lender (or such Transferee) or the Administrative Agent, as the case may be, is organized, in which its principal office is located or in the case of a Lender (or Transferee), where its applicable Lending Office is located.

"Term Loan" means any of the Facility B Term Loans, and any reference to Term Loans also applies to the Facility B Term Loans collectively.

"Total Debt" means, as of any date of determination, the sum of the interest-bearing Indebtedness of the Borrower and its Subsidiaries on a consolidated basis, and, without duplication, all obligations with respect to the imputed principal portion of Capital Leases and all L/C Obligations and the undrawn face amount of letters of credit other than Letters of Credit with respect to which the Borrower or any of its Subsidiaries are liable for reimbursement obligations, except that Total Debt shall not include (i) Indebtedness in respect of Swap Contracts or (ii) obligations to the extent that such obligations are Contingent Obligations (other than L/C Obligations and Contingent Obligations with respect to the undrawn face amount of letters of credit other than L/C Obligations).

"Total Debt to EBITDA Ratio" means, for any Four Trailing Quarters, the ratio of (i) Total Debt outstanding at the end of such period (excluding the principal amount of outstanding Revolving Credit Loans and Swingline Loans hereunder other than in an amount equal to the average daily outstanding balance thereof for such period), to (ii) EBITDA for such period.

"Total Senior Secured Debt to EBITDA Ratio" means, for any Four Trailing Quarters, the ratio of (i) Total Debt outstanding at the end of such period (excluding (i) the principal amount of outstanding Revolving Credit Loans and Swingline Loans hereunder other than in an amount equal to the average daily outstanding balance thereof for such period, (ii) the principal amount of outstanding Subordinated Notes and (iii) the principal amount of outstanding Indebtedness which does not purport to be secured by any assets of the Company or any of its Subsidiaries, including the Senior Notes), to (ii) EBITDA for such period. For purposes of this definition, EBITDA for the Four Trailing Quarters ending (a) on or about September 30, 1998 shall be EBITDA for the Fiscal Quarter then ended multiplied by 4, (b) on or about December 31, 1998 shall be EBITDA for the two Fiscal Quarters then ended multiplied by 2 and (c) on or about March 31, 1999 shall be EBITDA for the three Fiscal Quarters then ended multiplied by 4/3.

"TPG" means, collectively, TPG Partners, L.P., TPG Parallel I, L.P., or any of their affiliated funds, which in all cases shall be managed by TPG Advisors, Inc.

"Transactions" means each of (i) the issuance of the Senior Notes, (ii) the effectiveness of this Agreement and the making of the initial extensions of credit hereunder, (iii) the repayment in full and termination of the Existing Credit Agreement and related guarantees, mortgages and collateral documents and (iv) the repayment in full of the Interim Loan.

"Transferee" means any Assignee or Participant.

"Trolli" means Trolli Inc., a Delaware corporation, and a Wholly-Owned Subsidiary of the Borrower.

"Trolli Mexico" means Trolli de Mexico S.A. de C.V., a Mexican corporation, and a Wholly-Owned Subsidiary of Trolli other than 1% of its common stock constituting director's qualifying shares.

"Type" shall have the meaning specified in the definition of "Loan."

"UCC" means the Uniform Commercial Code as in effect in any jurisdiction.

"UCP" shall have the meaning specified in Section 3.9.

"Unfunded Pension Liability" means the excess of a Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"United States" and "U.S." each means the United States of America.

"Voting Stock" means shares of Capital Stock entitled to vote generally in the election of directors of a Person.

"Wholly-Owned Subsidiary" means a Subsidiary of the Borrower of which all of the outstanding Capital Stock of such Subsidiary is owned by the Borrower excepting only ownership of 1% or less of its Voting Stock by another Person if such stock constitutes legally required directors' qualifying shares.

1.2. Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms. Terms (including uncapitalized terms) not otherwise defined herein and that are defined in the UCC shall have the meanings therein described.

(b) The words "hereof", "herein", "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) (i) The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced;

(ii) The term "including" is not limiting and means "including without limitation;"

(iii) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including," the words "to" and "until" each mean "to but excluding," and the word "through" means "to and including;"

(iv) The term "property" includes any kind of property or asset, real, personal or mixed, tangible or intangible; and

(v) The verb "exists" and its correlative noun forms, with reference to a Default or an Event of Default, means that such Default or Event of Default has occurred and continues uncured and unwaived.

(d) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments, restatements and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(e) The captions and headings of this Agreement are for convenience of

reference only and shall not affect the interpretation of this Agreement.

(f) This Agreement and the other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations,

tests and measurements are cumulative and shall each be performed in accordance with their terms.

(g) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to, the Administrative Agent, the Borrower and the other parties, and are the products of all the parties. Accordingly, they shall not be construed against the Lenders, the Issuing Bank, the Swingline Lender, the Documentation Agent, the Co-Syndication Agents or the Administrative Agent merely because of the Administrative Agent's, the Documentation Agents, the Issuing Bank's, the Swingline Lender's, the Co-Syndication Agents or the Lenders' involvement in their preparation.

1.3. Accounting Principles.

(a) Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP, consistently applied; provided that the Borrower may satisfy its reporting requirements under Sections 7.1(a), 7.1(b) and 7.1(c) in accordance with GAAP without regard to consistent application for prior periods.

(b) References herein to "fiscal year" and "fiscal quarter" refer to such fiscal periods of the Borrower.

(c) In the event that GAAP changes during the term of this Agreement (either mandatorily or pursuant to an election by the Borrower in compliance with this Agreement) such that the covenants contained in Article VIII would then be calculated in a different manner or with different components or with components which are calculated differently, (i) the parties hereto agree to enter into negotiations with respect to amendments to this Agreement to conform those covenants as criteria for evaluating the Borrower's and its Subsidiaries' financial condition to substantially the same criteria as were effective prior to such change in GAAP, and (ii) the Borrower shall be deemed to be in compliance with the affected covenants contained in Article VIII during the 60 days following any change in GAAP if and to the extent that the Borrower would have been in compliance therewith under GAAP as employed in the Borrower's audited financial statements for the fiscal year ended June 28, 1997; provided, however, that this paragraph shall not be deemed to require the Borrower, the Administrative Agent or the Lenders to agree to modify any provision of this Agreement or any of the other Loan Documents to reflect any such change to GAAP and, if, after such 60 days, the parties, in their sole discretion, fail to reach agreement on such modifications, the terms of this Agreement will remain unchanged and the compliance by the Borrower with the covenants contained in Article VIII will be calculated in accordance with GAAP as employed in the Borrower's audited financial statements for the fiscal year ended June 28, 1997.

ARTICLE II

THE CREDITS

2.1. Amounts and Terms of Commitments.

(a) The Facility B Term Credit. Each Facility B Lender identified on Schedule 2.1 severally agrees, on the terms and conditions set forth herein, to make a loan to the Borrower on the Closing Date in the amount set forth opposite the Facility B Lender's name under the heading "Facility B Term Commitment" on Schedule 2.1 (such aggregate amount, the Facility B Lender's "Facility B Term Commitment"). Amounts borrowed pursuant to this subsection 2.1(a) which are repaid or prepaid by the Borrower may not be reborrowed.

(b) The Revolving Credit. Each Revolving Credit Lender severally agrees, on the terms and conditions set forth herein, to make loans to the Borrower (each such loan, a "Revolving Credit Loan") from time to time on any

Business Day during the period from the Closing Date to the Revolving Termination Date, in the amounts requested from time to time by the Borrower in an aggregate amount not to exceed at any time outstanding the amount set forth opposite the Revolving Credit Lender's name under the heading "Revolving Credit Commitment" on Schedule 2.1 (such amount, as the same may be reduced under Section 2.5 or as a result of one or more assignments under Section 11.8, the Revolving Credit Lender's "Revolving Credit Commitment"); provided, however, that, after giving effect to any Borrowing of Revolving Credit Loans, the Effective Amount of all outstanding Revolving Credit Loans, Swingline Loans and L/C Obligations shall not at any time exceed the combined Revolving Credit Commitments; and provided, further, that the Effective Amount of the Revolving Credit Loans of such Revolving Credit Lender plus the participation of such Revolving Credit Lender in the Effective Amount of all L/C Obligations and Swingline Loans shall not at any time exceed such Revolving Credit Lender's Revolving Credit Commitment. Within the limits of each Revolving Credit Lender's Revolving Credit Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this subsection 2.1(b), prepay under Section 2.6 and reborrow under this subsection 2.1(b).

(c) Interest. For interest rate purposes, the Term Loans and Revolving Credit Loans shall be characterized as Base Rate Loans and Offshore Rate Loans in accordance with Sections 2.3 and 2.4.

2.2. Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of the appropriate Revolving Credit Lender or Facility B Lender or the Swingline Lender, as the case may be, (i) the then unpaid principal amount of each Revolving Credit Loan of such Revolving Credit Lender on the Revolving Termination Date (or such earlier date on which the Loans become due and payable pursuant to Article IX), (ii) the then unpaid principal amount of each Swingline Loan of the Swingline Lender on the Revolving Termination Date (or such earlier date on which the Loans become due and payable pursuant to Article IX)

and (iii) the principal amount of each Facility B Term Loan of such Facility B Lender in installments according to the amortization schedule set forth in Section 2.7 (or on such earlier date on which the Loans become due and payable pursuant to Article IX) but in any event not later than the Facility B Term Loan Maturity Date. The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.9.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 11.8(f), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder and any Note evidencing such Loan, the Type thereof and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.2(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to such Borrower by such Lender in accordance with the terms of this Agreement.

(e) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will execute and deliver to such Lender a promissory note of the Borrower evidencing any Revolving Credit Loans, Swingline

Loans or Facility B Loans, as the case may be, of such Lender, substantially in the forms of Exhibit C-1, C-2 or C-3, respectively, with appropriate insertions as to date and principal amount.

2.3. Procedure for Borrowing.

(a) Subject to Section 2.17 in the case of Swingline Loans only, each Borrowing shall be made upon the Borrower's irrevocable written notice (which notice may be delivered telephonically and confirmed in writing on the same day) delivered to the Administrative Agent in the form of a Notice of Borrowing (which notice must be received by the Administrative Agent before 1:00 p.m. (New York time)) (i) three Business Days before the requested Borrowing Date, in the case of Offshore Rate Loans, and (ii) one Business Day before the requested Borrowing Date, in the case of Base Rate Loans, specifying:

(A) the amount of the Borrowing, which shall be in an aggregate minimum amount of (1) $5,000,000 or any multiple of $1,000,000 in excess thereof, in the case of Offshore Rate Loans, or (2) $1,000,000 or any multiple of $100,000 in excess thereof, in the case of Base Rate Loans;

(B) the requested Borrowing Date, which shall be a Business Day;

(C) the Type of Loans constituting the Borrowing;

(D) the Facility to which such Borrowing relates; and

(E) other than in the case of Base Rate Loans, the duration of the Interest Period applicable to such Loans included in the notice. If the Notice of Borrowing fails to specify the duration of the Interest Period for any Borrowing comprising Offshore Rate Loans, such Interest Period shall be one month.

(b) The Administrative Agent will promptly notify each Revolving Credit Lender of its receipt of such Notice of Borrowing and of the amount of such Lender's Revolving Credit Pro Rata Share of that Borrowing.

(c) Each Revolving Credit Lender will make the amount of its Revolving Credit Pro Rata Share of each Borrowing of Revolving Credit Loans available to the Administrative Agent for the account of the Borrower at the Administrative Agent's Payment Office by 12:00 p.m. (New York time) on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. The proceeds of all Revolving Credit Loans will then be made available to the Borrower by the Administrative Agent at such office by crediting the account of the Borrower on the books of Chase with the aggregate of the amounts made available to the Administrative Agent by the Revolving Credit Lenders and in like funds as received by the Administrative Agent, unless on the date of the Borrowing all or any portion of the proceeds thereof shall then be required to be applied to the repayment of any outstanding Swingline Loans pursuant to Section 2.17 or the reimbursement of any outstanding drawings under Letters of Credit pursuant to Section 3.3, in which case such proceeds or portion thereof shall be applied to the repayment of such Swingline Loans or the reimbursement of such Letter of Credit drawings, as applicable.

(d) Unless the Majority Lenders shall otherwise agree, in the case of Loans made on the Closing Date, or the Majority Revolving Credit Lenders shall otherwise agree, in the case of Revolving Credit Loans made after the Closing Date, the Borrower may not elect to have a Loan be made as an Offshore Rate Loan during the existence of a Default or Event of Default.

(e) After giving effect to any Borrowing, there may not be more than ten different Interest Periods in effect with respect to all Offshore Rate Loans then outstanding.

2.4. Conversion and Continuation Elections.

(a) The Borrower may, upon irrevocable written notice to the Administrative Agent in accordance with subsection 2.4(b):

(i) elect, as of any Business Day, in the case of Base Rate Loans, or as of the last day of the applicable Interest Period, in the case of Offshore Rate Loans, to convert any such Loans (or any part thereof) in an amount that is not less than (A) $5,000,000, or that is in an integral multiple of $1,000,000 in excess thereof, in the case of Offshore Rate Loans, or (B) $1,000,000, or that is in an integral multiple of $100,000 in excess thereof, in the case of Base Rate Loans, into Loans of any other Type; or

(ii) elect as of the last day of the applicable Interest Period, to continue any Loans having Interest Periods expiring on such day (or any part thereof) in an amount that is not less than (A) $5,000,000, or that is in an integral multiple of $1,000,000 in excess thereof, in the case of Offshore Rate Loans, or (B) $1,000,000, or that is in an integral multiple of $100,000 in excess thereof, in the case of Base Rate Loans, into Loans of the same Type;

provided, that if at any time the aggregate amount of Offshore Rate Loans in respect of any Borrowing is reduced, by payment, prepayment, or conversion of part thereof to be less than $5,000,000, such Offshore Rate Loans shall automatically convert into Base Rate Loans, and on and after such date the right of the Borrower to continue such Loans as, and to convert such Loans into, Offshore Rate Loans shall terminate unless and until the aggregate of all Base Rate Loans exceeds $5,000,000.

(b) The Borrower shall deliver a Notice of Conversion/Continuation (which notice may be delivered telephonically and confirmed in writing on the same day) to be received by the Administrative Agent not later than 1:00 p.m. (New York time) at least (i) three Business Days in advance of the Conversion/Continuation Date, if the Loans are to be converted into or continued as Offshore Rate Loans, and (ii) one Business Day in advance of the Conversion/ Continuation Date, if the Loans are to be converted into Base Rate Loans, specifying:

(A) the proposed Conversion/Continuation Date;

(B) the aggregate amount of the Loans to be converted or renewed;

(C) the Type of Loans resulting from the proposed conversion or continuation; and

(D) other than in the case of conversions into Base Rate Loans, the duration of the requested Interest Period.

(c) The Borrower shall be deemed to have elected to convert Offshore Rate Loans into Base Rate Loans effective as of the expiration date of the Interest Period for such Offshore Rate Loans if, upon the expiration of such Interest Period, (i) the Borrower has failed to select timely a new Interest Period to be applicable to such Offshore Rate Loans, or (ii) if any Default or Event of Default then exists, unless the continuation of such Offshore Rate Loans has been agreed to by the Majority Revolving Credit Lenders, if such Offshore Rate Loans are Revolving Credit Loans, or the Majority Facility B Lenders, if such Offshore Rate Loans are Facility B Term Loans.

(d) The Administrative Agent will promptly notify (i) each Revolving Credit Lender of its receipt of a Notice of Conversion/Continuation with respect to a Revolving Credit Loan and (ii) each Facility B Lender of its receipt of a Notice of Conversion/Continuation with respect to a Facility B Term Loan, or, if no timely notice is provided by the Borrower, the Administrative Agent will promptly notify each such Lender of the details of any automatic conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Loans with respect to which the notice was given held by each Lender.

(e) Unless the Majority Revolving Credit Lenders otherwise agree, in the case of Revolving Credit Loans, or the Majority Facility B Lenders otherwise agree, in the case of Facility B Term Loans, during the existence of a Default or Event of Default, the Borrower may not elect to have a Loan converted into or continued at the end of the applicable Interest Period as an Offshore Rate Loan.

(f) After giving effect to any conversion or continuation of Loans, there may not be more than ten different Interest Periods in effect in respect of all Offshore Rate Loans then outstanding.

2.5. Voluntary Termination or Reduction of Commitments.

The Borrower may, upon not less than five Business Days' prior notice to the Administrative Agent, terminate the Revolving Credit Commitments, or permanently reduce the Revolving Credit Commitments (and, to the extent provided in subsection 2.7(b) and 2.7(d), the L/C Commitment and the Swingline Commitment) by an aggregate minimum amount of $5,000,000 or any multiple of $1,000,000 in excess thereof; unless, after giving effect thereto and to any prepayments of Loans made on the effective date thereof, (a) the Effective Amount of all Revolving Credit Loans, Swingline Loans and L/C Obligations together would exceed the amount of the combined Revolving Credit Commitments then in effect, or (b) the Effective Amount of all L/C Obligations then outstanding would exceed the L/C Commitment. Once reduced in accordance with this Section, neither the Revolving Credit Commitments, the L/C Commitment nor the Swingline Commitment may be increased. Any reduction of the Revolving Credit Commitments shall be applied to each Lender according to its Revolving Credit Pro Rata Share. All accrued commitment fees to the effective date of any termination of the Revolving Credit Commitments shall be paid on the effective date of such termination and all such fees accrued to the effective date of any reduction shall be paid as provided in subsection 2.10(b).

2.6. Optional Prepayments.

(a) Subject to Section 4.4, the Borrower may, at any time or from time to time, upon irrevocable notice (which notice may be delivered telephonically and confirmed in writing on the same day) delivered to the Administrative Agent not later than 1:00 p.m. (New York time) at least three Business Days before such prepayment, in the case of Offshore Rate Loans, and two Business Days, in the case of Facility B Term Loans, and one Business Day, in all other instances, before such prepayment in the case of Base Rate Loans, prepay, at the Borrower's option, Revolving Credit Loans or the Term Loans, or both, in whole or in part, in minimum amounts of (i) $5,000,000 or any multiple of $1,000,000 in excess thereof in the case of Offshore Rate Loans, and (ii) $1,000,000 or any multiple of $100,000 in excess thereof in the case of Base Rate Loans. Such notice of prepayment shall specify (i) the date and amount of such prepayment, (ii) whether such prepayment is of Revolving Credit Loans or the Term Loans, or both, and (iii) whether such prepayment is of Offshore Rate Loans or Base Rate Loans, or any combination thereof. The Administrative Agent will promptly notify each Lender of its receipt of any such notice, and of such Lender's Revolving Credit Pro Rata Share or Facility B Term Pro Rata Share, as applicable, of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment, and the payment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to each such date on the amount prepaid and any amounts required pursuant to Section 4.4.

(b) The Borrower may, at any time or from time to time, repay in whole or in part Swingline Loans in minimum principal amounts of $100,000 or any multiple of $50,000 in excess thereof or, if less, the outstanding principal amount of the Swingline Loans.

2.7. Scheduled Principal Payments; Mandatory Prepayments of Loans; Mandatory Commitment Reductions.

(a) Scheduled Principal Payments.

(i) The Facility B Term Loan shall be payable in quarterly principal installments on the dates and in the amounts set forth below:

<TABLE>
<CAPTION>

Payment Date	Payments
<S>	<C>
September 26, 1998	$500,000
December 26, 1998	$500,000

March 27, 1999	$500,000
June 26, 1999	$500,000
September 25, 1999	$500,000
December 25, 1999	$500,000
March 25, 2000	$500,000
June 24, 2000	$500,000
September 23, 2000	$500,000
December 30, 2000	$500,000
March 31, 2001	$500,000

</TABLE>

<TABLE>
<CAPTION>

Payment Date	Payments
<S>	<C>
September 26, 1998	$ 500,000
June 30, 2001	$ 500,000
September 29, 2001	$ 500,000
December 29, 2001	$ 500,000
March 30, 2002	$ 500,000
June 29, 2002	$ 500,000
September 28, 2002	$ 500,000
December 28, 2002	$ 500,000
March 29, 2003	$ 500,000
June 28, 2003	$ 500,000
September 27, 2003	$12,500,000
December 27, 2003	$12,500,000
March 27, 2004	$12,500,000
June 26, 2004	$12,500,000
September 25, 2004	$22,500,000
December 24, 2004	$22,500,000
March 26, 2005	$22,500,000
May 19, 2005	$22,500,000

</TABLE>

(b) Mandatory Prepayments.

(i) Upon any (A) Event of Loss, or (B) sale or series of related sales of assets by the Borrower or any of its Subsidiaries undertaken pursuant to subsection 8.2(b) or 8.2(c) within any fiscal year, the Borrower shall prepay the Term Loan in an amount equal to 100% of the Net Proceeds of (y) each such Event of Loss, or (z) each such sale if and to the extent that Net Proceeds generated by such Event of Loss or sale or series of related sales of assets exceeds $500,000 in the aggregate for all such sales or Events of Loss in any fiscal year; provided, however, that no such prepayment shall be required to the extent, in each case, that such Net Proceeds are used within 180 days of receipt thereof by the Borrower or any of its Subsidiaries to purchase assets or finance a Permitted Acquisition or restore the property affected by such Event of Loss or sale or disposition, and (1) in the case of an Event of Loss pursuant to clause (A) above, any such purchase of assets or Permitted Acquisition shall, in the case of a purchase of assets that does not constitute an Acquisition, be in a business or businesses permitted by Section 8.18, and, in the case of a purchase of assets that constitutes a Permitted Acquisition, such transaction shall comply with subsection 8.4(e), and (2) in the case of a sale pursuant to clause (B) above, such sale otherwise is permitted by subsection 8.2(c)(iii). Any prepayment pursuant to this subsection 2.7(b)(i) shall not be subject to the minimum amount provisions of Section 2.6.

(ii) Upon receipt by the Borrower or any of its Subsidiaries or Holdings, the Borrower shall prepay the Term Loan in an amount equal to 50% of the proceeds (net of underwriting discounts and commissions or placement fees, investment banking fees, legal fees, accounting fees, and other customary fees, commissions, expenses and costs associated therewith) of any sale of equity securities (but not

including the exercise of any warrants attached to equity securities issued by Holdings) by the Borrower or any of its Subsidiaries or Holdings; provided, however, that no such prepayment shall be required with respect to any equity securities issued by (A) any Subsidiary of the Borrower to the Borrower or another Subsidiary of the Borrower, (B) the Borrower or any of its Subsidiaries to purchase, redeem or otherwise acquire shares of its common stock in a transaction permitted by subsection 8.10(c), (C) Holdings to purchase, redeem or otherwise acquire its outstanding equity securities, (D) Holdings in connection with sales of stock to directors, employees or officers of the Borrower, the Borrower's Subsidiaries, or Holdings, as part of a compensation arrangement, or pursuant to stock purchase plans or stock options plans for directors, employees or officers of the Borrower, the Borrower's Subsidiaries, or Holdings, (E) Holdings to affiliates of Bain and Company, (F) Holdings in an aggregate amount during the term of this Agreement not to exceed $35,000,000 plus an additional $5,000,000 for each anniversary of the Closing Date that has occurred at the time of determination, the proceeds of which are used either (x) as consideration for a Permitted Acquisition within 90 days after such issuance, or (y) as consideration for a Special Investment as long as the aggregate amount of such proceeds employed for Special Investments does not exceed $20,000,000 and any such proceeds in excess of $5,000,000 are so applied within 90 days after such issuance and all such proceeds are so applied within two years after such issuance or (G) Holdings in satisfaction of Section 5.1(n). Any prepayment pursuant to this subsection 2.7(b)(ii) shall not be subject to the minimum amount provisions of Section 2.6.

(iii) Upon receipt by the Borrower or any of its Subsidiaries or Holdings, the Borrower shall prepay the Term Loan in an amount equal to 100% of the proceeds (net of underwriting discounts and commissions or placement fees, investment banking fees, legal fees, accounting fees, and other customary fees, commissions, expenses and costs associated therewith) of any sale of debt securities or incurrence of Indebtedness by the Borrower or any of its Subsidiaries or Holdings; provided, however, that no such prepayment shall be required with respect to any debt securities issued or Indebtedness incurred pursuant to Section 8.5 as such Section is in effect on the Closing Date. Any prepayment pursuant to this subsection 2.7(b)(iii) shall not be subject to the minimum amount provisions of Section 2.6.

(iv) Within 105 days after the end of each fiscal year commencing with the fiscal year of the Borrower ending June 1999, the Borrower shall prepay the Term Loans in an amount equal to the Excess Cash Flow Percentage of the Excess Cash Flow for such fiscal year, as calculated based upon the financial data

contained in the Borrower's annual audited financial statements delivered pursuant to subsection 7.1(a) and the Excess Cash Flow Certificate delivered on that date pursuant to subsection 7.1(e).

(v) Prepayments of the Term Loans pursuant to subsections 2.7(a) and 2.7(b)(i), 2.7(b)(ii), 2.7(b)(iii) or 2.7(b)(iv) shall be applied first to prepay any Term Loans constituting Base Rate Loans or matured Offshore Rate Loans, as selected by the Borrower, and second, at the Borrower's option, to Cash Collateralize (which cash collateral shall be applied on the maturity date of their Interest Periods to prepay their outstanding Offshore Rate Loans in order of their maturities) (which option to Cash Collateralize will not be available to the Borrower if an Event of Default exists) or to prepay such Term Loans constituting Offshore Rate Loans (in the order of the maturity of their Interest Periods).

(vi) If on any date the Effective Amount of L/C Obligations exceeds the L/C Commitment, the Borrower shall Cash Collateralize on such date the outstanding Letters of Credit in an amount equal to such excess (such cash collateral to be released if and when such excess no longer exists).

(vii) Subject to Section 4.4, if on any date the Effective Amount of all Revolving Credit Loans, Swingline Loans and L/C Obligations, minus the Effective Amount of any Loans or L/C

Obligations Cash Collateralized pursuant to the preceding clauses (v) and (vi), exceeds the combined Revolving Credit Commitments, the Borrower shall immediately, and without notice or demand, prepay the outstanding principal amount of the Revolving Credit Loans, Swingline Loans and L/C Borrowings by an amount equal to the applicable excess. Any such prepayment shall be applied first, to any L/C Borrowings, second, to prepay Swingline Loans, third, to any Revolving Credit Loans constituting Base Rate Loans or matured Offshore Rate Loans, as selected by the Borrower, and fourth, at the Borrower's option, to Cash Collateralize (which cash collateral shall be applied on the maturity date of their Interest Periods to prepay their outstanding Offshore Rate Loans in order of their maturities) or to prepay Offshore Rate Loans (in the order of the maturity of their Interest Periods).

(viii) If following any reduction of the Swingline Commitment pursuant to subsection 2.7(d)(ii) the aggregate outstanding principal amount of Swingline Loans would exceed the Swingline Commitment as reduced, the Borrower shall prepay on the reduction date the outstanding principal amount of the Swingline Loans in an amount equal to the excess of the Swingline Loans over the Swingline Commitment.

(ix) The Borrower shall repay the Revolving Credit Loans and Swingline Loans from time to time so as to cause (A) at the end of any calendar month ending on or before June 2001 and on or after the end of May, 1999 there to have been a period of at least 30 consecutive days during the prior 12 calendar months when the Effective Amount of Revolving Credit Loans, L/C Obligations, and

Swingline Loans did not exceed $50,000,000; and (B) at the end of any calendar month ending thereafter there to have been a period of at least 30 consecutive days during the prior 12 calendar months when the Effective Amount of Revolving Credit Loans, L/C Obligations, and Swingline Loans did not exceed $25,000,000.

(c) Any prepayments of the Term Loans pursuant to Section 2.6 or subsection 2.7(b)(i), 2.7(b)(ii), 2.7(b)(iii) or 2.7(b)(iv) shall be applied on a pro rata basis to the remaining scheduled principal payments thereunder; provided, however, that any optional prepayments thereof pursuant to Section 2.6 shall, at the Borrower's option, first be applied to reduce in full any scheduled payments thereof occurring within the twelve month period following such optional prepayment, beginning with the next scheduled principal payment due after the date of such optional prepayment. In connection with the foregoing, the Administrative Agent shall inform each Facility B Lender of any prepayment of the Facility B Term Loans promptly after receiving notice thereof from the Borrower.

(d) Mandatory Commitment Reductions.

(i) No reduction in the combined Revolving Credit Commitments pursuant to Sections 2.5 or 2.7 shall reduce the L/C Commitment unless and until the combined Revolving Credit Commitments have been reduced to the amount of the L/C Commitment; thereafter, any reduction in the combined Revolving Credit Commitments pursuant to Sections 2.5 or 2.7 shall equally reduce the L/C Commitment.

(ii) No reduction in the combined Revolving Credit Commitments pursuant to Sections 2.5 or 2.7 shall reduce the Swingline Commitment unless and until the combined Revolving Credit Commitments have been reduced to the amount of the Swingline Commitment; thereafter, any reduction in the combined Revolving Credit Commitments pursuant to Sections 2.5 or 2.7 shall equally reduce the Swingline Commitment.

(e) General. The Borrower shall pay, together with each prepayment under this Section 2.7, accrued interest on the amount prepaid and any amounts required pursuant to Section 4.4.

2.8. [RESERVED]

2.9. Interest.

(a) Subject to subsection 2.9(c), each Loan (other than Swingline

Loans) shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the Offshore Rate or the Base Rate, as the case may be (and subject to the Borrower's right to convert to other Types of Loans under Section 2.4), plus the Applicable Margin.

(b) The Borrower shall pay interest on each Loan and each Swingline Loan in arrears on each Interest Payment Date. Interest shall also be paid on the date of any prepayment of Loans under Section 2.6 or 2.7 for the portion of the Loans so prepaid and upon payment (including prepayment) in full thereof and, during the existence of any Event of Default, interest shall be paid on demand of the Administrative Agent at the request or with the consent of the Majority Lenders.

(c) Notwithstanding subsection (a) of this Section, while any Event of Default exists or after acceleration, the Borrower shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all Obligations then due and payable, at a rate per annum which is determined by adding 2% per annum to the Applicable Margin then used to compute the interest rate for such Loans and, in the case of Obligations not subject to an Applicable Margin, at a rate per annum equal to the Base Rate plus 3.0%; provided, however, that, on and after the expiration of any Interest Period applicable to any Offshore Rate Loan outstanding on the date of occurrence of such Event of Default or acceleration, the principal amount of such Offshore Rate Loan shall, during the continuance of such Event of Default or after acceleration, bear interest at a rate per annum equal to the Base Rate, plus the Applicable Margin for Base Rate Loans, plus 2%.

(d) Anything herein to the contrary notwithstanding, the obligations of the Borrower to any Lender hereunder shall be subject to the limitation that payments of interest shall not be required for any period for which interest is computed hereunder to the extent (but only to the extent) that contracting for or receiving such payment by such Lender would be contrary to the provisions of any law applicable to such Lender limiting the Highest Lawful Rate of interest that may be contracted for, charged or received by such Lender, and in such event the Borrower shall pay such Lender interest at the Highest Lawful Rate.

2.10. Fees.

In addition to certain fees described in Section 3.8:

(a) Other Fees. The Borrower shall pay to the Administrative Agent for its own account and for the account of Chase and BofA the fees as separately agreed to in the letter agreement among Chase, CSI, BofA and BARS dated April 6, 1998 (the "Other Fee Letter") in the amount and at the times as set forth therein.

(b) Commitment Fees. The Borrower shall pay to the Administrative Agent for the account of each Revolving Credit Lender a commitment fee on the average daily unused portion of such Revolving Credit Lender's Revolving Credit Commitment, computed on a quarterly basis in arrears on the last Business Day of each calendar quarter based upon the daily utilization for that quarter as calculated by the Administrative Agent, equal to the Commitment Fee Percentage. For purposes of calculating utilization under this Section, (i) the combined Revolving Credit Commitments shall be deemed used to the extent of the Effective Amount of Revolving Credit Loans then outstanding, plus the Effective Amount of L/C Obligations, and (ii) the making of any Swingline Loan shall not be considered a use of any Revolving Credit Commitment. Such commitment fee shall accrue from the Closing Date to the Revolving

Termination Date, and shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter commencing on the first such day after this Agreement is executed by the Borrower through the Revolving Termination Date, with the final payment to be made on the Revolving Termination Date; provided, that, in connection with any termination of the combined Revolving Credit Commitments under Section 2.5 or Section 2.7, the accrued commitment fee calculated for the period ending on such date shall also be paid on the date of such termination. The commitment fees provided in this Section shall accrue at all times after the above-mentioned commencement date, including at any time during which one or more conditions in Article V are not met.

2.11. Computation of Fees and Interest.

(a) All computations of interest for Base Rate Loans shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of interest and fees hereunder shall be made on the basis of a 360-day year and actual days elapsed. Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof to the last day thereof.

(b) Each determination of an interest rate by the Administrative Agent shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent will, at the request of the Borrower or any Lender, promptly deliver to the Borrower or such Lender, as the case may be, a statement showing the quotations used by the Administrative Agent in determining any interest rate and the resulting interest rate.

2.12. Payments by the Borrower.

(a) All payments to be made by the Borrower shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided herein, all payments by the Borrower shall be made to the Administrative Agent for the account of the Lenders at the Administrative Agent's Payment Office, and shall be made in Dollars and in immediately available funds, no later than 1:00 p.m. (New York time) on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Revolving Credit Pro Rata Share or Facility B Term Pro Rata Share, as applicable, (or other applicable share as expressly provided herein) of such payment in like funds as received. Any payment received by the Administrative Agent later than 1:00 p.m. (New York time) shall be deemed to have been received on the following Business Day, and any applicable interest or fee shall continue to accrue.

(b) The Borrower hereby authorizes the Administrative Agent to charge the Borrower's accounts with the Administrative Agent in order to cause timely payment to be made to the Administrative Agent of all principal, interest, fees and expenses due and payable under the Loan Documents other than with respect to any Hedging Obligations (subject to (i) sufficient funds being available in such accounts for that purpose, and (ii) in the case of principal, interest and fees, receipt of notice of such intended charge on the Business Day immediately preceding such charge and, in the case of expenses, receipt of at least 20 days' prior notice of such expenses). No such debit under this Section shall be deemed a set-off.

(c) Subject to the proviso set forth in the definition of "Interest Period" herein, whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be, but for determining compliance with Sections 8.14 through 8.17, such payment will be deemed made on the immediately preceding Business Day.

(d) Unless the Administrative Agent receives notice from the Borrower before the date on which any payment is due to the Lenders that the Borrower will not make such payment in full as and when required, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date in immediately available funds, and the Administrative Agent may (but shall not be required to), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower has not made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent on demand such amount distributed to such Lender, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Lender until the date repaid.

2.13. Payments by the Lenders to the Administrative Agent.

(a) Unless the Administrative Agent receives notice from a Lender on or before the Closing Date or, with respect to any Borrowing after the Closing Date, at least one Business Day before the date of such Borrowing, that such Lender will not make available as and when required hereunder to the Administrative Agent for the account of the Borrower the amount of that Lender's Revolving Credit Pro Rata Share or Facility B Term Pro Rata Share, as applicable, of the Loans to be made, the Administrative Agent may assume that

each Lender has made such amount available to the Administrative Agent in immediately available funds on the Borrowing Date, and the Administrative Agent may (but shall not be required to), in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent any Lender (a "Defaulting Lender") shall not have made its full amount available to the Administrative Agent in immediately available funds and the Administrative Agent in such circumstances has made available to the Borrower such amount, that Lender shall, on the Business Day following the Borrowing Date, make such amount available to the Administrative Agent, together with interest at the Federal Funds Rate for each day during such period. A notice of the Administrative Agent submitted to any Lender with respect to amounts owing under this subsection 2.13(a) shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Administrative Agent shall constitute such Lender's Loan on the Borrowing Date for all purposes of this Agreement. If such amount is not made available to the Administrative Agent on the Business Day following the Borrowing Date, the Administrative Agent will notify the Borrower of such failure to fund and, upon demand by the Administrative Agent, the Borrower shall pay such amount to the Administrative Agent for the Administrative Agent's account, together with interest thereon for each day elapsed since the date such Loan(s) were made, at a rate per annum equal to the interest rate applicable at the time to such Loans.

(b) The failure of any Lender to make any Loan on any Borrowing Date shall not relieve any other Lender of any obligation hereunder to make a Loan on such Borrowing Date, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on any Borrowing Date.

2.14. Sharing of Payments, Etc.

If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its percentage of outstanding Loans, such Lender shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Lenders such participations in the Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment pro rata with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender, such purchase shall to that extent be rescinded, and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 11.9) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section, and will in each case notify the Lenders following any such purchases or repayments.

2.15. Security.

All obligations of the Borrower under this Agreement and all other Loan Documents shall be secured in accordance with the Collateral Documents.

2.16. Quarterly Adjustments.

If the Borrower shall have failed to deliver the financial reports pursuant to subsection 7.1(b) and the certificate pursuant to subsection 7.2(b) on a timely basis and if, when delivered with respect to any fiscal quarter, such financial reports and certificate indicate that the Applicable Margin, the Commitment Fee Percentage and the Letter of Credit Rate for any period after such failure should have been higher than the Applicable Margin, the Commitment Fee Percentage and the Letter of Credit Rate assumed after such period pursuant to the definitions of such terms by virtue of such failure, and the interest or fee that would have been collected hereunder based upon the actual Applicable Margin, the Commitment Fee Percentage and the Letter of Credit Rate had such failure not occurred exceeds the interest or fee actually collected hereunder,

then the Borrower shall pay, on or before the third Business Day after delivery of such financial reports and certificate, an amount equal to such excess.

2.17. Swingline Loans.

(a) Subject to the terms and conditions hereof, the Swingline Lender agrees to make a portion of the combined Revolving Credit Commitments available to the Borrower by making swingline loans (individually, a "Swingline Loan"; collectively, the "Swingline Loans") to the Borrower on any Business Day from the Closing Date to the Revolving Termination Date in accordance with the procedures set forth in this Section in an aggregate principal amount at any one time outstanding not to exceed $8,000,000, notwithstanding the fact that such Swingline Loans, when aggregated with the Swingline Lender's outstanding Revolving Credit Loans, may exceed the Swingline Lender's Revolving Credit Commitment (the amount of such commitment of the Swingline Lender to make Swingline Loans to the Borrower pursuant to this subsection 2.17(a), as the same shall be reduced pursuant to subsection 2.7(d) or as a result of any assignment pursuant to Section 11.8 is referred to herein as the Swingline Lender's "Swingline Commitment"); provided, that at no time shall (i) the sum of the Effective Amount of all Swingline Loans, plus the Effective Amount of all Revolving Credit Loans, plus the Effective Amount of all L/C Obligations exceed the combined Revolving Credit Commitments, or (ii) the Effective Amount of all Swingline Loans exceed the Swingline Commitment; and provided, further, that the Swingline Commitment is a part of the combined Revolving Credit Commitments, rather than a separate, independent commitment. Except as otherwise provided in subsection 2.9(c), all Swingline Loans shall at all times bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin for Base Rate Loans. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrower may borrow under this subsection 2.17(a), prepay pursuant to Section 2.6, and reborrow pursuant to this subsection 2.17(a).

(b) The Borrower shall provide the Administrative Agent (with a copy to the Swingline Lender) irrevocable written notice (which notice may be delivered telephonically and confirmed by facsimile on the same day) in the form of a Notice of Borrowing of any Swingline Loan requested hereunder (which notice must be received by the Swingline Lender and the Administrative Agent before 3:00 p.m. (New York time) on the requested Borrowing Date) specifying (i) the amount to be borrowed, and (ii) the requested Borrowing Date, which must be a Business Day.

Upon receipt of the Notice of Borrowing, the Swingline Lender will immediately confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of the Notice of Borrowing from the Borrower and, if not, the Swingline Lender will provide the Administrative Agent with a copy thereof. Unless the Swingline Lender has received notice before 3:00 p.m. (New York time) on such Borrowing Date from the Administrative Agent (A) directing the Swingline Lender not to make the requested Swingline Loan as a result of the limitations set forth in the first proviso contained in subsection 2.17(a), or (B) that the Majority Revolving Credit Lenders have determined one or more of the conditions specified in Article V are not then satisfied, then, subject to the terms and conditions hereof, the Swingline Lender will, by the close of business in New York on the Borrowing Date specified in such Notice, make the amount of its Swingline Loan available to the Administrative Agent for the account of the Borrower at the Administrative Agent's Payment Office in funds immediately available to the Administrative Agent. The proceeds of such

Swingline Loan will then be made available to the Borrower by the Administrative Agent crediting the account of the Borrower on the books of Chase with the aggregate of the amounts made available to the Administrative Agent by the Swingline Lender and in like funds as received by the Administrative Agent. Each Borrowing pursuant to this subsection 2.17(b) shall be in an aggregate principal amount equal to $100,000 or an integral multiple of $50,000 in excess thereof, unless otherwise agreed by the Swingline Lender.

(c) If any Swingline Loans shall remain outstanding during the existence of a Default or Event of Default and the Swingline Lender shall in its sole discretion notify the Administrative Agent that the Swingline Lender desires that such Swingline Loans be converted into Revolving Credit Loans, then

the Administrative Agent shall be deemed to have received a Notice of Borrowing from the Borrower pursuant to Section 2.3 requesting that Base Rate Revolving Credit Loans be made pursuant to Section 2.1 on the first Business Day after the date of such notice from the Swingline Lender, and the Revolving Credit Lenders shall make such Revolving Credit Loans, notwithstanding the Borrower's failure to comply with the conditions contained in subsections 5.3(b) and 5.3(c), and notwithstanding any limitations on minimum or integral borrowing amounts contained herein, in an amount equal to the aggregate principal amount of such Swingline Loans, and the Revolving Credit Lenders shall follow the procedures set forth in subsections 2.3(b) and 2.3(c) in making such Base Rate Revolving Credit Loans; provided, that if a Borrowing of Revolving Credit Loans becomes, as determined by the Administrative Agent, legally impracticable, or if an Event of Default under Section 9.1(f) or 9.1(g) has occurred, and if the Swingline Lender so requests, each Revolving Credit Lender agrees that in lieu of making Revolving Credit Loans as described in this subsection 2.17(c), such Lender shall purchase a participation from the Swingline Lender in the applicable Swingline Loans in an amount equal to such Lender's Revolving Credit Pro Rata Share of such Swingline Loans, and the Revolving Credit Lender shall follow the procedures set forth in subsections 2.3(b) and 2.3(c) in connection with the purchases of such participations. The proceeds of such Base Rate Revolving Credit Loans, or participations purchased, shall be applied to repay such Swingline Loans. If any Revolving Credit Lender so notified fails to make available to the Administrative Agent for the account of the Swingline Lender the amount of such Lender's Revolving Credit Pro Rata Share of the amount of the Revolving Credit Loans or participation, as applicable, by no later than 3:00 p.m. (New York time) on the date due, then interest shall accrue on such Revolving Credit Lender's obligation to make such payment, from such date to the date such Revolving Credit Lender makes such payment, at a rate per annum equal to the Federal Funds Rate in effect from time to time during such period. A copy of each notice given by the Administrative Agent to the Revolving Credit Lenders pursuant to this subsection 2.17(c) with respect to the making of Revolving Credit Loans, or the purchases of participations, shall be promptly delivered by the Administrative Agent to the Borrower. Each Revolving Credit Lender's obligation in accordance with this Agreement to make the Revolving Credit Loans, or purchase the participations, as contemplated by this subsection 2.17(c), shall be absolute, irrevocable, and unconditional and shall not be affected by any circumstance, including (i) any set-off, counterclaim, recoupment, defense or other right which such Revolving Credit Lender may have against the Swingline Lender, the Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default, an Event of Default or a Material Adverse Effect, or (iii) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(d) If the Administrative Agent or the Swingline Lender is required at any time to return to the Borrower, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by the Borrower to the Administrative Agent for the account of the Swingline Lender pursuant to subsection 2.7(b) or 2.8(c), or any interest thereon, each Revolving Credit Lender shall, on demand of the Administrative Agent, forthwith return to the Administrative Agent or the Swingline Lender the amount of its Revolving Credit Pro Rata Share of any amounts so returned by the Administrative Agent or the Swingline Lender, plus interest thereon from the date such demand is made to the date such amounts are returned by such Revolving Credit Lender to the Administrative Agent or the Swingline Lender at a rate per annum equal to the Federal Funds Rate in effect from time to time.

ARTICLE III

THE LETTERS OF CREDIT

3.1. The Letter of Credit Subfacility.

(a) On the terms and conditions set forth herein (i) the Issuing Bank agrees, (A) from time to time on any Business Day from the Closing Date to the Revolving Termination Date to issue Letters of Credit for the account of the Borrower, and to amend or renew Letters of Credit previously issued by it in accordance with subsections 3.2(c) and 3.2(d), and (B) to honor drafts under the Letters of Credit; and (ii) the Revolving Credit Lenders severally agree to participate in Letters of Credit Issued for the account of the Borrower; provided, however, that the Issuing Bank shall not be obligated to Issue, and no Revolving Credit Lender shall be obligated to participate in, any Letter of

Credit if as of the date of Issuance of such Letter of Credit (the "Issuance Date") (1) the Effective Amount of all L/C Obligations, Revolving Credit Loans and Swingline Loans exceeds the combined Revolving Credit Commitments, (2) the participation of any Revolving Credit Lender in the Effective Amount of all L/C Obligations plus the Effective Amount of the Revolving Credit Loans of such Revolving Credit Lender exceeds such Revolving Credit Lender's Revolving Credit Commitment, or (3) the Effective Amount of L/C Obligations exceeds the L/C Commitment. All Letters of Credit shall be allocated to the Revolving Credit Commitments. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and, accordingly, the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit which have expired or which have been drawn upon and reimbursed.

(b) The Issuing Bank is under no obligation to Issue any Letter of Credit if at the time of request for such Issuance:

(i) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the Issuing Bank from Issuing such Letter of Credit, or any Requirement of Law applicable to the Issuing Bank or any directive (whether or not having the force of law) from any

Governmental Authority with jurisdiction over the Issuing Bank shall prohibit, or request that the Issuing Bank refrain from, the Issuance of letters of credit generally or such Letter of Credit in particular, or shall impose upon the Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the Issuing Bank is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the Issuing Bank in good faith deems material to it;

(ii) the Issuing Bank has received written notice from the Majority Revolving Credit Lenders, the Administrative Agent or the Borrower, on or before the Business Day before the requested date of Issuance of such Letter of Credit, that one or more of the applicable conditions contained in Article V is not then satisfied;

(iii) the expiry date of any requested Letter of Credit is less than 5 Business Days before the Revolving Termination Date, or the expiry date of any commercial Letter of Credit is more than 360 days after Issuance thereof, unless in either case all of the Revolving Credit Lenders have approved such expiry date in writing;

(iv) any requested Letter of Credit does not provide for drafts, or is not otherwise in form and substance reasonably acceptable to the Issuing Bank, or the Issuance of a Letter of Credit may violate any policies of the Issuing Bank applicable to customers similar to the Borrower and credits of a type similar to the transactions contemplated by this Agreement;

(v) such Letter of Credit is to be denominated in a currency other than Dollars; or

(vi) the requested Letter of Credit provides for payment thereunder sooner than the Business Day following the presentation to the Issuing Bank of the documentation required thereunder.

3.2. Issuance, Amendment and Renewal of Letters of Credit.

(a) Each Letter of Credit shall be Issued upon the irrevocable written request of the Borrower received by the Issuing Bank (with a copy sent by the Borrower to the Administrative Agent) at least three days (or such shorter time as the Issuing Bank may agree in a particular instance in its sole discretion) before the proposed date of Issuance. Each such request for Issuance of a Letter of Credit shall be made by an original writing or by facsimile, confirmed immediately in an original writing, in the form of an L/C Application, and shall specify in form and detail reasonably satisfactory to the Issuing Bank: (i) the proposed date of Issuance of the Letter of Credit (which shall be a Business Day); (ii) the face amount of the Letter of Credit; (iii) the expiry

date of the Letter of Credit; (iv) the name and address of the beneficiary thereof; (v) the documents to be presented by the beneficiary of the Letter of Credit

in case of any drawing thereunder; (vi) the full text of any certificate to be presented by the beneficiary in case of any drawing thereunder; and (vii) such other matters as the Issuing Bank reasonably requires.

(b) At least two Business Days before the Issuance of any Letter of Credit, the Issuing Bank will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of the L/C Application or L/C Amendment Application from the Borrower and, if not, the Issuing Bank will provide the Administrative Agent with a copy thereof. Unless the Issuing Bank has received notice on or before the Business Day immediately preceding the date the Issuing Bank is to issue a requested Letter of Credit from the Administrative Agent directing the Issuing Bank not to issue such Letter of Credit because such issuance is not then permitted under subsection 3.1(a) as a result of the limitations set forth in clauses (1) through (3) thereof or subsection 3.1(b)(ii); then, subject to the terms and conditions hereof, the Issuing Bank shall, on the requested date, issue a Letter of Credit for the account of the Borrower in accordance with the Issuing Bank=s usual and customary business practices.

(c) From time to time while a Letter of Credit is outstanding and before the Revolving Termination Date, the Issuing Bank will, upon the written request of the Borrower received by the Issuing Bank (with a copy sent by the Borrower to the Administrative Agent) at least three days (or such shorter time as the Issuing Bank may agree in a particular instance in its sole discretion) before the proposed date of amendment, amend any Letter of Credit issued by it. Each such request for amendment of a Letter of Credit shall be made by an original writing or by facsimile, confirmed promptly in an original writing, made in the form of an L/C Amendment Application and shall specify in form and detail reasonably satisfactory to the Issuing Bank:

(i) the Letter of Credit to be amended;

(ii) the proposed date of amendment of such Letter of Credit (which shall be a Business Day);

(iii) the nature of the proposed amendment; and

(iv) such other matters as the Issuing Bank reasonably requires.

The Issuing Bank shall be under no obligation to amend any Letter of Credit if: (A) the Issuing Bank would have no obligation at such time to Issue such Letter of Credit in its amended form under the terms of this Agreement; or (B) the beneficiary of any such Letter of Credit does not accept the proposed amendment to the Letter of Credit.

(d) The Issuing Bank and the Revolving Credit Lenders agree that, while a Letter of Credit is outstanding and before the Revolving Termination Date, at the option of the Borrower and upon the written request of the Borrower received by the Issuing Bank (with a copy sent by the Borrower to the Administrative Agent) at least three days (or such shorter time as the Issuing Bank may agree in a particular instance in its sole discretion) before the proposed date of notification of renewal, the Issuing Bank shall be entitled to authorize the automatic

renewal of any Letter of Credit issued by it. Each such request for renewal of a Letter of Credit shall be made by an original writing or by facsimile, confirmed promptly in an original writing, in the form of an L/C Amendment Application, and shall specify in form and detail reasonably satisfactory to the Issuing Bank:

(i) the Letter of Credit to be renewed;

(ii) the proposed date of notification of renewal of such Letter of Credit (which shall be a Business Day);

(iii) the revised expiry date of such Letter of Credit; and

(iv) such other matters as the Issuing Bank may require.

The Issuing Bank shall be under no obligation to renew any Letter of Credit if the Issuing Bank would have no obligation at such time to Issue or amend such Letter of Credit in its renewed form under the terms of this Agreement. If any outstanding Letter of Credit shall provide that it shall be automatically renewed unless the beneficiary thereof receives notice from the Issuing Bank that such Letter of Credit shall not be renewed, and if at the time of renewal the Issuing Bank would be entitled to authorize the automatic renewal of such Letter of Credit in accordance with this subsection 3.2(d) upon the request of the Borrower, but the Issuing Bank has not received any L/C Amendment Application or other written direction from the Borrower with respect to such renewal, the Issuing Bank shall nonetheless be permitted to allow such Letter of Credit to renew, and the Borrower and the Revolving Credit Lenders hereby authorize such renewal, and, accordingly, the Issuing Bank shall be deemed to have received an L/C Amendment Application from the Borrower requesting such renewal.

(e) The Issuing Bank may, at its election (or as required by the Administrative Agent at the direction of the Majority Revolving Credit Lenders), deliver any notices of termination or other communications permitted under any Letter of Credit to any Letter of Credit beneficiary or transferee, and take any other action permitted under any Letter of Credit as is necessary or appropriate, at any time and from time to time, in order to cause the expiry date of such Letter of Credit to be a date not later than 5 Business Days before the Revolving Termination Date.

(f) This Agreement shall control in the event of any conflict with any L/C-Related Document (other than, as between the beneficiary and the Issuing Bank, any Letter of Credit).

(g) The Issuing Bank will also deliver to the Administrative Agent, concurrently or promptly following its delivery of a Letter of Credit, or amendment to or renewal of a Letter of Credit, to an advising bank or a beneficiary, a true and complete copy of each such Letter of Credit or amendment to or renewal of a Letter of Credit, together with the Issuing Bank's classification of such Letter of Credit as a commercial, performance, or financial letter of credit for regulatory reporting purposes. The Administrative Agent shall promptly forward to each Lender such notice and a copy of such Letter of Credit, amendment, or renewal.

3.3. Risk Participations, Drawings and Reimbursements.

(a) Immediately upon the Issuance of each Letter of Credit, each Revolving Credit Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Issuing Bank a participation in such Letter of Credit and each drawing thereunder in an amount equal to the product of (i) the Revolving Credit Pro Rata Share of such Revolving Credit Lender, multiplied by (ii) the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing, respectively. For purposes of Section 2.1, each Issuance of a Letter of Credit shall be deemed to utilize the Revolving Credit Commitment of each Revolving Credit Lender by an amount equal to the amount of such participation.

(b) In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, the Issuing Bank will promptly notify the Borrower. The Borrower shall reimburse the Issuing Bank, directly or with the proceeds of a Revolving Credit Loan, before 12:00 p.m. (New York time), on each date that any amount is paid by the Issuing Bank under any Letter of Credit (each such date, an "Honor Date"), in an amount equal to the amount so paid by the Issuing Bank. In the event the Borrower fails to reimburse the Issuing Bank for the full amount of any drawing under any Letter of Credit by 12:00 p.m. (New York time) on the Honor Date, the Issuing Bank will promptly notify the Administrative Agent and the Administrative Agent will promptly notify each Revolving Credit Lender thereof, and the Borrower shall be deemed to have requested that Base Rate Revolving Credit Loans be made by the Revolving Credit Lenders to be disbursed on the Honor Date under such Letter of Credit, subject to the amount of the unutilized portion of the combined Revolving Credit

Commitments and subject to the conditions set forth in Section 5.3, but without regard to minimum borrowing and integral amount limitations contained herein. Any notice given by the Issuing Bank or the Administrative Agent pursuant to this subsection 3.3(b) may be oral if promptly confirmed in writing (including by facsimile); provided, that the lack of such a prompt confirmation shall not affect the conclusiveness or binding effect of such notice. Notwithstanding the Borrower's unconditional obligation to reimburse the Issuing Bank hereunder, no Event of Default pursuant to subsection 9.1(a) shall be deemed to have occurred unless the Issuing Bank shall have notified the Borrower one Business Day prior to the Honor Date of such request for a drawing.

(c) Each Revolving Credit Lender shall upon any notice from the Administrative Agent pursuant to the third sentence of subsection 3.3(b) make available to the Administrative Agent for the account of the Issuing Bank an amount in Dollars and in immediately available funds equal to its Revolving Credit Pro Rata Share of the amount of the unreimbursed drawing, whereupon the participating Revolving Credit Lenders shall (subject to subsection 3.3(d)) each be deemed to have made a Revolving Credit Loan consisting of a Base Rate Revolving Credit Loan to the Borrower in that amount. If any Revolving Credit Lender so notified fails to make available to the Administrative Agent for the account of the Issuing Bank the amount of such Revolving Credit Lender's Revolving Credit Pro Rata Share of the amount of the drawing by no later than 12:00 p.m. (New York time) on the Honor Date, then interest shall accrue on such Revolving Credit Lender's obligation to make such payment, from the Honor Date to the date such Revolving Credit Lender makes such payment, at a rate per annum equal to the Federal Funds Rate in effect from time to time during such period. The Administrative Agent will promptly give notice of the occurrence of the Honor Date, but failure of the

Administrative Agent to give any such notice on the Honor Date or in sufficient time to enable any Revolving Credit Lender to effect such payment on such date shall not relieve such Revolving Credit Lender from its obligations under this Section 3.3.

(d) With respect to any unreimbursed drawing that is not converted into Revolving Credit Loans consisting of Base Rate Revolving Credit Loans to the Borrower, in whole or in part, because of the Borrower's failure to satisfy the conditions set forth in Section 5.3 or for any other reason, the Borrower shall be deemed to have incurred from the Issuing Bank an L/C Borrowing in the amount of such drawing, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin for the first Business Day following notice to the Borrower of a request for a drawing, and thereafter at the Base Rate plus 3.50%, and each Revolving Credit Lender's payment to the Issuing Bank pursuant to subsection 3.3(c) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Revolving Credit Lender in satisfaction of its participation obligation under this Section 3.3.

(e) Each Revolving Credit Lender's obligation in accordance with this Agreement to make the Revolving Credit Loans or L/C Advances, as contemplated by this Section 3.3, as a result of a drawing under a Letter of Credit, shall be absolute, irrevocable, and unconditional and without recourse to the Issuing Bank and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Revolving Credit Lender may have against the Issuing Bank, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default, an Event of Default or a Material Adverse Effect; or (iii) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; provided, however, that each Revolving Credit Lender's obligation to make Revolving Credit Loans under this Section 3.3 is subject to the conditions set forth in Section 5.3.

3.4. Repayment of Participations.

(a) Upon (and only upon) receipt by the Administrative Agent for the account of the Issuing Bank of immediately available funds from the Borrower (i) in reimbursement of any payment made by the Issuing Bank under the Letter of Credit with respect to which any Revolving Credit Lender has paid the Administrative Agent for the account of the Issuing Bank for such Revolving Credit Lender's participation in the Letter of Credit pursuant to Section 3.3, or (ii) in payment of interest thereon, the Administrative Agent will pay to

each Revolving Credit Lender, in the same funds as those received by the Administrative Agent for the account of the Issuing Bank, the amount of such Revolving Credit Lender's Revolving Credit Pro Rata Share of such funds, and the Issuing Bank shall receive the amount of the Revolving Credit Pro Rata Share of such funds of any Revolving Credit Lender that did not so pay the Administrative Agent for the account of the Issuing Bank.

(b) If the Administrative Agent or the Issuing Bank is required at any time to return to the Borrower, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by the Borrower to the Administrative

Agent for the account of the Issuing Bank pursuant to subsection 3.4(a) in reimbursement of a payment made under a Letter of Credit, or any interest or fee thereon, each Revolving Credit Lender shall, on demand of the Administrative Agent, forthwith return to the Administrative Agent or the Issuing Bank the amount of its Revolving Credit Pro Rata Share of any amounts so returned by the Administrative Agent or the Issuing Bank, plus interest thereon from the date such demand is made to the date such amounts are returned by such Revolving Credit Lender to the Administrative Agent or the Issuing Bank at a rate per annum equal to the Federal Funds Rate in effect from time to time.

3.5. Role of the Issuing Bank.

(a) Each Revolving Credit Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the Issuing Bank shall not have any responsibility to obtain any document (other than any sight draft and certificates expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document.

(b) No Administrative Agent-Related Person nor any of the respective correspondents, participants or assignees of the Issuing Bank shall be liable to any Revolving Credit Lender for: (i) any action taken or omitted in connection herewith at the request or with the approval of the Revolving Credit Lenders (including the Majority Revolving Credit Lenders, as applicable); (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any L/C-Related Document.

(c) The Borrower's obligation under this Agreement and any L/C-Related Document to reimburse the Issuing Bank for a drawing under a Letter of Credit and to repay any L/C Borrowing and any drawing under a Letter of Credit converted into Revolving Credit Loan is unconditional and irrevocable regardless of the acts or omissions of any beneficiary or transferee with respect to such Person's use of any Letter of Credit and is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. No Administrative Agent-Related Person, nor any of the respective correspondents, participants or assignees of the Issuing Bank, shall be liable or responsible for any of the matters described in clauses (i) through (vii) of Section 3.6; provided, however, anything in such clauses to the contrary notwithstanding, that the Borrower may have a claim against the Issuing Bank, and the Issuing Bank may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or punitive, damages suffered by the Borrower which the Borrower prove were caused by the Issuing Bank's willful misconduct or gross negligence, or the Issuing Bank's willful failure to pay under any Letter of Credit after it is legally required to do so. In furtherance and not in limitation of the foregoing: (i) the Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary; and (ii) the Issuing Bank shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or the proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

3.6. Obligations Absolute.

The obligations of the Borrower under this Agreement and any L/C-Related Document to reimburse the Issuing Bank for a drawing under a Letter of Credit, and to repay any L/C Borrowing and any drawing under a Letter of Credit converted into Revolving Credit Loans, shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and each such other L/C-Related Document under all circumstances, including the following:

(i) any lack of validity or enforceability of this Agreement or any L/C-Related Document;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Borrower in respect of any Letter of Credit or any other amendment or waiver of or any consent to departure from all or any of the L/C-Related Documents;

(iii) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of any Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the Issuing Bank or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by the L/C-Related Documents or any unrelated transaction, other than the defense of payment in accordance with this Agreement;

(iv) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect, or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit;

(v) any payment by the Issuing Bank under any Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of any Letter of Credit; or any payment made by the Issuing Bank under any Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of any Letter of Credit, including any such payment arising in connection with any Insolvency Proceeding;

(vi) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guarantee, for all or any of the obligations of the Borrower in respect of any Letter of Credit; or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or a guarantor.

Nothing in this Section 3.6, however, shall limit any right the Borrower may have to pursue a claim against the Issuing Bank (as opposed to setting off against or otherwise reducing any of the Borrower's Obligations under any Loan Document to the Issuing Bank, the Administrative Agent, or any other Revolving Credit Lender) to the extent permitted in subsection 3.5(c).

3.7. Cash Collateral Pledge.

Upon (i) the request of the Administrative Agent, (A) if the Issuing Bank has honored any full or partial drawing request on any Letter of Credit and such drawing has resulted in an L/C Borrowing hereunder, or (B) if, as of the Revolving Termination Date, any Letters of Credit may for any reason remain outstanding and partially or wholly undrawn, or (ii) the occurrence of the circumstances described in Section 2.7 requiring the Borrower to Cash Collateralize Letters of Credit, then the Borrower shall immediately Cash Collateralize the L/C Obligations in an amount equal to the L/C Obligations. The Borrower hereby grants to the Administrative Agent, for the benefit of the Administrative Agent, the Issuing Bank and the Revolving Credit Lenders, a security interest in all such cash, Cash Equivalents and deposit account

balances used to Cash Collateralize the Borrower's obligations hereunder, and authorizes and directs the Administrative Agent to apply such collateral to the payment of L/C Obligations as and when due. Cash Collateral related to any L/C Obligations under clause (A) above shall be released if and when the Issuing Bank has been reimbursed in full for the applicable drawing.

3.8. Letter of Credit Fees.

(a) The Borrower shall pay to the Administrative Agent, for the account of the Revolving Credit Lenders, a letter of credit fee with respect to each Letter of Credit, computed for the period from the date of Issuance of such Letter of Credit to the expiration date of such Letter of Credit, in an amount equal to (i) the Applicable Margin then in effect with respect to Offshore Rate Loans which are Revolving Credit Loans, less 0.25% per annum, multiplied by (ii) the average daily amount available for drawing under such Letter of Credit, payable quarterly in arrears on the last Business Day of each calendar quarter which occurs during such period and on the expiration date of such Letter of Credit. In addition, the Borrower shall pay to the Administrative Agent on the date of issuance of each Letter of Credit, for the sole account of the Issuing Bank, a fronting fee with respect to each Letter of Credit, computed for the period from the date of Issuance of such Letter of Credit to the expiration date of such Letter of Credit, in an amount equal to the greater of (i) $250 or (ii) 0.25% per annum multiplied by the average daily amount available for drawing under such Letter of Credit. Such letter of credit fees and fronting fees are nonrefundable.

(b) The Borrower shall pay to the Issuing Bank, for its own account, from time to time on written demand, the normal presentation, negotiation, deferred payment,

amendment and other processing fees, and other standard costs and charges, of the Issuing Bank relating to Letters of Credit as from time to time in effect.

3.9. Uniform Customs and Practice.

The Uniform Customs and Practice for Documentary Credits as published by the International Chamber of Commerce ("UCP") most recently at the time of Issuance of any Letter of Credit shall (unless otherwise expressly provided in the Letters of Credit) apply to the Letters of Credit.

3.10. Issuing Affiliate.

The Issuing Bank may perform any or all of its obligations under this Agreement with respect to commercial Letters of Credit through one or more of its Affiliates (each, an "Issuing Affiliate") and, if it exercises such option, each reference to "Issuing Bank" in this Agreement shall be deemed a reference to the Issuing Bank or its Issuing Affiliate, as appropriate; provided, however, that any Letter of Credit issued by the Issuing Affiliate will, upon the request of the Borrower, be confirmed by Chase.

ARTICLE IV

TAXES, YIELD PROTECTION AND ILLEGALITY

4.1. Taxes.

(a) Except as otherwise provided herein, any and all payments by the Borrower to each Lender (or Transferee) or the Administrative Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for, any Taxes. In addition, the Borrower shall pay all Other Taxes.

(b) Subject to subsection 4.1(f), the Borrower agrees to indemnify and hold harmless each Lender (and Transferee) and the Administrative Agent for the full amount of all Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section) paid by the Lender (or Transferee) or the Administrative Agent and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days after the date the Lender (or Transferee) or the Administrative Agent makes

written demand therefor.

(c) If the Borrower shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder to any Lender (or Transferee) or the Administrative Agent, then, subject to subsection 4.1(f):

(i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section), such Lender (or Transferee) or the Administrative Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholdings been made;

(ii) the Borrower shall make such deductions and withholdings; and

(iii) the Borrower shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law.

(d) Within 30 days after the date of any payment by the Borrower of Taxes or Other Taxes, the Borrower shall furnish to the Administrative Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to the Administrative Agent.

(e) Each Lender (or Transferee) that is organized under the laws of a jurisdiction other than the United States, any state thereof or the District of Columbia (a "Non-U.S. Lender") hereby agrees that it shall deliver to the Administrative Agent and the Borrower:

(i) two copies of Internal Revenue Service Form 1001 or Form 4224, or, in the case of a Non-U.S. Lender claiming exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a Form W-8, or any subsequent versions thereof or successors thereto (and, if such Non-U.S. Lender delivers a Form W-8, a certificate representing that such Non-U.S. Lender is not a bank for purposes of Section 881(c)(3)(A) of the Code, is not a 10% shareholder (within the meaning of Section 881(c)(3)(B) of the Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 881(c)(3)(C) of the Code)), properly completed and duly executed by such Non-U.S. Lender (and, in the case of Forms 1001 or 4224, claiming complete exemption from U.S. Federal withholding tax on payments by the Borrower or the Administrative Agent under this Agreement and the other Loan Documents);

(ii) an Internal Revenue Service Form W-8 or W-9 or successor applicable forms unless otherwise delivered pursuant to subsection 4.1(e)(i) hereof; and

(iii) any other documentation as may be required under applicable U.S. tax law and regulations to evidence complete exemption from U.S. Federal withholding tax on all payments by the Borrower or the Administrative Agent under this Agreement and the Loan Documents.

Such forms and other documentation shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a Participant,

on or before the date such Participant becomes a Transferee hereunder) and on or before the date, if any, such Non-U.S. Lender changes its applicable Lending Office by designating a different Lending Office or selecting an additional office. In addition, each Non-U.S. Lender shall deliver appropriate replacements to such forms previously delivered by it promptly upon the obsolescence or invalidity of any form or other documentation previously delivered by such Non-U.S. Lender if under then applicable law, it can appropriately deliver such form. Unless the Borrower and the Administrative Agent have received forms or other documents satisfactory to them indicating that such payments hereunder or

under any Note are not subject to United States Federal withholding tax or are subject to such tax at a reduced rate, the Borrower or the Administrative Agent shall withhold taxes from such payments at the applicable statutory rate.

(f) The Borrower shall not be required to pay any additional amounts or any indemnification in respect of U.S. Federal withholding tax pursuant to paragraph (c) or (b) above to the extent that the obligation to pay such additional amounts or indemnification would not have arisen but for: a failure by such Lender or such Transferee, as the case may be, to comply with the provisions of subsection (e) above.

(g) If the Borrower is required to pay additional amounts to any Lender (or Transferee) or the Administrative Agent pursuant to subsection (c) of this Section, then such Lender shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document reasonably requested by the Borrower or to change the jurisdiction of its Lending Office so as to minimize or eliminate any such additional payment by the Borrower which may thereafter accrue, if such change or such filing, as the case may be, in the judgment of such Lender is not otherwise disadvantageous to such Lender (or Transferee).

(h) If the Administrative Agent or any Lender receives a refund in respect of Taxes or Other Taxes paid by the Borrower, which in the sole and good faith judgment of such Lender is allocable to such payment, it shall promptly pay such refund, together with any other amounts paid by the Borrower in connection with such refunded Taxes or Other Taxes, to the Borrower, net of all out-of-pocket expenses of such Lender incurred in obtaining such refund, provided, however, that the Borrower agrees to promptly return such refund (plus penalties, interest and other charges) to the Administrative Agent or the applicable Lender, as the case may be, if it receives notice from the Administrative Agent or applicable Lender that such Administrative Agent or Lender is required to repay such refund.

4.2. Illegality.

(a) If any Lender determines that the introduction of any Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make Offshore Rate Loans, then, on written notice thereof by the Lender to the Borrower through the Administrative Agent, any obligation of that Lender to make Offshore Rate Loans shall be suspended until the Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist.

(b) If a Lender determines that it is unlawful to maintain any Offshore Rate Loan, such Lender shall promptly after such determination notify the Administrative Agent and the Borrower thereof, and such Lender's Loans then outstanding as Offshore Rate Loans, if any, shall be converted automatically (if such Lender may lawfully convert such Loans) to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Base Rate Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any as may be required pursuant to Section 4.4. If such Lender may not lawfully convert such Offshore Rate Loans to Base Rate Loans, the Borrower shall prepay in full such Offshore Rate Loans of that Lender then outstanding, together with interest accrued thereon and amounts required under Section 4.4, either on the last day of the Interest Period thereof, if the Lender may lawfully continue to maintain such Offshore Rate Loans to such day, or immediately, if the Lender may not lawfully continue to maintain such Offshore Rate Loans. If the Borrower is required to so prepay any Offshore Rate Loan, then concurrently with such prepayment, the Borrower shall borrow from the affected Lender, in the amount of such prepayment, a Base Rate Loan.

(c) If circumstances subsequently change so that it is no longer unlawful for an affected Lender to make or maintain Offshore Rate Loans as contemplated hereunder, such Lender will, as soon as reasonably practicable

after such Lender becomes aware of such change in circumstances, notify the Borrower and the Administrative Agent, and upon receipt of such notice, the obligations of such Lender to make or continue Offshore Rate Loans or to convert Base Rate Loans into Offshore Rate Loans shall be reinstated.

(d) If the obligation of any Lender to make or maintain Offshore Rate Loans has been so terminated or suspended, the Borrower may elect, by giving notice to the Lender through the Administrative Agent, that all Loans which would otherwise be made by such Lender as Offshore Rate Loans be instead made as Base Rate Loans.

(e) Before giving any notice to the Administrative Agent under this Section, the affected Lender shall designate a different Lending Office with respect to its Offshore Rate Loans if such designation will avoid the need for giving such notice or making such demand and will not, in the judgment of such Lender, be illegal or otherwise disadvantageous to such Lender.

4.3. Increased Costs and Reduction of Return.

(a) If any Lender determines that, due to either (i) the introduction of or any change (other than any change by way of imposition of or increase in reserve requirements included in the calculation of the Offshore Rate) in or in the interpretation of any law or regulation, or (ii) the compliance by that Lender with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) which is generally applicable to banks similarly regulated, there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining any Offshore Rate Loans or participating in Letters of Credit, or, in the case of the Issuing Bank, any increase in the cost to the Issuing Bank of agreeing to Issue, Issuing or maintaining any Letter of Credit, or of agreeing to make or making, funding or maintaining any unpaid drawing under any Letter of Credit, then

the Borrower shall be liable for, and shall from time to time, upon demand (with a copy of such demand to be sent to the Administrative Agent), pay to the Administrative Agent for the account of such Lender, additional amounts as are sufficient to compensate such Lender for such increased costs.

(b) If any Lender shall have determined that (i) the introduction of any Capital Adequacy Regulation, (ii) any change in any Capital Adequacy Regulation, (iii) any change in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by the Lender (or its Lending Office) or any corporation controlling the Lender with any Capital Adequacy Regulation, affects or would affect the amount of capital required or expected to be maintained by the Lender or any corporation controlling the Lender and (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy and such Lender's desired return on capital) determines that the amount of such capital is increased as a consequence of its Commitments, loans, credits or obligations under this Agreement; then, upon demand of such Lender to the Borrower through the Administrative Agent, the Borrower shall pay to the Lender, from time to time as specified by the Lender, additional amounts sufficient to compensate the Lender for such increase as a consequence thereof.

(c) If the Borrower is required to pay additional amounts to any Lender pursuant to this Section, then such Lender shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to minimize or eliminate any such additional payment by the Borrower which may thereafter accrue, if such change in the judgment of such Lender is not otherwise disadvantageous to such Lender.

4.4. Funding Losses.

The Borrower shall reimburse each Lender and hold each Lender harmless from any loss or expense which the Lender may sustain or incur as a consequence of:

(a) the failure of the Borrower to make on a timely basis any payment of principal on any Offshore Rate Loan,

(b) the failure of the Borrower to borrow, continue or convert a Loan after the Borrower has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/Continuation,

(c) the failure of the Borrower to make any prepayment in accordance with any notice delivered under Section 2.6,

(d) the prepayment (including pursuant to Sections 2.6 and 2.7) or other payment (including after acceleration thereof) of an Offshore Rate Loan on a day that is not the last day of the relevant Interest Period, or

(e) the automatic conversion under Section 2.4 or 4.2 of any Offshore Rate Loan to a Base Rate Loan on a day that is not the last day of the relevant Interest Period, including any such loss or expense arising from the liquidation or reemployment of funds obtained by such Lender to maintain its Offshore Rate Loans, or from fees payable to terminate the deposits from which such funds were obtained. Such loss or expense shall include an amount equal to the excess, if any, as reasonably determined by such Lender, of (i) the amount of interest (but not including the Applicable Margin relating thereto) which would have accrued on the principal amount paid, prepaid, continued or converted, or not borrowed, converted, or continued for the period from the date of such payment, prepayment, continuation, conversion, or failure to borrow, convert, or continue to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, convert, or continue, the Interest Period for such Loan which would have commenced on the date of such failure to borrow, convert, or continue) over (ii) the interest component (as reasonably determined by such Lender) of the amount such Lender would have bid in the interbank eurodollar market for a comparable amount and for a comparable period.

4.5. Inability to Determine Rates.

If the Majority Lenders determine for any reason that adequate and reasonable means do not exist for determining the Offshore Rate for any requested Interest Period, or the Majority Lenders determine for any reason that the Offshore Rate applicable pursuant to subsection 2.9(a) for any requested Interest Period does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the applicable Lenders to make or continue Offshore Rate Loans, as the case may be, hereunder shall be suspended until the Administrative Agent, upon the instruction of the Majority Lenders, revokes such notice in writing, and each Lender agrees to notify the Administrative Agent promptly upon termination of the conditions giving rise to such suspension. Upon receipt of such notice, the Borrower may revoke any Notice of Borrowing or Notice of Conversion/Continuation then submitted by it without premium or penalty. If the Borrower does not revoke such Notice, the Lenders shall make, convert or continue the Loans, as proposed by the Borrower, in the amount specified in the applicable notice submitted by the Borrower, but such Loans shall be made, converted or continued as Base Rate Loans instead of Offshore Rate Loans, as the case may be.

4.6. Certificates of Lenders.

Any Lender claiming reimbursement or compensation under this Article IV shall deliver to the Borrower (with a copy to the Administrative Agent) a certificate setting forth in reasonable detail the amount payable to the Lender hereunder (and the basis upon which such amount was calculated, including, in the case of reimbursement pursuant to Section 4.3, reasonable calculations documenting the extent to which such cost is properly allocable to the Obligations), and such certificate shall be conclusive and binding on the Borrower in the absence of manifest error; provided, that the Borrower shall not be obligated to compensate or reimburse any Lender hereunder for any such costs incurred more than 360 days prior to the date such Lender requests the Borrower for such compensation or reimbursement.

4.7. Replacement of Lenders; Additional Issuing Bank.

(a) Upon the receipt by the Borrower from any Lender of a claim for compensation under Sections 4.1, 4.2, or 4.3, or if any Lender becomes a Defaulting Lender (each, an "Affected Lender"), the Borrower may, if no Default or Event of Default exists, and subject to Section 4.4, and to payment to the Affected Lender of all Loans and L/C Advances of such Affected Lender, all interest accrued and unpaid thereon and all fees or other amounts (including amounts owing under Sections 4.1, 4.2, 4.3 or 4.4) accrued and unpaid hereunder for the account of such Affected Lender: (i) request one or more of the other Lenders to acquire and assume all of such Affected Lender's Loans, L/C Obligations, and Commitments, which Lender or Lenders shall have the right, but not the obligation, to so acquire and assume such Affected Lender's Loans, L/C Obligations and Commitments pursuant to the procedures set forth in Section 11.8; or (ii) designate a replacement bank or financial institution which (x) is an Eligible Assignee, and (y) is otherwise satisfactory to the Administrative Agent (a "Replacement Lender"), which shall assume all of the Loans, L/C Obligations and Commitment of the Affected Lender, pursuant to the procedures set forth in Section 11.8. Any such designation of a Replacement Lender under clause (ii) shall be subject to the prior written consent of the Administrative Agent and each Issuing Bank (which consents shall not be unreasonably withheld). The Administrative Agent agrees to waive its processing fee described in clause (iii) of subsection 11.8(a) with respect to an assignment under this subsection 4.7(a).

(b) If the Issuing Bank may not Issue Letters of Credit as a result of the limitations set forth in subsection 3.1(b)(i), the Borrower may, if no Default or Event of Default exists and with prior written consent of the Administrative Agent (which consent shall not be unreasonably withheld) (i) request one of the other Lenders (with such other Lender"s consent) to Issue Letters of Credit or (ii) designate a supplemental bank or financial institution, which is an Eligible Assignee and otherwise satisfactory to the Administrative Agent, to Issue Letters of Credit and become an additional "Issuing Bank" hereunder.

4.8. Survival.

The agreements and obligations of the Borrower, the Administrative Agent and the Issuing Bank contained in Sections 4.1, 4.2, 4.3, 4.4 and 4.5 shall survive the payment in full of the Loans, the L/C Obligations and any other Obligations, and the termination of the Commitments and all Letters of Credit.

ARTICLE V

CONDITIONS PRECEDENT

5.1. Conditions to Initial Credit Extensions.

Unless waived in writing by the respective Lender, the obligation of each Lender to make its initial Credit Extension hereunder and the effectiveness of this Agreement are subject to the satisfaction of the following conditions precedent on or before the Closing Date and, in the case of documents to be delivered, to the condition that the Administrative Agent has received on

or before the Closing Date all of the following, in form and substance reasonably satisfactory to the Administrative Agent and such Lender, with sufficient copies for each Lender:

(a) Agreement. This Agreement executed by each party thereto;

(b) Resolutions; Incumbency.

(i) Copies of the resolutions of the board of directors of each Loan Party approving and authorizing the execution, delivery and performance by such Loan Party of the Loan Documents to which such Person is a party, and the transactions contemplated hereby and thereby, certified as of the Closing Date by a Vice President of such Person; and

(ii) A certificate of a Vice President of each Loan Party

certifying the names and true signatures of the officers of such Loan Party authorized to execute, deliver and perform, as applicable, this Agreement and all other Loan Documents to be delivered hereunder;

(c) Organizational Documents; Good Standing. Each of the following documents:

(i) The articles or certificate of incorporation of each Loan Party as in effect on the Closing Date, certified by the Secretary of State (or similar applicable Governmental Authority) of the state of incorporation of such Person as of a recent date, and by a Vice President of such Person as of the Closing Date, and the bylaws of such Loan Party as in effect on the Closing Date, certified by a Vice President of such Person as of the Closing Date; and

(ii) a good standing certificate for each Loan Party from the Secretary of State (or similar applicable Governmental Authority) of its state of incorporation and each state where such Loan Party is qualified to do business as a foreign corporation, as of a recent date;

(d) Collateral Documents. The Collateral Documents to be executed by each Loan Party, duly executed and in appropriate form for recording, where necessary, together with:

(i) results of a recent lien search in each relevant jurisdiction with respect to the Loan Parties revealing no liens on any assets of such Persons except for liens listed on Schedule 8.1 or liens to be discharged on or prior to the Closing Date for which a UCC-3 financing statement has been executed as set forth in subsection (ii) below;

(ii) UCC-3 financing statements executed by such Loan Party to the extent requested by the Administrative Agent;

(iii) UCC-1 and UCC-2 financing statements executed by such Loan Party to be filed, registered or recorded as necessary and advisable to perfect the Liens of the Administrative Agent for the benefit of the Lenders in accordance with applicable law;

(iv) such termination statements or other documents, including payoff letters, as may be necessary to release any Lien in favor of any Person not otherwise permitted by Section 8.1;

(v) evidence that all other actions necessary or, in the reasonable opinion of the Administrative Agent, desirable to perfect and protect the security interests created by the Collateral Documents (having the priorities specified therein) have been taken or will occur upon the Closing Date;

(vi) evidence that adequate arrangements have been made for payment by the Borrower of any filing or recording tax or fee in connection with the Mortgages;

(vii) with respect to any Mortgaged Property, an A.L.T.A. mortgagee policy or policies of title insurance or a binder or binders issued by Commonwealth Land Title Insurance Company or other title insurance company reasonably satisfactory to the Administrative Agent insuring or undertaking to insure, in the case of a binder, that the applicable Mortgages create and constitute valid Liens against such Mortgaged Property in favor of the Administrative Agent, subject only to exceptions acceptable to the Administrative Agent and the Majority Lenders, with such endorsements and affirmative insurance as the Administrative Agent or the Majority Lenders may reasonably request;

(viii) evidence that the Administrative Agent has been named as loss payee under all policies of casualty insurance, and as additional insured under all policies of liability insurance, required by the Collateral Documents;

(ix) proof of payment of all title insurance premiums, documentary stamp or intangible taxes, recording fees and mortgage

taxes payable in connection with the recording of the Mortgages or the issuance of the title insurance policies, including sums, if any, due in connection with any future advances which may be in the form of disbursement instructions and associated payoff letters approved by the relevant title insurers and the Administrative Agent;

(x) all certificates and instruments representing the Pledged Collateral, and such stock transfer powers executed in blank as the Administrative Agent may specify;

(xi) such consents, estoppels, subordination agreements and other documents and instruments executed by landlords, tenants and other Persons party

to material contracts relating to any Collateral as to which the Administrative Agent shall be granted a Lien for the benefit of the Lenders, as requested by the Administrative Agent; and

(xii) copies of the most recent certifications by a registered land surveyor or other engineer received in connection with the Existing Credit Agreement that the Mortgaged Property is not located in a "Special Flood Hazard Area";

(e) Legal Opinions.

(i) An opinion of McDermott, Will & Emery, counsel to the Borrower, its Subsidiaries and Holdings, addressed to the Administrative Agent and the Lenders, substantially in the form of Exhibit F-1; and

(ii) Other opinions of counsel in jurisdictions in which Mortgaged Properties are located, to the extent requested by the Administrative Agent;

(f) Payment of Fees. Payment by the Borrower of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with reasonable Attorney Costs of Chase to the extent invoiced before the Closing Date, plus such additional amounts of Attorney Costs as shall constitute Chase=s reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude final settling of accounts between the Borrower and Chase), including, without limitation, any such costs, fees and expenses arising under or referenced in Sections 2.10 and 11.4;

(g) Senior Notes. The Borrower shall have received not less than $200,000,000 in gross cash proceeds from the issuance of the Senior Notes;

(h) Certificate. A certificate signed by a Responsible Officer of the Borrower, dated as of the Closing Date, stating that:

(i) the representations and warranties contained in Article VI are true and correct on and as of such date, as though made on and as of such date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date);

(ii) no Default or Event of Default exists or would result from the initial Credit Extension; and

(iii) there has occurred since March 31, 1998, no event or circumstance that has resulted or would reasonably be expected to result in a Material Adverse Effect;

(i) Financial Statements. The following financial documentation:

(i) audited consolidated financial statements of Holdings for the two most recent fiscal years ended prior to the Closing Date as to which such financial statements are available;

(ii) unaudited interim consolidated financial statements of Holdings for each fiscal month and quarterly period ended subsequent to the date of the latest financial statements delivered pursuant to clause (i) of this subsection as to which such financial statements are available, and unaudited consolidated financial statements of the corresponding monthly and quarterly period of the prior fiscal year;

(iii) a pro forma consolidated balance sheet of each of Holdings and the Borrower as at the date of the most recent consolidated balance sheet delivered pursuant to clause (ii) of this subsection, adjusted to give effect to the consummation of the Transactions and the financings contemplated thereby as if such transactions had occurred on such date in the form provided in the Confidential Information Memorandum; and

(iv) projections for Holdings and its subsidiaries for fiscal years 1998 through 2005, accompanied by detailed written assumptions in the form provided in the Confidential Information Memorandum;

(j) Approvals/Filings. A certificate of a Responsible Officer of the Borrower (i) attaching any authorizations by and/or filings with any and all Governmental Authorities or other Persons (including owners of property leased or otherwise occupied by the Loan Parties) whose authority and/or whose notification is necessary in order for the Loan Parties to enter into this Agreement and the other Loan Documents and (ii) stating that any authorizations obtained pursuant to clause (i) of this subsection and/or any filings undertaken pursuant to such clause are in full force and effect and that all applicable waiting periods have expired without any action being taken or threatened which would restrain, prevent or otherwise impose adverse conditions on any of the Loan Parties; provided that any authorizations obtained pursuant to clause (i) of this subsection and/or any filings undertaken in pursuant to such clause shall be in form and substance satisfactory to the Administrative Agent and the Documentation Agent;

(k) Noteholder Consent. Any necessary approval or consent by the holders of the Subordinated Notes pursuant to the Subordinated Note Agreement;

(l) Environmental Reports. A copy of the environmental assessment with respect to each Mortgaged Property delivered in connection with the Existing Credit Agreement;

(m) Existing Credit Agreement; Interim Loan. The Borrower shall have repaid all amounts owed under the Existing Credit Agreement and all obligations and agreements undertaken in connection therewith shall have been terminated; and the Borrower shall have repaid all amounts owed in respect of the Interim Loan and all obligations and agreements undertaken in connection therewith shall have been terminated, or in each case to be paid off in

accordance with payoff letters and disbursement instructions to the Administrative Agent hereunder with respect thereto;

(n) Additional Equity. Holdings shall have received at least $15,000,000 in cash from the issuance of new common equity to existing stockholders of Holdings and Bain and Company and its Affiliates (of which Bain and Company and its Affiliates shall provide not more than $2,000,000) and shall have contributed such amount as a common equity capital contribution to the Borrower; and

(o) Other Documents. The Administrative Agent shall have received such other approvals, opinions, documents or materials as the Administrative Agent or any Lender may reasonably request.

5.2. Conditions to All Credit Extensions.

The obligation of each Lender to make any Loan (other than a Swingline Loan) to be made by it (including its initial Loans to be made on the Closing Date), or to continue or convert into any Offshore Rate Loan under Section 2.4, and the obligation of the Issuing Bank to Issue any Letter of Credit (including the initial Letter of Credit) is subject to the satisfaction of the following conditions precedent on the relevant Borrowing Date, Conversion/Continuation Date or Issuance Date, unless waived in writing by the Majority Lenders, in the

case of Loans made on the Closing Date, or the Majority Revolving Credit Lenders, in the case of Revolving Credit Loans made after the Closing Date:

(a) Notice, Application. As to any Loan, the Administrative Agent shall have received (with, in the case of the initial Loans only, a copy for each Lender) a Notice of Borrowing or a Notice of Conversion/Continuation, as applicable, or in the case of any Issuance of any Letter of Credit, the Issuing Bank and the Administrative Agent shall have received an L/C Application or L/C Amendment Application, as required under Section 3.2;

(b) Continuation of Representations and Warranties. The representations and warranties in Article VI shall be true and correct in all material respects on and as of such Borrowing Date or Conversion/Continuation Date with the same effect as if made on and as of such Borrowing Date or Conversion/Continuation Date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date);

(c) No Existing Default. No Default or Event of Default shall exist or shall result from such Borrowing or conversion or continuation;

(d) No Material Adverse Effect. There shall have occurred since March 31, 1998 no event or circumstance that has resulted or would reasonably be expected to result in a Material Adverse Effect; and

(e) After-Acquired Property. The Borrower shall have fully performed its obligations under Section 7.13, including the delivery of such consents, estoppels, subordination

agreements and other documents and instruments executed by landlords, tenants, and other Persons party to material contracts entered into after the Closing Date relating to any Collateral as to which the Administrative Agent shall have been granted a Lien for the benefit of the Lenders.

Each Notice of Borrowing, Notice of Conversion/Continuation with respect to Offshore Rate Loans, and L/C Application or L/C Amendment Application submitted by the Borrower hereunder shall constitute a representation and warranty by the Borrower hereunder, as of the date of each such notice and as of each Borrowing Date, Conversion/Continuation Date, or Issuance Date, as applicable, that the conditions in Section 5.2 are satisfied.

5.3. Conditions to Swingline Loans.

The obligation of the Swingline Lender to make any Swingline Loans to be made by it is subject to the satisfaction of the following conditions precedent on the relevant Borrowing Date, unless waived in writing by the Swingline Lender and the Majority Revolving Credit Lenders:

(a) Continuation of Representations and Warranties. The representations and warranties in Article VI shall be deemed to have been made and shall be true and correct in all material respects on and as of such Borrowing Date with the same effect as if made on and as of such Borrowing Date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date);

(b) No Existing Default. No Default or Event of Default shall exist or shall result from such Borrowing;

(c) No Material Adverse Effect. There shall have occurred since March 31, 1998 no event or circumstance that has resulted or would reasonably be expected to result in a Material Adverse Effect; and

(d) After-Acquired Property. The Borrower shall have fully performed its obligations under Section 7.13, including the delivery of such consents, estoppels, subordination agreements and other documents and instruments executed by landlords, tenants, and other Persons party to material contracts entered into after the Closing Date relating to any Collateral as to which the Administrative Agent shall have been granted a Lien for the benefit of the Lenders.

Upon each Borrowing of Swingline Loans hereunder, the Borrower shall be deemed

to have made a representation and warranty that, as of the relevant Borrowing Date, the conditions in Section 5.3 are satisfied.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and each Lender that, after giving effect to the consummation of the Transactions:

6.1. Existence and Power.

Each of the Borrower, each of its Subsidiaries, and Holdings:

(a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

(b) has the power and authority and all material governmental licenses, authorizations, consents and approvals to own its assets, carry on its business and to execute, deliver, and perform its obligations under the Loan Documents;

(c) is duly qualified as a foreign corporation and is licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license; and

(d) is in compliance with all Requirements of Law;

except, in each case referred to in clause (c) or clause (d), to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect.

6.2. Authorization; No Contravention.

The execution, delivery and performance by the Borrower, any of its Subsidiaries or Holdings, as applicable, of this Agreement, each other Loan Document to which such Person is a party have been duly authorized by all necessary corporate action, and do not and will not:

(a) contravene the terms of any of such Person's Organizational Documents; or

(b) except as specifically disclosed on Schedule 6.2, conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any Contractual Obligation to which such Person is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its property is subject.

6.3. Governmental Authorization.

Except as specifically disclosed on Schedule 6.3, no approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental

Authority is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Borrower, any of its Subsidiaries or Holdings, as applicable, of this Agreement or any other Loan Document to which it is a party, except such recordings and filings in connection with the Liens granted to the Administrative Agent under the Loan Documents.

6.4. Binding Effect.

This Agreement and each other Loan Document to which the Borrower, any of its Subsidiaries or Holdings is a party constitute the legal, valid and binding obligations of the Borrower, such Subsidiary or Holdings, as the case may be, enforceable against such Person in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general equitable

principles (whether enforcement is sought by proceedings in equity or at law).

6.5. Litigation.

Except as specifically disclosed on Schedule 6.5, there are no actions, suits, proceedings, claims or disputes pending, or to the knowledge of the Borrower, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against the Borrower, any of its Subsidiaries, Holdings, or any of their respective properties which:

(a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby; or

(b) if determined adversely to such Person or its Subsidiaries, would reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document to which the Borrower, any of its Subsidiaries or Holdings is a party, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

6.6. No Default.

No Default or Event of Default exists or would result from the incurring of any Obligations by the Borrower or from the grant or perfection of the Liens of the Administrative Agent and the Lenders on the Collateral. None of the Borrower, any of its Subsidiaries, nor Holdings is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, would reasonably be expected to have a Material Adverse Effect, or that would create an Event of Default under subsection 9.1(e).

6.7. ERISA Compliance.

(a) Schedule 6.7 lists all Benefit Plans as of the Closing Date. All written descriptions thereof provided to the Administrative Agent are true and complete in all material respects.

(b) Each Benefit Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law. Each Benefit Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a determination letter will be submitted no later than the expiration of the remedial amendment period for effecting amendments required by reason of Section 1140 of the Tax Reform Act of 1986, as amended, and to the knowledge of the Borrower, nothing has occurred that would cause the loss of such qualification.

(c) There are no pending, or to the knowledge of the Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that have resulted or would reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or other violation of the fiduciary responsibility rule with respect to any Plan which would reasonably result in a Material Adverse Effect.

(d) No Prohibited Transactions, Accumulated Funding Deficiencies, withdrawals from Multiemployer Plans or Reportable Events have occurred or would reasonably be expected to occur with respect to any Plans or Multiemployer Plans that, in the aggregate, could subject Borrower to any tax, penalty or other liability in excess of $500,000, where such tax, penalty or liability is not covered in full, for the benefit of the Borrower, by insurance.

(e) No notice of intent to terminate a Plan has been filed, nor has any Plan been terminated under Section 4041 of ERISA, nor has the PBGC instituted proceedings to terminate, or appoint a trustee to administer, a Plan and no event has occurred or condition exists which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

(f) Except as disclosed on Schedule 6.7, the present value of all benefit liabilities (as defined in Section 4001(a)(16) of ERISA) under all Plans

(based on the actuarial assumptions used to fund such Plans) does not exceed the assets of such Plans, except that with respect to Plans ("Acquired Plans") becoming Plans hereunder in connection with Permitted Acquisitions, the aggregate underfunding of Acquired Plans shall not be greater than $1,000,000 in the aggregate for all Acquired Plans.

(g) The execution, delivery and performance by the Borrower of this Agreement and the borrowings hereunder and the use of the proceeds thereof will not involve any Prohibited Transactions; it being understood that the foregoing representation and warranty in this subsection 6.7(g) is based on the assumption that in making the Loans none of the Lenders has used or is using "plan assets" (as defined in ERISA) of any of Plan of the Borrower or any of the Borrower's ERISA Affiliates.

6.8. Use of Proceeds; Margin Regulations.

The proceeds of the Loans are to be used solely for the purposes set forth in and permitted by Section 7.11 and Section 8.7. None of the Borrower nor any of its Subsidiaries is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

6.9. Title to Properties.

Except as set forth in the exceptions to the title policy or policies delivered to the Administrative Agent pursuant to subsection 5.1(d)(vii), the Borrower and each of its Subsidiaries have good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of their respective businesses, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. As of the Closing Date, the property of the Borrower and its Subsidiaries is subject to no Liens, other than Permitted Liens.

6.10. Taxes.

Except as disclosed in Schedule 6.10, the Borrower and each of its Subsidiaries have filed all Federal and other material tax returns and reports required to be filed, and have paid all Federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Borrower or any of its Subsidiaries that would, if made, have a Material Adverse Effect.

6.11. Financial Condition.

(a) The audited consolidated financial statements of Holdings and each of its Subsidiaries, dated June 28, 1997, and June 29, 1996, respectively and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal years ended on that date:

(i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and

(ii) fairly present the consolidated financial condition of Holdings and its Subsidiaries as of the date thereof and the results of operations for the period covered thereby.

(b) The unaudited consolidated financial statements of Holdings and each of its Subsidiaries, dated March 31, 1998, and the related consolidated statements of income or

operations, shareholders' equity and cash flows for the quarter and nine-month periods ended on that date:

(i) were prepared in accordance with GAAP consistently

applied throughout the periods covered thereby, except as otherwise expressly noted therein; and

(ii) fairly present the consolidated financial condition of Holdings and its Subsidiaries as of the date thereof and the results of operations for the periods covered thereby.

(c) Since March 31, 1998, there has been no Material Adverse Effect.

6.12. Environmental Matters.

(a) Except as disclosed on Schedule 6.12, the on-going operations of the Borrower and each of its Subsidiaries comply in all respects with all Environmental Laws, except such non-compliance which would not (if enforced in accordance with applicable law) reasonably be expected to result in liability in excess of $3,000,000 in the aggregate.

(b) Except as disclosed on Schedule 6.12, the Borrower and each of its Subsidiaries have obtained all material licenses, permits, authorizations and registrations required under any Environmental Law ("Environmental Permits") and necessary for their respective ordinary course operations, all such Environmental Permits are in good standing, and the Borrower and each of its Subsidiaries are in compliance with all material terms and conditions of such Environmental Permits, except where the failure to have such Environmental Permits or be in compliance therewith could not reasonably be expected to result in liability in excess of $3,000,000 in the aggregate.

(c) Except as disclosed on Schedule 6.12, none of the Borrower, any of its Subsidiaries, or any of their respective present property or operations, is subject to any outstanding written order from or agreement with any Governmental Authority, nor is it, to its knowledge subject to any judicial or docketed administrative proceeding, respecting any Environmental Law, Environmental Claim or Hazardous Material that would reasonably be expected to give rise to aggregate liabilities of the Borrower and its Subsidiaries in excess of $3,000,000.

(d) Except as disclosed on Schedule 6.12 (i) there are no Hazardous Materials or other conditions or circumstances existing with respect to any property of the Borrower or any of its Subsidiaries, or arising from operations prior to the Closing Date, and (ii) neither the Borrower nor any of its Subsidiaries has any underground storage tanks (x) that are not properly registered or permitted under applicable Environmental Laws, or (y) that are leaking or disposing of Hazardous Materials off-site (except in the case of both (i) and (ii) above that would not, in the aggregate, reasonably be expected to give rise to Environmental Claims with a liability of the Borrower and its Subsidiaries in excess of $3,000,000 in the aggregate for such conditions, circumstances or properties) and (iii) the Borrower and each of its Subsidiaries have notified all

of their employees of the existence, if any, of any health hazard arising from the conditions of their employment and are in material compliance with all applicable notification requirements under Title III of CERCLA and all other Environmental Laws.

(e) Except as disclosed on Schedule 6.12, there are no disputes, litigation, proceedings, and to the knowledge of the Borrower, investigations, rulemaking or legislation pending relating to any Environmental Law or environmental condition that would reasonably be expected to have a Material Adverse Effect.

6.13. Collateral Documents.

(a) The provisions of each of the Collateral Documents are effective to create in favor of the Administrative Agent for the benefit of the Lenders a legal, valid and enforceable security interest in all right, title, and interest of the Borrower, its Subsidiaries and Holdings, as applicable, in the collateral described therein; and, upon (i) the filing of the financing statements in the offices in all of the jurisdictions listed on Schedule 6.13 (as supplemented from time to time in writing by the Borrower by notice to the Administrative Agent to the extent permitted by the Guarantee and Collateral Agreement), (ii) the recording of the Mortgages and the financing statements as described in subsection 6.13(b), (iii) the filing of the Guarantee and Collateral Agreement

with the United States Patent and Trademark Office, the Canadian Trade-Marks Office and the Canadian Patents Office (as applicable), (iv) the delivery to the Administrative Agent of the Pledged Collateral, (v) the receipt by the bailees of the bailee letters described in Section 5.13 of the Guarantee and Collateral Agreement, (vi) the notation on certificates of title showing the Administrative Agent as lienholder with respect to motor vehicles and trailers and the delivery of such certificates to the Administrative Agent, and (vii) the taking of such action as is described in Section 5.11 of the Guarantee and Collateral Agreement prior to the Closing Date to perfect the Administrative Agent's security interest in deposit accounts, the Administrative Agent for the benefit of the Lenders shall have, to the extent available under applicable law, perfected first priority security interests in all right, title, and interest of the Borrower, its Subsidiaries and Holdings, as applicable, in the Collateral located in the United States or Canada, subject only to Permitted Liens.

(b) The Mortgages when delivered will be effective to grant to the Administrative Agent for the benefit of the Lenders a legal, valid and enforceable deed of trust lien on all the right, title and interest of the trustor under the Mortgages in the Mortgaged Property described therein. When the Mortgages are duly recorded in the official real property records of the counties in which the real property described in the Mortgages are located, and the recording fees and taxes in respect thereof are paid and compliance is otherwise had with the formal requirements of state law applicable to the recording of deeds of trust generally, the Mortgaged Property, subject to the encumbrances and exceptions to title set forth therein and except as noted in the title policies delivered to the Administrative Agent pursuant to Section 5.1(d)(vii), will be subject to a legal, valid, enforceable and perfected first priority deed of trust or mortgage, as applicable; and when financing statements have been filed in the offices listed on Schedule 6.13 (as supplemented from time to time in writing by the Borrower by notice to the Administrative Agent to the extent permitted by the applicable Mortgage), the Mortgages will also create a legal, valid, enforceable and perfected first lien on, and security interest in, all

right, title and interest of the Borrower under the Mortgages in all personal property and fixtures which are covered by the Mortgages, subject to no other Liens, except the encumbrances and exceptions to title set forth therein and except as noted in the title policies delivered to the Administrative Agent pursuant to Section 5.1(d)(vii), and Permitted Liens.

(c) All representations and warranties of the Borrower, its Subsidiaries and Holdings contained in the Collateral Documents are true and correct.

6.14. Regulated Entities.

None of the Borrower, any Person controlling the Borrower, or any Subsidiary of the Borrower, is an "Investment Company" within the meaning of the Investment Company Act of 1940. None of the Borrower or any of its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other Federal or state statute or regulation limiting its ability to incur Indebtedness.

6.15. No Burdensome Restrictions.

Neither the Borrower nor any of its Subsidiaries is a party to or is bound by any Contractual Obligation, or is subject to any restriction in any Organizational Document, or any Requirement of Law, which would reasonably be expected to have a Material Adverse Effect.

6.16. Copyrights, Patents, Trademarks and Licenses, Etc.

The Borrower or its Subsidiaries own or are licensed or otherwise have the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other rights (the "Intellectual Property") that are reasonably necessary for the operation of their respective businesses, except as set forth in Schedule 6.16. The use of the Intellectual Property by the Borrower and its Subsidiaries and the operation of their respective businesses do not infringe any valid and enforceable patent or trademark or copyright of any Person, except any infringements which, in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

To the knowledge of the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, by the Borrower or any of its Subsidiaries infringes in any material respect any rights held by any other Person. Except as specifically disclosed on Schedule 6.5, no claim or litigation regarding any of the foregoing is pending or, to the Borrower's knowledge, threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code is pending or, to the knowledge of the Borrower, proposed, which, in either case, would reasonably be expected to have a Material Adverse Effect.

6.17. Subsidiaries.

As of the Closing Date, the Borrower has no Subsidiaries and has no equity investments in any other corporation or entity, other than those specifically disclosed on Schedule 6.17.

6.18. Insurance.

The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or such Subsidiary operates.

6.19. Labor Relations.

There are no strikes, lockouts or other labor disputes against the Borrower or any of its Subsidiaries which would reasonably be expected to have a Material Adverse Effect. To the Borrower's knowledge, there are no (i) strikes, lockouts or other organized labor disputes threatened against or affecting the Borrower or any of its Subsidiaries, (ii) significant unfair labor practice complaints pending against the Borrower or any of its Subsidiaries or (iii) significant unfair labor practice complaints threatened against the Borrower or any of its Subsidiaries before any Governmental Authority which, in any or all such cases, would reasonably be expected to have a Material Adverse Effect. The Borrower is not a party to any collective bargaining agreements or contracts and no union representation exists and, to the knowledge of the Borrower, no union organizing activities are taking place, except as set forth on Schedule 6.19 as the same may be supplemented by the Borrower in writing from time to time in consultation with the Administrative Agent. It is agreed that descriptions of union organizing activities on Schedule 6.19 shall not constitute exceptions to the foregoing representation with respect to collective bargaining agreements or union representation resulting therefrom.

6.20. Full Disclosure.

None of the representations or warranties made by the Borrower, any of its Subsidiaries or Holdings in the Loan Documents as of the date such representations and warranties are made or deemed made, and none of the statements contained in any exhibit, report, statement or certificate furnished by or on behalf of the Borrower, any of its Subsidiaries or Holdings pursuant to the Loan Documents contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered.

6.21. Solvency.

Each of the Borrower and its Subsidiaries is Solvent.

6.22. Zoning Compliance.

The construction, use, and operation of the Mortgaged Property are in material compliance with all Requirements of Law, including all applicable land use and zoning laws and building codes.

6.23. Seniority.

This Agreement is the "Senior Credit Agreement" as defined in the Subordinated Note Agreement. The Obligations of the Borrower constitute "Senior

Debt" as defined in the Subordinated Note Agreement. The Obligations of each Subsidiary of the Borrower constitute "Guarantor Senior Debt," as defined in the Subordinated Note Agreement, of such Subsidiary.

6.24. Year 2000.

Any reprogramming and/or additional equipment and software purchases required to permit the proper functioning, in and following the year 2000, of (i) the Borrower's computer systems and (ii) equipment containing embedded microchips (including systems and equipment supplied by others or with which Borrower's systems interface) and the testing of all such systems and equipment, as so reprogrammed, will be completed in all material respects by June 30, 1999. The cost to the Borrower of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to the Borrower (including, without limitation, reprogramming errors and the failure of others' systems or equipment) will not result in a Default or a Material Adverse Effect.

ARTICLE VII

AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, or the Swingline Lender has any Swingline Commitment hereunder, or any Loan remains outstanding or other Obligation then due and payable remains unpaid or unsatisfied, or any Letter of Credit remains outstanding, unless the Majority Lenders waive compliance in writing:

7.1. Financial Statements.

The Borrower shall deliver to the Administrative Agent, in form and detail reasonably satisfactory to the Administrative Agent and the Majority Lenders, with sufficient copies for each Lender:

(a) as soon as available, but not later than 90 days after the end of each fiscal year, a copy of the audited consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such year, and the related audited consolidated statements of income or operations, stockholders' 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 LLP or another nationally-recognized independent public accounting firm (the "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, except such changes as are required or permitted by GAAP, together with a reliance letter from such Independent Auditor in

a form at least as favorable to the Lenders as that previously provided by the Borrower to the Administrative Agent;

(b) as soon as available, but not later than 45 days after the end of the first three fiscal quarters of each fiscal year commencing with the fiscal quarter ending September 1998, a copy of the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such quarter and the related consolidated statements of income or operations, stockholders' 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 of the Borrower as fairly presenting, in accordance with GAAP (subject to good faith year-end audit adjustments and the inclusion of summary footnotes), the financial position and the results of operations of the Borrower and its Subsidiaries;

(c) as soon as available, but not later than 45 days after the end of each fiscal month of each fiscal year commencing May 1998 (other than with respect to any fiscal month during which financial statements are otherwise due hereunder in accordance with subsections 7.1(a) and (b) and other than the July fiscal month, which financial statements shall be delivered not later than 60 days after the end of such fiscal month), a copy of the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such month and the related consolidated statements of income or operations, stockholders' equity and cash flows for the period commencing on the first day and ending on the last day of such month, and certified by a Responsible Officer as fairly

presenting, in accordance with GAAP (subject to normal year-end audit adjustments and the inclusion of summary footnotes), the financial position and the results of operations of the Borrower and its Subsidiaries;

(d) as soon as available, but not later than 60 days after the end of each fiscal year, commencing with the fiscal year ending June 1998, a budget (including budgeted statements of income, sources and uses of cash, and balance sheets and setting forth with appropriate discussion the principal assumptions upon which such budget is based) prepared by the Borrower for each of the four fiscal quarters following the end of such fiscal year; and

(e) on or before the 105th day after the end of each fiscal year commencing with the fiscal year ending June 1998, a certificate substantially in the form of Exhibit E (an "Excess Cash Flow Certificate") of a Responsible Officer of the Borrower setting forth in reasonable detail the Borrower's calculation of Excess Cash Flow based on the financial statements delivered pursuant to subsection 7.1(a) (which calculations shall be prepared on a GAAP basis consistently applied without regard to any GAAP permitted elections made by the Borrower with respect to its reporting under Sections 7.1(a) and 7.1(b));

7.2. Certificates; Other Information.

The Borrower shall furnish to the Administrative Agent, with sufficient copies for each Lender:

(a) concurrently with the delivery of the financial statements referred to in subsection 7.1(a), a certificate of the Independent Auditor stating that in making the examination

necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in subsections 7.1(a) and (b), a Compliance Certificate executed by a Responsible Officer of the Borrower (which calculations shall be prepared on a GAAP basis consistently applied without regard to any GAAP permitted elections made by the Borrower with respect to its reporting under Sections 7.1(a) and 7.1(b));

(c) concurrently with the delivery of the financial statements referred to in subsections 7.1(a) and (b), an accounting of all Intercompany Advances and repayments with respect thereto;

(d) concurrently with the delivery of the financial statements referred to in subsections 7.1(a) and (b), a management's discussion and analysis of results of operations for the relevant period executed by a Responsible Officer of the Borrower describing (i) in the case of such report submitted with the financial statements referred to in subsection 7.1(a), the operations of the Borrower for such fiscal year, and (ii) in the case of such report submitted with the financial statements referred to in subsection 7.1(b), the operations of the Borrower for such fiscal quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter; provided the analysis contained in any filing made under Form 10-K or 10-Q shall be adequate for these purposes;

(e) within 15 days of any such filing, copies of all financial statements and regular, periodic or special reports (including Forms 10-K, 10-Q and 8-K) and registration statements that Holdings, the Borrower or any of its Subsidiaries may make to, or file with, the SEC;

(f) promptly, copies of all audit reports and management audit letters delivered by the Independent Auditor to the Borrower;

(g) concurrently with the delivery of the financial statements referred to in subsections 7.1(a) and (b), the most recent financial statements available for each Person in which a Special Investment has been made, including a narrative description of such Person's financial and business performance, and the amount of the Special Investments in each such Person; and

(h) promptly, such additional information regarding the business, financial or corporate affairs of the Borrower or any of its Subsidiaries as the Administrative Agent, at the request of any Lender, may from time to time

reasonably request.

7.3. Notices.

The Borrower shall promptly notify the Administrative Agent:

(a) of the occurrence of any Default or Event of Default;

(b) of any matter that has resulted or would reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of any of the Borrower or any of its Subsidiaries; (ii) any dispute, litigation, investigation, proceeding or suspension which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower or any of its Subsidiaries, including pursuant to any applicable Environmental Laws;

(c) of any of the following events affecting the Borrower or any ERISA Affiliate, together with a copy of any notice with respect to such event that may be required to be filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Borrower or any ERISA Affiliate with respect to such event:

(i) a Reportable Event;

(ii) any condition existing with respect to a Plan which presents a material risk of (A) the termination of such Plan; (B) the imposition of an excise tax; (C) any requirement to provide security to the Plan; or (D) the incurrence of other liability by the Borrower or any ERISA Affiliate;

(iii) the filing by any plan administrator of a Plan of a notice of intent to terminate such Plan;

(iv) a copy of any application by the Borrower or an ERISA Affiliate for a waiver of the minimum funding standard under Section 412 of the Code;

(v) copies of each annual report which is filed on Form 5500, together with certified financial statements (if any) for the Plan as of the end of such year and actuarial statements on Schedule B to such Form 5500;

(vi) any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan;

(vii) the receipt by the Borrower or any ERISA Affiliate of a notice received by the Borrower or any ERISA Affiliate concerning the imposition of any withdrawal liability under Section 4202 of ERISA;

(viii) the receipt of any notice by the Borrower or any ERISA Affiliate from the PBGC or the Internal Revenue Service with respect to any Plan or Multiemployer Plan; provided, however, that this clause (viii) shall not apply to notices of general application promulgated by the PBGC or the IRS;

(ix) if any of the representations and warranties in Section 6.7 ceases to be true and correct in all material respects;

(x) the adoption of any new Plan or other Benefit Plan subject to Section 412 of the Code;

(xi) the adoption of any amendment to a Plan or other Benefit Plan subject to Section 412 of the Code, if such amendment results in a material increase in contributions or unfunded pension liability; or

(xii) the commencement of contributions to any Plan or other Benefit Plan subject to Section 412 of the Code;

(d) of any material change in accounting policies or financial reporting practices by the Borrower or any of its consolidated Subsidiaries;

(e) of any material labor controversy resulting in or threatening to result in any strike, work stoppage, boycott, shutdown or other labor disruption against or involving the Borrower or any of its Subsidiaries; or

(f) at least 30 days prior to any Change of Control, written notice of such Change of Control, the terms thereof and the anticipated date thereof.

Each notice under this Section shall be accompanied by a written statement by a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein, and stating what action the Borrower or any affected Subsidiary proposes to take with respect thereto and at what time. Each notice under subsection 7.3(a) shall describe with particularity any and all clauses or provisions of this Agreement or other Loan Document that have been breached or violated.

7.4. Preservation of Corporate Existence, Etc.

The Borrower shall, and except as permitted by Section 8.3, shall cause each of its Subsidiaries to:

(a) preserve and maintain in full force and effect (i) its corporate existence and (ii) good standing under the laws of its state or jurisdiction of formation or incorporation;

(b) preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business except (i)(A) if in the reasonable business judgment of the Borrower or such Subsidiary, as the case may be, it is in its best economic interest not to preserve and maintain such rights, privileges, qualifications, permits, licenses and franchises, and (B) such failure to preserve the same could not, in the aggregate, reasonably be expected to have a Material Adverse Effect and (ii) as otherwise permitted in connection with transactions permitted by Section 8.3 and sales of assets permitted by Section 8.2;

(c) use reasonable efforts, in the ordinary course of business, to preserve its business organization and goodwill; and

(d) take all reasonable actions to preserve or renew all of its patents, registered trademarks, trade names and service marks, the non-preservation of which would reasonably be expected to have a Material Adverse Effect.

7.5. Maintenance of Property.

The Borrower shall maintain and preserve, and shall cause each Subsidiary to maintain and preserve, all its property which is used or useful in its business in good working order and condition, ordinary wear and tear excepted and make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so would not reasonably be expected to have a Material Adverse Effect or except as permitted by Section 8.2.

7.6. Insurance.

In addition to insurance requirements set forth in the Collateral Documents, the Borrower shall maintain, and shall cause each Subsidiary to maintain, with financially sound and reputable independent insurers, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons, including workers' compensation insurance, public liability and property and casualty insurance. All such insurance shall name the Administrative Agent as loss payee and as additional insured, for the benefit of the Lenders, as their interests may appear.

7.7. Payment of Obligations.

The Borrower shall, and shall cause each Subsidiary to, pay and discharge as the same shall become due and payable, all their respective obligations and liabilities, including:

(a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary;

(b) all lawful claims which, if unpaid, would by law become a Lien upon its property, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary; and

(c) all trade payables owing to Persons that are not Affiliates of the Borrower within 90 days of the date when due and payable, unless the same are contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary.

7.8. Compliance with Laws.

The Borrower shall comply, and shall cause each of its Subsidiaries to comply, with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act and the Federal Food, Drug and Cosmetic Act), except such as may be contested in good faith or as to which a bona fide dispute may exist or where failure to comply could not reasonably be expected to have a Material Adverse Effect. Without limiting the foregoing, any alterations or modifications to the Mortgaged Property shall be made in material compliance with all Requirements of Law, including any applicable land use and zoning laws and building codes.

7.9 Inspection of Property and Books and Records.

The Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, proper books of record and account, in which full, true and correct entries in conformity with GAAP shall be made of all financial transactions and matters involving the assets and business of the Borrower and such Subsidiary. The Borrower shall permit, and shall cause each Subsidiary to permit, representatives and independent contractors of the Administrative Agent and the Lenders to visit and inspect any of their respective properties, to examine the Borrower's and each of its Subsidiaries' corporate, financial and operating records, and to make copies thereof or abstracts therefrom, and to discuss their respective affairs, finances and accounts with their respective directors, officers, and independent public accountants, all at the expense of the Borrower for the first four such visits and inspections by the Administrative Agent in any calendar year, and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided, however, that when an Event of Default exists, (i) the Administrative Agent may do any of the foregoing without any limitation as to the frequency thereof at the expense of the Borrower at any time during normal business hours and without advance notice and (ii) any Lender may do any of the foregoing with reasonable frequency at the expense of the Borrower at any time during normal business hours and without advance notice.

7.10. Environmental Laws.

(a) The Borrower shall, and shall cause each of its Subsidiaries to, conduct its operations and keep and maintain its property in compliance with all Environmental Laws unless the failure to do so would not reasonably be expected to have a Material Adverse Effect.

(b) Upon the written request of the Administrative Agent or any Lender, the Borrower shall submit and cause each of its Subsidiaries to submit, to the Administrative Agent with sufficient copies for each Lender, at the Borrower's sole cost and expense, at reasonable intervals, a report providing an update of the status of any environmental, health or safety compliance, hazard or liability issue identified in any notice or report required pursuant to subsection 7.3(b) that could, individually or in the aggregate, reasonably be expected to result in liability in excess of $3,000,000.

7.11. Use of Proceeds.

The Borrower shall use the proceeds of the Loans hereunder to:

(a) Repay existing Indebtedness of the Borrower under the Existing Credit Agreement;

(b) Repay the Interim Loan;

(c) Finance the Transactions and pay the related fees and expenses;

(d) With respect to Revolving Credit Loans only, finance the ongoing working capital and other general corporate requirements of the Borrower and its Subsidiaries not in contravention of any Requirement of Law or any Loan Document; and

(e) Solely with respect to Revolving Credit Loans, finance the cash purchase price of Permitted Acquisitions (and to the extent permitted by Section 8.5(h), Special Investments), the substantially contemporaneous repayment of Indebtedness to be repaid in connection with such Permitted Acquisitions, and payment of reasonable and customary costs, expenses and fees directly associated therewith.

7.12. Further Assurances.

Promptly upon the written request by the Administrative Agent or the Majority Lenders, the Borrower shall (and shall cause any of its Subsidiaries to) execute, acknowledge, deliver, record, re-record, file, re-file, register and/or re-register any and all deeds, conveyances, security agreements, mortgages, assignments, estoppel certificates, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments that the Administrative Agent or the Lenders may reasonably require from time to time in order to: (i) carry out more effectively the purposes of this Agreement or any other Loan Document, (ii) secure Liens against the properties, rights or interests covered by the Collateral Documents, (iii) perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and the Liens intended to be created thereby, and (iv) better assure, convey, grant, assign, transfer, preserve, protect and confirm to the Administrative Agent and Lenders the rights granted or now or hereafter intended to be granted to the Lenders under any Loan Document or under any other document executed in connection therewith.

7.13. After-Acquired Collateral.

Without affecting the Obligations of the Borrower or any of its Subsidiaries under the Loan Documents:

(a) In the event that the Borrower or any of its Subsidiaries at any time after the date hereof acquires any interest in any real property, including any leasehold interest other than administrative office leases and other immaterial leaseholds (each such interest, an "After-

Acquired Property"), the Borrower shall immediately provide written notice thereof to the Administrative Agent, which shall promptly deliver such notice to each of the Lenders, setting forth with specificity a description of the interest acquired, the location of the After-Acquired Property, any structures or improvements thereon and, if requested by the Administrative Agent, an appraisal by an independent appraisal firm if such appraisal was obtained by the Borrower in connection with such acquisition or, if an appraisal was not obtained, a good-faith estimate of the current value of such real property; provided, however, that if the Administrative Agent has a reasonable basis to believe that an appraisal is required under any Requirement of Law, the Borrower shall provide such appraisal. The Administrative Agent shall provide notice to the Borrower of whether the Majority Lenders require the Borrower or its Subsidiary, as the case may be, to grant and record a mortgage on such After-Acquired Property, which After-Acquired Property shall not be subject to any Liens other than those permitted under subsections (a), (b), (c), (g), (h), (i) or (m) of Section 8.1. In such event, the Borrower or its Subsidiary, as the case may be, shall execute and deliver to the Administrative Agent a mortgage

which shall be reasonably satisfactory in form and substance to the Administrative Agent and the Majority Lenders, and title insurance covering such After-Acquired Property, together with such other documents or instruments as the Majority Lenders shall reasonably require, including, without limitation, a Landlord Consent in the form of Exhibit H (a "Landlord Consent"). The Borrower shall pay all fees and expenses, including, without limitation, all reasonable Attorney Costs of the Administrative Agent and all title insurance charges and premiums, in connection with the obligations under this Section. Title insurance provided in connection with such After-Acquired Property shall be substantially in the form called for under subsection 5.1(d)(vii).

(b) In the event that the Borrower or any of its Subsidiaries at any time after the date hereof acquires, forms or establishes any Subsidiary, the Borrower shall, or shall cause any such Subsidiary to promptly execute and deliver an amendment to the Guarantee and Collateral Agreement in form and substance reasonably acceptable to the Administrative Agent in order to pledge the capital stock of such newly acquired or formed Subsidiary; provided, in the case of foreign Subsidiaries, such pledge shall be limited to 66% of the Capital Stock of first-tier foreign Subsidiaries. In addition, simultaneously therewith the Borrower shall cause such newly acquired or formed Subsidiary, if such Subsidiary is not a foreign Subsidiary, to become a grantor under the Guarantee and Collateral Agreement. In addition, the Borrower shall take or cause to be taken all action reasonably requested by the Administrative Agent to perfect or protect the security interest thereby created in all assets of such new Subsidiary, if such Subsidiary is not a foreign Subsidiary.

(c) In the event that the Borrower or any of its Subsidiaries makes a Special Investment, the Borrower or such Subsidiary, as the case may be, will cause its equity interest in the Person in which such Special Investment is made, and its other rights with respect to such Special Investment, to be pledged as Collateral under the Guarantee and Collateral Agreement; provided that foreign Subsidiaries of the Borrower will not be required to pledge Special Investments under this subsection 7.13(c).

ARTICLE VIII

NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, or the Swingline Lender has any Swingline Commitment hereunder, or any Loan remains outstanding or other Obligation then due and payable remains unpaid or unsatisfied, or any Letter of Credit remains outstanding, unless the Majority Lenders waive compliance in writing:

8.1. Limitation on Liens.

The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its property, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) any Lien created under any Loan Document;

(b) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or to the extent that non-payment thereof is permitted by Section 7.7; provided, that no notice of lien has been filed or recorded under the Code;

(c) suppliers', carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent for a period of more than thirty days or remain payable without penalty or which are being contested in good faith and by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(d) Liens (other than any Lien imposed by ERISA) consisting of pledges or deposits required in the ordinary course of business in connection with workers= compensation, unemployment insurance and other social security legislation;

(e) Liens on the property of such Person securing (i) the non-delinquent performance of bids, trade contracts (other than for borrowed money),

leases, statutory obligations, (ii) contingent obligations on surety and appeal bonds, and (iii) other non-delinquent obligations of a like nature; in each case, incurred in the ordinary course of business;

(f) Liens consisting of judgment or judicial attachment liens; provided, that the enforcement of such Liens is effectively stayed and all such liens in the aggregate at any time outstanding for the Borrower and its Subsidiaries do not exceed $3,000,000;

(g) leases, subleases, easements, rights-of-way, encroachments and other survey defects, restrictions and other similar encumbrances incurred in the ordinary course of business which do not impose material financial obligations on the Borrower or any of its

Subsidiaries, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the businesses of such Person;

(h) purchase money security interests on any property acquired or held by such Person securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such property; provided, that (i) any such Lien attaches to such property concurrently with or within 20 days after the acquisition thereof, (ii) such Lien attaches solely to the property so acquired in such transaction, (iii) the principal amount of the debt secured thereby does not exceed the cost of such property, and (iv) the aggregate principal amount of the Indebtedness secured by any and all such purchase money security interests shall not at any time exceed, together with other secured Indebtedness permitted under subsection 8.5(e), $15,000,000;

(i) Liens securing obligations in respect of Capital Leases on assets subject to such leases; provided, that such Capital Leases are otherwise permitted hereunder;

(j) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided, that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Borrower in excess of those set forth by regulations promulgated by the FRB, and (ii) such deposit account is not intended by the Borrower or any of its Subsidiaries to provide collateral to the depository institution;

(k) Liens securing Contingent Obligations permitted under subsection 8.8(g);

(l) rights of licensees under license agreements entered into by the Borrower or any Subsidiary, as licensor, in the ordinary course of business for the use of Intellectual Property or other intangible assets of the Borrower or such Subsidiary; provided, that, in the case of any such license granted by the Borrower or any Subsidiary on an exclusive basis, (i) such Person shall have determined in its reasonable business judgment that such Intellectual Property is no longer useful in the ordinary course of business, (ii) such license is for the use of Intellectual Property in geographic regions in which the Borrower or any Subsidiary does not have material operations or in connection with the exploitation of any product not then produced or planned to be produced by the Borrower or any Subsidiary, or (iii) such license is granted in connection with a transaction otherwise permitted by this Agreement in which a third party acquires the right to manufacture or sell any product covered by such Intellectual Property from the Borrower or such Subsidiary; and provided, further, that, in the case of clauses (ii) and (iii), the Borrower or such Subsidiary has determined that it is in its best economic interest to grant such license;

(m) Liens assumed in connection with a Permitted Acquisition; provided, that, such Lien was created prior to such acquisition or investment (and not in contemplation of such acquisition) and that, at the time of such acquisition no Default or Event of Default exists or shall result from such acquisition;

(n) any Lien existing on property of such Person on the Closing Date and set forth on Schedule 8.1; and

(o) any Lien resulting from a Swap Contract; provided that liens resulting from Swap Contracts where the counterparty is not a Lender or an Affiliate thereof may be secured only by the Collateral under the Loan Documents to the extent permitted therein (it being understood that the Loan Documents limit the aggregate amount of Hedging Obligations under such Swap Contracts which may be secured by the Collateral under the Loan Documents to $2,000,000 of Swap Termination Values).

8.2. Asset Dispositions.

The Borrower will not, and will not permit any of its Subsidiaries to, sell, transfer, lease, contribute or otherwise convey (including in connection with a sale and leaseback transaction), or grant options, warrants or other rights with respect to, all or any part of its assets (including accounts receivable and Capital Stock of Subsidiaries) to any Person, other than:

(a) sales of inventory in the ordinary course of business;

(b) sales or other dispositions of equipment which is worn-out or obsolete in the ordinary course of business, or vehicles customarily replaced from time to time to the extent permitted in subsection 8.2(c)(iii);

(c) dispositions of assets for an amount not less than the fair market value thereof and which are not otherwise permitted hereunder to Persons who are not Affiliates of the Borrower if:

(i) at the time of such disposition no Default or Event of Default exists or shall result from such disposition;

(ii) the aggregate value of all assets so sold by the Borrower and its Subsidiaries does not exceed $20,000,000 in any fiscal year and $50,000,000 in the aggregate;

(iii) to the extent the Net Proceeds of such disposition exceed, together with the sales or other dispositions permitted under subsection 8.2(b), $500,000 in the aggregate for all such dispositions in any fiscal year, such Net Proceeds are (A) applied by the Borrower or any Subsidiary to the repayment of the Obligations to the extent required by subsection 2.7(b)(i), or (B) used, to the extent permitted by subsection 2.7(b)(i), within 180 days of receipt thereof by the Borrower or any of its Subsidiaries to purchase assets in a business or businesses permitted by Section 8.18, or a Permitted Acquisition; provided, that a Responsible Officer of the Borrower shall have notified the Administrative Agent promptly after its determination to so apply the Net Proceeds and shall have certified the receipt of fair market value for such assets or Permitted Securities

and the proper application of such Net Proceeds in accordance with this subsection 8.2(c); and

(iv) the aggregate amount of non-cash consideration for all such dispositions does not exceed $5,000,000, of which no more than $1,000,000 may be in the form of outstanding notes or other debt instruments; provided that such $5,000,000 shall be reduced by the fair market value of any assets exchanged or disposed of for non-cash consideration in connection with a Special Investment;

(d) license agreements entered into by the Borrower or any Subsidiary, as licensor, in the ordinary course of business for the use of any Intellectual Property or other intangible assets of the Borrower or such Subsidiary, including such exclusive licenses permitted by subsection 8.1(l) or the disposition of such Intellectual Property as the Board of Directors of such Person shall have determined is no longer in the best interests of such Person to retain;

(e) transfers constituting advances, loans, extensions of credit, capital contributions and other investments permitted by Section 8.4;

(f) sales of accounts receivable for cash in the ordinary course of

business which are more than 90 days past due, which sales shall be without recourse to the Borrower or its Subsidiaries;

(g) transfers, sales, and conveyances of assets between the Borrower and any of its Subsidiaries to the extent permitted by subsection 8.4(d); and

(h) sales of assets of any Subsidiary of the Borrower to the Borrower or any of its Subsidiaries to the extent permitted by 8.3(b).

8.3. Consolidations and Mergers.

The Borrower shall not, and shall not suffer or permit any Subsidiary to, merge, consolidate with or into, dissolve or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except:

(a) any Subsidiary of the Borrower may merge with the Borrower or into a domestic Wholly-Owned Subsidiary other than Gelex or Trolli Mexico; provided, that the Borrower or such domestic Wholly-Owned Subsidiary, respectively, (i) shall be the continuing or surviving corporation, and (ii) shall have a consolidated net worth immediately following such merger equal to or greater than the consolidated net worth of the Borrower or such Wholly-Owned Subsidiary, respectively, immediately preceding such merger; and

(b) any Subsidiary of the Borrower may sell all or substantially all of its assets (upon voluntary liquidation or otherwise), to the Borrower or one of its domestic Wholly-Owned Subsidiaries;

provided, however, in each case that no Default or Event of Default exists or shall result from such merger or sale.

8.4. Loans and Investments.

The Borrower shall not purchase or acquire, or suffer or permit any of its Subsidiaries to purchase or acquire, or make any commitment therefor, any Capital Stock, equity interest, or any obligations or other securities of, or any interest in, any Person, or make or commit to make any Acquisitions (other than any such commitment that is entirely contingent upon the approval by the Majority Lenders), or make or commit (other than any such commitment that is entirely contingent upon the approval by the Majority Lenders) to make any advance, loan, extension of credit or capital contribution to or any other investment in, any Person including any Affiliate of the Borrower, except for:

(a) investments in Cash Equivalents; provided, that the aggregate amount thereof shall not exceed $2,500,000 unless the excess thereof is deposited with the Administrative Agent or the Documentation Agent for the benefit of the Lenders or invested in other Cash Equivalents for which the Borrower or such Subsidiary shall have provided evidence satisfactory to the Administrative Agent that the Administrative Agent or the Documentation Agent shall have a perfected, first priority security interest in such Cash Equivalent for the benefit of the Lenders;

(b) extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business;

(c) the Borrower and its Subsidiaries may make loans and advances to officers, employees and agents in the ordinary course of business equal to no more than $500,000 to any single such Person and no more than $2,500,000 in the aggregate, in existence at any one time outstanding (plus, in each case, up to one calendar quarter's accrued interest on such loans or advances);

(d) (A) the Borrower may make and maintain (i) Intercompany Advances made to any domestic Wholly-Owned Subsidiary of the Borrower in any amount, (ii) equity contributions to Sathers Trucking and Trolli and any other domestic Wholly-Owned Subsidiary acquired in a Permitted Acquisition or formed to complete a Permitted Acquisition in an aggregate amount at any time outstanding not to exceed $25,000,000, and (iii) loans and advances to the Borrower's domestic Wholly-Owned Subsidiaries other than Sathers Trucking and Trolli in an amount not to exceed $3,000,000 in the aggregate at any time outstanding, (B) the Borrower may make and maintain loans and advances to and equity

contributions in Gelex, and Trolli may make and maintain loans and advances to and equity contributions in Trolli Mexico, subject to clause (iv) of the proviso set forth below, and (C) any domestic Wholly-Owned Subsidiary of the Borrower other than Sathers Trucking and Trolli may make loans and advances to any other Wholly-Owned Subsidiary of the Borrower (it being agreed for purposes of this subsection 8.4(d) that a Subsidiary shall be treated as wholly-owned notwithstanding the ownership of 1% or less of its voting stock by another Person if such stock constitutes directors' qualifying shares); provided, however, that (i) if requested by the

Administrative Agent and the Majority Lenders or if the Borrower elects to do so by prior written notice to the Administrative Agent, all intercompany Indebtedness shall be evidenced by promissory notes which shall be pledged to the Administrative Agent for the benefit of the Lenders, (ii) all such intercompany Indebtedness shall be subordinated in right of payment to the payment in full of the Obligations pursuant to the terms of (x) the Guarantee and Collateral Agreement delivered to the Administrative Agent in accordance with subsection 7.13(b), if such guaranty is required by that subsection, (y) the applicable promissory notes, or (z) an intercompany subordination agreement, in each case on terms reasonably satisfactory to the Administrative Agent and the Majority Lenders, (iii) any payment by any Subsidiary of the Borrower under any guaranty of the Obligations shall result in a pro tanto reduction of the amount of any intercompany Indebtedness owed by such Subsidiary to the Borrower, and (iv) in no event shall the aggregate of equity investments in and loans or advances (including any amounts owing as deferred purchase price of the sale of goods or services to Gelex or Trolli Mexico) outstanding at any time to Gelex or Trolli Mexico by the Borrower and all of its Subsidiaries exceed $300,000 and $500,000, respectively;

(e) subject to the provisions of subsection 2.7(b)(i), the Borrower and its Subsidiaries may make Acquisitions for which the sole consideration employed by Holdings, the Borrower or such Subsidiary with respect thereto shall be (i) Capital Stock of Holdings, (ii) the proceeds of the issuance of Capital Stock of Holdings, (iii) the Net Proceeds from the sale of assets permitted by subsection 8.2(c)(iii), (iv) the proceeds of an Event of Loss, (v) the proceeds of indebtedness permitted under subsection 8.5(e), or (vi) immediately available funds other than those described in clauses (i), (ii), (iii), (iv), or (v) above, provided, however:

(A) if the consideration for such Acquisition includes any consideration of the type described in clauses (i) or (ii) above, no such Acquisition or any commitment therefor may be entered into unless (I) such issuance of Capital Stock of Holdings shall not involve a public offering under the Securities Act of 1933 or under securities laws of any other jurisdiction, and (II) the total amount of proceeds of Capital Stock of Holdings employed as consideration for all such Acquisitions after the Closing Date shall not exceed in the aggregate the sum of $35,000,000 plus an additional $5,000,000 for each anniversary of the Closing Date that has occurred at any date of determination;

(B) no such Acquisition or any commitment therefor may be entered into before delivery of (i) a Compliance Certificate which demonstrates a Total Debt to EBITDA Ratio of no greater than 4.5 to 1.0 if such Acquisition is funded exclusively from the sources described in clauses (iii) - (vi) of the introduction to this paragraph (e), or 5.0 to 1.0 otherwise, and (ii) a certificate executed by a Responsible Officer of the Borrower and reviewed and approved by Price Waterhouse LLP demonstrating compliance on a pro forma basis, after giving effect to such Acquisition and the financing therefor (including adjustments to give effect to demonstrable cost savings arising by virtue of the Acquisition (such as inflated employer-owner compensation), with the covenants set forth in Sections 8.14-8.17 for the period of Four Trailing Quarters covered by the Compliance Certificate referred to in the preceding clause (i);

(C) no Acquisition or any commitment therefor may be entered into if the aggregate consideration of the type described in clauses (v) or (vi) above employed in all Acquisitions after the Closing Date exceeds the sum of (I) 25% of Excess Cash Flow for each fiscal year commencing with the

year ending June 1999 for which the mandatory prepayment required by subsection 2.7(b)(iv) has been made, plus (II) $15,000,000, plus (III) an additional $5,000,000 for each anniversary of the Closing Date that has occurred at any date of determination;

(D) no Acquisition or any commitment therefor may be entered into if (I) the sum of the amounts by which the aggregate consideration of the type described in clauses (v) and (vi) above employed in such Acquisition exceeds 4.0 times the trailing four quarter EBITDA for the assets or Person being acquired in each such Acquisition, adjusted to give retroactive effect to demonstrable cost savings arising by virtue of the Acquisition (such as inflated employee-owner compensation), all as demonstrated by the Borrower to the reasonable satisfaction of the Majority Lenders before the Borrower or any of its Subsidiaries commits to such Acquisition, the review of which by the Lenders will not be unreasonably delayed;

(E) no Acquisition or any commitment therefor may be entered into if EBITDA for the assets or Person being acquired in each such Acquisition, reduced by depreciation and adjusted to give retroactive effect to demonstrable cost savings arising by virtue of the Acquisition (such as inflated employee-owner compensation), has not been positive during the four quarters completed before such Acquisition, all as demonstrated by the Borrower to the reasonable satisfaction of the Majority Lenders before the Borrower or any of its Subsidiaries commits to such Acquisition, the review of which by the Lenders will not be unreasonably delayed;

(F) no Acquisition or any commitment therefor may be entered into unless any new Subsidiary acquired in such an Acquisition shall be wholly-owned by the Borrower or one of its Wholly-Owned Subsidiaries and the provisions of Section 7.13 shall have been or will be complied with concurrently with the consummation of such Acquisition;

(G) if an Acquisition is a stock acquisition or merger, no such Acquisition or any commitment therefor may be entered into if any tender offer for such stock or the vote in favor of such merger shall have been rejected by the board of directors of the target of such Acquisition or such board of directors shall have recommended that such shareholders of such target reject such Acquisition;

(H) no Acquisition or any commitment therefor may be entered into unless the business or Person acquired is engaged in a business or businesses permitted by Section 8.18; and

(I) no Acquisition or any commitment therefor may be entered into if a Default or an Event of Default exists or would occur as a result of such Acquisition;

(f) any Subsidiary of the Borrower may make loans and advances to the Borrower;

(g) if, in the reasonable business judgment of the Borrower or any of its Subsidiaries, any customer is deemed to be in a reorganization or unable to make a timely cash payment on Indebtedness of such customer owing to it, each of the Borrower and its Subsidiaries may invest in securities issued by such customer or any affiliate thereof in lieu of cash payments; provided, that the Borrower or such Subsidiary, as the case may be, has paid no new consideration (other than forgiveness of Indebtedness or other obligations) therefor and such securities are Collateral delivered promptly to the Administrative Agent;

(h) subject to compliance with the following provisions of this subsection 8.4(h), the Borrower and its Subsidiaries may make and maintain Special Investments in Persons all of whose material lines of business are food processing and distribution in an aggregate amount any time outstanding not to exceed the sum of (i) $2,000,000, plus (ii) assets having an aggregate value not to exceed $5,000,000 exchanged for non-cash consideration, plus (iii) the amount of proceeds (net of underwriting discounts and commissions or placement fees, investment banking fees, legal fees, accounting fees, and other customary fees, commissions, expenses and costs associated therewith) of any sale of equity securities by Holdings and contributed to the Borrower or any of its Subsidiaries after the Closing Date as common stock or additional paid-in

capital, but only to the extent not required by subsection 2.7(b)(ii) to be applied toward a mandatory prepayment of the Loans or expended for a Permitted Acquisition or otherwise so as to avoid a mandatory prepayment of the Loans. If (1) such Special Investment is to be made with proceeds of a sale of equity securities by Holdings, and (2) a fiscal quarter of the Borrower ended on or after receipt of such proceeds by Holdings or any of its Subsidiaries for accounting purposes and before such Special Investment is made, such Special Investment may only be made at least 10 Business Days after the Borrower delivers to the Administrative Agent financial statements required by Section 7.1 for that fiscal quarter and a revised Compliance Certificate for that fiscal quarter demonstrating that the Borrower would have been in compliance with Sections 8.14 through 8.17 had such proceeds not been so received. If such Special Investment is to be made with any funds other than proceeds of a sale of equity securities by Holdings (in any event subject to the aggregate $2,000,000 referred to in clause (i) above and the limit described in clause (ii) above), such Special Investment may only be made at least 10 Business Days after the Borrower delivers to the Administrative Agent a revised Compliance Certificate for the most recent fiscal quarter for which a Compliance Certificate was required to be delivered or has been delivered hereunder demonstrating that the Borrower would have been in compliance with Sections 8.14 through 8.17 had such Special Investment been made at the beginning of the four fiscal quarter period then ending and been funded entirely with the proceeds of Revolving Credit Loans that remained outstanding for the entire period. For purposes of determining the outstanding amount of any Special Investment, earnings from a Special Investment will not be deemed to increase the amount of such Special Investment, and dividends, equity redemptions, and interest or principal repayments on account of a Special Investment, if made in cash to the Borrower or one of its Wholly-Owned Subsidiaries, will be deemed to decrease the outstanding amount of such Special Investment, but not below zero; and

(i) extensions of credit, in the aggregate not at any time exceeding $500,000 for all Persons, in the nature of accounts receivable owing from a Person or Persons in which a Special Investment has been made representing such Person's reimbursement obligation for third-party costs paid by the Borrower or one of its Subsidiaries on behalf of such Person.

8.5. Limitation on Indebtedness.

The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, create, incur, assume, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

(a) Indebtedness incurred pursuant to this Agreement;

(b) accounts payable to trade creditors for goods and services and current operating liabilities (not the result of any borrowing of money) incurred in the ordinary course of business of the Borrower or any of its Subsidiaries;

(c) Indebtedness consisting of Contingent Obligations permitted pursuant to Section 8.8;

(d) Indebtedness of (i) the Borrower lent to any Subsidiary to the extent permitted by subsection 8.4(d) and (ii) any Subsidiary lent to the Borrower to the extent permitted by subsection 8.4(f);

(e) additional Indebtedness (not otherwise permitted hereunder) in an aggregate principal amount not to exceed $20,000,000 at any one time outstanding of which no more than $15,000,000 at any time outstanding may be Indebtedness secured by Liens permitted by Section 8.1;

(f) Indebtedness existing on the Closing Date and set forth on Schedule 8.5;

(g) the Subordinated Notes in a principal amount not to exceed $195,000,000;

(h) the Senior Notes in a principal amount not to exceed $200,000,000; and

(i) Capital Leases entered into by the Borrower or any of its Subsidiaries after the Closing Date in the ordinary course of business or in

connection with sale-leaseback transactions; provided that the aggregate principal amount of all such Capital Leases shall not exceed $10,000,000.

8.6. Transactions with Affiliates.

Except as set forth in Schedule 8.6, the Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, enter into any transaction with any Affiliate of the Borrower, except upon fair and reasonable terms no less favorable to such Borrower or such Subsidiary than

would obtain in a comparable arms-length transaction with a Person not an Affiliate of the Borrower or such Subsidiary.

8.7. Use of Proceeds.

The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, use any portion of the proceeds of the Loans or any Letter of Credit, directly or indirectly, (i) to purchase or carry Margin Stock, (ii) to repay or otherwise refinance indebtedness of the Borrower or any of its Subsidiaries incurred to purchase or carry Margin Stock, or (iii) to extend credit for the purpose of purchasing or carrying any Margin Stock.

8.8. Contingent Obligations and Swap Contracts.

The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Contingent Obligations or Swap Contracts, except:

(a) endorsements for collection or deposit in the ordinary course of business;

(b) Swap Contracts entered into in the ordinary course of business as bona fide hedging transactions which may be secured only as permitted by subsection 8.1(o);

(c) Contingent Obligations incurred pursuant to the Loan Documents;

(d) Contingent Obligations of the Borrower and its Subsidiaries under Surety Instruments permitted under subsection 8.1(e);

(e) Contingent Obligations assumed in connection with a Permitted Acquisition; provided, that such Contingent Obligation was created prior to such acquisition (and not in contemplation of such acquisition) and that, at the time of such acquisition no Default or Event of Default exists or shall result from such acquisition or investment;

(f) additional Contingent Obligations (not otherwise permitted hereunder) in an aggregate principal amount not to exceed $5,000,000 at any one time outstanding;

(g) Contingent Obligations of such Borrower and its Subsidiaries existing as of the Closing Date and listed on Schedule 8.8;

(h) Guaranty Obligations of the Borrower or its Subsidiaries with respect to obligations of the Borrower or a Wholly-Owned Subsidiary that are permitted by the Loan Documents;

(i) guaranties by Subsidiaries of the Borrower of the Subordinated Notes in accordance with, and to the extent required by, the Subordinated Note Agreement; and

(j) guaranties by Subsidiaries of the Borrower of the Senior Notes in accordance with, and to the extent required by, the Senior Note Indenture.

8.9. Capital Expenditures.

The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, make or commit to make (whether in one transaction or a series of transactions) Capital Expenditures in any fiscal year in an aggregate amount

for the Borrower and its Subsidiaries in excess of the amount set forth with respect to such fiscal year below; provided, however, that the amount of Capital Expenditures permitted to be made by the Borrower hereunder during any fiscal year and not made during such fiscal year may be carried over and expended during the next succeeding fiscal year only in an amount equal to the difference between the maximum amount of Capital Expenditures permitted for the previous fiscal year (and such amount carried forward shall not be used to determine the amount of carry forwards for any subsequent fiscal year) and the aggregate amount of all Capital Expenditures actually made during such previous fiscal year:

<TABLE>
<S> <C>
Fiscal year 1998 $40,000,000
Fiscal year 1999 $48,000,000
Fiscal year 2000 and each fiscal year thereafter $27,000,000
</TABLE>

8.10. Restricted Payments.

The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of their respective Capital Stock, or purchase, redeem or otherwise acquire for value any shares of such Capital Stock or any warrants, rights or options to acquire such shares, now or hereafter outstanding (each a ARestricted Payment@); except that:

(a) any Subsidiary of the Borrower may pay dividends to the Borrower or to any Wholly-Owned Subsidiary of the Borrower;

(b) the Borrower and any of its Subsidiaries may declare and make dividend payments or other distributions payable solely in its common stock;

(c) the Borrower and any of its Subsidiaries may purchase, redeem or otherwise acquire shares of its Capital Stock or warrants or options to acquire any such shares with the proceeds received from the substantially concurrent issuance of new shares of its Capital Stock;

(d) the Borrower may pay cash dividends to Holdings in an aggregate amount not to exceed $550,000 in any fiscal year to cover reasonable and necessary expenses incurred by Holdings in connection with (i) compliance with reporting obligations under federal or state laws or under this Agreement or any of the other Loan Documents, (ii) indemnification and reimbursement of directors, officers and employees in respect of liabilities relating to their serving in any such capacity, (iii) to pay tax liabilities of Holdings which are paid in cash by

Holdings to any taxing authority, and (iv) other expenses incurred in the ordinary course of Holdings's business or in connection with its outstanding debt or equity securities; and

(e) the Borrower may pay cash dividends to Holdings, if no Default or Event of Default exists, or will result therefrom, in an aggregate amount not to exceed $1,500,000 in any fiscal year to purchase, redeem or otherwise acquire shares of its Capital Stock issued pursuant to stock purchase plans, stock option plans or otherwise for directors, employees or officers of the Borrower, any of its Subsidiaries or Holdings.

8.11. Sale-Leasebacks.

The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, create or suffer to enter into any sale-leaseback transactions unless the resulting lease is an Operating Lease or such sale-leaseback transaction complies with Section 8.2 and 8.5.

8.12. Limitation on Voluntary Payments and Modifications of Indebtedness.

The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to make any voluntary optional payment or prepayment on account of,

or redemption or acquisition for value of any portion of, any Indebtedness (other than the Subordinated Notes and the Senior Notes, which are governed by Section 8.23) where the total amount of such Indebtedness exceeds $20,000,000.

8.13. Limitation on Negative Pledge Clauses.

The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, enter into any agreement with any Person other than the Administrative Agent and the Lenders pursuant to this Agreement or any of the other Loan Documents which prohibits or limits the ability of the Borrower or any of its Subsidiaries to create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired; provided, that the Borrower may enter into (a) such an agreement in connection with any Permitted Liens described in subsection 8.1(h) and (i) when such prohibition or limitation is by its terms effective only against the assets subject to such Permitted Lien, (b) the Senior Note Indenture and (c) such an agreement if such agreement expressly permits the Liens in favor of the Administrative Agent under the Collateral Documents and other Liens as collateral security for the Obligations and guarantees thereof.

8.14. Leverage Ratio.

The Borrower will not permit the Total Debt to EBITDA Ratio at the end of any Four Trailing Quarters ending on the dates listed below to be greater than the ratio set forth opposite such dates:

<TABLE>
<CAPTION>

Measurement Date	Ratio
<S>	<C>
December 25, 1999	6.85:1.00
March 25, 2000	6.75:1.00
June 24, 2000	6.50:1.00
September 23, 2000	6.50:1.00
December 30, 2000	6.50:1.00
March 31, 2001	6.00:1.00
June 30, 2001	6.00:1.00
September 29, 2001	6.00:1.00
December 29, 2001	6.00:1.00
March 30, 2002	5.50:1.00
June 29, 2002	5.50:1.00
September 28, 2002	5.50:1.00
December 28, 2002	5.50:1.00
March 29, 2003	5.00:1.00
June 28, 2003	5.00:1.00
September 27, 2003	5.00:1.00
December 27, 2003	5.00:1.00
March 27, 2004	4.50:1.00
June 26, 2004	4.50:1.00
September 25, 2004	4.50:1.00
December 24, 2004	4.50:1.00
March 26, 2005	4.00:1.00
June 25, 2005	4.00:1.00

</TABLE>

8.15. Fixed Charge Coverage Ratio.

The Borrower will not permit the Fixed Charge Coverage Ratio for any Four Trailing Quarters ending on the dates listed below to be less than the ratio set forth opposite such dates:

<TABLE>
<CAPTION>

Measurement Date	Ratio
<S>	<C>
December 25, 1999	1.00:1.00
March 25, 2000	1.00:1.00
June 24, 2000	1.05:1.00
September 23, 2000	1.05:1.00
December 30, 2000	1.05:1.00

March 31, 2001	1.05:1.00
June 30, 2001	1.05:1.00
September 29, 2001	1.10:1.00
December 29, 2001	1.10:1.00
March 30, 2002	1.10:1.00
June 29, 2002	1.10:1.00
September 28, 2002	1.10:1.00

</TABLE>

<TABLE>

<S>	<C>
December 28, 2002	1.10:1.00
March 29, 2003	1.15:1.00
June 28, 2003	1.15:1.00
September 27, 2003	1.15:1.00
December 27, 2003	1.15:1.00
March 27, 2004	1.15:1.00
June 26, 2004	1.00:1.00
September 25, 2004	1.00:1.00
December 24, 2004	1.00:1.00
March 26, 2005	1.00:1.00
June 25, 2005	1.00:1.00

</TABLE>

8.16. Interest Coverage Ratio.

The Borrower will not permit the ratio of EBITDA to Consolidated Interest Expense, as of the end of any Four Trailing Quarters ending on the dates listed below to be less than the ratio set forth opposite such dates:

<TABLE>
<CAPTION>

Measurement Date	Ratio
<S>	<C>
June 26, 1999	1.25:1.00
September 25, 1999	1.25:1.00
December 25, 1999	1.25:1.00
March 25, 2000	1.25:1.00
June 24, 2000	1.50:1.00
September 23, 2000	1.50:1.00
December 30, 2000	1.50:1.00
March 31, 2001	1.50:1.00
June 30, 2001	1.75:1.00
September 29, 2001	1.75:1.00
December 29, 2001	1.75:1.00
March 30, 2002	2.00:1.00
June 29, 2002	2.00:1.00
September 28, 2002	2.00:1.00
December 28, 2002	2.00:1.00
March 29, 2003	2.00:1.00
June 28, 2003	2.25:1.00
September 27, 2003	2.25:1.00
December 27, 2003	2.25:1.00
March 27, 2004	2.25:1.00
June 26, 2004	2.25:1.00
September 25, 2004	2.50:1.00
December 24, 2004	2.50:1.00
March 26, 2005	2.50:1.00
June 25, 2005	2.50:1.00

</TABLE>

8.17. Senior Secured Debt to EBITDA.

The Borrower will not permit the Total Senior Secured Debt to EBITDA Ratio for any Four Trailing Quarters ending on the dates listed below to be greater than the amount set forth opposite such dates:

<TABLE>
<CAPTION>

Measurement Date	Ratio
<S>	<C>
September 26, 1998	3.00:1.00
December 26, 1998	3.00:1.00
March 27, 1999	3.00:1.00
June 26, 1999	2.75:1.00
September 30, 1999	2.75:1.00
December 25, 1999	2.75:1.00
March 25, 2000	2.75:1.00
June 24, 2000	2.50:1.00
September 23, 2000	2.50:1.00
December 30, 2000	2.50:1.00
March 31, 2001	2.25:1.00
June 30, 2001	2.25:1.00
September 29, 2001	2.25:1.00
December 29, 2001	2.25:1.00
March 30, 2002	2.00:1.00
June 29, 2002	2.00:1.00
September 28, 2002	2.00:1.00
December 28, 2002	2.00:1.00
March 29, 2003	2.00:1.00
June 28, 2003	2.00:1.00
September 27, 2003	2.00:1.00
December 27, 2003	2.00:1.00
March 27, 2004	2.00:1.00
June 26, 2004	2.00:1.00
September 25, 2004	2.00:1.00
December 24, 2004	2.00:1.00
March 26, 2005	2.00:1.00
June 25, 2005	2.00:1.00

</TABLE>

8.18. Change in Business.

The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, engage in any material line of business substantially different from the food processing and distribution business and immaterial retailing activities.

8.19. Accounting Changes.

The Borrower shall not, and shall not suffer or permit any of its Subsidiaries to, make any significant change in accounting treatment or reporting practices from those employed by the Borrower and its Subsidiaries, except as required or permitted by GAAP, or change the fiscal year of the Borrower or any of its Subsidiaries from the current fiscal year ending in June of each year, other than to make such Subsidiaries' fiscal years and accounting policies consistent with those of the Borrower.

8.20. Limitation on Restrictions on Subsidiary Dividends and Other Distributions.

The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock or any other interest or participation in its profits owned by the Borrower or any Subsidiary of the Borrower, or pay any Indebtedness owed to the Borrower or a Subsidiary of the Borrower, (b) make loans or advances to the Borrower, or (c) transfer any of its properties or assets to the Borrower, except for such encumbrances or restrictions existing under or by reasons of (i) applicable law, (ii) this Agreement, and (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of the Borrower or a Subsidiary of the Borrower.

8.21. ERISA.

The Borrower or any ERISA Affiliate will not: (a) terminate or withdraw from any Plan so as to result in any material liability to the PBGC; (b) engage in or permit any person to engage in any Prohibited Transaction

involving any Plan which would subject Borrower to any material tax, penalty or other liability; (c) incur or suffer to exist any material Accumulated Funding Deficiency, whether or not waived, involving any Plan; (d) allow or suffer to exist any event or condition, which presents a risk of incurring a material liability to the PBGC, (e) amend any Plan so as to require the posting of security under section 401(a)(29) of the Code; or (f) fail to make payments required under section 412(m) of the Code or section 302(e) of ERISA which would subject Borrower to any material tax, penalty or other liability. For the purpose of this paragraph only, a tax, penalty or other liability shall be considered material if it is determined in good faith by the Majority Lenders to be in excess of $500,000, and such tax, penalty or liability of the Borrower is not covered in full, for the benefit of the Borrower, by insurance.

8.22. Limitation on Holdings.

Holdings shall not:

(i) create, incur, assume, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to any Indebtedness or any Contingent Obligation in excess of $300,000 in the aggregate; or

(ii) engage in any business other than holding the common stock of the Borrower and other administrative operations incidental thereto.

8.23. Senior Notes and Subordinated Debt.

Neither the Borrower nor any of its Subsidiaries shall prepay, redeem, purchase, defease, or otherwise satisfy prior to the scheduled maturity thereof in any manner, or (in the case of the Subordinated Notes) make any payment in violation of any subordination terms of, the Indebtedness evidenced by the Senior Notes or the Subordinated Notes, nor will the Borrower enter into any modification, alteration or amendment of the documentation evidencing the Senior Notes or the Subordinated Notes if such modification, alteration, or amendment adversely affects the rights or interests of the Borrower or the Lenders; provided, however, that the Subordinated Notes may be amended in accordance with Schedule 8.23.

8.24. Limitations on Foreign Subsidiaries.

The Borrower shall not permit (a) the book value of assets of Trolli Mexico at any time to exceed $500,000 or (b) the average daily book value of assets of Gelex (excluding commission accruals occurring in the ordinary course of business and not yet due) during any consecutive 30 days to exceed $100,000 plus the amount of equity investments in and loans to Gelex permitted by subsection 8.4(d).

8.25. Limitations on Preferred Stock.

Neither Holdings nor any of its Subsidiaries will issue any preferred stock (or any options or warrants therefor) which requires any cash payments thereon prior to the first anniversary of the Facility B Term Loan Maturity Date.

ARTICLE IX

EVENTS OF DEFAULT

9.1. Event of Default.

Any of the following shall constitute an "Event of Default":

(a) Non-Payment. The Borrower fails to pay, (i) when and as required to be paid herein, any amount of principal of any Loan, Swingline Loan or L/C Borrowing, or (ii) within 5 days after the same becomes due, any interest, fee or any other amount payable hereunder or under any other Loan Document; or

(b) Representation or Warranty. Any representation or warranty made or deemed made by the Borrower, any of its Subsidiaries or Holdings herein or in

any other Loan Document, or which is contained in any certificate, document or financial or other statement by

such Person or any Responsible Officer of such Person furnished at any time on or after the Closing Date under this Agreement, or in or under any other Loan Document, is incorrect in any material respect on or as of the date made or deemed made; or

(c) Specific Defaults. The Borrower fails to perform or observe any term, covenant or agreement contained in subsections 7.3(a) or (b), clause (i) of subsection 7.4(a), Section 7.9 or Article VIII, or Holdings fails to perform or observe the covenants contained in Section 8.22; or

(d) Other Defaults. The Borrower fails to perform or observe any other term or covenant contained in this Agreement or any other Loan Document, and such default shall continue unremedied for a period of 15 days in the case of a default under Section 7.1, 7.2, 7.3(c), 7.3(d), 7.3(e) or 7.3(f) and 30 days in the case of all such other defaults, in each case after the earlier of (i) the date upon which a Responsible Officer of the Borrower or any of its Subsidiaries knew or reasonably should have known of such failure, or (ii) the date upon which written notice thereof is given to the Borrower by the Administrative Agent or any Lender; or

(e) Cross-Default. The Borrower or any of its Subsidiaries or Holdings (i) fails to make any payment in respect of any items of Indebtedness or Contingent Obligation having an aggregate principal amount (including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $2,500,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise), and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure, or (ii) fails to perform or observe any other condition or covenant, or any other event shall occur or condition shall exist, under any agreement or instrument relating to any such Indebtedness or Contingent Obligation having an aggregate principal amount (including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $2,500,000, if the effect of such failure, event or condition described in clause (ii) is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, such Indebtedness to be declared to be due and payable before its stated maturity, or such Contingent Obligation to become payable or cash collateral in respect thereof to be demanded; or

(f) Insolvency; Voluntary Proceedings. The Borrower, any of its Subsidiaries or Holdings (i) ceases or fails to be Solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise, (ii) voluntarily ceases to conduct its business in the ordinary course, (iii) commences any Insolvency Proceeding with respect to itself, or (iv) takes any action to effectuate or authorize any of the foregoing; or

(g) Insolvency; Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Borrower, any of its Subsidiaries or Holdings, or any writ, judgment, warrant of attachment, execution or similar process is issued or levied against a substantial part of such Person=s properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process

shall not be released, vacated or fully bonded within 60 days after commencement, filing or levy, (ii) the Borrower, any of its Subsidiaries or Holdings admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding, or (iii) the Borrower, any of its Subsidiaries or Holdings acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor) or other similar Person for itself or a substantial portion of its property or business; or

(h) ERISA. (i) Any Reportable Event or a Prohibited Transaction shall occur with respect to any Plan; (ii) a notice of intent to terminate a Plan under section 4041 of ERISA shall be filed; (iii) a notice shall be received by the plan administrator of a Plan that the PBGC has instituted proceedings to terminate a Plan or appoint a trustee to administer a Plan; (iv) any other event or condition shall exist which might, in the opinion of the Majority Lenders, constitute grounds under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (v) the Borrower or any ERISA Affiliate shall withdraw from a Multiemployer Plan under circumstances which the Majority Lenders determine could have a material adverse effect on the financial condition of the Borrower; and in case of the occurrence of any event or condition described in clauses (i) through (v) above, such event or condition would reasonably be expected to result in the aggregate amount of the Borrower's liability to a Plan or a Multiemployer Plan or to the PBGC under sections 4062, 4063, 4064, 4201, 4202 of ERISA as determined in good faith by the Majority Lenders would reasonably be expected to have a Material Adverse Effect, and such liability of the Borrower shall not be covered in full, for the benefit of the Borrower, by insurance; or

(i) Monetary Judgments. One or more non-interlocutory judgments, non-interlocutory orders, decrees or arbitration awards is entered against the Borrower or any of its Subsidiaries involving individually or in the aggregate a liability of $1,000,000 or more at any time outstanding in excess of the amount covered by independent third-party insurance as to which the insurer does not dispute coverage, and the same shall remain unsatisfied, unvacated and unstayed or unbonded pending appeal for a period of 30 consecutive days after the entry thereof; or

(j) Non-Monetary Judgments. Any non-monetary judgment, order or decree is entered against the Borrower or any of its Subsidiaries which has, or would reasonably be expected to have, a Material Adverse Effect, and there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(k) Collateral.

(i) Any material provision of any Collateral Document shall for any reason cease to be valid and binding on, or enforceable against, the Borrower or any Subsidiary of the Borrower party thereto, other than by virtue of a condemnation proceeding with respect to Mortgaged Property, or the Borrower or any Subsidiary of the Borrower shall so state in writing or bring an action to limit its obligations or liabilities thereunder; or

(ii) Any Collateral Document shall for any reason (other than pursuant to the terms thereof) cease to create a valid security interest in Collateral having a value of $1,000,000 or more purported to be covered thereby, or such security interest shall for any reason cease (other than pursuant to the terms thereof or as authorized thereby) to be a perfected and first priority security interest subject only to Permitted Liens; or

(l) Change of Control. A Change of Control shall occur. Any of the following shall constitute a "Change of Control": (i) TPG, InterWest, Nassau Capital Partners, L.P. and Al Bono shall in the aggregate beneficially own shares of Voting Stock having less than 51% of the total voting power of all outstanding shares of Voting Stock of Holdings; (ii) Holdings shall cease to own 100% of the shares of Capital Stock of the Borrower; or (iii) any Person or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) (A) other than TPG or InterWest shall have acquired beneficial ownership of more than 32% of the outstanding shares of Voting Stock of Holdings, or (B), other than TPG, InterWest, or Al Bono shall have acquired the power (whether or not exercised) to elect a majority of Holdings' directors. Until such time as the Total Debt to EBITDA Ratio shall have been less than or equal to 2.5 to 1.00 for four consecutive fiscal quarters, a "Change of Control" shall also occur if (x) TPG alone shall in the aggregate beneficially own shares of Voting Stock having less than 36% of the total voting power of all outstanding shares of Voting Stock of Holdings, or (y) any such Person or "group" other than TPG shall have acquired the power (whether or not exercised) to elect a majority of Holdings' directors. For purposes of this subsection 9.1(l), TPG, InterWest, Al Bono, and Nassau Capital LLC, collectively, shall not be deemed to be a "group" within the

meaning or Section 13(d) or 14(d) of the Exchange Act; or

(m) Adverse Change. There shall occur any event, development or circumstance having a Material Adverse Effect; or

(n) Auditors. The Administrative Agent or any Lender shall receive notice from the Independent Auditor that the Administrative Agent and the Lenders should no longer use or rely upon any audit report or other financial data previously provided by the Independent Auditor unless within 90 days of such notice such non-reliance is rescinded or the Administrative Agent and the Lenders are provided with replacement audit reports and other financial data satisfactory to the Administrative Agent and the Lenders in their sole discretion.

9.2. Remedies.

If any Event of Default exists, the Administrative Agent shall, at the request of, or may, with the consent of, the Majority Lenders:

(a) declare the Commitment of each Lender to make Loans, the Swingline Commitment of the Swingline Lender to make Swingline Loans, and any obligation of the Issuing Bank to Issue Letters of Credit to be terminated, whereupon such Commitments and obligation shall be terminated;

(b) declare an amount equal to the maximum aggregate amount that is, or at any time thereafter may become, available for drawing under any outstanding Letters of Credit (whether or not any beneficiary shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Letters of Credit) to be immediately due and payable, and declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts then owing or payable hereunder or under any other Loan Document 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 Borrower; and

(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable law;

provided, however, that upon the occurrence of any event specified in subsection (f) or (g) of Section 9.1 (in the case of clause (i) of Section (g) upon the expiration of the 60-day period mentioned therein), the obligation of each Lender to make Loans and the Swingline Lender to make Swingline Loans, and any obligation of the Issuing Bank to Issue Letters of Credit shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Administrative Agent, any Lender or the Issuing Bank.

9.3. Rights Not Exclusive.

The rights provided for in this Agreement and the other Loan Documents are cumulative and not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

ARTICLE X

THE ADMINISTRATIVE AGENT

10.1. Appointment and Authorization.

(a) Each Lender hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed

to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

(b) The Issuing Bank shall act on behalf of the Revolving Credit Lenders with respect to any Letters of Credit Issued by it and the documents associated therewith until such time and except for so long as the Administrative Agent may agree at the request of the Majority Revolving Credit Lenders to act for such Issuing Bank with respect thereto; provided, however, that the Issuing Bank shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article X with respect to any acts taken or omissions suffered by the Issuing Bank in connection with Letters of Credit Issued by it or proposed to be Issued by it and the application and agreements for letters of credit pertaining to the Letters of Credit as fully as if the term "Administrative Agent", as used in this Article X, included the Issuing Bank with respect to such acts or omissions, and (ii) as additionally provided in this Agreement with respect to the Issuing Bank.

10.2. Delegation of Duties.

The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

10.3. Liability of Administrative Agent.

None of the Administrative Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by the Borrower or any of its Subsidiaries or Affiliates of the Borrower, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Administrative Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower or any of its Subsidiaries or Affiliates.

10.4. Reliance by Administrative Agent.

(a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The

Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Majority Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Lenders (or, where required

by the express terms hereof, of all the Lenders) and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 5.1, each Lender that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Lender.

10.5. Notice of Default.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default." The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be requested by the Majority Lenders in accordance with Article IX; provided, however, that unless and until the Administrative Agent has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Lenders.

10.6. Credit Decision.

Each Lender acknowledges that none of the Administrative Agent-Related Persons has made any representation or warranty to it, and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Borrower and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Administrative Agent-Related Person to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon any Administrative Agent-Related Person and

based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Administrative Agent, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower which may come into the possession of any of the Administrative Agent-Related Persons.

10.7. Indemnification.

Whether or not the transactions contemplated hereby are consummated, (i) the Lenders shall indemnify upon demand the Lender-Indemnitees (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower to do so), pro rata, from and against any and all Indemnified Liabilities, and (ii) the Revolving Credit Lenders shall indemnify upon demand the Issuing Bank, the Issuing Affiliate, the Swingline Lender and their respective officers, directors, employees, agents and attorneys-in-fact (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower to do so), pro rata, from and against any and all Indemnified Liabilities arising from Letters of Credit Issued

hereunder; provided, however, that, with respect to both (i) and (ii) above, no Lender shall be liable for the payment to any Person indemnified hereunder of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, and subject to the proviso contained in the first sentence of this Section 10.7, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein or therein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of the Administrative Agent.

10.8. Administrative Agent in Individual Capacity.

Chase and its Affiliates may make loans to, issue letters of credit for the account of, enter into Swap Contracts with, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Borrower and its Subsidiaries and Affiliates as though Chase were not the Administrative Agent, the Swingline Lender or the Issuing Bank hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Chase or its Affiliates may receive information regarding the Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Borrower or such Subsidiary) and acknowledge that the Administrative Agent shall be under no obligation to provide such

information to them. With respect to its Loans, Chase shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Administrative Agent or the Issuing Bank, and the terms "Lender" and "Lenders" shall include Chase in its individual capacity.

10.9. Successor Administrative Agent.

The Administrative Agent may, and at the request of the Majority Lenders shall, resign as Administrative Agent upon 30 days' notice to the Lenders. If the Administrative Agent resigns under this Agreement, the Majority Lenders shall appoint from among the Lenders a successor administrative lender for the Lenders, which successor administrative lender shall be an Eligible Successor Administrative Agent and approved by the Borrower (which consent shall not be unreasonably withheld and shall not be required upon the existence of an Event of Default). If no successor administrative lender is appointed before the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Borrower, a successor administrative lender from among the Lenders which successor administrative lender shall be an Eligible Successor Administrative Agent. Upon the acceptance of its appointment as successor administrative lender hereunder, such successor administrative lender shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor administrative lender and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article X and Sections 11.4 and 11.5 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative lender has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Lenders appoint a successor administrative lender as provided for above. Notwithstanding the foregoing, however, Chase may not be removed as the Administrative Agent at the request of the Majority Lenders unless Chase (or its applicable affiliates) shall also simultaneously be replaced as "Issuing Bank" hereunder pursuant to documentation in form and substance reasonably satisfactory to Chase and the Borrower.

10.10. Collateral Matters.

(a) The Administrative Agent is authorized and directed to enter into the amendment and restatement of the Collateral Documents in connection with the Closing Date as contemplated by Section 5.1. The Administrative Agent is authorized on behalf of all the Lenders, without the necessity of any notice to or further consent from the Lenders, from time to time to take any action with respect to any Collateral or the Collateral Documents which may be necessary to perfect and maintain the perfection of the security interest in and Liens upon the Collateral granted pursuant to the Collateral Documents.

(b) The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Lien granted to or held by the Administrative Agent upon any Collateral (i) upon termination of the Commitments and payment in full of all Loans and all other Obligations excluding, with the consent of the Majority Lenders, Hedging Obligations, payable under this Agreement and under any other Loan Document, (ii) constituting property sold or to be sold or disposed of as part of or in connection with any disposition permitted hereunder, (iii) constituting property leased to the Borrower or any Subsidiary of the Borrower under a lease which has expired or which has been terminated in a transaction permitted under this Agreement, or which is about to expire and which has not been, and which is not intended by the Borrower or such Subsidiary to be, renewed or extended, (iv) consisting of an instrument evidencing Indebtedness or other debt instrument, if the indebtedness evidenced thereby has been paid in full, or (v) if approved, authorized or ratified in writing by the Majority Lenders or all the Lenders, as the case may be, as provided in subsection 11.1(e). Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent's authority to release particular types or items of Collateral pursuant to this subsection 10.10(b).

(c) All cash proceeds and other amounts realized by the Administrative Agent from the Collateral after an Event of Default, and all payments received by the Administrative Agent after an acceleration of the Obligations, shall be applied in the following priority, on a pro rata basis within each level of priority: first, to the payment of all costs and expenses incident to the enforcement of the Loan Documents or otherwise owing to the Administrative Agent hereunder, including payment of Attorney Costs and compensation to any agents and contractors of the Administrative Agent and the Lenders; second, to accrued but unpaid interest on the Loans, Swingline Loans and L/C Borrowings, accrued but unpaid letter of credit and commitment fees hereunder, and amounts owing under Hedging Obligations (other than any Swap Termination Value owing with respect thereto); third, to payment of outstanding principal of the Loans, Swingline Loans and L/C Borrowings, any Swap Termination Values payable with respect to Hedging Obligations, and to fund Cash Collateralization of any L/C Obligations up to the Effective Amount thereof; fourth, to payment or (in the case of Contingent Obligations) Cash Collateralization of all other Obligations; and fifth, the remainder, if any, to Borrower or to whomever may be lawfully entitled to receive such remainder. Notwithstanding the foregoing sentence, (i) Cash Collateral for Offshore Rate Loans shall be applied on the maturity date of their Interest Periods to repay such Offshore Rate Loans and (ii) Cash Collateral for L/C Obligations shall be applied to reimburse the Issuing Bank for drawings under Letters of Credit as and when they arise in the same proportion as the aggregate amount of such Cash Collateral bears to all L/C Obligations; upon expiration of all outstanding Letters of Credit, any remaining Cash Collateral for L/C Obligations shall be applied as provided in the preceding sentence.

10.11. Documentation Agent and Co-Syndication Agents.

None of the Lenders identified on the facing page or signature pages of this Agreement as the "documentation agent" or a "co-syndication agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Each Lender acknowledges that it has not relied, and will not rely, on any of

the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE XI

MISCELLANEOUS

11.1. Amendments and Waivers.

No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Borrower therefrom, shall be effective unless the same shall be in writing and signed by the Majority Lenders (or by the Administrative Agent at the written request of the Majority Lenders) and the Borrower, with receipt acknowledged by the Administrative Agent, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that:

(a) no such waiver, amendment or consent shall, unless in writing and signed by each Revolving Credit Lender directly affected thereby and the Borrower, with receipt acknowledged by the Administrative Agent, do any of the following:

(i) increase or extend the Revolving Credit Commitment of any Revolving Credit Lender, or increase or extend the Swingline Commitment of the Swingline Lender (or reinstate any such Commitment terminated pursuant to Section 9.2); or

(ii) postpone or delay any scheduled date for any payment of principal, interest or fees due to the Revolving Credit Lenders hereunder, or reduce the amount due to the Revolving Credit Lenders (or any of them) on any such date (it being agreed that amendments of subsections 2.7(b) and (c) and definitions related thereto shall be governed by paragraph (c) below rather than this clause (ii)); or

(iii) reduce the principal of, or the rate of interest or commitment fee specified herein on, any Revolving Credit Loan or the Revolving Credit Commitments or other amounts payable to the Revolving Credit Lenders (or any of them) hereunder; or

(iv) amend any provision herein providing for consent or other action by all Revolving Credit Lenders; or

(v) amend the definition of Majority Revolving Credit Lenders contained in Section 1.1;

(b) no such waiver, amendment or consent shall, unless in writing and signed by each Facility B Lender directly affected thereby and the Borrower, with receipt acknowledged by the Administrative Agent, do any of the following:

(i) increase or extend the Facility B Term Commitment of any Facility B Lender (or reinstate any Facility B Term Commitment terminated pursuant to Section 9.2); or

(ii) postpone or delay any scheduled date for any payment of principal, interest or fees due to the Facility B Lenders hereunder or reduce the amount due to the Facility B Lenders on any such date (it being agreed that amendments of subsections 2.7(b) and (c) and definitions related thereto shall be governed by paragraph (c) below rather than this clause (ii)); or

(iii) reduce the principal of, or the rate of interest specified herein on, any Facility B Term Loan or other amounts payable to the Facility B Lenders (or any of them) hereunder; or

(iv) amend any provision herein providing for consent or other action by all Facility B Lenders; or

(v) amend the definition of Majority Facility B Lenders contained in Section 1.1;

(c) no such waiver, amendment or consent shall, unless in writing and signed by the Majority Revolving Credit Lenders or the Majority Facility B Lenders, as the case may be, and the Borrower, with receipt acknowledged by the

Administrative Agent, amend or waive any of the terms and provisions contained in Section 2.7(b) or (c) in a manner adverse to the Revolving Credit Lenders or the Facility B Lenders, as applicable, and that any waiver, amendment or consent to Section 10.10 shall also be subject to subsection 11.1(e)(ii), if applicable;

(d) no such waiver, amendment or consent shall, unless in writing and signed by all Lenders and the Borrower, with receipt acknowledged by the Administrative Agent, do any of the following:

(i) amend this Section, or Section 2.14, or any provision herein providing for consent or other action by all Lenders; or

(ii) release all or any portion of the Collateral having a book value in excess of 5% of the book value of all tangible assets of the Borrower and its Subsidiaries on a consolidated basis on the date of such release, except as otherwise provided in the Collateral Documents, or amend the definition of the obligations secured by any of the Collateral Documents; or

(iii) release or terminate the guarantee by any Loan Party, having assets in excess of 5% book value of all tangible assets of the Borrower and its Subsidiaries on a consolidated basis on the date of such release, under the Guarantee and Collateral Agreement; or

(iv) amend the definition of Majority Lenders contained in Section 1.1; and

(e) no such waiver, amendment or consent to any representation, warranty, covenant, Event of Default or other provision of any Loan Document shall be effective for purposes of subsection 5.2 of this Agreement with respect to the making of Revolving Credit Loans or Swingline Loans or the Issuance of Letters of Credit after the Closing Date unless in writing and signed by Majority Revolving Credit Lenders and the Borrower, with receipt acknowledged by the Administrative Agent; provided, further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Bank in addition to the Majority Lenders or all the Lenders, as the case may be, affect the rights or duties of the Issuing Bank under this Agreement or any L/C-Related Document relating to any Letter of Credit Issued or to be Issued by it, (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Majority Lenders or all the Lenders, as the case may be, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document, (iii) the Other Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed by the parties thereto, (iv) the Swap Contracts that evidence Hedging Obligations may be entered into, amended, or terminated from time to time by the Borrower and the relevant Lender with notice thereof to the Administrative Agent, and (v) no amendment, waiver or consent shall, unless in writing and signed by the Swingline Lender in addition to the Majority Lenders or all the Lenders, as the case may be, affect the rights or duties of the Swingline Lender under this Agreement or any other Loan Document.

11.2. Notices.

(a) All notices, requests and other communications shall be in writing (including, unless the context expressly otherwise provides, by facsimile transmission, provided that any matter transmitted by the Borrower by facsimile shall be immediately confirmed by a telephone call to the recipient at the number specified on Schedule 11.2), and mailed, faxed or delivered, to the address or facsimile number specified for notices on Schedule 11.2; or, as directed to the Borrower or the Administrative Agent, to such other address as shall be designated by such party in a written notice to the other parties, and as directed to any other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent; provided, that the foregoing shall not apply to any telephonic notices expressly provided for herein except that any written confirmation required in connection therewith shall comply with the provisions of this Section 11.2.

(b) All such notices, requests and communications shall, when transmitted by telephone, overnight delivery, or faxed, be effective when delivered for telephone notice, overnight (next-day) delivery, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon the third Business Day after the date deposited into the U.S. mail, or if

delivered, upon delivery; except that notices pursuant to Article II, III or X shall not be effective until actually received by the Administrative Agent, and notices pursuant to Article III to the Issuing Bank shall not be effective until actually received by the Issuing Bank at the address specified for the "Issuing Bank" on Schedule 11.2.

(c) Any agreement of the Administrative Agent and the Lenders herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Borrower. The Administrative Agent and the Lenders shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Borrower to give such notice and the Administrative Agent and the Lenders shall not have any liability to the Borrower or other Person on account of any action taken or not taken by the Administrative Agent or the Lenders in good faith in reliance upon such telephonic or facsimile notice. The obligation of the Borrower to repay the Loans and L/C Obligations shall not be affected in any way or to any extent by any failure by the Administrative Agent and the Lenders to receive written confirmation of any telephonic or facsimile notice or the receipt by the Administrative Agent and the Lenders of a confirmation which is at variance with the terms understood by the Administrative Agent and the Lenders to be contained in the telephonic or facsimile notice.

11.3. No Waiver; Cumulative Remedies.

No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

11.4. Costs and Expenses.

The Borrower shall:

(a) whether or not the transactions contemplated hereby are consummated, pay or reimburse Chase (including in its capacity as Administrative Agent and Issuing Bank) within 20 Business Days after upon demand (subject to subsection 5.1(f)) for all reasonable costs and expenses incurred by Chase (including in its capacity as Administrative Agent and Issuing Bank) in connection with the development, preparation, delivery, administration and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Agreement, any Loan Document and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including reasonable Attorney Costs incurred by Chase (including in its capacity as Administrative Agent and Issuing Bank) with respect thereto; provided, however, that the costs and expenses recoverable by Chase under this subsection 11.4(a) with respect to administration of the Loan Documents shall be limited to reasonable Attorney Costs and out-of-pocket costs and expenses;

(b) pay or reimburse the Administrative Agent and each Lender within 20 Business Days after upon demand (subject to subsection 5.1(f)) for all costs and expenses

(including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Loan Document during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceeding); and

(c) pay or reimburse Chase (including in its capacity as Administrative Agent) within 20 Business Days after upon demand (subject to subsection 5.1(f)) for all reasonable appraisal (including the direct cost of

internal appraisal services), audit, environmental inspection and review (including the direct cost of such internal services), search and filing costs, fees and expenses, incurred or sustained by Chase (including in its capacity as Administrative Agent) in connection with the matters referred to under subsections (a) and (b) of this Section.

11.5. Indemnity.

(a) General Indemnity.

(i) Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify, defend and hold the Administrative Agent-Related Persons and each Lender and each of its respective officers, directors, trustees, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including reasonable Attorney Costs) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans, the termination of the Letters of Credit and the termination, resignation or replacement of the Administrative Agent or replacement of any Lender) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of this Agreement (other than costs incurred in connection with the initial review, execution and delivery hereof by the Lenders), or any document contemplated by or referred to herein or therein, or the transactions contemplated hereby or thereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of this Agreement, or the Loans or Letters of Credit or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided, however, that the Borrower shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities to the extent they are determined by a court of competent jurisdiction to result from the gross negligence or willful misconduct of such Indemnified Person.

(ii) At the election of any Indemnified Person, the Borrower shall defend such Indemnified Person using legal counsel satisfactory to such Indemnified Person in such Person's sole discretion, at the sole cost and expense

of the Borrower. All amounts owing under this Section shall be paid within 30 days after demand.

(iii) The agreements and obligations contained in this subsection 11.5(a) shall survive payment in full of the Loans, the L/C Obligations and the termination of the Commitments and all Letters of Credit.

(b) Environmental Indemnity.

(i) The Borrower hereby agrees to indemnify, defend and hold harmless each Indemnified Person from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses or disbursements (including reasonable Attorney Costs and the direct cost of internal environmental audit or review services) which may be incurred by or asserted against such Indemnified Person in connection with or arising out of any pending or threatened investigation, litigation or proceeding, or any action taken by any Person with respect to any Environmental Claim arising out of or related to any property subject to a Mortgage in favor of the Administrative Agent or any Lender (all of the foregoing, collectively, the "Environmental Indemnified Liabilities"); provided, however, that after the Administrative Agent or any Lender shall have taken possession and control of the property subject to a Mortgage, the Borrower shall not have any obligation

hereunder to any Indemnified Person with respect to Environmental Indemnified Liabilities arising by virtue of events occurring thereafter to the extent resulting from the gross negligence or willful misconduct of such Indemnified Person. No action taken by legal counsel chosen by the Administrative Agent or any Lender in defending against any such investigation, litigation or proceeding or requested remedial, removal or response action shall vitiate or in any way impair the Borrower's obligation and duty hereunder to indemnify and hold harmless the Administrative Agent and each Lender. So long as no Default or Event of Default exists, the Administrative Agent or the relevant Lender shall not agree to conduct any remedial, removal or response action without the consent of the Borrower, which shall not be unreasonably withheld.

(ii) In no event shall any site visit, observation, or testing by the Administrative Agent or any Lender be deemed a representation or warranty that Hazardous Materials are or are not present in, on, or under the site, or that there has been or shall be compliance with any Environmental Law. Neither the Borrower nor any other Person is entitled to rely on any site visit, observation, or testing by the Administrative Agent or any Lender. Neither the Administrative Agent nor any Lender owes any duty of care to protect the Borrower or any other Person against, or to inform the Borrower or any other party of, any Hazardous Materials or any other adverse condition affecting any site or property. Neither the Administrative

Agent nor any Lender shall be obligated to disclose to the Borrower or any other Person any report or findings made as a result of, or in connection with, any site visit, observation, or testing by the Administrative Agent or any Lender; provided, however, that upon request, the Administrative Agent will provide to the Borrower copies of any such report obtained at the Borrower's expense.

(iii) The agreements and obligations contained in this subsection 11.5(b) shall survive payment in full of the Loans, the L/C Obligations and the termination of the Commitments and all Letters of Credit.

11.6. Marshalling; Payments Set Aside.

Neither the Administrative Agent nor the Lenders shall be under any obligation to marshall any asset in favor of the Borrower or any other Person or against or in payment of any or all of the Obligations. To the extent that the Borrower makes a payment to the Administrative Agent or the Lenders, or the Administrative Agent or the Lenders exercise their right of set-off, and such payment or the proceeds of such set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party in connection with any Insolvency Proceeding or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its pro rata share of any amount so recovered from or repaid by the Administrative Agent.

11.7. Successors and Assigns.

The provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and each Lender.

11.8. Assignments, Participations, Etc.

(a) Any Lender may, with the written consent of the Administrative Agent (and, in the case of Revolving Credit Loans, the Swingline Lender and the Issuing Bank), which consents shall not be unreasonably withheld or delayed, and

with the additional written consent of the Borrower (other than during the existence of an Event of Default), which consent shall not be unreasonably withheld or delayed, at any time assign or delegate to one or more Eligible Assignees (each an "Assignee"), all, or any ratable part, of the Revolving Credit Commitment, L/C Obligations or Facility B Term Loans of such Lender, as the case may be, and the other rights and obligations of such Lender hereunder, in a minimum amount of the lesser of $5,000,000 and the remaining outstanding amount thereof or, solely in the case of the assignment from one Lender to another Lender, an Affiliate thereof or an Approved Fund with respect thereto, a minimum amount of $1,000,000; provided, however, that the Borrower and the Administrative Agent may continue to deal solely and directly with such Lender in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together

with payment instructions, addresses and related information with respect to the Assignee, shall have been given to such Borrower and the Administrative Agent by such Lender and the Assignee; (ii) such Lender and its Assignee shall have delivered to the Borrower and the Administrative Agent an Assignment and Acceptance Agreement in the form of Exhibit G ("Assignment and Acceptance"); and (iii) the assignor Lender or Assignee has paid to the Administrative Agent a processing fee in the amount of $3,500 (other than in the event of an assignment to an Approved Fund of an existing Lender); and provided, further, that no such consent shall be required per assignments or delegations to any Lender or Affiliate thereof or an Approved Fund with respect thereto. In connection with any assignment by Chase, its Swingline Commitment may be in whole but not in part included as part of the assignment transaction, and the Assignment and Acceptance may be appropriately modified to include an assignment and delegation of its Swingline Commitment and any outstanding Swingline Loans.

(b) From and after the date that the Administrative Agent notifies the assignor Lender that it has received (and provided its consent with respect to) an executed Assignment and Acceptance and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assignor Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Documents. If requested by the applicable Lender, the Borrower shall execute and deliver to the Administrative Agent (for delivery to the Assignee) new Notes evidencing such Assignee's assigned portion of the assignor Lender's Loans and such Commitments and, if the assignor Lender has retained a portion of the Loans and such Commitments, replacement Notes in a principal amount of the Loans and such Commitments retained by the assignor Lender. Each such Note shall be dated the date of the predecessor Note. The assignor Lender shall mark the predecessor Note "cancelled" and deliver it to the Borrower.

(c) Immediately upon each Assignee's making its processing fee payment under the Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce the respective Commitments of the assigning Lender pro tanto.

(d) Any Lender may at any time sell to one or more commercial banks or other Persons not Affiliates of the Borrower (a "Participant") participating interests in any Loans, the Revolving Credit Commitment and/or the Facility B Term Commitment of such Lender and the other interests of such Lender (the "originating Lender") hereunder and under the other Loan Documents; provided, however, that (A) the originating Lender's obligations under this Agreement shall remain unchanged, (B) the originating Lender shall remain solely responsible for the performance of such obligations, (C) the Borrower, the Issuing Bank and the Administrative Agent shall continue to deal solely and directly with the originating Lender in connection with the originating Lender's rights and obligations under this Agreement and the other Loan Documents, and (D) no Lender shall transfer or grant any participating interest under which the Participant has rights to approve any amendment to, or any consent or waiver with

respect to, this Agreement or any other Loan Document, except to the extent such amendment, consent or waiver would require unanimous consent of the Lenders, or the Lenders holding the particular type of Loans acquired by such Participant, as described in the first proviso to Section 11.1. In the case of any such participation, the Participant shall be entitled to the benefit of Sections 4.1, 4.3 and 11.5 as though it were also a Lender hereunder, and if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed, subject to Section 11.9, to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement.

(e) Notwithstanding any other provision in this Agreement, any Lender may at any time create a security interest in, or pledge all or any portion of its rights under and interest in, this Agreement in favor (i) of any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR (S) 203.14, and such Federal Reserve Bank may enforce such security interest or pledge in any manner permitted under applicable law or (ii) any Eligible Assignee, and such Eligible Assignee may enforce such security interest or pledge in any manner permitted under applicable law.

(f) The Administrative Agent shall maintain at its address referred to in Section 11.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Loans and any Notes evidencing such Loans recorded therein for all purposes of this Agreement. Any assignment of any Loan, whether or not evidenced by a Note, shall be effective only upon appropriate entries with respect thereto being made in the Register (and each Note shall expressly so provide). Any assignment or transfer of all or part of a Loan evidenced by a Note shall be registered on the Register only upon surrender for registration of assignment or transfer of the Note evidencing such Loan, accompanied by a duly executed Assignment and Acceptance; thereupon one or more new Notes in the same aggregate principal amount shall be issued to the designated Assignee, and the old Notes shall be returned by the Administrative Agent to the Borrower marked "cancelled". The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

11.9. Set-off.

In addition to any rights and remedies of the Lenders provided by law, if an Event of Default exists or the Loans have been accelerated, each Lender is authorized at any time and from time to time, without prior notice to the Borrower, any such notice being waived by the Borrower to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender to or for the credit or the account of the Borrower against any and all Obligations owing to such Lender, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or

any Loan Document and although such Obligations may be contingent or unmatured. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. NOTWITHSTANDING THE FOREGOING, NO LENDER SHALL EXERCISE, OR ATTEMPT TO EXERCISE, ANY RIGHT OF SET-OFF, BANKER'S LIEN, OR THE LIKE, AGAINST ANY DEPOSIT ACCOUNT OR PROPERTY OF THE BORROWER OR ANY SUBSIDIARY OF THE BORROWER HELD OR MAINTAINED BY SUCH LENDER WITHOUT THE PRIOR WRITTEN CONSENT OF THE ADMINISTRATIVE AGENT AND THE MAJORITY LENDERS.

11.10. Confidentiality.

Each Lender agrees to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information obtained pursuant to this Agreement or the other Loan Documents, and neither it nor any of its Affiliates shall use any such information other than in connection with or in enforcement of this Agreement and the other Loan Documents; except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by the Lender, or (ii) was or becomes available on a non-confidential basis from a source other than the Borrower, provided that such source is not bound by a confidentiality agreement with the Borrower known to the Lender; provided, however, that any Lender may disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which the Lender is subject or in connection with an examination of such Lender by any such authority; (B) pursuant to subpoena or other court process; (C) when required to do so in accordance with the provisions of any applicable Requirement of Law; (D) to the extent reasonably required in connection with any litigation or proceeding to which the Administrative Agent, any Lender or their respective Affiliates may be party; (E) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document; (F) to such Lender's independent auditors and other professional advisors; (G) to any Affiliate of such Lender, or to any Participant or Assignee, actual or potential, provided that such Affiliate, Participant or Assignee agrees to keep such information confidential to the same extent required of the Lenders hereunder, and (H) as to any Lender, as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Borrower is party or is deemed a party with such Lender.

11.11. Notification of Addresses, Lending Offices, Etc.

Each Lender shall notify the Administrative Agent in writing of any changes in the address to which notices to the Lender should be directed, of addresses of any Lending Office, of payment instructions in respect of all payments to be made to it hereunder, and of such other administrative information as the Administrative Agent shall reasonably request.

11.12. Counterparts.

This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, but all of which when taken together shall be deemed to constitute but one and the same instrument.

11.13. Severability.

The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

11.14. No Third Parties Benefited.

This Agreement is made and entered into for the sole protection and legal benefit of the Borrower, the Lenders, the Issuing Bank, the Swingline Lender, the Administrative Agent and the Administrative Agent-Related Persons, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents.

11.15. Governing Law and Jurisdiction.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK; PROVIDED, HOWEVER, THAT THE ADMINISTRATIVE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR

ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS (INCLUDING THE SWINGLINE LENDER AND THE ISSUING BANK) CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS (INCLUDING THE SWINGLINE LENDER AND THE ISSUING BANK) EACH IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO OR THERETO. THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS (INCLUDING THE SWINGLINE LENDER AND THE ISSUING BANK) EACH WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW.

11.16. Waiver of Jury Trial.

THE BORROWER, THE LENDERS (INCLUDING THE SWINGLINE LENDER AND THE ISSUING BANK) AND THE ADMINISTRATIVE AGENT EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY ADMINISTRATIVE AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE BORROWER, THE LENDERS (INCLUDING THE SWINGLINE LENDER AND THE ISSUING BANK) AND THE ADMINISTRATIVE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT, ANY OTHER LOAN DOCUMENT, OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

11.17. Entire Agreement.

This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the Borrower, the Lenders and the Administrative Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof, except for the Other Fee Letter and any prior arrangements made with respect to the payment by the Borrower of (or any indemnification for) any fees, costs or expenses payable to or incurred by or on behalf of the Administrative Agent or the Lenders.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

FAVORITE BRANDS INTERNATIONAL, INC.,
the Borrower

By: /s/ Brooks B. Gruemmer

Name: Brooks B. Gruemmer
Title: Vice President and General Counsel

FAVORITE BRANDS INTERNATIONAL HOLDING CORP.

By: /s/ Brooks B. Gruemmer

Name: Brooks B. Gruemmer
Title: Vice President and Secretary

THE CHASE MANHATTAN BANK,
individually as a Lender,
the Issuing Bank, the
Swingline Lender, Co-Syndication Agent and
as Administrative Agent

By: /s/ Bruce Borden

Name: Bruce Borden
Title: Vice President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS
ASSOCIATION,
as Documentation Agent as Co-Syndication
Agent and as a Lender

By:/s/ Eric A. Schubert

Name: Eric A. Schubert
Title: Managing Director

AT&T COMMERCIAL FINANCE
CORPORATION,
as a Lender

By: /s/ Paul Seidenwo

Name: Paul Seidenwo
Title: Assistant Vice President

BANKBOSTON N.A., formerly known as
BANK OF BOSTON,
as a Lender

By: /s/ Peter Van Der Horst

Name: Peter Van Der Horst
Title: Vice President

THE BANK OF NOVA SCOTIA,
as a Lender

By: /s/ F.C.H. Ashby

Name: F.C.H. Ashby
Title: Senior Manager Loan Operations

BANK OF TOKYO-MITSUBISHI TRUST
COMPANY,
as a Lender

By: /s/ Paul Malecki

Name: Paul Malecki
Title: Vice President

BHF-BANK AKTIENGESELLSCHAFT,
as a Lender

By: /s/ Dan Dobrjanskyj

Name: Dan Dobrjanskyj
Title: Assistant Vice President

By: /s/ Ralph Della-Rocca

Name: Ralph Della-Rocca
Title: Assistant Treasurer

COMMERCIAL LOAN FUNDING TRUST I,
as a Lender
By: Lehman Commercial Paper Inc., not in its individual capacity but solely as administrative agent

By: /s/ Michele Swanson

Name: Michele Swanson
Title: Authorized Signatory

CYPRESSTREE SENIOR FLOATING RATE FUND
BY: CypressTree Investment Management Company, Inc.
As Portfolio Manager

By: /s/ Joseph A. Germain

Name: Joseph A. Germain
Title: Vice President

DEBT STRATEGIES FUND, INC.

By: /s/ John M. Johnson

Name: John M. Johnson
Title: Authorized Signatory

KZH-CYPRESSTREE-1 CORPORATION,
as a Lender

By: /s/ Virginia Conway

Name: Virginia Conway
Title: Authorized Agent

KZH-ING-1 CORPORATION,
as a Lender

By: /s/ Virginia Conway

Name:Virginia Conway
Title: Authorized Agent

KZH-ING-2 CORPORATION,
as a Lender

By: /s/ Virginia Conway

Name: Virginia Conway
Title: Authorized Agent

KZH-IV CORPORATION,
as a Lender

By: /s/ Virginia Conway

Name: Virginia Conway
Title: Authorized Agent

LASALLE NATIONAL BANK,
as a Co-Agent

By: /s/ Michael S. Barnett

Name: Michael S. Barnett
Title: Assistant Vice President

PILGRIM AMERICA PRIME RATE TRUST
By: PILGRIM AMERICA INVESTMENTS, INC.,
as its Investment Manager

By: /s/ Michael J. Bacevich

Name: Michael J. Bacevich
Title: Vice President

PRIME INCOME TRUST,
as a Lender

By: /s/ Peter Gewirtz

Name: Peter Gerwirtz
Title: Authorized Signatory

SENIOR HIGH INCOME PORTFOLIO, INC.

By: /s/ John M. Johnson

Name: John M. Johnson
Title: Authorized Signatory

VAN KAMPEN AMERICAN CAPITAL PRIME RATE INCOME TRUST,
as a Lender

By: /s/ Jeffrey W. Maillet

Name: Jeffrey W. Maillet
Title: Sr. Vice President and Director

Schedule 2.1
FAVORITE BRANDS INTERNATIONAL, INC.
$225,000,000 Secured Revolving Credit & Term Loan Facilities
Commitment Allocation Schedule

<TABLE>
<CAPTION>

	COMMITMENT ALLOCATION		TOTAL
	REVOLVING LOAN COMMITMENT	FACILITY B TERM COMMITMENT	
<S> FINANCIAL INSTITUTION	<C>	<C>	<C>
The Chase Manhattan Bank	12,000,000		12,000,000
Bank of America National Trust and Savings Association	12,000,000	5,000,000	17,000,000
Appaloosa Management, L.P. (KZH-IV Corporation)		$ 8,500,000	8,500,000
AT&T Commercial Finance Corporation	8,000,000	4,000,000	12,000,000

BankBoston, N.A.	4,000,000	4,000,000	8,000,000
Bank of Tokyo - Mitsubishi Trust Company	8,000,000	4,000,000	12,000,000
BHF - Bank Aktiengesellschaft	8,000,000	4,000,000	12,000,000
Black Diamond (KZH-IV Corporation)		6,750,000	6,750,000
Commercial Loan Funding Trust I (Lehman Brothers)	4,000,000	2,000,000	6,000,000
CypressTree Investment Management, Inc. (KZH-CypressTree-1)		8,250,000	8,250,000
CypressTree Senior Floating Rate Fund		250,000	250,000
Debt Strategies Fund, Inc.		3,125,000	3,125,000
First Dominion Capital (KZH-IV Corporation)		8,500,000	8,500,000
ING Capital Advisors (KZH-ING-1 Corporation)		3,500,000	3,500,000
ING Capital Advisors (KZH-ING-2 Corporation)		5,000,000	5,000,000
LaSalle National Bank	10,000,000	4,000,000	14,000,000
Oppenheimer Funds, Inc.		8,500,000	8,500,000
Pilgrim America Prime Rate Trust		12,500,000	12,500,000

FINANCIAL INSTITUTION	COMMITMENT ALLOCATION: REVOLVING LOAN COMMITMENT	COMMITMENT ALLOCATION: FACILITY B TERM COMMITMENT	TOTAL
Prime Income Trust		8,500,000	8,500,000
Protective Asset Management Company		8,500,000	8,500,000
Sankaty High Yield Asset Partners, L.P. (Bain Capital, Inc.)		6,750,000	6,750,000
Senior Debt Portfolio (Eaton Vance)		12,500,000	12,500,000
Senior High Income Portfolio, Inc.		3,125,000	3,125,000
Van Kampen American Capital Prime Rate Income Trust		12,500,000	
The Bank of Nova Scotia	9,000,000	9,000,000	

SCHEDULE 11.2

OFFSHORE AND DOMESTIC LENDING OFFICES;
ADDRESSES FOR NOTICES

FAVORITE BRANDS INTERNATIONAL, INC.

25 Tri State International
Suite 400
Lincolnshire, Illinois 60069
Attention: Robert Davies
Telephone: (708) 374-0900

THE CHASE MANHATTAN BANK, as Administrative Agent

Address for Notices (except Notices of Borrowing and Notices of Conversion/Continuation):

Chase Securities Inc.
Ten South LaSalle Street
Suite 2300
Chicago, IL 60603
Attention: Steven J. Faliski

Telephone: (312) 807-4073
Facsimile: (312) 807-4077

With a copy to:

270 Park Avenue,
New York, New York 10017
Attention: Thomas G. Malone

Telephone: (212) 270-8275
Facsimile: (212) 270-1848

Address for Notices of Borrowing and Notices of Conversion/Continuation:

1 Chase Manhattan Plaza
8th Floor
New York, New York 10181
Attention: Maggie Swales

Telephone: (212) 552-7472
Facsimile: (212) 552-5662

Address for Payments:

The Chase Manhattan Bank
ABA # 021-000-021
Chase Loan and Agency Services
Ref: Favorite Brands International, Inc.
Account Number: 323-5-19776

THE CHASE MANHATTAN BANK (Delaware), as Issuing Bank

Corporate Banking Department
8th Floor
1201 Market Street
Wilmington, DE 19801
Attention: Michael P. Handigo

Telephone: (302) 428-3311
Facsimile: (302) 428-3390
(302) 984-4904

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,
as a Lender

Domestic and Offshore Lending Office:

Bank of America National Trust and Savings Association
231 So. LaSalle Street
Chicago, IL 60697

Address for Notices:

(a) Credit Notices:

Bank of America National Trust and Savings Association
231 So. LaSalle Street
Chicago, IL 60697
Attention: Willim J. Stafeil

Telephone: (312) 828-3994
Facsimile: (312) 828-3555

(b) Operations Notices:

Bank of America National Trust and Savings Association
231 So. LaSalle Street

Chicago, IL 60697
Attention: Darrylynn Adams

Telephone: (312) 828-4571
Facsimile: (312) 974-9626

APPALOOSA MANAGEMENT, L.P.

51 John F. Kennedy Parkway, 2nd Floor
Short Hills, NJ 07078
Attention: James Bolin
Ken Maiman

Telephone: (973) 376-5400
Facsimile: (973) 376-5415

AT&T COMMERCIAL FINANCE CORPORATION

2 Gatehall Drive
Parsippany, New Jersey 07054
Attn: Asset Based Lending - Frank Doyle, Account Manager

Telephone: (973) 606-4879
Facsimile: (973) 606-4776

BANKBOSTON, N.A.

Diversified Finance
100 Federal Street
Boston, MA 02110
Attention: Peter van der Horst

Telephone: (617) 434-0164
Facsimile: (617) 434-4929

BANK OF TOKYO-MITSUBISHI (NEW YORK)

1251 Avenue Of The Americas, 12th Floor
New York, NY 10020
Attention: Paul Malecki
Peter Stearn

Telephone: (212) 782-4343

Facsimile: (212) 782-4981

BHF-BANK AKTIENGESELLSCHAFT:

Bank Contacts:

L. John Stewart, Vice President
111 West Ocean Blvd., Suite 1325
Long Beach, CA 90802-4645
(562) 983-5006
(562) 983-5015

Dan Dobrjanskyj, Assistant Vice President
590 Madison Avenue
New York, NY 10022-2540

Telephone: (212) 756-5582
(212) 756-5536

BLACK DIAMOND (LAKE FOREST)

100 Field Drive, Suite 100
Lake Forest, IL 60045
Attention: Les Meier

Telephone: (847) 615-9000
(847) 615-9064

CYPRESSTREE INVESTMENT MANAGEMENT, INC.

125 High Street
Boston, MA 02110
Attention: Tim Barnes

Telephone: (617) 946-0600
(617) 946-5681

DEBT STRATEGIES FUND, INC.

c/o Merrill Lynch Asset Management
800 Scudders Mill Road, Area 1B
Plainsboro, NJ 08536
Attention: Colleen Wade

Telephone: (609) 282-4165

Facsimile: (609) 282-3542FIRST DOMINION CAPITAL (NEW YORK)

1330 Avenue Of The Americas, 10th Floor
New York, NY 10019
Attention: Andrew Marshak

Telephone: (212) 258-1013
(212) 258-1019

ING CAPITAL ADVISORS (LOS ANGELES)

333 South Grand Avenue, Suite 4250
Los Angeles, CA 90071
Attention: Mike Hatley

Telephone: (213) 346-3972
(213) 346-3995

Legal Contact: LeAnne Duffy
Gibson, Dunn & Crutcher
200 Park Avenue
New York, NY 10166

LASALLE NATIONAL BANK (CHICAGO)

135 South Lasalle
Chicago, IL 60603
Attention: Michael Barnett

Telephone: (312) 904-8414
(312) 904-4364

LEHMAN BROTHERS

3 World Financial Center, 10th Floor
New York, NY 10285
Attention: Michele Swanson

Telephone: (212) 526-0330
(212) 528-0819

OPPENHEIMER FUNDS, INC. (DENVER)

6803 South Tuscon Way
Englewood, CO 80112-3924
Attention: Arthur Zimmer

Telephone: (303) 768-3510
Facsimile: (303) 645-0745

PILGRIM AMERICA PRIME RATE TRUST

Two Renaissance Square - 40 North Central Avenue
Phoenix, AZ 85004-4424
Attention: Michael Bacevich

Telephone: (602) 417-8258
Facsimile: (602) 417-8327

PRIME INCOME TRUST

Two World Trade Center, 72nd Floor
New York, NY 10048
Attention: Peter Gewirtz

Telephone: (212) 392-9034
(212) 392-5345

Legal Contact: Gordon, Altman, Butowsky

Patricia Slomski
114 West 47th Street
21st Floor
New York, NY 10028

Telephone: (212) 626-0346
Facsimile: (212) 626-0799

PROTECTIVE ASSET MANAGEMENT COMPANY

13455 Noel Rd., Two Galleria Tower, Suite 1150
Dallas, TX 75240
Attention: Mark Okada

Telephone: (972) 233-4300
Facsimile: (972) 233-4343

SANKATY HIGH YIELD ASSET PARTNERS, L.P.

Notices:

Texas Commerce Bank National Association
600 Travis Street, 8th Floor
Houston, Texas 77002-8039
Attention: Joe Elston
Yvette Lucas

Telephone: (713) 216-2704
(713) 216-2705
Facsimile: (713) 216-2101

Credit Notices:

Sankaty Advisors, Inc.
Two Copley Place
Boston, MA 02116
Attention: Diane J. Exter
Portfolio Manager, Bank Loans

Telephone: (617) 572-3216
Facsimile: (617) 572-3274

Address for Second Copy of Funding Memos:

Bain Capital, Inc.
Two Copley Place
Boston, MA 02116
Attention: Jay Corrigan

SENIOR DEBT PORTFOLIO (EATON VANCE)

Bank Contacts:

Address for Notices:

c/o Boston Management and Research
24 Federal Street
6th Floor
Boston, MA 02110
Attention: Eaton Vance

Credit Contact:

Scott Page

Telephone: (617) 654-8486
Facsimile: (617) 695-9594

Operations Contacts:

Juliana M. Riley
Daniel Anaya

Telephone: (617) 348-0115

Legal Contact:

Mayer, Brown & Platt
1675 Broadway
New York, NY 10019
Attention: Mr. Andrew Mattei

Telephone: (212) 506-2572
Facsimile: (212) 262-1910

SENIOR HIGH INCOME PORTFOLIO, INC.

c/o Merrill Lynch Asset Management
800 Scudders Mill Road, Area 1B
Plainsboro, NJ 08536

Attention: Colleen Wade

Telephone: (609) 282-4165
Facsimile: (609) 282-3542

THE BANK OF NOVA SCOTIA, AS A LENDER

Domestic and Offshore Lending Office:

The Bank of Nova Scotia
600 Peachtree Street Ste 2700
Atlanta, GA. 30308

Address for Notices:

(a) Credit Notices:

The Bank of Nova Scotia
181 W. Madison Street Ste 3700
Chicago, Illinois 60602
Attention: Ginny Brown

Telephone: (312) 201-4179
Facsimile: (312) 201-4108

(b) Operations Notices:

The Bank of Nova Scotia
600 Peachtree St. NE. 2700
Atlanta, GA 30308
Attn: Demetria January

Telephone: (404) 877-1540
Facsimile: (404) 877-8998

VAN KAMPEN AMERICAN CAPITAL PRIME RATE INCOME TRUST

Bank Contacts:

Van Kampen American Capital
One Parkview Plaza
Oakbrook Terrace, IL 60181
Attention: Sean Kelley

Telephone: (630) 684-6262
Facsimile: (630) 684-6740
(630) 684-6741

State Street Bank & Trust
Corporate Trust Department
P.O. Box 778
Boston, MA 02102
Attention: Sean Emerson

Telephone: (617) 664-5481
Facsimile: (617) 664-5366
(617) 664-5367

Legal Counsel:

Meyer Capel
306 West Chruch Street
Champagne, IL 61826-6750
Attention: John Powers, Esq.

Telephone: (217) 352-1800
Facsimile: (312) 352-2065

EXHIBIT 4.7

FIRST AMENDMENT AND WAIVER

FIRST AMENDMENT AND WAIVER, dated as of August 26, 1998 (this "Amendment"), to (i) the Credit Agreement, dated as of May 19, 1998 (as amended, supplemented or otherwise modified, the "Credit Agreement"), among Favorite Brands International, Inc., a Delaware corporation (the "Borrower"), Favorite Brands International Holding Corp., a Delaware corporation ("Holdings"), the several banks and other financial institutions parties thereto (the "Lenders"), Bank of America National Trust and Savings Association, as documentation agent for the Lenders (in such capacity, the "Documentation Agent") and as co-syndication agent (in such capacity, a "Co-Syndication Agent"), and The Chase Manhattan Bank, as letter of credit issuing bank, swingline lender, and as administrative agent for the Lenders (in such capacity, the "Administrative Agent") and as co-syndication agent (in such capacity, a "Co-Syndication Agent") and (ii) the Guarantee and Collateral Agreement, dated as of May 19, 1998 (the "Guarantee and Collateral Agreement"; together with the Credit Agreement, the "Agreements") by the Borrower, Holdings, Trolli, Inc., a Delaware corporation ("Trolli"), and Sather Trucking Corporation, a Delaware corporation ("Sather"), in favor of the Administrative Agent.

W I T N E S S E T H:

WHEREAS, the Borrower, Holdings, the Lenders, the Documentation Agent and the Administrative Agent are parties to the Credit Agreement; and

WHEREAS, the Borrower, Holdings, Trolli, Sather and the Administrative Agent are parties to the Guarantee and Collateral Agreement; and

WHEREAS, the Borrower has requested that certain provisions of the Agreements be modified in the manner provided for in this Amendment and the Lenders are willing to agree to such modifications upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Borrower, Holdings, the Lenders, Trolli, Sather, the Documentation Agent and the Administrative Agent hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms defined in the Credit Agreement shall have such meanings when used herein.

2. Amendment to the Guarantee and Collateral Agreement. The first

sentence of Section 3 of Exhibit A ("Collection Deposit Account Agreement") to the Guarantee and Collateral Agreement is hereby amended by (i) deleting such sentence in its entirety and (ii) inserting the following language in its place:

"The Administrative Agent shall have the sole right of withdrawal over the Collection Deposit Account; provided, however, that unless the Administrative Agent shall have notified the Sub-Agent that an Event of Default (as defined in the Credit Agreement) exists and no subsequent notice of waiver or cure has been given by the Administrative Agent to the Sub-Agent, the Administrative Agent authorizes the Borrower to have access to and to make withdrawals (to the extent of any cash balance then available) from and deposits to the Collection Deposit Account."

3. Waivers by Lenders. (a) The Lenders hereby waive compliance by the Borrower with the requirement of Section 7.1(d) of the Credit Agreement that the Borrower furnish the Administrative Agent with a copy of the budget for each of the four fiscal quarters following the end of the fiscal year ending June 27, 1998 within 60 days after the end of such fiscal year; provided that such copies are furnished by the Borrower to the Administrative Agent by September 30, 1998.

(b) The Lenders hereby waive compliance by the Borrower with the requirement of Section 5.11 of the Guarantee and Collateral Agreement that the Borrower establish and maintain the Collection Deposit Accounts within 20 days of the Closing Date; provided that such waiver is given subject to the condition that all such Collection Deposit Accounts are established by September 30, 1998. The Lenders hereby agree that zero balance accounts of Holdings and its Subsidiaries shall not be Collection Deposit Accounts or be required to be subject to a Collection Deposit Account Agreement.

4. Representations and Warranties. The Borrower hereby confirms, reaffirms and restates the representations and warranties made by it in (i) Article 6 of the Credit Agreement and (ii) Section 4 of the Guarantee and Collateral Agreement; provided that each reference to the Credit Agreement therein shall be deemed to be a reference to the Credit Agreement after giving effect to this Amendment and that each reference to the Guarantee and Collateral Agreement therein shall be deemed to be a reference to the Guarantee and Collateral Agreement after giving effect to this Amendment. The Company represents and warrants that no Default or Event of Default has occurred and is continuing.

5. Continuing Effect of the Agreements. This Amendment shall not constitute a waiver, amendment or modification of any other provision of the Agreements not expressly referred to herein and shall not be construed as a waiver or consent to any further or future action on the part of the Borrower that would require a waiver or consent of the Lenders, the Documentation Agent or the Administrative Agent. Except as expressly modified hereby, the provisions of the Agreements are and shall remain in full force and effect.

6. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts and all such counterparts shall be deemed to be one and the same instrument. Each party hereto confirms that any facsimile copy of such party's executed counterpart of this Amendment (or its signature page thereof) shall be deemed to be an executed original thereof.

7. Effectiveness. This Amendment shall be effective upon receipt by the Administrative Agent of counterparts hereof, duly executed and delivered by the Borrower, each other Loan Party for which a signature line is included below, the Majority Lenders and the Majority Revolving Credit Lenders.

8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

FAVORITE BRANDS INTERNATIONAL, INC.,
the Borrower

By:

Name:
Title:

FAVORITE BRANDS INTERNATIONAL HOLDING CORP.

By:

Name:
Title:

TROLLI, INC.

By:

Name:
Title:

SATHER TRUCKING CORPORATION

By:

Name:
Title:

THE CHASE MANHATTAN BANK,
individually as a Lender,
the Issuing Bank, the
Swingline Lender, Co-Syndication Agent and
as Administrative Agent

By:

Name:
Title:

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,
as Documentation Agent as Co-Syndication Agent and as a Lender

By:

Name:
Title:

AT&T COMMERCIAL FINANCE CORPORATION,
as a Lender

By:

Name:
Title:

BANKBOSTON N.A., formerly known as BANK OF BOSTON,
as a Lender

By:

Name:
Title:

THE BANK OF NOVA SCOTIA,

as a Lender

By:

Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST COMPANY,
as a Lender

By:

Name:
Title:

BHF-BANK AKTIENGESELLSCHAFT,
as a Lender

By:

Name:
Title:

By:

Name:
Title:

COMMERCIAL LOAN FUNDING TRUST I,
as a Lender
By: Lehman Commercial Paper Inc., not in its individual capacity but solely as administrative agent

By:

Name:
Title:

CYPRESSTREE SENIOR FLOATING RATE FUND
BY: CypressTree Investment Management Company, Inc.

As Portfolio Manager

By:

Name:
Title:

DEBT STRATEGIES FUND, INC.

By:

Name:
Title:

KZH CYPRESSTREE-1 LLC,
as a Lender

By:

Name:
Title:

KZH ING-1 LLC,
as a Lender

By:

Name:
Title:

KZH ING-2 LLC,
as a Lender

By:

Name:
Title:

KZH IV LLC,
as a Lender

By:

Name:
Title:

KZH III LLC,

as a Lender

By:

Name:
Title:

LASALLE NATIONAL BANK,
as a Co-Agent

By:

Name:
Title:

PILGRIM AMERICA PRIME RATE TRUST
By: PILGRIM AMERICA INVESTMENTS INC.,
as its Investment Manager

By:

Name:
Title:

PRIME INCOME TRUST,
as a Lender

By:

Name:
Title:

SENIOR HIGH INCOME PORTFOLIO, INC.

By:

Name:
Title:

VAN KAMPEN AMERICAN CAPITAL PRIME
RATE INCOME TRUST,
as a Lender

By:

Name:
Title:

SANKATY HIGH YIELD ASSET PARTNERS, L.P.

By:

Name:
Title:

VAN KAMPEN CLO II, LIMITED,
By: Van Kampen American Capital Management, Inc. as collateral manager

By:

Name:
Title:

EXHIBIT 4.8

SECOND AMENDMENT AND WAIVER

SECOND AMENDMENT AND WAIVER, dated as of September 25, 1998 (this "Amendment"), to the Credit Agreement, dated as of May 19, 1998 (as amended, supplemented or otherwise modified, the "Credit Agreement"), among Favorite Brands International, Inc., a Delaware corporation (the "Borrower"), Favorite Brands International Holding Corp., a Delaware corporation ("Holdings"), the several banks and other financial institutions parties thereto (the "Lenders"), Bank of America National Trust and Savings Association, as documentation agent for the Lenders (in such capacity, the "Documentation Agent") and as co-syndication agent (in such capacity, a "Co-Syndication Agent"), and The Chase Manhattan Bank, as letter of credit issuing bank, swingline lender, and as administrative agent for the Lenders (in such capacity, the "Administrative Agent") and as co-syndication agent (in such capacity, a "Co-Syndication Agent").

W I T N E S S E T H:

WHEREAS, the Borrower, Holdings, the Lenders, the Documentation Agent and the Administrative Agent are parties to the Credit Agreement; and

WHEREAS, the Borrower has requested that certain provisions of the Credit Agreement be modified in the manner provided for in this Amendment and the Lenders are willing to agree to such modifications upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Borrower, Holdings, the Lenders, the Documentation Agent and the Administrative Agent hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms defined in the Credit Agreement shall have such meanings when used herein.

2. Amendments to Section 1.1. (a) Section 1.1 of the Credit Agreement is hereby amended by adding the following definitions in proper alphabetical order:

"Second Amendment Effective Date" shall mean the "Effective Date" as defined in the Second Amendment and Waiver dated as of September 25, 1998 to this Agreement.

"Sponsor Loan" shall mean the $17,000,000 loan to be made to the Borrower by TPG, certain other equity holders of Holdings and their Affiliates and related parties as a condition to the effectiveness of the Second Amendment and Waiver dated as of September 25, 1998 to this Agreement. The Sponsor Loan shall (i) be unsecured, (ii) mature in a single installment after November 19, 2005, (iii) bear interest at a rate not in

excess of 10% per annum, which interest shall accrue and not be payable until the scheduled principal maturity date and (iv) contain limited covenants, events of default and other terms reasonably satisfactory to the Administrative Agent.

(b) Subsection 1.1 of the Credit Agreement is amended by deleting the definition of "Applicable Margin" and substituting therefor the following:

"Applicable Margin" means (a) with respect to Base Rate Loans under the Facility B Term Commitment, 2.00% prior to the Second Amendment Effective Date, and 2.25% thereafter, (b) with respect to Offshore Rate Loans under the Facility B Term Commitment, 3.00% prior to the Second Amendment Effective Date, and 3.25% thereafter, (c) with respect to Base Rate Loans under any Revolving Credit Commitment, 1.50% prior to the Second Amendment Effective Date, and 1.75% thereafter and (d) with respect to Offshore Rate Loans under any Revolving Credit Commitment, 2.50% prior to the Second Amendment Effective Date, and 2.75% thereafter (i) in each case for the period from the Closing Date through the date which is three Business Days after the delivery of the financial reports and certificate delivered to the Administrative Agent pursuant to subsection 7.1(a) or 7.1(b) and subsection 7.2(b), respectively, for the fiscal quarter ending June 1999 and (ii) thereafter, the percentage specified below opposite the Total Debt to EBITDA Ratio (which ratio shall be calculated for the Four Trailing Quarters ending on the last day of such fiscal quarter) calculated for the periods described below:

<TABLE>
<CAPTION>

Total Debt to EBITDA Ratio at End of Fiscal Quarter	Applicable Margin			
	Facility B Term Loans		Revolving Credit Loan	
	Base Rate Loans	Offshore Rate Loans	Base Rate Loans	Offshore Rate Loans
<S>	<C>	<C>	<C>	<C>
Less than 3.50 to 1.00	1.75%	2.75%	.75%	1.75%
Greater than or equal to 3.50 to 1.00 but less than 4.00 to 1.00	1.75%	2.75%	1.00%	2.00%
Greater than or equal to 4.00 to 1.00 but less than 4.50 to 1.00	2.00%	3.00%	1.25%	2.25%
Greater than or equal to 4.50 to 1.00 but less than 5.00 to 1.00	2.00%	3.00%	1.50%	2.50%
Greater than or equal to 5.00 to 1.00	2.25%	3.25%	1.75%	2.75%

</TABLE>

The Applicable Margin shall be adjusted automatically as to all Facility B Term Loans and Revolving Credit Loans then outstanding (without regard to the timing of Interest Periods) three Business Days after the delivery to the Administrative Agent of the financial reports and certificate delivered pursuant to subsections 7.1(a), 7.1(b) and 7.2(b), respectively, for the fiscal quarter ending June 1999, and three Business Days after delivery to the Administrative Agent of such financial reports and certificate for each fiscal quarter thereafter. If the Borrower fails to deliver such financial reports and certificate to the Administrative Agent for any such fiscal quarter by the date required hereunder, then the Applicable Margin for all Loans of any Type beginning three Business Days after such date shall, until three Business Days after delivery of such financial reports and certificate, be the next highest Applicable Margin for such Type as set forth in the chart above; thus, if the Applicable Margin for Facility B Term Loans had previously been 1.75% for Base Rate Loans and 2.75% for Offshore Rate Loans, a failure to deliver quarterly financials on a timely basis would cause the Applicable Margin for such Loans to be 2.00% and 3.00%, respectively, until three Business Days after such delivery.

(c) Section 1.1 of the Credit Agreement is amended by adding at the end of the definition of "Consolidated Interest Expense" the following:

Notwithstanding the foregoing, unpaid accrued interest on the Sponsor Loan shall be excluded in calculating Consolidated Interest Expense.

(d) Section 1.1 of the Credit Agreement is amended by adding to the definition of "EBITDA" immediately after the phrase "Consolidated Interest Expense" which appears in clause (ii) thereof the phrase "(plus, to the extent deducted in computing such consolidated net income, unpaid accrued interest on the Sponsor Loan for such period)".

(e) Section 1.1 of the Credit Agreement is amended by deleting the definition of "Total Debt" and substituting therefor the following:

"Total Debt" means, as of any date of determination, the sum of the interest-bearing Indebtedness of the Borrower and its Subsidiaries on a consolidated basis, and, without duplication, all obligations with respect to the imputed principal portion of Capital Leases, except that Total Debt shall not include (i) Indebtedness in respect of Swap Contracts or (ii) obligations to the extent that such obligations are Contingent Obligations.

(f) Section 1.1 of the Credit Agreement is amended by deleting from the definition of "Total Debt to EBITDA Ratio" the parenthetical clause beginning "(excluding the principal amount ...)".

(g) Section 1.1 of the Credit Agreement is amended by deleting clause (i) which appears in the first parenthetical phrase of the definition of "Total Senior Secured Debt to EBITDA Ratio" and renumbering clauses (ii) and (iii) which appear in such parenthetical as clauses (i) and (ii), respectively.

3. Amendment to Section 5.2. Section 5.2 of the Credit Agreement is amended by deleting from clause (d) the date "March 31, 1998" and substituting therefor the date "June 27, 1998".

4. Amendment to Section 6.11. Section 6.11 of the Credit Agreement is amended by deleting from clause (c) the date "March 31, 1998" and substituting therefor the date "June 27, 1998".

5. Amendment to Subsection 8.5. Subsection 8.5 of the Credit Agreement is amended by (i) deleting the word "and" from the end of clause (h), (ii) deleting the period at the end of clause (i) and substituting therefor the phrase "; and" and (iii) adding the following new clause (j) at the end thereof:

(j) the Sponsor Loan in a principal amount not to exceed $17,000,000.

6. Amendment to Section 8.8. Section 8.8 of the Credit Agreement is amended by (i) deleting the word "and" from the end of clause (i), (ii) deleting the period from the end of clause (j) and substituting therefor the phrase "; and" and (iii) adding the following new clause (k) at the end thereof;

(k) guarantees of the Sponsor Loan on terms satisfactory to the Administrative Agent by Subsidiaries which have guaranteed the Obligations.

7. Deletion of Sections 8.14 and 8.15. Sections 8.14 and 8.15 of the Credit Agreement are deleted.

8. Amendment to Section 8.16. Section 8.16 of the Credit Agreement is amended by replacing such Section with the following:

8.16 Interest Coverage Ratio.

The Borrower will not permit the ratio of EBITDA to Consolidated Interest Expense, as of the end of any Four Trailing Quarters ending on the dates listed below to be less than the ratio set forth opposite such dates:

<TABLE>
<CAPTION>

Measurement Date	Ratio
<S>	<C>
September 25, 1999	1.00:1.00
December 25, 1999	1.10:1.00
March 25, 2000	1.10:1.00
June 24, 2000	1.20:1.00
September 23, 2000	1.25:1.00
December 30, 2000	1.25:1.00
March 31, 2001	1.30:1.00
June 30, 2001	1.40:1.00
September 29, 2001	1.75:1.00

</TABLE>

<TABLE>
<CAPTION>

Measurement Date	Ratio
<S>	<C>
December 29, 2001	1.75:1.00
March 30, 2002	2.00:1.00
June 29, 2002	2.00:1.00
September 28, 2002	2.00:1.00
December 28, 2002	2.00:1.00
March 29, 2003	2.00:1.00
June 28, 2003	2.25:1.00
September 27, 2003	2.25:1.00
December 27, 2003	2.25:1.00
March 27, 2004	2.25:1.00
June 26, 2004	2.25:1.00
September 25, 2004	2.50:1.00
December 24, 2004	2.50:1.00
March 26, 2005	2.50:1.00
June 25, 2005	2.50:1.00

</TABLE>

9. Amendment to Section 8.17. Section 8.17 of the Credit Agreement is amended by replacing such Section with the following:

8.17 Senior Secured Debt to EBITDA.

The Borrower will not permit the Total Senior Secured Debt to EBITDA Ratio for any Four Trailing Quarters ending on the dates listed below to be greater than the amount set forth opposite such dates:

<TABLE>
<CAPTION>

Measurement Date	Ratio
<S>	<C>
December 26, 1998	5.25:1.00
March 27, 1999	4.50:1.00
June 26, 1999	4.00:1.00
September 25, 1999	3.75:1.00
December 25, 1999	3.25:1.00
March 25, 2000	3.25:1.00
June 24, 2000	2.75:1.00
September 23, 2000	2.75:1.00
December 30, 2000	2.50:1.00
March 31, 2001	2.50:1.00
June 30, 2001	2.25:1.00
September 29, 2001	2.25:1.00
December 29, 2001	2.25:1.00
March 30, 2002	2.00:1.00
June 29, 2002	2.00:1.00
September 28, 2002	2.00:1.00

</TABLE>

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

December 28, 2002	2.00:1.00
March 29, 2003	2.00:1.00
June 28, 2003	2.00:1.00
September 27, 2003	2.00:1.00
December 27, 2003	2.00:1.00
March 27, 2004	2.00:1.00
June 26, 2004	2.00:1.00
September 25, 2004	2.00:1.00
December 24, 2004	2.00:1.00
March 26, 2005	2.00:1.00
June 25, 2005	2.00:1.00

</TABLE>

10. Addition of Section 8.26. Section 8 of the Credit Agreement is amended by adding the following new Section at the end thereof:

8.26 Sponsor Loan.

Neither the Borrower nor any of its Subsidiaries shall (i) prepay, redeem, purchase, defease, or otherwise satisfy prior to the scheduled maturity thereof in any manner the Indebtedness evidenced by the Sponsor Loan, (ii) make, create, incur, assume or suffer to exist any Lien upon or with respect to any of its property to secure the Sponsor Loan or any guarantee thereof, (iii) permit interest to be paid on the Sponsor Loan other than by accrual thereof, compounded not more frequently than quarterly, or (iv) enter into any modification, alteration or amendment of the documentation evidencing the Sponsor Loan or any guarantee thereof if such modification, alteration or amendment adversely affects the rights or interests of the Borrower or the Lenders.

11. Amendment to Compliance Certificate. The form of Compliance Certificate is deemed to be amended to the extent required to reflect the amendments set forth herein.

12. Waiver by Lenders. The Majority Facility B Lenders hereby waive compliance by the Borrower with the requirement of Section 2.7(b)(iii) of the Credit Agreement that the Borrower prepay the Term Loan with the net proceeds of the Sponsor Loan.

13. Representations and Warranties. The Borrower hereby confirms, reaffirms and restates the representations and warranties made by it in Article 6 of the Credit Agreement except to the extent the same expressly relate to an earlier date; provided that each reference to the Credit Agreement therein shall be deemed to be a reference to the Credit Agreement after giving effect to this Amendment. The Company represents and warrants that no Default or Event of Default has occurred and is continuing.

14. Continuing Effect of the Agreements. This Amendment shall not constitute a waiver, amendment or modification of any other provision of the Credit Agreement not expressly referred to herein and shall not be construed as a waiver or consent to any further

or future action on the part of the Borrower that would require a waiver or consent of the Lenders, the Documentation Agent or the Administrative Agent. Except as expressly modified hereby, the provisions of the Credit Agreement are and shall remain in full force and effect.

15. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts and all such counterparts shall be deemed to be one and the same instrument. Each party hereto confirms that any facsimile copy of such party's executed counterpart of this Amendment (or its signature page thereof) shall be deemed to be an executed original thereof.

16. Effectiveness. This Amendment shall be effective (the date of effectiveness, the "Effective Date") upon:

(a) receipt by the Administrative Agent of counterparts hereof, duly executed and delivered by the Borrower, each other Loan Party for which a signature line is included below, the Majority Lenders, the Majority Revolving Credit Lenders and the Majority Facility B Lenders;

(b) receipt by the Administrative Agent for the account of each Lender which returns an executed copy of this Amendment to the Administrative Agent on or prior to the close of business on Friday, October 9, 1998 of an amendment fee equal to .25% of the sum of such Lender's Revolving Credit Commitment and Term Loans, payable on the Effective Date; and

(c) receipt by the Borrower of at least $17,000,000 in cash as the proceeds of the Sponsor Loan.

17. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

FAVORITE BRANDS INTERNATIONAL, INC.

By:

Name:
Title:

FAVORITE BRANDS INTERNATIONAL
HOLDING CORP.

By:

Name:
Title:

THE CHASE MANHATTAN BANK,
individually as a Lender,
the Issuing Bank, the
Swingline Lender, Co-Syndication Agent and
as Administrative Agent

By:

Name:
Title:

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION,
as Documentation Agent, as Co-Syndication
Agent and as a Lender

By:

Name:
Title:

AT&T COMMERCIAL FINANCE
CORPORATION

By:

Name:
Title:

BANKBOSTON N.A., formerly known as
BANK OF BOSTON

By:

Name:
Title:

THE BANK OF NOVA SCOTIA

By:

Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By:

Name:
Title:

BHF-BANK AKTIENGESELLSCHAFT

By:

Name:
Title:

By:

Name:
Title:

COMMERCIAL LOAN FUNDING TRUST I
BY: Lehman Commercial Paper Inc., not in its individual capacity but solely as administrative agent

By:

Name:
Title:

CYPRESSTREE SENIOR FLOATING RATE FUND
BY: CypressTree Investment Management Company, Inc.
As Portfolio Manager

By:

Name:
Title:

DEBT STRATEGIES FUND, INC.

By:

Name:
Title:

FIRST DOMINION FUNDING I

By:

Name:
Title:

KZH CYPRESSTREE-1 LLC

By:

Name:
Title:

KZH ING-1 LLC

By:

Name:
Title:

KZH ING-2 LLC

By:

Name:
Title:

KZH IV LLC

By:

Name:
Title:

KZH III LLC

By:

Name:
Title:

LASALLE NATIONAL BANK, as a Co-Agent

By:

Name:
Title:

PILGRIM AMERICA PRIME RATE TRUST
By: PILGRIM AMERICA INVESTMENTS INC.
as its Investment Manager

By:

Name:
Title:

MORGAN STANLEY DEAN WITTER
PRIME INCOME TRUST

By:

Name:
Title:

SENIOR DEBT PORTFOLIO
By: Boston Management and Research as
Investment Advisor

By:

Name:
Title:

VAN KAMPEN AMERICAN CAPITAL PRIME
RATE INCOME TRUST

By:

Name:
Title:

SANKATY HIGH YIELD ASSET PARTNERS,
L.P.

By:

Name:
Title:

VAN KAMPEN CLO II, LIMITED,
By: Van Kampen American Capital Management,
Inc. as collateral manager

By:

Name:
Title:

The undersigned Loan Parties hereby confirm

that their obligations under the Loan Documents remain in full force and effect after giving effect to the foregoing Second Amendment and Waiver:

TROLLI, INC.

By:

Name:
Title:

SATHER TRUCKING CORPORATION

By:

Name:
Title:

EXHIBIT 4.10

EXECUTION COPY

==========

FAVORITE BRANDS INTERNATIONAL, INC.

$195,000,000

SERIES A SENIOR SUBORDINATED NOTES DUE AUGUST 20, 2007

_____

AMENDED AND RESTATED SENIOR SUBORDINATED NOTE AGREEMENT

_____

Dated as of September 12, 1997

==========

FAVORITE BRANDS INTERNATIONAL, INC.

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II	FORM OF ASSIGNMENT AGREEMENT
III	FORM OF OPINION OF BORROWER'S COUNSEL
IV	FORM OF OPINION OF LENDER'S COUNSEL
V	FORM OF INDENTURE

FAVORITE BRANDS INTERNATIONAL, INC.
AMENDED AND RESTATED SENIOR SUBORDINATED NOTE AGREEMENT

September 12, 1997

TO EACH OF THE LENDERS LISTED ON
THE ATTACHED SCHEDULE A

Ladies and Gentlemen:

FAVORITE BRANDS INTERNATIONAL, INC., a Delaware corporation ("COMPANY"), and the GUARANTORS party hereto hereby agree with you as follows:

SECTION 1. LOANS; PAYMENTS AND INTEREST.

1.1 LOANS.

Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of Company herein set forth, loans were made to Company on the Original Closing Date in an aggregate principal amount of $150,000,000, which loans were evidenced by the Notes issued on such date (the "ORIGINAL NOTES"). Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of Company herein set forth, on the Additional Closing Date, (a) the Original Notes shall be amended and restated, (b) the promissory notes representing loans in an aggregate principal amount of $45,000,000 issued pursuant to that certain Senior Subordinated Note Agreement dated as of April 1, 1997 between Company and the financial institutions listed therein (the "EXISTING SUBORDINATED NOTES") shall be exchanged for additional Notes identical to the Original Notes, which Notes shall begin to accrue interest as of the date hereof in accordance with the terms hereof, and (c) all accrued and unpaid interest to the date hereof on the Existing Subordinated Notes shall be paid by Company to the holders thereof. The aggregate principal amount of the Notes issued on the Additional Closing Date, including the Notes issued in exchange for the Original Notes, shall be $195,000,000 (the "ADDITIONAL NOTES"). The amount of your loan is specified opposite your name on Schedule A annexed hereto. Amounts borrowed and subsequently repaid or prepaid may not be reborrowed. Certain capitalized terms used in this Agreement are defined in Schedule B annexed hereto.

1.2 OBLIGATIONS SEVERAL.

All loans under this Agreement and evidenced by the Notes shall be made by you simultaneously and proportionately, it being understood that no Lender shall be responsible for any default by any other Lender in that other Lender's obligation to make a loan hereunder nor shall the commitment of any Lender to make any loan hereunder be increased or decreased as a result of a default by any other Lender in that other Lender's obligation to make a loan hereunder.

1.3 REPAYMENT OF LOANS.

Company shall repay the loans hereunder on August 20, 2007 unless earlier paid or prepaid as herein provided.

1.4 INTEREST.

1.4.1 Initial Interest Rate. Subject to the provisions of Sections 1.4.2 and 1.4.3, each Note shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal amount thereof from and including the date made to but excluding maturity (whether by acceleration, prepayment or otherwise) at 10.25% per annum (the "Initial Interest Rate"), payable semiannually in arrears, on February 20 and August 20 in each year, commencing with the February 20 next succeeding the date hereof, until the principal of the Notes shall have become due and payable. The Initial Interest Rate as it may be increased from time to time pursuant to Section 1.4.2 is referred to herein as the "Interest Rate".

1.4.2 Additional Interest.

(a) If Company fails to obtain the Minimum Rating on or prior to September 30, 1998, the Initial Interest Rate shall increase by (i) 1% from and after October 1, 1998 in the event that no increase in the Initial Interest Rate has already occurred pursuant to clause (b) and (ii) 0.5% from and after October 1, 1998 in the event that the Initial Interest Rate has already been increased by 1% pursuant to clause (b) and such increase is continuing.

(b) If the Exchange Offer Registration Statement is not declared effective on or prior to the earlier of (i) 120 days following either the effectiveness of the Public Offering Registration Statement or the consummation of the Merger or (ii) December 31, 1999, the Initial Interest Rate shall increase by (A) 1% (subject to reduction as provided below) from and after the earlier of the 121st day following either the effective date of the Public Offering Registration Statement or the consummation of the Merger, as the case may be, or January 1, 2000 in the event that no increase in the Initial Interest Rate has already occurred pursuant to clause (a) and (B) 0.5% (subject to reduction as provided below) from and after the earlier of the 121st day following either the effective date of the Public Offering Registration Statement or the consummation of the Merger, as the case may be, or January 1,

2000 in the event that the Initial Interest Rate has already been increased by 1% pursuant to clause (a).

(c) If Company fails to file the Exchange Offer Registration Statement on or prior to September 30, 1999, the Initial Interest Rate shall increase by (i) 1% from and after October 1, 1999 to and including December 31, 1999 in the event that no increase in the Initial Interest Rate has already occurred pursuant to clause (a) and (ii) 0.5% from and after October 1, 1999 to and including December 31, 1999 in the event that the Initial Interest Rate has already been increased by 1% pursuant to clause (a).

(d) Notwithstanding the foregoing, if the Initial Interest Rate has been increased pursuant to clause (b) above and the Exchange Offer Registration Statement is subsequently declared effective on or prior to February 28, 2000, then the Interest Rate shall decrease by (i) 1% if Company obtained the Minimum Rating on or prior to September 30 1998 and (ii) 0.5% if Company failed to obtain the Minimum Rating on or prior to September 30, 1998, in each case as of the day following the date on which the Exchange Offer Registration Statement is declared effective.

(e) In no event shall the Initial Interest Rate increase by more than 1.5% at any time pursuant to this Section 1.4.2.

1.4.3 Default Interest. To the extent permitted by law, each Note shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) at the Default Rate on any overdue payment (including any overdue prepayment) of principal, premium, if any, or interest, payable semiannually (or, at the option of the Lender, on demand).

SECTION 2. CLOSING.

The closing for the issuance of the Original Notes occurred at the offices of McDermott, Will & Emery, 227 West Monroe Street, Chicago, Illinois, at 9:00 a.m., Chicago time, on August 20, 1997 (the "ORIGINAL CLOSING DATE"). The closing for the issuance of the Additional Notes shall occur at the offices of McDermott, Will & Emery, 227 West Monroe Street, Chicago, Illinois, at 9:00 a.m., Chicago time, on September 12, 1997 (the "ADDITIONAL CLOSING DATE"; the Original Closing Date and the Additional Closing Date are each referred to herein as a "CLOSING DATE"). On the applicable Closing Date, Company will execute and deliver to you a Note substantially in the form of Exhibit I annexed hereto, dated the applicable Closing Date to evidence your loan in the principal amount specified opposite your name on Schedule A annexed hereto and with other appropriate insertions. Loans shall be made by delivery by wire transfer of immediately available funds for the account of Company to an account designated by Company.

SECTION 3. CONDITIONS TO CLOSING.

Your obligation to make the loans evidenced by the Notes on the applicable Closing Date is subject to the fulfillment to your satisfaction, prior to or on such Closing Date, of the following conditions:

3.1 REPRESENTATIONS AND WARRANTIES.

The representations and warranties of Company in this Agreement shall be correct when made and on the applicable Closing Date.

3.2 PERFORMANCE; NO DEFAULT.

Company shall have performed and complied in all material respects with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or on the applicable Closing Date and immediately after giving effect to the issue of the Notes no Default or Event of Default shall have occurred and be continuing.

3.3 DOCUMENTS.

3.3.1 Company Documents. Company shall have delivered to you:

(a) A good standing certificate from Company's jurisdiction of incorporation and each other state in which Company is qualified as a foreign corporation to do business and, to the extent generally available, a certificate or other evidence of good standing as to payment of any applicable franchise or similar taxes from the appropriate taxing authority of Company's jurisdiction of incorporation, each dated a recent date prior to the applicable Closing Date;

(b) copies of the Certificate of Incorporation and Bylaws of Company, certified as of the applicable Closing Date by the corporate secretary, an assistant secretary or other authorized representative of Company;

(c) resolutions of the Board of Directors of Company approving and authorizing the execution, delivery and performance of this Agreement and the Notes, certified as of the applicable Closing Date by the corporate secretary, an assistant secretary or other authorized representative of Company as being in full force and effect without modification or amendment;

(d) signature and incumbency certificates of the officers of Company, executing this Agreement and the Notes;

(e) an Officers' Certificate, dated the applicable Closing Date, certifying that the conditions specified in Sections 3.1 and 3.2 have been fulfilled;

(f) executed originals of this Agreement and the Notes; and

(g) such other documents as you may reasonably request.

3.3.2 Restricted Subsidiary Documents. Company shall have delivered to you, or shall have caused each Restricted Subsidiary to deliver to you:

(a) A good standing certificate from such Person's jurisdiction of incorporation and each other state in which such Person is qualified as a foreign corporation to do business and, to the extent generally available, a certificate or other evidence of good standing as to payment of any applicable franchise or similar taxes from the appropriate taxing authority of such Person's jurisdiction of incorporation, each dated a recent date prior to the applicable Closing Date;

(b) copies of the Certificate of Incorporation and Bylaws of such Person, certified as of the applicable Closing Date by the corporate secretary, an assistant secretary or other authorized representative of such Person;

(c) resolutions of the Board of Directors of such Person approving and authorizing the execution, delivery and performance of the Guarantee, certified as of the applicable Closing Date by the corporate secretary, an assistant secretary or other authorized representative of such Person as being in full force and effect without modification or amendment;

(d) signature and incumbency certificates of the officers of such Person executing the Guarantee;

(e) originals of the Guarantee executed by such Person; and

(f) such other documents as you may reasonably request.

3.4 OPINIONS OF COUNSEL.

You shall have received opinions in form and substance reasonably satisfactory to you, dated the applicable Closing Date (a) from McDermott, Will & Emery, counsel for Company, covering the matters set forth in Exhibit III annexed hereto and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and Company hereby instructs its counsel to deliver such opinion to you) and (b) from O'Melveny & Myers LLP, your special counsel in connection with such transactions, substantially in the form set forth in Exhibit IV annexed hereto and covering such other matters incident to such transactions as you may reasonably request.

3.5 PAYMENT OF SPECIAL COUNSEL FEES.

Without limiting the provisions of Section 18.2, Company shall have paid on or before the applicable Closing Date the fees, charges and disbursements of your special counsel referred to in Section 3.4 to the extent reflected in a statement (including reasonable

detail with respect to the fees, charges and disbursements set forth therein) of such counsel rendered to Company at least one Business Day prior to the applicable Closing Date.

3.6 NECESSARY GOVERNMENTAL AUTHORIZATIONS AND CONSENTS.

Company shall have obtained all Governmental Authorizations and all consents of other Persons, including the parties to the Senior Credit Agreement, in each case that are necessary in connection with the transactions contemplated by the Financing Documents, and each of the foregoing shall be in full force and effect, in each case other than those the failure to obtain or maintain which, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

3.7 PREPAYMENT.

At least 95% of the proceeds from the issuance of the Original Notes

shall be applied to prepay the outstanding term loans under the Senior Credit Agreement. The remaining proceeds of the Original Notes shall be applied to (a) prepay outstanding revolving loans under the Senior Credit Agreement or (b) pay fees and expenses incurred or payable in connection with the transactions contemplated by the Financing Documents.

3.8 PROCEEDINGS AND DOCUMENTS.

All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be reasonably satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

SECTION 4. REPRESENTATIONS AND WARRANTIES.

Company represents and warrants to you that:

4.1 EXISTENCE AND POWER.

Company and each of its Subsidiaries, as applicable:

(a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

(b) has the power and authority and all governmental licenses, authorizations, consents and approvals to own its assets, carry on its business and to execute, deliver, and perform its Obligations under this Agreement, the Notes and the Guarantee;

(c) is duly qualified as a foreign corporation and is licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license; and

(d) is in compliance with all Requirements of Law;

except, in each case referred to in clauses (b), (c) or (d), to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect.

4.2 AUTHORIZATION; NO CONTRAVENTION.

The execution, delivery and performance by Company and any of its Subsidiaries, as applicable, of this Agreement, the Notes and the Guarantee have been duly authorized by all necessary corporate action, and do not and will not:

(a) contravene the terms of any of such Person's Organizational Documents;

(b) except as specifically disclosed on Schedule 4.2 annexed hereto,
---

conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any Contractual Obligation to which such Person is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its property is subject; or

(c) violate any Requirement of Law.

4.3 GOVERNMENTAL AUTHORIZATION.

No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution, delivery or performance by, or enforcement against, Company or any of its Subsidiaries, as applicable, of this Agreement, the Notes or the Guarantee, other than those which the failure to obtain, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

4.4 BINDING EFFECT.

This Agreement, the Notes and the Guarantee constitute the legal, valid and binding obligations of Company or each of its Restricted Subsidiaries, as the case may be, enforceable against such Person in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

4.5 LITIGATION.

Except as specifically disclosed on Schedule 4.5 annexed hereto, there are no actions, suits, proceedings, claims or disputes pending, or to the knowledge of Company,

threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against Company or any of its Subsidiaries, or any of their respective properties which:

(a) purport to affect or pertain to this Agreement, the Notes or the Guarantee, or any of the transactions contemplated hereby or thereby; or

(b) if determined adversely to such Person or its Subsidiaries, would reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement, the Notes or the Guarantee, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

4.6 NO DEFAULT.

No Default or Event of Default exists or would result from the incurring of any Obligations under this Agreement, the Notes or the Guarantee by Company or any Guarantor. None of Company nor any of its Subsidiaries is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, would reasonably be expected to have a Material Adverse Effect, or that would create an Event of Default under Section 11.4.

4.7 USE OF PROCEEDS; MARGIN REGULATIONS.

At least 95% of the proceeds from the issuance of the Original Notes shall be applied to prepay the outstanding term loans under the Senior Credit Agreement. The remaining proceeds of the Original Notes shall be applied to (a) prepay outstanding revolving loans under the Senior Credit Agreement or (b) pay fees and expenses incurred or payable in connection with the transactions contemplated by the Financing Documents. No portion of the proceeds of the issuance of the Notes shall be used by Company or any of its Subsidiaries in any manner that might cause the borrowing or the application of such proceeds to violate Regulation G, T, U, or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board or to violate the Exchange Act. None of Company nor any of its Subsidiaries is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

4.8 TITLE TO PROPERTIES.

Except as set forth in the exceptions to the title policy or policies delivered to the Administrative Lender pursuant to the Senior Credit Agreement, Company and each of its Subsidiaries have good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of their respective businesses, except for such defects in title as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. As of the Original Closing Date,

the property of Company and its Subsidiaries is subject to no Liens, other than Permitted Liens.

4.9 TAXES.

Company and each of its Subsidiaries have filed all federal and other material tax returns and reports required to be filed, and have paid all federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against Company or any of its Subsidiaries that would, if made, reasonably be expected to have a Material Adverse Effect.

4.10 FINANCIAL CONDITION.

(a) The audited consolidated financial statements of Holdings and each of its Subsidiaries, dated June 29, 1996, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal year ended on that date, the unaudited consolidated financial statements of Holdings and each of its Subsidiaries, dated September 28, 1996, December 28, 1996 and March 29, 1997, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal quarter ended on that date and the internally prepared unaudited consolidated financial statements of Holdings and each of its Subsidiaries, dated June 28, 1997, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal year ended on that date:

(i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein and, except that the internally prepared unaudited consolidated financial statements and related consolidated statements of income or operations, shareholders' equity and cash flows as of and for the period ended June 28, 1997 are subject to changes resulting from audit and normal year-end adjustments; and

(ii) fairly present in all material respects the consolidated financial condition of Holdings and its Subsidiaries as of the date thereof and the results of operations for the period covered thereby.

(b) Since March 29, 1997, there has been no Material Adverse Effect.

4.11 REGULATED ENTITIES.

None of Company, any Person controlling Company, or any Subsidiary of Company, is an "Investment Company" within the meaning of the Investment Company Act of 1940. None of Company or any of its Subsidiaries is subject to regulation under the Public

Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other federal or state statute or regulation limiting its ability to incur Indebtedness.

4.12 NO BURDENSOME RESTRICTIONS.

Neither Company nor any of its Subsidiaries is a party to or is bound by any Contractual Obligation, or is subject to any restriction in any Organizational Document, or any Requirement of Law, which would reasonably be expected to have a Material Adverse Effect.

4.13 SUBSIDIARIES.

As of the Original Closing Date, Company has no Subsidiaries and has no equity investments in any other corporation or entity, other than those specifically disclosed on Schedule 4.13 annexed hereto.

4.14 INSURANCE.

The properties of Company and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of Company, in such amounts, with such deductibles and covering such risks as Company reasonably believes are customarily carried by companies engaged in similar

businesses and owning similar properties in localities where Company or such Subsidiary operates.

4.15 SOLVENCY.

Each of Company and its Subsidiaries is Solvent.

4.16 DISCLOSURE.

No representation or warranty of Company or any of its Subsidiaries contained in this Agreement, the Notes, the Guarantee, or in any other document, certificate or written statement furnished by or on behalf of Company or any of its Subsidiaries pursuant to this Agreement contains any untrue statement of a material fact or omits to state a material fact (known to Company, in the case of any document not furnished by it) necessary in order to make the statements contained herein or therein not misleading in light of the circumstances in which the same were made. Any projections and pro forma financial information provided for use in connection with the transactions contemplated by this Agreement are based upon good faith estimates and assumptions believed by Company to be reasonable at the time made, it being recognized that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results.

4.17 FOREIGN ASSETS CONTROL REGULATIONS, ETC.

Neither the issuance of the Notes by Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

SECTION 5. PREPAYMENT OF THE NOTES.

5.1 OPTIONAL PREPAYMENT.

Company may, at any time or from time to time, on or after August 20, 2002, prepay, on a pro rata basis, the aggregate principal balance of the Notes, --------
in whole or in part, upon not less than 30 days' nor more than 60 days' prior written notice, by payment of the following amounts (expressed as percentages of the principal amount thereof) if prepaid during the twelve-month period commencing on August 20 of the year set forth below, plus, in each case, accrued and unpaid interest thereon, if any, to but excluding the Prepayment Date:

<TABLE>
<CAPTION>

Year	Percentage
<S>	<C>
2002	105.1250%
2003	103.4167%
2004	101.7083%
2005 and thereafter	100.0000%;

</TABLE>

provided, however, that in the event that Company has failed to obtain the -------- -------
Minimum Rating on or prior to September 30, 1998, the amounts set forth above shall be increased by 0.5% with respect to any Prepayment Date during the twelve-month period commencing August 20, 2002, 0.3333% with respect to any Prepayment Date during the twelve-month period commencing August 20, 2003, 0.1667% with respect to any Prepayment Date during the twelve-month period commencing August 20, 2004 and 0% with respect to any Prepayment Date thereafter.

5.2 OPTIONAL PREPAYMENT UPON PUBLIC EQUITY OFFERING.

Company may, at any time or from time to time, on or prior to August 20, 2000, use the net cash proceeds of one or more Public Equity Offerings to prepay, on a pro rata basis, up to 35% of the original aggregate principal --- ----

balance of the Additional Notes, upon not less than 30 days' nor more than 60 days' prior written notice, by payment of an amount equal to 110.25% of the principal amount thereof plus, in each case, (i) accrued and unpaid interest thereon, if any, to but excluding the Prepayment Date and (ii), in the event that the Prepayment Date occurs after September 30, 1998 and Company has failed to obtain the Minimum Rating on or prior to September 30, 1998, 1%; provided that at least 65% of the

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original aggregate principal balance of the Additional Notes remains outstanding immediately after any such prepayment.

In order to effect the foregoing prepayment with the proceeds of any Public Equity Offering, Company shall make such prepayment not more than 120 days after the consummation of any such Public Equity Offering.

5.3 ACQUISITION OF NOTES BY COMPANY.

Company will not and will not permit any of its Affiliates to acquire, directly or indirectly, any of the outstanding Notes except that (a) Company may acquire Notes, without payment of any premium, whether upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes or otherwise, provided (i) no Default or Event of Default has occurred and is continuing, (ii) Company promptly cancels all Notes acquired by it and no Notes are issued in substitution or exchange for any such Notes and (iii) such Notes are not deemed to be outstanding for purposes of the giving of any direction, waiver, consent or notice hereunder, including, without limitation, for purposes of the definition of Required Lenders, and (b) any Affiliate of Company may acquire Notes, without payment of any premium, provided (i) no Default or Event of Default has occurred and is continuing, (ii) such Notes are not deemed to be outstanding for purposes of the giving of any direction, waiver, consent or notice hereunder, including, without limitation, for purposes of the definition of Required Lenders, (iii) such Affiliate acquires its interest in such Notes subject to the requirement that such Affiliate shall be deemed to have voted its claim in any bankruptcy, insolvency or receivership proceedings with respect to Company or any Guarantor in the same percentage as the other Lenders vote their claims with respect to any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the Guarantee, and (iv) there shall be no more than one Affiliate of Company holding Notes at any time and such Affiliate shall hold less than one-third of the principal amount of all Notes at any time outstanding.

SECTION 6. CHANGE OF CONTROL.

(a) Upon the occurrence of a Change of Control, Company shall make an offer to prepay the aggregate principal balance of the Notes, in whole but not in part, by payment of an amount equal to 101% of the principal amount thereof plus accrued and unpaid interest thereon, if any, to but excluding the Change of Control Prepayment Date (the "CHANGE OF CONTROL PREPAYMENT OFFER"). Prior to the mailing of the notice referred to below, but in any event within 30 days following any Change of Control, Company shall (i) to the extent required under the terms thereof, repay in full and terminate all commitments under Indebtedness under the Senior Credit Agreement and all other Senior Debt the terms of which require repayment upon a Change of Control or offer to repay in full and terminate all commitments under all Indebtedness under the Senior Credit Agreement and all other such Senior Debt and to repay the Indebtedness owed to each lender which has accepted such offer or (ii) obtain the requisite consents under the Senior Credit Agreement and all other Senior Debt to permit the prepayment of the Notes as provided below. Company shall first comply

with the covenant in the immediately preceding sentence before it shall be required to prepay Notes pursuant to the provisions described in this Section 6. Company's failure to comply with the immediately preceding sentence shall constitute an Event of Default under Section 11.3 and not under Section 11.2.

(b) Within 30 days following the date upon which the Change of Control occurred (the "CHANGE OF CONTROL DATE"), Company shall send, by first class mail, a notice to each Lender, which notice shall govern the terms of the Change of Control Prepayment Offer. The notice to the Lenders shall contain all

instructions and materials reasonably necessary to enable such Lenders to elect to have Notes prepaid pursuant to the Change of Control Prepayment Offer. Such notice shall state:

(i) that the Change of Control Prepayment Offer is being made pursuant to Section 6 and that all Notes tendered and not withdrawn will be accepted for prepayment;

(ii) the prepayment amount (including the amount of accrued interest) and the prepayment date (which shall be no earlier than 30 days nor later than 45 days from the date such notice is mailed, other than as may be required by law) (the "CHANGE OF CONTROL PREPAYMENT DATE");

(iii) each Lender electing to have a Note prepaid pursuant to a Change of Control Prepayment Offer will be required to surrender its Note to Company at the address specified in the Change of Control Prepayment Offer prior to the close of business on the third Business Day prior to the Change of Control Prepayment Date;

(iv) that Lenders will be entitled to withdraw their election if Company receives, not later than fifteen Business Days prior to the Change of Control Prepayment Date, facsimile transmission or letter setting forth the name of the Lender, the principal amount of the Notes the Lender delivered for prepayment and a statement that such Lender is withdrawing its election to have such Notes prepaid;

(v) that Lenders whose Notes are prepaid only in part will be issued new Notes in a principal amount equal to the unprepaid portion of the Notes surrendered; and

(vi) the circumstances and relevant facts regarding such Change of Control.

On or before the Change of Control Prepayment Date, Company shall accept for prepayment Notes or portions thereof tendered pursuant to the Change of Control Prepayment Offer, and shall promptly mail to any Lender tendering Notes so accepted payment in an amount equal to the prepayment amount plus accrued interest, if any, and new Notes equal in principal amount to any unprepaid portion of the Notes surrendered. Any Notes not so accepted shall be promptly mailed by Company to the Lender tendering such Notes.

Company shall comply with the requirements of applicable law to the extent such laws and regulations are applicable in connection with the prepayment of Notes pursuant to a Change of Control Prepayment Offer. To the extent the provisions of any applicable laws or regulations conflict with this Section 6, Company shall comply with such applicable laws and regulations and shall not be deemed to have breached its obligations under this Section 6 by virtue thereof.

SECTION 7. INFORMATION AS TO COMPANY.

7.1 FINANCIAL AND BUSINESS INFORMATION.

Company shall deliver to each Lender:

(a) as soon as available, but not later than 90 days after the end of each fiscal year, a copy of the audited consolidated balance sheet of Holdings 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, accompanied by (i) the opinion of Price Waterhouse & Co. or another nationally-recognized independent public accounting firm (the "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 and (ii) a copy of the unaudited consolidating balance sheet of Holdings and its Subsidiaries as at the end of such year, and the related consolidating 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 certified by a Responsible Officer of Company as fairly presenting in accordance with GAAP, the financial position and results of operations of Holdings and its Subsidiaries on a consolidated basis; and

(b) as soon as available, but not later than 45 days after the end of each fiscal quarter of each fiscal year, a copy of the unaudited consolidated and consolidating balance sheet of Holdings and its Subsidiaries as at the end of such quarter, and the related consolidated and consolidating statements of income or operations, shareholders' equity and cash flows for the period commencing on the first day and ending on the last day of such quarter, setting forth in each case in comparative form the figures for the previous fiscal year, and certified by a Responsible Officer of Company as fairly presenting, in accordance with GAAP (subject to good faith year-end audit adjustments and the absence of footnotes), the financial position and the results of operations of Holdings and its Subsidiaries.

7.2 CERTIFICATES; OTHER INFORMATION.

Company shall furnish to each Lender:

(a) concurrently with the delivery of the financial statements referred to in Section 7.1(a) but only so long as a comparable certificate is required to be delivered pursuant to the Senior Credit Agreement, a certificate of the Independent Auditor stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in Sections 7.1(a) and (b), a management's discussion and analysis of results of operations for the relevant period executed by a Responsible Officer of Company describing (i) in the case of such discussion and analysis submitted with the financial statements referred to in Section 7.1(a), the operations of Company for such fiscal year, and (ii) in the case of such discussion and analysis submitted with the financial statements referred to in Section 7.1(b), the operations of Company for such fiscal quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter;

(c) concurrently with the delivery of the financial statements referred to in Section 7.1(a), an Officers' Certificate stating that a review of the activities of Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether Company or any such Subsidiary, as the case may be, has kept, observed, performed and fulfilled its obligations under this Agreement and further stating as to each such Officer signing such certificate, that to the best of such Officer's knowledge Company or such Subsidiary, as the case may be, during such preceding fiscal year has kept, observed, performed and fulfilled each and every such covenant and no Default or Event of Default occurred during such year and at the date of such certificate there is no Default or Event of Default that has occurred and is continuing or, is such signers do know of such Default or Event of Default, the certificate shall describe the Default or Event of Default and its status with particularity;

(d) if applicable, within 15 days of any filing thereof, copies of all financial statements and regular, periodic or special reports (including Forms 10K, 10Q and 8K) that Holdings, Company or any of its Subsidiaries may make to, or file with, the SEC; provided, however, that any exhibits
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thereto shall be provided only upon request of such Lender; and

(e) concurrently with the delivery of the financial statements referred to in Section 7.1(b), an Officers' Certificate stating that all Restricted Payments made during such fiscal quarter comply with this Agreement and setting forth in appropriate detail the basis upon which the required calculations were computed.

7.3 NOTICES.

Company shall notify each Lender of the occurrence of any Default, Event of Default or action pursuant to Section 12.1(b) promptly upon a member of senior management

of Company obtaining actual knowledge thereof. Each notice under this Section shall be accompanied by a written statement by a Responsible Officer of Company setting forth details of the occurrence referred to therein, and stating what action Company or any affected Subsidiary proposes to take with respect thereto and at what time. Each notice under this Section 7.3 shall describe with particularity any and all clauses or provisions of this Agreement or any other Financing Document that have been breached or violated.

SECTION 8. AFFIRMATIVE COVENANTS.

Company covenants that so long as any of the Notes are outstanding:

8.1 COMPLIANCE WITH LAW.

Company will, and will cause each of its Restricted Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that noncompliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.2 INSURANCE.

Company will, and will cause each of its Restricted Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as Company reasonably believes is customary in the case of entities engaged in the same or a similar business and similarly situated.

8.3 MAINTENANCE OF PROPERTIES.

Company will, and will cause each of its Restricted Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties which is used or useful in its business in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect or except as permitted by Section 9.6.

8.4 PAYMENT OF TAXES AND CLAIMS.

Company will, and will cause each of its Restricted Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of Company or any Restricted Subsidiary, provided that neither Company nor any Restricted Subsidiary need pay any such tax, assessment, charges or claims if the amount, applicability or validity thereof is contested by Company or such Restricted Subsidiary on a timely basis in good faith and in appropriate proceedings, and Company or such Restricted Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of Company or such Restricted Subsidiary.

8.5 CORPORATE EXISTENCE, ETC.

Subject to Section 10, Company will at all times preserve and keep in full force and effect its corporate existence and will at all times preserve and keep in full force and effect the corporate existence of each of its Restricted Subsidiaries (unless merged into Company or a Wholly-Owned Restricted

Subsidiary) and all rights and franchises of Company and its Restricted Subsidiaries unless, in the good faith judgment of Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.6 PAYMENT OF NOTES.

Company shall duly and punctually pay the principal of and interest on the Notes in accordance with the terms of the Notes and this Agreement.

SECTION 9. NEGATIVE COVENANTS.

9.1 LIMITATION ON INCURRENCE OF ADDITIONAL INDEBTEDNESS AND ISSUANCE OF DISQUALIFIED CAPITAL STOCK.

Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume, guarantee, acquire, become liable, contingently or otherwise, with respect to, or otherwise become responsible for payment of (collectively, "INCUR") any Indebtedness (other than Permitted Indebtedness) or issue any Disqualified Capital Stock (other than to Company or to a Wholly-Owned Restricted Subsidiary of Company) or permit any Person (other than Company or a Wholly-Owned Restricted Subsidiary of Company) to own any Disqualified Capital Stock of Company or any Restricted Subsidiary of Company; provided, however, that if no Default or Event of Default
shall have occurred and be continuing at the time or as a consequence of the incurrence of any such

Indebtedness or the issuance of any such Disqualified Capital Stock, Company and the Restricted Subsidiaries of Company may incur Indebtedness (including, without limitation, Acquired Indebtedness) or issue Disqualified Capital Stock, in each case if on the date of the incurrence of such Indebtedness or the issuance of such Disqualified Capital Stock, after giving effect to the incurrence or issuance thereof, the Consolidated Fixed Charge Coverage Ratio of Company is greater than 2.0 to 1.0.

9.2 LIMITATION ON RESTRICTED PAYMENTS.

Company shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, (a) declare or pay any dividend or make any distribution (other than dividends or distributions payable in Qualified Capital Stock of Company and dividends or distributions payable to Company) on or in respect of shares of the Capital Stock of Company to holders of such Capital Stock of Company, (b) purchase, redeem or otherwise acquire or retire for value any Capital Stock of Company or any warrants, rights or options to purchase or acquire shares of any class of such Capital Stock of Company (other than the exchange of such Capital Stock for Qualified Capital Stock of Company), (c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, any Indebtedness of Company or any of its Restricted Subsidiaries that is subordinate or junior in right of payment to the Notes or (d) make any Investment (other than Permitted Investments) (each of the foregoing actions set forth in clauses (a), (b) (c) and (d) being referred to as a "RESTRICTED PAYMENT"), if at the time of such Restricted Payment or immediately after giving effect thereto, (i) a Default or an Event of Default shall have occurred and be continuing or (ii) Company is not able to incur at least $1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with Section 9.1 or (iii) the aggregate amount of Restricted Payments (including such proposed Restricted Payment) made subsequent to the Original Closing Date (the amount expended for such purposes, if other than in cash, being the fair market value of such property as determined reasonably and in good faith by the Board of Directors of Company) shall exceed the sum of, without duplication, (u) 50% of the cumulative Consolidated Net Income (or if cumulative Consolidated Net Income shall be a loss, minus 100% of such loss) of Company earned subsequent to the Original Closing Date and on or prior to the date the Restricted Payment occurs (the "REFERENCE DATE") (treating such period as a single accounting period); plus (v) 100% of the aggregate net cash proceeds received by Company from any Person (other than a Subsidiary of Company) from the issuance and sale subsequent to the Original Closing Date and on or prior to the Reference Date of Qualified Capital Stock of Company; plus (w) without duplication of any amounts included in clause (iii)(v) above, 100%

of the aggregate net cash proceeds of any equity contribution received by Company from any Person (other than a Subsidiary of Company) subsequent to the Original Closing Date and on or prior to the Reference Date; plus (x) without duplication and to the extent not included in the calculation of Consolidated Net Income of Company, the sum of (1) the aggregate amount returned in cash on or with respect to Investments (other than Permitted Investments) made subsequent to the Original Closing Date whether through interest payments, principal payments, dividends or other distributions

or payments, (2) the net cash proceeds received by Company or any Restricted Subsidiary from the disposition of all or any portion of such Investments (other than to a Subsidiary of Company) and (3) upon redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, an amount equal to the fair market value of Company's interest in such Subsidiary on such date; provided, however, that
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with respect to all Investments made in any Unrestricted Subsidiary or joint venture, the sum of clauses (1), (2) and (3) above with respect to such Investment shall not exceed the aggregate amount of all such Investments made subsequent to the Original Closing Date in such Unrestricted Subsidiary or joint venture; plus (y) the principal amount of any Indebtedness or Disqualified Capital Stock of Company or any of its Restricted Subsidiaries incurred or issued subsequent to the Original Closing Date which has been converted into or exchanged for Qualified Capital Stock of Company; minus (z) the greater of (1) $0 and (2) the Designation Amount (measured as of the date of Designation) with respect to any Subsidiary of Company which has been designated as an Unrestricted Subsidiary subsequent to the Original Closing Date.

Notwithstanding the foregoing, the provisions set forth in the immediately preceding paragraph do not prohibit: (1) the payment of any dividend or consummation of any redemption within 60 days after the date of declaration of such dividend or redemption if the dividend or redemption would have been permitted on the date of declaration; (2) so long as no Default or Event of Default shall have occurred and be continuing, the acquisition of any shares of Capital Stock of Company or the repayment, retirement, redemption or other acquisition of any Indebtedness of Company that is subordinate or junior in right of payment to the Notes, either (i) solely in exchange for shares of Qualified Capital Stock of Company or (ii) through the application of net proceeds of a substantially concurrent sale for cash (other than to a Subsidiary of Company) of shares of Qualified Capital Stock of Company; (3) so long as no Default or Event of Default shall have occurred and be continuing, payments for the purpose of and in an amount equal to the amount required to permit Holdings to redeem or repurchase shares of its Capital Stock or options in respect thereof from employees or officers of Holdings, Company or any of their respective Subsidiaries or their estates or authorized representatives upon the death, disability or termination of the employment of such employees or officers or pursuant to repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate employees in an aggregate amount not to exceed $7,000,000 (which amount shall be increased by the amount of any cash proceeds to Company from (x) sales of its Qualified Capital Stock to management employees subsequent to the Original Closing Date and (y) any "key-man" life insurance policies which are used to make such redemptions or repurchases) in the aggregate; (4) the payment of fees and compensation as permitted under clause (i) of paragraph (b) of Section 9.3; (5) so long as no Default or Event of Default shall have occurred and be continuing, payments not to exceed $100,000 in the aggregate, to enable Company to make payments to holders of its Capital Stock in lieu of issuance of fractional shares of its Capital Stock; (6) repurchases of Capital Stock of Company deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof; and (7) so long as (i) no Default or Event of Default shall have occurred and be continuing, (ii) Lenders shall have received a copy of the audited consolidated balance sheet of Holdings and its Subsidiaries as at the end of the fiscal

year ended June 28, 1997, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such year, accompanied by the opinion of Price Waterhouse & Co., which report shall state that such opinion is unqualified, shall express no doubts about the ability of Holdings and its Subsidiaries to continue as a going concern, and shall state that the accompanying financial statements fairly present in all material respects the

consolidated financial position of Holdings and its Subsidiaries as at the date indicated and the results of their operations and their cash flow for the period indicated in conformity with GAAP and that the examination by such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, (iii) Consolidated EBITDA of Company and its Subsidiaries for the fiscal year ended June 28, 1997 is at least $75,000,000, and (iv) Lenders shall have received an Officers' Certificate certifying that Holdings and Company will be Solvent after giving effect to the payment of the proposed dividend and the making of the proposed redemption of the Holdings Preferred Stock, the payment of a dividend not exceeding $38,000,000 to Holdings to be applied to the redemption of the Holdings Preferred Stock. In determining the aggregate amount of Restricted Payments made subsequent to the Original Closing Date in accordance with clause (iii) of the immediately preceding paragraph, (a) amounts expended (to the extent such expenditure is in the form of cash or other property other than Qualified Capital Stock) pursuant to clauses (1), (2) and (3) of this paragraph shall be included in such calculation, provided that such expenditures pursuant
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to clause (3) shall not be included to the extent of cash proceeds received by Company from any "key man" life insurance policies and (b) amounts expended pursuant to clauses (4), (5), (6) and (7) shall be excluded from such calculation.

9.3 LIMITATION ON TRANSACTIONS WITH AFFILIATES.

(a) Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of their respective Affiliates (each an "AFFILIATE TRANSACTION"), other than (i) Affiliate Transactions permitted under paragraph (b) below and (ii) Affiliate Transactions on terms that are no less favorable to Company or such Restricted Subsidiary than those that might reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of Company or such Restricted Subsidiary. All Affiliate Transactions (and each series of related Affiliate Transactions which are similar or part of a common plan) involving aggregate payments or other property (excluding for this purpose Qualified Capital Stock of Company issued to an Affiliate of Company) with a fair market value of more than $2,000,000 shall be approved by a majority of the Disinterested Directors of the Board of Directors of Company or such Restricted Subsidiary, as the case may be, such approval to be evidenced by a Board Resolution stating that such Board of Directors has determined that such transaction complies with the foregoing provisions. If Company or any Restricted Subsidiary of Company enters into an Affiliate Transaction (or a series of related Affiliate Transactions which are similar or part of a common plan) involving aggregate payments or

other property (excluding for this purpose Qualified Capital Stock of Company issued to an Affiliate of Company) with a fair market value of more than $10,000,000, Company or such Restricted Subsidiary, as the case may be, shall, prior to the consummation thereof, obtain a favorable written opinion as to the fairness of such transaction or series of related transactions to Company or the relevant Restricted Subsidiary, as the case may be, from a financial point of view, from an Independent Financial Advisor and provide a copy thereof to each Lender.

(b) The foregoing restrictions shall not apply to (i) reasonable fees, compensation and out-of-pocket expenses paid to, indemnity provided on behalf of, and benefit plans maintained for, officers, directors, employees or consultants of Company or any Restricted Subsidiary of Company as determined in good faith by Company's Board of Directors or senior management; (ii) transactions between or among Company and any of its Wholly-Owned Restricted Subsidiaries or exclusively between or among such Wholly-Owned Restricted Subsidiaries, provided that such transactions are not otherwise prohibited by this Agreement; (iii) Restricted Payments and Permitted Investments permitted by this Agreement; (iv) the issuance of Qualified Capital Stock of Company or any of its Restricted Subsidiaries to any of their respective Affiliates; (v) the purchase by Company or any of its Restricted Subsidiaries of any assets from any of their respective Affiliates (previously purchased by such Affiliate) if the amount paid therefor does not exceed the sum of (x) the amount paid by such Affiliate for such asset, (y) recourse liabilities incurred by such Affiliate in

connection with such asset plus (z) cost of funds to such Affiliate in connection with the purchase of such asset; and (vi) transactions described on Schedule 9.3 annexed hereto.

9.4 LIMITATION ON DIVIDEND AND OTHER PAYMENT RESTRICTIONS AFFECTING SUBSIDIARIES.

Company shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary of Company to (a) pay dividends or make any other distributions on or in respect of its Capital Stock; (b) make loans or advances to, guarantee the Indebtedness of, or pay any Indebtedness or other obligation owed to, Company or any other Restricted Subsidiary of Company; or (c) transfer any of its property or assets to Company or any other Restricted Subsidiary of Company, except for such encumbrances or restrictions existing under or by reason of: (i) applicable law; (ii) this Agreement; (iii) customary non-assignment provisions of any contract or lease governing a leasehold or ownership interest of Company or any Restricted Subsidiary of Company; (iv) any instrument governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired; (v) the Senior Credit Agreement, to the extent and in the manner such Senior Credit Agreement is in effect on the Original Closing Date; (vi) restrictions on transfer of property subject to a Permitted Lien imposed by the holder of such Permitted Lien; (vii) other instruments with respect to Indebtedness existing on the Original Closing Date; (viii) an agreement governing Indebtedness incurred to Refinance the Indebtedness issued, assumed or incurred pursuant to an agreement referred to in clause (ii), (iv), (v), (vi), or (vii) above; provided, however, that
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the provisions relating to such encumbrance or restriction contained in any such Indebtedness are no less favorable to Company in any material respect as determined by the Board of Directors of Company in its reasonable and good faith judgment than the provisions relating to such encumbrance or restriction contained in agreements referred to in such clause (ii), (iv), (v), (vi) or (vii); or (ix) an agreement for the sale or disposition of the assets of Company or any Restricted Subsidiary of Company prior to consummation of such sale.

9.5 PROHIBITION ON INCURRENCE OF SENIOR SUBORDINATED DEBT.

Company shall not incur or suffer to exist Indebtedness that is senior in right of payment to the Notes and subordinate in right of payment to any other Indebtedness of Company. No Guarantor shall incur or suffer to exist Indebtedness that is senior in right of payment to the Guarantee of such Guarantor and subordinate in right of payment to any other Indebtedness of such Guarantor.

9.6 LIMITATION ON ASSET SALES.

(a) Company shall not, and shall not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless (i) Company or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value of the assets sold or otherwise disposed of (as determined in good faith by a majority of Company's Board of Directors); (ii) at least 75% of the consideration (whether or not paid in installments) received by Company or the Restricted Subsidiary, as the case may be, from such Asset Sale shall be in the form of cash or Cash Equivalents (provided that (x) the amount of any liabilities (as shown on Company's or such
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Restricted Subsidiary's most recent balance sheet) of Company or any such Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Notes) that are assumed by the transferee of any such assets and (y) notes or other obligations that are promptly converted into cash or Cash Equivalents shall be deemed to be cash for the purposes of this provision) and is received at the time of such disposition; and (iii) upon the consummation of an Asset Sale, Company shall apply, or cause such Restricted Subsidiary to apply, the Net Cash Proceeds relating to such Asset Sale within 365 days of receipt thereof either (A) to prepay any Senior Debt and, in the case of any Senior Debt under any revolving credit facility, effect a permanent reduction in

the availability under such revolving credit facility, (B) to make an investment in properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties and assets that will be used in the business of Company and its Restricted Subsidiaries as existing on the Original Closing Date or in businesses which are the same, similar or reasonably related thereto ("REPLACEMENT ASSETS"), or (C) a combination of prepayment and investment permitted by the foregoing clauses (iii)(A) and (iii)(B). Subject to the last sentence of this paragraph, on the 366th day after an Asset Sale or such earlier date, if any, as the Board of Directors of Company or of such Restricted Subsidiary determines not to apply the Net Cash Proceeds relating to such Asset Sale as set forth in clause (iii)(A), (iii)(B) or (iii)(C) of the next preceding sentence (each, a "NET PROCEEDS OFFER TRIGGER DATE"), such aggregate amount of

Net Cash Proceeds which have not been applied on or before such Net Proceeds Offer Trigger Date as permitted in clauses (iii)(A), (iii)(B) and (iii)(C) of the next preceding sentence (each a "NET PROCEEDS OFFER AMOUNT") shall be applied by Company or such Restricted Subsidiary to make an offer to prepay (the "NET PROCEEDS OFFER") on a date (the "NET PROCEEDS OFFER PREPAYMENT DATE") not less than 30 nor more than 45 days following the applicable Net Proceeds Offer Trigger Date, on a pro rata basis, that amount of Notes equal to the Net
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Proceeds Offer Amount by payment of an amount equal to 100% of the principal amount of the Notes to be prepaid, plus accrued and unpaid interest thereon, if any, to the date of prepayment; provided, however, that if at any time any non-
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cash consideration received by Company or any Restricted Subsidiary of Company, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any such non-cash consideration), then such conversion or disposition shall be deemed to constitute an Asset Sale hereunder and the Net Cash Proceeds thereof shall be applied in accordance with this covenant. Company may defer the Net Proceeds Offer until there is an aggregate unutilized Net Proceeds Offer Amount equal to or in excess of $20,000,000 resulting from one or more Asset Sales (at which time, the entire unutilized Net Proceeds Offer Amount, and not just the amount in excess of $20,000,000, shall be applied as required pursuant to this paragraph).

In the event of the transfer of substantially all (but not all) of the property and assets of Company and its Restricted Subsidiaries as an entirety to a Person in a transaction permitted under Section 10, the successor Person shall be deemed to have sold the properties and assets of Company and its Restricted Subsidiaries not so transferred for purposes of this covenant, and shall comply with the provisions of this covenant with respect to such deemed sale as if it were an Asset Sale. In addition, the fair market value (as determined in good faith by a majority of Company's Board of Directors) of such properties and assets of Company or its Restricted Subsidiaries deemed to be sold shall be deemed to be Net Cash Proceeds for purposes of this Section 9.6.

Each Net Proceeds Offer shall comply with the procedures set forth in this Agreement. Upon receiving notice of the Net Proceeds Offer, Lenders may elect to tender their Notes in whole or in part. To the extent Lenders properly tender Notes in an amount exceeding the Net Proceeds Offer Amount, Notes of tendering Lenders will be prepaid on a pro rata basis (based on amounts
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tendered). To the extent that the aggregate amount of Notes tendered pursuant to a Net Proceeds Offer is less than the Net Proceeds Offer Amount, Company may use such excess Net Proceeds Offer Amount for general corporate purposes or for any other purpose not prohibited by this Agreement. Upon completion of any such Net Proceeds Offer, the Net Proceeds Offer Amount shall be reset at zero. A Net Proceeds Offer shall remain open for a period of 20 Business Days or such longer period as may be required by law.

(b) Subject to the deferral of the Net Proceeds Offer Trigger Date contained in the second paragraph of subsection (a) above, each notice of a Net Proceeds Offer pursuant to this Section 9.6 shall be mailed or caused to be mailed, by first class mail,

by Company not more than 25 days after the Net Proceeds Offer Trigger Date to

all Lenders. The notice shall contain all instructions and materials necessary to enable such Lenders to tender Notes pursuant to the Net Proceeds Offer and shall state the following terms:

(i) that the Net Proceeds Offer is being made pursuant to Section 9.6 and that all Notes tendered and not withdrawn will be accepted for payment; provided, however, that if the aggregate principal amount of Notes tendered in a Net Proceeds Offer exceeds the aggregate amount of the Net Proceeds Offer, Company shall select the Notes to be purchased on a pro rata basis;

(ii) the prepayment amount (including the amount of accrued interest) and the prepayment date (which shall be 20 Business Days from the date such notice is mailed, other than as may be required by law) (the "PROCEEDS PREPAYMENT DATE");

(iii) that Lenders electing to have a Note prepaid pursuant to a Net Proceeds Offer will be required to surrender the Note to Company at the address specified in the Net Proceeds Offer prior to the close of business on the third Business Day prior to the Proceeds Prepayment Date;

(iv) that Lenders will be entitled to withdraw their election if Company receives, not later than 5 Business Days prior to the Proceeds Prepayment Date, a facsimile transmission or letter setting forth the name of the Lender, the principal amount of the Notes the Lender delivered for prepayment and a statement that such Lender is withdrawing its election to have such Notes prepaid; and

(v) that Lenders whose Notes are prepaid only in part will be issued new Notes in a principal amount equal to the unprepaid portion of the Notes surrendered.

On or before the Proceeds Prepayment Date, Company shall accept for prepayment Notes or portions thereof tendered pursuant to the Net Proceeds Offer which are to be prepaid in accordance with paragraph (b)(i) above, and shall promptly mail to any Lender tendering Notes so accepted payment in an amount equal to the prepayment amount plus accrued interest, if any, and new Notes equal in principal amount to any unprepaid portion of the Notes surrendered. Any Notes not so accepted shall be promptly mailed by Company to the Lender tendering such Notes.

Company shall comply with the requirements of applicable law to the extent such laws and regulations are applicable in connection with the prepayment of Notes pursuant to a Net Proceeds Offer. To the extent that the provisions of any applicable laws or regulations conflict with this Section 9.6, Company shall comply with such applicable laws and regulations and shall not be deemed to have breached its obligations under this Section 9.6 by virtue thereof.

9.7 LIMITATION ON LIENS.

Company shall not, and shall not permit any of its Restricted Subsidiaries to, create, incur, assume or suffer to exist any Liens of any kind against or upon any of its property or assets, whether owned on the Original Closing Date or acquired after the Original Closing Date, or any proceeds therefrom, or assign or otherwise convey any right to receive income or profits therefrom unless (a) in the case of Liens securing Indebtedness that is expressly subordinate or junior in right of payment to the Notes, the Notes are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens and (b) in all other cases, the Notes are equally and ratably secured, except for (i) Liens existing as of the Original Closing Date to the extent and in the manner such Liens are in effect as of the Original Closing Date; (ii) Liens securing Senior Debt and Liens on assets of Restricted Subsidiaries securing guarantees of Senior Debt; (iii) Liens securing the Notes; (iv) Liens of Company or a Wholly-Owned Restricted Subsidiary of Company on assets of any Restricted Subsidiary of Company; (v) Liens securing Refinancing Indebtedness which is incurred to Refinance Indebtedness which has been secured by a Lien permitted under this Agreement and which has been incurred in accordance with the provisions of this Agreement; provided, however, that such

Liens do not extend to or cover any property or assets of Company or any of its Restricted Subsidiaries not securing the Indebtedness so Refinanced; and (vi) Permitted Liens.

9.8 LIMITATION OF GUARANTIES BY RESTRICTED SUBSIDIARIES.

Company shall not permit any of its Restricted Subsidiaries, directly or indirectly, by way of the pledge of any intercompany note or otherwise, to assume, guarantee or in any other manner become liable with respect to any Indebtedness of Company or any other Restricted Subsidiary (other than (a) Permitted Indebtedness of a Restricted Subsidiary, (b) Indebtedness under Currency Agreements incurred in reliance on clause (v) of the definition of Permitted Indebtedness or (c) Interest Swap Obligations incurred in reliance on clause (iv) of the definition of Permitted Indebtedness), unless, in any such case (i) such Restricted Subsidiary executes and delivers the Guarantee and (ii) (x) if any such assumption, guarantee or other liability of such Restricted Subsidiary is provided in respect of Senior Debt, the guarantee or other instrument provided by such Restricted Subsidiary in respect of such Senior Debt may be superior to the Guarantee pursuant to subordination provisions no less favorable to the Lenders than those contained in this Agreement and (y) if such assumption, guarantee or other liability of such Restricted Subsidiary is provided in respect of Indebtedness that is expressly subordinated to the Notes, the guarantee or other instrument provided by such Restricted Subsidiary in respect of such subordinated Indebtedness shall be subordinated to the Guarantee pursuant to subordination provisions no less favorable to the Lenders than those contained in this Agreement.

Notwithstanding the foregoing, the Guarantee of the Notes by a Restricted Subsidiary of Company shall provide by its terms that it shall be automatically and unconditionally released and discharged, without any further action required on the part of

any Lender, upon: (i) the unconditional release of such Restricted Subsidiary from its liability in respect of the Indebtedness in connection with which the Guarantee was executed and delivered pursuant to the preceding paragraph; (ii) any sale or other disposition (by merger or otherwise) to any Person which is not a Restricted Subsidiary of Company, of all of Company's Capital Stock in, or all or substantially all of the assets of, such Restricted Subsidiary; provided that (y) such sale or disposition of such Capital Stock or assets is otherwise in compliance with the terms of this Agreement and (z) such assumption, guarantee or other liability of such Restricted Subsidiary has been released by the holders of the other Indebtedness so guaranteed; or (iii) the designation of such Restricted Subsidiary as an Unrestricted Subsidiary in accordance with the terms of this Agreement.

9.9 CONDUCT OF BUSINESS.

Company and its Restricted Subsidiaries will not engage in any businesses other than a Related Business.

9.10 DESIGNATION OF UNRESTRICTED SUBSIDIARIES.

(a) Company may designate after the Original Closing Date any Subsidiary of Company (including any newly acquired or newly formed Subsidiary) as an "Unrestricted Subsidiary" under this Agreement (a "DESIGNATION") only if:

(i) no Default or Event of Default shall have occurred and be continuing at the time of or after giving effect to such Designation;

(ii) at the time of and after giving effect to such Designation, Company could incur $1.00 of additional Indebtedness (other than Permitted Indebtedness) under Section 9.1; and

(iii) Company would be permitted to make an Investment (other than a Permitted Investment) at the time of Designation (assuming the effectiveness of such Designation) pursuant to Section 9.2(d) in an amount (the "DESIGNATION AMOUNT") equal to the fair market value of Company's interest in such Subsidiary on such date.

Neither Company nor any Restricted Subsidiary shall at any time (x)

provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, or guarantee, any Indebtedness of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness) or (y) be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary.

(b) Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a "REVOCATION") if:

(i) no Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such Revocation;

(ii) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if incurred at such time, have been permitted to be incurred for all purposes of this Agreement; and

(iii) any transaction (or series of related transactions) between such Subsidiary and any of its Affiliates that occurred while such Subsidiary was an Unrestricted Subsidiary and will continue after the time of such Revocation would be permitted by Section 9.3 as if such transaction (or series of related transactions) had occurred at the time of such Revocation.

All Designations and Revocations must be evidenced by Resolutions of Company certifying compliance with the foregoing provisions.

Any Guarantor that is designated an Unrestricted Subsidiary pursuant to and in accordance with paragraph (a) above shall upon such Designation be released and discharged of its Guarantee Obligations in respect of this Agreement.

SECTION 10. SUCCESSOR CORPORATION.

10.1 MERGER, CONSOLIDATION AND SALE OF ASSETS.

(a) Company shall not, in a single transaction or a series of related transactions, consolidate with or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary of Company to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of Company's assets (determined on a consolidated basis for Company and its Restricted Subsidiaries) to any Person whether as an entirety or substantially as an entirety unless:

(i) either (A) Company shall be the surviving or continuing corporation or (B) the Person (if other than Company) formed by such consolidation or into which Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of Company and its Restricted Subsidiaries substantially as an entirety (the "SURVIVING ENTITY") (x) shall be a corporation organized and validly existing under the laws of the United States or any state thereof or the District of Columbia and (y) shall expressly assume the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes and the performance of every covenant of the Notes and this Agreement on the part of Company to be performed or observed;

(ii) immediately after giving effect to such transaction and the assumption contemplated by clause (i)(B)(y) above (including giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred in connection with or

in respect of such transaction), Company or such Surviving Entity, as the case may be, shall be able to incur at least $1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with Section 9.1; and

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

transaction and the assumption contemplated by clause (i)(B)(y) above (including, without limitation, giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred and be continuing.

(b) For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties and assets of one or more Restricted Subsidiaries of Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of Company, shall be deemed to be the transfer of all or substantially all of the properties and assets of Company.

10.2 SUCCESSOR CORPORATION SUBSTITUTED.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the assets of Company in accordance with the foregoing, in which Company is not the continuing corporation, the successor Person formed by such consolidation or into which Company is merged or to which such conveyance, lease or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, Company under this Agreement and the Notes with the same effect as if such surviving entity had been named as such.

10.3 MERGER, CONSOLIDATION AND SALE OF ASSETS OF GUARANTOR.

(a) No Guarantor shall, in a single transaction or a series of related transactions, consolidate with or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of such Guarantor's assets (determined on a consolidated basis for such guarantor and its Subsidiaries), whether as an entirety or substantially as an entirety, unless:

(i) either (A) such Guarantor shall be the surviving or continuing corporation or (B) the Person (if other than such Guarantor) formed by such consolidation or into which such Guarantor is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of Guarantor and its Subsidiaries substantially as an entirety (the "SURVIVING PARENT ENTITY") (x) shall be a corporation or other entity organized or formed and validly existing under the laws of the United States or any state thereof or the District of Columbia and (y) shall expressly assume the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes and the performance of every covenant of this Agreement to be performed or observed by such Guarantor;

(ii) immediately after giving effect to such transaction and the assumption contemplated by clause (i)(B)(y) above (including giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred in connection with or in respect of such transaction), such Guarantor or such Surviving Parent Entity, as the case may be, shall be able to incur at least $1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with Section 9.1; and

(iii) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (i)(B)(y) above (including, without limitation, giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred and be continuing.

(b) For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties and assets of one or more Subsidiaries of any Guarantor, the Capital Stock of which constitutes all or substantially all of the properties and assets of such Guarantor, shall be deemed to be the transfer of all or substantially all of the properties and assets of such Guarantor.

10.4 SUCCESSOR CORPORATION SUBSTITUTED FOR GUARANTOR.

Upon any consolidation, combination or merger or any transfer of all

or substantially all of the assets of any Guarantor in accordance with the foregoing, in which such Guarantor is not the continuing corporation, the successor Person formed by such consolidation or into which such Guarantor is merged or to which such conveyance, lease or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, such Guarantor under the Guarantee with the same effect as if such surviving entity had been named as such.

SECTION 11. EVENTS OF DEFAULT.

An "Event of Default" occurs if:

11.1 FAILURE TO PAY INTEREST.

Company fails to pay interest on any Notes when due and payable and the Default continues for a period of 30 days (whether or not such payment shall be prohibited by Section 13); or

11.2 FAILURE TO PAY PRINCIPAL.

Company fails to pay the principal of or premium, if any, on any Notes when such principal or premium becomes due and payable, at maturity, upon any required

prepayment or otherwise (including the failure to make a required prepayment pursuant to a Change of Control Prepayment Offer or a Net Proceeds Offer) (whether or not such payment shall be prohibited by Section 13); or

11.3 FAILURE TO COMPLY WITH OTHER COVENANTS.

Company or any Guarantor defaults in the observance or performance of any other covenant or agreement contained in this Agreement (other than the failure to comply with any provision of Section 16, which failure shall instead result in the payment of the additional interest provided for in Section 1.4.2) or the Guarantee and which default continues for a period of 30 days after Company receives written notice specifying the default (and demanding that such default be remedied) from Lenders holding at least 25% of the outstanding principal amount of the Notes; or

11.4 ACCELERATIONS OF OTHER INDEBTEDNESS.

Company fails to pay at final stated maturity (giving effect to any applicable grace periods and any extensions thereof) the principal amount of any Senior Debt for borrowed money of Company or any Restricted Subsidiary of Company, and such failure continues for a period of 5 Business Days or more, or the acceleration of the final stated maturity of any such Senior Debt (which acceleration is not rescinded, annulled or otherwise cured within 5 Business Days of receipt by Company or such Restricted Subsidiary of notice of any such acceleration) if the aggregate principal amount of such Senior Debt, together with the principal amount of any other Indebtedness for borrowed money of Company or any Restricted Subsidiary of Company in default for failure to pay principal at final stated maturity or which has been accelerated, and in the case of any such Senior Debt the 5 Business Day-period described above has passed, aggregates $10,000,000 or more at any time; or Company fails to pay at final stated maturity (giving effect to any applicable grace periods and any extensions thereof) the principal amount of any other Indebtedness for borrowed money of Company or any Restricted Subsidiary of Company, or the acceleration of the final stated maturity of any such other Indebtedness if the aggregate principal amount of such other Indebtedness, together with the principal amount of any other Indebtedness for borrowed money of Company or any Restricted Subsidiary of Company in default for failure to pay principal at final stated maturity or which has been accelerated, and in the case of any such Senior Debt the 5 Business Day-period described above has passed, aggregates $10,000,000 or more at any time; or

11.5 JUDGMENTS.

One or more judgments for the payment of money in an aggregate amount of $5,000,000 or more in excess of the amount covered by independent third-party insurance to the extent the insurer does not dispute coverage shall have been rendered against Company or any of its Restricted Subsidiaries and such judgments remain undischarged, unpaid or unstayed for a period of 60 days after

such judgment or judgments become final and non-appealable; or

11.6 VOLUNTARY BANKRUPTCY PROCEEDINGS.

Company or any Significant Subsidiary of Company (a) commences a voluntary case or proceeding under any Bankruptcy Law with respect to itself, (b) consents to the entry of a judgment, decree or order for relief against it in an involuntary case or proceeding under any Bankruptcy Law, (c) consents to the appointment of a Custodian of it or for substantially all of its property, (d) consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it, (e) makes a general assignment for the benefit of its creditors, or (f) takes any corporate action to authorize or effect any of the foregoing; or

11.7 INVOLUNTARY BANKRUPTCY PROCEEDINGS.

A court of competent jurisdiction enters a judgment, decree or order for relief in respect of Company or any Significant Subsidiary of Company in an involuntary case or proceeding under any Bankruptcy Law, which shall (a) approve as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of Company or any such Significant Subsidiary, (b) appoint a Custodian of Company or any such Significant Subsidiary or for substantially all of its property or (c) order the winding-up or liquidation of its affairs; and such judgment, decree or order shall remain unstayed and in effect for a period of 60 consecutive days.

11.8 FAILURE OF GUARANTEE.

The failure of the Guarantee to be in full force and effect (except as contemplated by the terms thereof) with respect to any Guarantor or the denial or disaffirmation of its Guarantee Obligations by any Guarantor.

SECTION 12. REMEDIES ON DEFAULT, ETC.

12.1 ACCELERATION.

(a) If an Event of Default with respect to Company described in Section 11.6 or 11.7 has occurred, all unpaid principal of and premium, if any, and accrued and unpaid interest on all outstanding Notes shall automatically become immediately due and payable without any declaration or other act on the part of any Lender.

(b) If any Event of Default described in Section 11.1 or 11.2 has occurred and is continuing, (i) any Lender or Lenders affected by such Event of Default and holding in the aggregate 10% or more in principal amount of the Notes at the time outstanding (or such lesser amount as may then be outstanding) may at any time (including, without limitation, during or after the time period referred to in clause (ii)), at its or their option, by notice to Company, declare all unpaid principal of and premium, if any, and accrued and unpaid interest on all Notes held by it or them to be immediately due and payable and (ii) in the event of any such declaration, and on or prior to the earlier of a rescission or annulment of such

acceleration pursuant to Section 12.3 or the date which is 30 days following such declaration, any other Lender affected by such Event of Default may, at its option, by notice to Company, declare all unpaid principal of and premium, if any, and accrued and unpaid interest on all Notes held by it to be immediately due and payable and, upon any such declaration pursuant to clause (i) or (ii), the amounts set forth in such clause (i) or (ii), as applicable, (y) if there are no amounts outstanding under the Senior Credit Agreement, shall become immediately due and payable or (z) if there are any amounts outstanding under the Senior Credit Agreement, shall become immediately due and payable upon the first to occur of an acceleration under the Senior Credit Agreement or 5 Business Days after receipt by Company of such notice, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived.

(c) If any other Event of Default has occurred and is continuing, any Lender or Lenders holding in the aggregate more than 25% in principal amount of

the Notes at the time outstanding may at any time, at its or their option, by notice to Company, declare all unpaid principal of and premium, if any, and accrued and unpaid interest on all Notes to be immediately due and payable and, upon such declaration, the same (i) shall become immediately due and payable or (ii) if there are any amounts outstanding under the Senior Credit Agreement, shall become immediately due and payable upon the first to occur of an acceleration under the Senior Credit Agreement or 5 Business Days after receipt by Company of such notice, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived.

12.2 OTHER REMEDIES.

If any Default or Event of Default has occurred and is continuing, any Lender may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of or interest on the Notes. Notwithstanding the foregoing, the right of any Lender to accelerate amounts owing hereunder is subject to the terms of Section 12.1.

12.3 RESCISSION.

At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, Lenders holding not less than a majority in principal amount of the Notes then outstanding, by written notice to Company, may rescind and annul any such declaration and its consequences if (a) Company has paid all overdue interest on the Notes, all principal of any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and (to the extent permitted by applicable law) any overdue interest in respect of the Notes at the Default Rate, (b) all Events of Default and Defaults, other than nonpayment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 18.6, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4 NO WAIVERS OR ELECTION OF REMEDIES, EXPENSES, ETC.

No course of dealing and no delay on the part of any Lender in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such Lender's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any Lender shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of Company under Section 18.2, Company will pay to each Lender on demand such further amount as shall be sufficient to cover all costs and expenses of such Lender incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SECTION 13. SUBORDINATION.

13.1 NOTES SUBORDINATED TO SENIOR DEBT.

Company covenants and agrees, and each Lender, by its acceptance of a Note, likewise covenants and agrees, that all Notes shall be issued subject to the provisions of this Section 13; and each Person holding any Note, whether upon original issue or upon transfer, assignment or exchange thereof, accepts and agrees that the payment of all Obligations under the Notes by Company shall, to the extent and in the manner herein set forth, be subordinated and junior in right of payment to the prior payment in full in cash of the Senior Debt; that the subordination is for the benefit of, and shall be enforceable directly by, each holder of Senior Debt, and that each holder of Senior Debt whether now outstanding or hereafter created, incurred, assumed or guaranteed shall be deemed to have acquired Senior Debt in reliance upon the covenants and provisions contained in this Agreement and the Notes.

13.2 NO PAYMENT ON NOTES IN CERTAIN CIRCUMSTANCES.

(a) If any default occurs and is continuing in the payment when due, whether at maturity, upon redemption, by declaration, acceleration or otherwise, of any principal of, interest on, unpaid drawings for letters of credit issued

in respect of, or fees, costs or other amounts with respect to, any Senior Debt, no payment of any kind or character shall be made by, or on behalf of, Company or any other Person (including any Guarantor) on its or their behalf with respect to any Obligations under the Notes, or to acquire any of the Notes for cash or property or otherwise, and the Lenders may not accept or receive (in cash, property, stock or obligations or by setoff, exercise of contractual or statutory rights or otherwise) from Company, any Guarantor or any other Person any payment of any kind on account of the Obligations under the Notes. In addition, if any other event of default occurs and is continuing with respect to any Designated Senior Debt, as such event of default is defined in the instrument creating or evidencing such Designated Senior Debt, permitting the holders of such Designated Senior Debt then outstanding to accelerate the maturity thereof and if the Representative for the respective issue of Designated Senior Debt gives written notice of the event of default to Company and the Lender Representative (a "DEFAULT NOTICE"), then, unless and until all events of default have been cured or waived or have ceased to exist or the Lender

Representative receives notice thereof from the Representative for the respective issue of Designated Senior Debt terminating the Blockage Period (as defined below), during the 179 days after the delivery of such Default Notice (the "BLOCKAGE PERIOD"), neither Company nor any other Person (including any Guarantor) on its behalf shall (i) make any payment of any kind or character (including in cash, property, stock or other obligations) with respect to any Obligations under the Notes or (ii) acquire (whether by setoff, exercise of contractual or statutory rights or otherwise) any of the Notes for cash, property, stock or other obligations, and the Lenders may not accept or receive (in cash, property, stock or obligations or by setoff, exercise of contractual or statutory rights or otherwise) from Company, any Guarantor or any other Person any payment of any kind on account of the Obligations under the Notes. Notwithstanding anything herein to the contrary, in no event will a Blockage Period extend beyond 179 days from the date the Default Notice was delivered to Company and the Lender Representative and only one such Blockage Period may be commenced within any 360 consecutive days. No event of default which existed or was continuing on the date of the commencement of any Blockage Period with respect to the Designated Senior Debt and which was set forth in a written notice from Company to the holders or Representative of such Designated Senior Debt shall be, or be made, the basis for the commencement of a second Blockage Period by the Representative of such Designated Senior Debt whether or not within a period of 360 consecutive days, unless such event of default shall have been cured or waived for a period of not less than 90 consecutive days (it being acknowledged that any subsequent action or any breach of any financial covenants for a period commencing after the date of commencement of such Blockage Period that, in either case, would give rise to an event of default pursuant to any provisions under which an event of default previously existed or was continuing shall constitute a new event of default for this purpose).

(b) In the event that, notwithstanding the foregoing, any payment shall be received by any Lender when such payment is prohibited by Section 13.2(a), such payment shall be held in trust for the benefit of, and shall promptly be paid over or delivered to (in the form received and without any setoff, counterclaim or other claim), the holders of Senior Debt (pro rata to such holders on the basis of the respective amount of Senior Debt held by such holders) or their respective Representatives, as their respective interests may appear.

(c) Notwithstanding anything herein to the contrary, so long as any amounts are outstanding under the Senior Credit Agreement, any Default Notice delivered by the Representative of any Designated Senior Debt pursuant to Section 13.2(a) shall be delivered only at the direction of the lender or lenders authorized to exercise remedies under the Senior Credit Agreement. The Lender Representative shall be entitled to rely, and shall be fully protected in relying, upon any such Default Notice believed by it to be genuine and correct and to have been sent by such Representative.

(d) Nothing contained in this Section 13 shall limit the right of the Lenders to take any action to accelerate the maturity of the Notes pursuant to Section 12.1 or to pursue any rights or remedies hereunder; provided that all
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Senior Debt thereafter due or declared to

be due shall first be paid in full in cash before the Lenders are entitled to receive any payment of any kind or character with respect to Obligations under the Notes.

13.3 PAYMENT OVER OF PROCEEDS UPON DISSOLUTION, ETC.

(a) Upon any payment or distribution of assets of Company (or any Guarantor) of any kind or character, whether in cash, property or securities, to creditors upon any total or partial liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors or marshaling of assets of Company (or any Guarantor) or in a bankruptcy, reorganization, insolvency, receivership or other similar proceeding relating to Company (or any Guarantor) or its property, whether voluntary or involuntary, all Senior Debt shall first be paid in full in cash before any payment or distribution (including by setoff) of any kind or character (including in cash, property, stock or other obligations), is made by or on behalf of Company or any other Person (including any Guarantor) on account of any Obligations under the Notes, or for the acquisition (whether by setoff, exercise of contractual or statutory rights or otherwise) of any of the Notes for cash, property, stock or other obligations, and the Lenders may not accept or receive (in cash, property, stock or obligations or by setoff, exercise of contractual or statutory rights or otherwise) from Company, any Guarantor or any other Person any payment of any kind on account of the Obligations under the Notes. Upon any such dissolution, winding-up, liquidation, reorganization, receivership or similar proceeding, any payment or distribution of assets of Company of any kind or character, whether in cash, property or securities, to which the Lenders would be entitled, except for the provisions hereof, shall be paid by Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Lenders if received by them, directly to the holders of Senior Debt (pro rata to such holders on the basis of the respective amounts of Senior Debt held by such holders) or their respective Representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Debt may have been issued, as their respective interests may appear, for application to the payment of Senior Debt remaining unpaid until all such Senior Debt has been paid in full in cash after giving effect to any concurrent payment, distribution or provision therefor to or for the holders of Senior Debt.

(b) To the extent any payment of Senior Debt (whether by or on behalf of Company, as proceeds of security or enforcement of any right of setoff or otherwise) is declared to be fraudulent or preferential, set aside or required to be paid to any receiver, trustee in bankruptcy, liquidating trustee, agent or other similar Person under any bankruptcy, insolvency, receivership, fraudulent conveyance or similar law, then, if such payment is recovered by, or paid over to, such receiver, trustee in bankruptcy, liquidating trustee, agent or other similar Person, the Senior Debt or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

(c) In the event that, notwithstanding the foregoing, any payment or distribution of assets of Company of any kind or character, whether in cash, property or securities, shall be received by any Lender when such payment or distribution is prohibited by

this Section 13, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Debt (pro rata to such holders on the basis of the respective amount of Senior Debt held by such holders) or their respective Representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Debt may have been issued, as their respective interests may appear, for application to the payment of Senior Debt remaining unpaid until all such Senior Debt has been paid in full in cash, after giving effect to any concurrent payment, distribution or provision therefor to or for the holders of such Senior Debt.

(d) The consolidation of Company with, or the merger of Company with or into, another Person or the liquidation or dissolution of Company following the conveyance or transfer of all or substantially all of its assets, to another Person upon the terms and conditions provided in Section 10 and as long as permitted under the terms of the Senior Debt shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section if such other Person shall, as a part of such consolidation, merger, conveyance or

transfer, assume Company's obligations hereunder in accordance with Section 10.

13.4 SUBROGATION.

Subject to the payment in full in cash of all Senior Debt, the Lenders shall be subrogated to the rights of the holders of Senior Debt to receive payments or distributions of cash, property or securities of Company applicable to the Senior Debt until the Notes shall be paid in full; and, for the purposes of such subrogation, no such payments or distributions to the holders of the Senior Debt by or on behalf of Company or by or on behalf of the Lenders by virtue of this Section 13 which otherwise would have been made to the Lenders shall, as between Company and the Lenders, be deemed to be a payment by Company to or on account of the Senior Debt, it being understood that the provisions of this Section 13 are and are intended solely for the purpose of defining the relative rights of the Lenders, on the one hand, and the holders of the Senior Debt, on the other hand.

13.5 OBLIGATIONS OF COMPANY UNCONDITIONAL.

Nothing contained in this Section 13 or elsewhere in this Agreement or in the Notes is intended to or shall impair, as among Company, its creditors other than the holders of Senior Debt, and the Lenders, the obligation of Company, which is absolute and unconditional, to pay to the Lenders the principal of and any interest on the Notes as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Lenders and creditors of Company other than the holders of the Senior Debt, nor shall anything herein or therein prevent any Lender from exercising all remedies otherwise permitted by applicable law upon default under this Agreement, subject to the rights, if any, in respect of cash, property or securities of Company received upon the exercise of any such remedy.

13.6 RELIANCE ON JUDICIAL ORDER OR CERTIFICATE OF LIQUIDATING AGENT.

Upon any payment or distribution of assets of Company referred to in this Section 13, the Lenders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which any insolvency, bankruptcy, receivership, dissolution, winding-up, liquidation, reorganization or similar case or proceeding is pending, or upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, receiver, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Lenders, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Debt and other Indebtedness of Company or any Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 13.

13.7 SUBORDINATION RIGHTS NOT IMPAIRED BY ACTS OR OMISSIONS OF COMPANY OR HOLDERS OF SENIOR DEBT.

No right of any present or future holders of any Senior Debt to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of Company or any Guarantor or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by Company or any Guarantor with the terms of this Agreement, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Debt may, at any time and from time to time, without the consent of or notice to the Lenders and without impairing or releasing the subordination provided in this Section 13 or the obligations hereunder of the Lenders to the holders of the Senior Debt, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew, refinance to the extent permitted by this Agreement or alter, Senior Debt, or otherwise amend or supplement in any manner Senior Debt, or any instrument evidencing the same or any agreement under which Senior Debt is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Debt; (iii) release any Person liable in any manner for the payment or collection of Senior Debt; and (iv) exercise or refrain from exercising any rights against Company, any Guarantor and any other Person.

13.8 THIS SECTION NOT TO PREVENT EVENTS OF DEFAULT.

The failure to make a payment on account of principal of or interest on the Notes by reason of any provision of this Section 13 will not be construed as preventing the occurrence of an Event of Default.

13.9 PROOF OF CLAIMS.

If any Lender does not file a proper claim or proof of debt in the form required in any bankruptcy, insolvency, receivership, reorganization or similar proceeding prior to 30 days before the expiration of the time to file such claim or claims, then the holders of the Senior Debt or their Representative are or is hereby authorized to have the right to file and are or is hereby authorized to file an appropriate claim for and on behalf of such Lender. Nothing herein contained shall be deemed to authorize the holders of Senior Debt or their Representative to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Lender, or to authorize the holders of Senior Debt or their Representative to vote in respect of the claim of any Lender in any such proceeding.

SECTION 14. GUARANTEE.

14.1 UNCONDITIONAL GUARANTEE.

The Guarantors hereby jointly and severally unconditionally guarantee (such guarantee to be referred to herein as the "GUARANTEE") to each Lender that: (a) the principal of and interest on the Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration or otherwise and interest on the overdue principal, if any, and interest on any interest, to the extent lawful, of the Notes and all other obligations of Company to the Lenders hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and (b) in case of any extension of time of payment or renewal of any Notes or of any such other obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration or otherwise. Each Guarantor hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Agreement, the absence of any action to enforce the same, any waiver or consent by any Lender with respect to any provisions hereof or thereof, the recovery of any judgment against Company, any action to enforce the same or any other circumstance with might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of Company, any right to require a proceeding first against Company, protest, notice and all demands whatsoever and covenants that the Guarantee will not be discharged except by complete performance of the obligations contained in the Notes, this Agreement and the Guarantee. If any Lender is required by any court or otherwise to return to Company, any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to Company or any Guarantor, any amount paid by Company or any Guarantor to such Lender, the Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor further agrees that, as between such Guarantor, on the one hand, and the Lenders on the other hand, (i) the maturity of the obligations guaranteed hereby may, to the extent permitted by applicable law, be accelerated

as provided in Section 12 for the purposes of the Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (ii) in the event of any acceleration of such obligations as provided in Section 12, such obligations (whether or not due and payable) shall forthwith become due and payable by such Guarantor for the purpose of the Guarantee.

Anything to the contrary notwithstanding, the obligations of each Guarantor under the Guarantee will be limited in amount to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor without rendering the Guarantee, as it relates to such Guarantor, voidable under

applicable laws relating to fraudulent conveyance or fraudulent transfer or other similar laws affecting the rights of creditors generally.

14.2 SUBORDINATION OF GUARANTEE.

The Obligations of each Guarantor to the Lenders pursuant to the Guarantee and this Agreement are expressly subordinate and subject in right of payment to the prior payment in full of all Guarantor Senior Debt of such Guarantor, to the extent and in the manner provided in Section 15.

14.3 SEVERABILITY.

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

14.4 RELEASE OF GUARANTEE.

Upon (a) the release by the lenders under the Senior Credit Agreement and future refinancings thereof of all guarantees of any Guarantor relating to such Indebtedness, (b) the sale or disposition (whether by merger, stock purchase, asset sale or otherwise) of any Guarantor (or all or substantially all of its assets) to an entity which is not a Restricted Subsidiary of Company and which sale or disposition is otherwise in compliance with the terms of this Agreement, or (c) the designation of such Restricted Subsidiary as an Unrestricted Subsidiary in accordance with the terms of this Agreement, Guarantor shall be deemed released from all obligations under this Section 14 without any further action required on the part of any Lender; provided, --------
however, that any such release shall occur only to the extent that all -------
obligations of such Guarantor under all of its guarantees of such Indebtedness of Company shall also be released upon such release, sale or disposition.

14.5 WAIVER OF SUBROGATION.

Until payment in full is made of the Notes and all other obligations of Company to the Lenders hereunder and under the Notes, each Guarantor hereby irrevocably waives any claim or other rights which it may now or hereafter acquire against Company that arise from the existence, payment, performance or enforcement of such Guarantor's

obligations under the Guarantee, including, without limitation, any right of subrogation, reimbursement, exoneration, indemnification, and any right to participate in any claim or remedy of any Lender against Company, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including, without limitation, the right to take or receive from Company, directly or indirectly, in cash or other property or by setoff or any other manner, payment or security on account of such claim or other rights. If any amount shall be paid to any Guarantor in violation of the preceding sentence and the Notes shall not have been paid in full, such amount shall have been deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, the Lenders, and shall forthwith be paid to the Lenders to be credited and applied upon the Notes, whether matured or unmatured, in accordance with the terms of this Agreement. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by this Agreement and that the waiver set forth in this Section 14.5 is knowingly made in contemplation of such benefits.

14.6 WAIVER OF STAY, EXTENSION OR USURY LAWS.

Each Guarantor covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive such Guarantor from performing its Guarantee as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Agreement; and (to the extent that it may lawfully do so) such Guarantor hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to any Lender, but will suffer and permit the execution of every such power as though no such law had been enacted.

14.7 CONTRIBUTION.

Each Guarantor under the Guarantee together desire to allocate among themselves (collectively, the "CONTRIBUTING GUARANTORS"), in a fair and equitable manner, their obligations arising under the Guarantee. Accordingly, in the event any payment or distribution is made on any date by any Guarantor under the Guarantee (a "FUNDING GUARANTOR") that exceeds its Fair Share as of such date, that Funding Guarantor shall be entitled to a contribution from each of the other Contributing Guarantors in the amount of such other Contributing Guarantor's Fair Share Shortfall as of such date, with the result that all such contributions will cause each Contributing Guarantor's Aggregate Payments to equal its Fair Share as of such date. "FAIR SHARE" means, with respect to a Contributing Guarantor as of any date of determination, an amount equal to (i) the ratio of (x) the Adjusted Maximum Amount with respect to such Contributing Guarantor to (y) the aggregate of the Adjusted Maximum Amounts with respect to all Contributing Guarantors, multiplied by (ii) the aggregate amount paid or
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distributed on or before such date by all Funding Guarantors under the Guarantee in respect of the obligations guarantied. "FAIR SHARE SHORTFALL" means, with respect to a Contributing Guarantor as of any date of determination, the excess, if any, of the

Fair Share of such Contributing Guarantor over the Aggregate Payments of such Contributing Guarantor. "ADJUSTED MAXIMUM AMOUNT" means, with respect to a Contributing Guarantor as of any date of determination, the maximum aggregate amount of the obligations of such Contributing Guarantor under the Guarantee determined as of such date in accordance with Section 14.1; provided that,
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solely for purposes of calculating the "Adjusted Maximum Amount" with respect to any Contributing Guarantor for purposes of this Section 14.7, any assets or liabilities of such Contributing Guarantor arising by virtue of any rights to subrogation, reimbursement or indemnification or any rights to or obligations of contribution hereunder shall not be considered as assets or liabilities of such Contributing Guarantor. "AGGREGATE PAYMENTS" means, with respect to a Contributing Guarantor as of any date of determination, an amount equal to (i) the aggregate amount of all payments and distributions made on or before such date by such Contributing Guarantor in respect of the Guarantee (including, without limitation, in respect of this Section 14.7) minus (ii) the aggregate
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amount of all payments received on or before such date by such Contributing Guarantor from the other Contributing Guarantors as contributions under this Section 14.7. The amounts payable as contributions hereunder shall be determined as of the date on which the related payment or distribution is made by the applicable Funding Guarantor. The allocation among Contributing Guarantors of their obligations as set forth in this Section 14.7 shall not be construed in any way to limit the liability of any Contributing Guarantor hereunder.

14.8 SUBORDINATION OF OTHER OBLIGATIONS.

Any Indebtedness of Company now or hereafter held by any Guarantor is hereby subordinated in right of payment to the Guarantee Obligations. In addition, Company and each Guarantor hereby agree that any payment by such Guarantor under the Guarantee shall result in a pro tanto reduction of the
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amount of any intercompany Indebtedness owed by such Guarantor to Company.

SECTION 15. SUBORDINATION OF GUARANTEE.

15.1 GUARANTEE OBLIGATIONS SUBORDINATED TO GUARANTOR SENIOR DEBT OF GUARANTORS.

Each Guarantor covenants and agrees, and each Lender, by its acceptance of a Note, likewise covenants and agrees, that any payment of obligations by such Guarantor in respect of its Guarantee (its "GUARANTEE OBLIGATIONS") shall be made subject to the provisions of this Section 15, and each Person holding any Note, whether upon original issue or upon transfer, assignment or exchange thereof, accepts and agrees that the payment of all Guarantee Obligations by each Guarantor shall, to the extent and in the manner herein set forth, be subordinated and junior in right of payment to the prior payment in full in cash of the Guarantor Senior Debt of such Guarantor, that the subordination is for the benefit of, and shall be enforceable directly by, each holder of Guarantor Senior Debt of such Guarantor, and that each holder of

Guarantor Senior Debt of such Guarantor whether now outstanding or hereafter created, incurred, assumed or guaranteed shall be deemed to have acquired Guarantor Senior Debt of such Guarantor in reliance upon the covenants and provisions contained in this Agreement and the Notes.

15.2 NO PAYMENT ON NOTES IN CERTAIN CIRCUMSTANCES.

(a) If any default occurs and is continuing in the payment when due, whether at maturity, upon redemption, by declaration, acceleration or otherwise, of any principal of, interest on, unpaid drawings for letters of credit issued in respect of, or fees, costs or other amounts with respect to, any Guarantor Senior Debt of any Guarantor, no payment of any kind or character shall be made by, or on behalf of, such Guarantor, or any other Person (including Company) on its or their behalf with respect to any Guarantee Obligations, or to acquire any of the Notes for cash or property or otherwise, and the Lenders may not accept or receive (in cash, property, stock or obligations or by setoff, exercise of contractual or statutory rights or otherwise) from Company, any Guarantor or any other Person any payment of any kind on account of the Guarantee Obligations. In addition, if any other event of default occurs and is continuing with respect to any Designated Senior Debt, as such event of default is defined in the instrument creating or evidencing such Designated Senior Debt, permitting the holders of such Designated Senior Debt then outstanding to accelerate the maturity thereof and if the Representative for the respective issue of Designated Senior Debt gives a Default Notice to Guarantor and the Lender Representative, then, unless and until all events of default have been cured or waived or have ceased to exist or the Lender Representative receives notice thereof from the Representative for the respective issue of Designated Senior Debt terminating the Guarantor Blockage Period (as defined below), during the 179 days after the delivery of such Default Notice (the "GUARANTOR BLOCKAGE PERIOD"), no Guarantor nor any other Person (including Company) on its behalf shall (i) make any payment of any kind or character (including in cash, property, stock or other obligations) with respect to any Guarantee Obligations or (ii) acquire (whether by setoff, exercise of contractual or statutory rights or otherwise) any of the Notes for cash, property, stock or other obligations, and the Lenders may not accept or receive (in cash, property, stock or obligations or by setoff, exercise of contractual or statutory rights or otherwise) from Company, any Guarantor or any other Person any payment of any kind on account of the Guarantee Obligations. Notwithstanding anything herein to the contrary, in no event will a Guarantor Blockage Period extend beyond 179 days from the date the Default Notice was delivered to Guarantor and the Lender Representative and only one such Guarantor Blockage Period may be commenced within any 360 consecutive days. No event of default which existed or was continuing on the date of the commencement of any Guarantor Blockage Period with respect to the Designated Senior Debt and which was set forth in a written notice from Company to the holders or Representative of such Designated Senior Debt shall be, or be made, the basis for the commencement of a second Guarantor Blockage Period by the Representative of such Designated Senior Debt whether or not within a period of 360 consecutive days, unless such event of default shall have been cured or waived for a period of not less than 90 consecutive days (it being acknowledged that any subsequent action, or any breach of any financial covenants for a period commencing after the date of commencement of such Guarantor Blockage Period that, in either case, would give rise to an event of default pursuant to any provisions under which an event of default previously existed or was continuing shall constitute a new event of default for this purpose).

(b) In the event that, notwithstanding the foregoing, any payment shall be received by any Lender when such payment is prohibited by Section 15.2(a), such payment shall be held in trust for the benefit of, and shall promptly be paid over or delivered to (in the form received and without any setoff, counterclaim or other claim), the holders of Guarantor Senior Debt of the applicable Guarantor (pro rata to such holders on the basis of the respective amount of Guarantor Senior Debt of such Guarantor held by such holders) or their respective Representatives, as their respective interests may appear.

(c) Notwithstanding anything herein to the contrary, so long as any amounts are outstanding under the Senior Credit Agreement, any Default Notice delivered by the Representative of any Designated Senior Debt pursuant to

Section 15.2(a) shall be delivered only at the direction of the lender or lenders authorized to exercise remedies under the Senior Credit Agreement. The Lender Representative shall be entitled to rely, and shall be fully protected in relying, upon any such Default Notice believed by it to be genuine and correct and to have been sent by such Representative.

Nothing contained in this Section 15 shall limit the right of the Lenders to take any action to accelerate the maturity of the Notes pursuant to Section 12.1 or to pursue any rights or remedies hereunder; provided that all
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Guarantor Senior Debt of each Guarantor thereafter due or declared to be due shall first be paid in full in cash before the Lenders are entitled to receive any payment of any kind or character with respect to the Guarantee Obligations.

15.3 PAYMENT OVER OF PROCEEDS UPON DISSOLUTION, ETC.

(a) Upon any payment or distribution of assets of any Guarantor (or Company) of any kind or character, whether in cash, property or securities, to creditors upon any total or partial liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors or marshaling of assets of such Guarantor (or Company) or in a bankruptcy, reorganization, insolvency, receivership or other similar proceeding relating to such Guarantor (or Company) or its property, whether voluntary or involuntary, all Guarantor Senior Debt of such Guarantor shall first be paid in full in cash before any payment or distribution (including by setoff) of any kind or character (including in cash, property, stock or other obligations) is made by or on behalf of such Guarantor or any other Person (including Company) on account of any Guarantee Obligations, or for the acquisition (whether by setoff, exercise of contractual or statutory rights or otherwise) of any of the Notes for cash, property, stock or other obligations, and the Lenders may not accept or receive (in cash, property, stock or obligations or by setoff, exercise of contractual or statutory rights or otherwise) from Company, any Guarantor or any other Person any payment of any kind on account of the Guarantee Obligations. Upon any such dissolution, winding-up, liquidation, reorganization, receivership or similar proceeding, any payment or distribution of assets of any Guarantor of any kind or character, whether in cash, property or securities, to which the Lenders would be entitled, except for the provisions hereof, shall be paid by such Guarantor or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or

distribution, or by the Lenders if received by them, directly to the holders of Guarantor Senior Debt of such Guarantor (pro rata to such holders on the basis of the respective amounts of Guarantor Senior Debt of such Guarantor held by such holders) or their respective Representatives, or to the trustee or trustees under any indenture pursuant to which any of such Guarantor Senior Debt of such Guarantor may have been issued, as their respective interests may appear, for application to the payment of Guarantor Senior Debt of such Guarantor remaining unpaid until all such Guarantor Senior Debt of such Guarantor has been paid in full in cash after giving effect to any concurrent payment, distribution or provision therefor to or for the holders of Guarantor Senior Debt of such Guarantor.

(b) To the extent any payment of Guarantor Senior Debt of any Guarantor (whether by or on behalf of such Guarantor, as proceeds of security or enforcement of any right of setoff or otherwise) is declared to be fraudulent or preferential, set aside or required to be paid to any receiver, trustee in bankruptcy, liquidating trustee, agent or other similar Person under any bankruptcy, insolvency, receivership, fraudulent conveyance or similar law, then, if such payment is recovered by, or paid over to, such receiver, trustee in bankruptcy, liquidating trustee, agent or other similar Person, the Guarantor Senior Debt of such Guarantor or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

(c) In the event that, notwithstanding the foregoing, any payment or distribution of assets of any Guarantor of any kind or character, whether in cash, property or securities, shall be received by any Lender when such payment or distribution is prohibited by this Section 15, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Guarantor Senior Debt of such Guarantor (pro rata to such holders on the basis of the respective amount of Guarantor Senior Debt of such Guarantor held by such holders) or their respective Representatives, or to the

trustee or trustees under any indenture pursuant to which any of such Guarantor Senior Debt of such Guarantor may have been issued, as their respective interests may appear, for application to the payment of Guarantor Senior Debt of such Guarantor remaining unpaid until all such Guarantor Senior Debt of such Guarantor has been paid in full in cash after giving effect to any concurrent payment, distribution or provision therefor to or for the holders of such Guarantor Senior Debt of such Guarantor.

(d) The consolidation of any Guarantor with, or the merger of any Guarantor with or into, another Person or the liquidation or dissolution of any Guarantor following the conveyance or transfer of all or substantially all of its assets, to another Person upon the terms and conditions provided in Section 10 and as long as permitted under the terms of the Guarantor Senior Debt of any Guarantor shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section if such other Person shall, as a part of such consolidation, merger, conveyance or transfer, assume such Guarantor's obligations hereunder in accordance with Section 10.

15.4 SUBROGATION.

Subject to the payment in full in cash of all Guarantor Senior Debt of any Guarantor, the Lenders shall be subrogated to the rights of the holders of Guarantor Senior Debt of such Guarantor to receive payments or distributions of cash, property or securities of such Guarantor applicable to the Guarantor Senior Debt of such Guarantor until the Guarantee Obligations shall be paid in full; and, for the purposes of such subrogation, no such payments or distributions to the holders of the Guarantor Senior Debt of any Guarantor by or on behalf of such Guarantor or by or on behalf of the Lenders by virtue of this Section 15 which otherwise would have been made to the Lenders shall, as between such Guarantor and the Lenders of the Guarantee Obligations, be deemed to be a payment by such Guarantor to or on account of the Guarantor Senior Debt of such Guarantor, it being understood that the provisions of this Section 15 are and are intended solely for the purpose of defining the relative rights of the Lenders of the Guarantee Obligations, on the one hand, and the holders of the Guarantor Senior Debt of each Guarantor, on the other hand.

15.5 OBLIGATIONS OF GUARANTORS UNCONDITIONAL.

Nothing contained in this Section 15 or elsewhere in this Agreement or in the Notes is intended to or shall impair, as among any Guarantor, its creditors other than the holders of Guarantor Senior Debt of such Guarantor, and the Lenders, the obligation of such Guarantor, which is absolute and unconditional, to pay to the Lenders the Guarantee Obligations as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Lenders and creditors of such Guarantor other than the holders of the Guarantor Senior Debt of such Guarantor, nor shall anything herein or therein prevent the Lender of any Note from exercising all remedies otherwise permitted by applicable law upon default under this Agreement, subject to the rights, if any, in respect of cash, property or securities of such Guarantor received upon the exercise of any such remedy.

15.6 RELIANCE ON JUDICIAL ORDER OR CERTIFICATE OF LIQUIDATING AGENT.

Upon any payment or distribution of assets of any Guarantor referred to in this Section 15, the Lenders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which any insolvency, bankruptcy, receivership, dissolution, winding-up, liquidation, reorganization or similar case or proceeding is pending, or upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, receiver, assignee for the benefit of creditors, agent or other person making such payment or distribution, delivered to the Lenders, for the purpose of ascertaining the persons entitled to participate in such payment or distribution, the holders of the Guarantor Senior Debt of such Guarantor and other Indebtedness of such Guarantor or Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 15.

15.7 SUBORDINATION RIGHTS NOT IMPAIRED BY ACTS OR OMISSIONS OF GUARANTOR OR HOLDERS OF GUARANTOR SENIOR DEBT.

No right of any present or future holders of any Guarantor Senior Debt of any Guarantor to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any Guarantor or Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by any Guarantor or Company with the terms of this Agreement, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Guarantor Senior Debt of any Guarantor may, at any time and from time to time, without the consent of or notice to the Lenders and without impairing or releasing the subordination provided in this Section 15 or the obligations hereunder of the Lenders to the holders of the Guarantor Senior Debt of any Guarantor, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew, refinance to the extent permitted by this Agreement or alter, Guarantor Senior Debt of any Guarantor, or otherwise amend or supplement in any manner Guarantor Senior Debt of any Guarantor, or any instrument evidencing the same or any agreement under which Guarantor Senior Debt of any Guarantor is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Guarantor Senior Debt of any Guarantor; (iii) release any Person liable in any manner for the payment or collection of Guarantor Senior Debt of any Guarantor; and (iv) exercise or refrain from exercising any rights against Guarantor, Company and any other Person.

15.8 THIS SECTION NOT TO PREVENT EVENTS OF DEFAULT.

The failure to make a payment on account of Guarantee Obligations by reason of any provision of this Section 15 will not be construed as preventing the occurrence of an Event of Default.

15.9 PROOF OF CLAIMS.

If any Lender does not file a proper claim or proof of debt in the form required in any bankruptcy, insolvency, receivership, reorganization or similar proceeding prior to 30 days before the expiration of the time to file such claim or claims, then the holders of the Guarantor Senior Debt of any Guarantor or their Representative are or is hereby authorized to have the right to file and are or is hereby authorized to file an appropriate claim for and on behalf of such Lender. Nothing herein contained shall be deemed to authorize the holders of Guarantor Senior Debt of any Guarantor or their Representative to authorize or consent to or accept or adopt on behalf of any Lender any plan or reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Lender, or to authorize the holders of Guarantor Senior Debt of any Guarantor or their Representative to vote in respect of the claim of any Lender in any such proceeding.

SECTION 16. OPTIONAL REGISTERED NOTE EXCHANGE.

16.1 OPTION.

At any time on or prior to September 30, 1999, Company shall have the option to either (a) prepay the aggregate principal balance of the Notes, in whole but not in part, upon not less than 30 days' nor more than 60 days' prior written notice, by payment of an amount equal to the greater of (i) 110.25% of the principal amount thereof plus accrued and unpaid interest thereon, if any, to the Prepayment Date and, in the event that the Prepayment Date occurs after September 30, 1998 and Company has failed to obtain the Minimum Rating on or prior to September 30, 1998, 1% and (ii) the sum of 100% of the principal amount thereof, plus the Make-Whole Amount determined for the Prepayment Date, plus accrued and unpaid interest thereon, if any, to the Prepayment Date or (b) file with the SEC a Registration Statement (the "EXCHANGE OFFER REGISTRATION STATEMENT") on an appropriate registration form with respect to a registered offer (the "EXCHANGE OFFER") to exchange any and all of the Notes for a like aggregate principal amount of the Exchange Notes to be issued under the Indenture. The Exchange Notes will bear interest (computed on the basis of a 360-day year of twelve 30-day months) at the rate borne by the Notes immediately prior to consummation of the Exchange Offer, subject to the additional interest rate provisions set forth in the Indenture. Interest on the Exchange Notes will accrue from (i) the later of (y) the last interest payment date on which interest was paid on the Notes surrendered in exchange therefor or (z) if the Notes are surrendered for exchange on a date subsequent to the record date for

an interest payment date to occur on or after the date of such exchange and as to which interest will be paid, the date of such interest payment or (ii) if no interest has been paid on the Notes, from the date of the original issuance of the Notes.

The Exchange Offer shall not be subject to any conditions, other than that (i) the Exchange Offer does not violate applicable law or any applicable interpretation of the staff of the SEC, (ii) all governmental approvals shall have been obtained by Company, which approvals Company deems necessary for the consummation of the Exchange Offer and (iii) the provisions of this Section 16 and the Indenture.

16.2 REGISTERED PUBLIC OFFERING; MERGER.

In the event that Company or Holdings issues debt or equity securities in a Registered Offering or Company consummates a Merger, Company shall cause the Exchange Offer Registration Statement to be declared effective on or prior to the earlier of (i) the date which is 120 days following either the date on which a Registration Statement on an appropriate form with respect to such Registered Offering (the "PUBLIC OFFERING REGISTRATION STATEMENT") is declared effective or the date on which the Merger is consummated, as applicable, and (ii) December 31, 1999 in accordance with the provisions and procedures of this Section 16.

16.3 EXCHANGE OFFER.

The Exchange Offer shall comply in all material respects with all applicable rules and regulations under the Exchange Act and other applicable laws. Company shall (i) cause the Exchange Offer Registration Statement to be declared effective under the Securities Act on or before December 31, 1999; (ii) keep the Exchange Offer open for at least 30 days (or longer if required by applicable law) after the date that notice of the Exchange Offer is mailed to Lenders; and (iii) consummate the Exchange Offer on or prior to the 60th day following the date on which the Exchange Offer Registration Statement is declared effective by the SEC. If, after the Exchange Offer Registration Statement is initially declared effective by the SEC, the Exchange Offer or the issuance of the Exchange Notes thereunder is interfered with by any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court, the Exchange Offer Registration Statement shall be deemed not to have become effective for purposes of Section 1.4.2 of this Agreement unless and until such stop order, injunction or other order or requirement is stayed, lifted or otherwise reversed and the Exchange Offer is permitted to proceed.

16.4 PROCEDURE.

In connection with the Exchange Offer, Company shall:

1. mail, or cause to be mailed, to each Lender a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

2. keep the Exchange Offer open for not less than 30 days after the date that notice of the Exchange Offer is mailed to Lenders (or longer if required by applicable law);

3. utilize the services of a depositary for the Exchange Offer with an address in the Borough of Manhattan, The City of New York;

4. permit Lenders to withdraw tendered Notes at any time prior to the close of business, New York time, on the last Business Day on which the Exchange Offer shall remain open; and

5. otherwise comply in all material respects with all applicable laws, rules and regulations.

As soon as practicable after the close of the Exchange Offer, Company shall:

(ii) accept for exchange all Notes validly tendered and not validly withdrawn pursuant to the Exchange Offer;

(iii) cancel all Notes so accepted for exchange; and

(iv) cause the Trustee under the Indenture to authenticate and deliver promptly to each Lender, in respect of Notes validly tendered and not validly withdrawn pursuant to the Exchange Offer, Exchange Notes equal in principal amount to such Notes of such Lender.

Company shall comply with the requirements of applicable law to the extent such laws and regulations are applicable in connection with any such exchange of Notes. To the extent the provisions of any applicable laws or regulations conflict with this Section 16, Company shall comply with such applicable laws and regulations and shall not be deemed to have breached its obligations under this Section 16 by virtue thereof.

16.5 EXPENSES.

All fees and expenses incident to the performance of or compliance with this Section 16 by Company shall be borne by Company whether or not the Exchange Offer Registration Statement is filed or becomes effective or the Exchange Offer is consummated, including, without limitation, (a) all registration and filing fees (including, without limitation, (i) fees with respect to filings required to be made with the NASD in connection with an underwritten offering and (ii) fees and expenses of compliance with state securities or Blue Sky laws (including, without limitation, reasonable fees and disbursements of counsel in connection with Blue Sky qualifications of the Exchange Notes and determination of the eligibility of the Exchange Notes for investment under the laws of such jurisdictions where the holders of Exchange Notes are located, (iii) printing expenses, including, without limitation, expenses of printing certificates for Exchange Notes in a form eligible for deposit with The Depository Trust Company and of printing prospectuses if the printing of prospectuses is requested by the managing underwriter or underwriters, if any, or by Lenders holding a majority in aggregate principal amount of the Exchange Notes included in any Registration Statement, (iv) fees and disbursements of counsel for Company and reasonable fees and disbursements of one special counsel for all of the holders of Exchange Notes in an amount not to exceed $5,000 in the aggregate, (v) fees and disbursements of all independent certified public accountants (including, without limitation, the expenses of any special audit and "cold comfort" letters required by or incident to such performance), (vi) Securities Act liability insurance, if Company desire such insurance, (vii) fees and expenses of all other Persons retained by Company, (viii) internal expenses of Company (including, without limitation, all salaries and expenses of officers and employees of Company performing legal or accounting duties), (ix) the expense of any annual audit, (x) the fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange, and the obtaining of a rating of the securities, in each case, if applicable, and (xi) the expenses relating to printing, word processing and distributing all registration statements, underwriting agreements, indentures and any other documents necessary in order to comply with this Agreement.

16.6 REPRESENTATIONS.

Each Lender that wishes to exchange any Notes for Exchange Notes in the Exchange Offer will be required to make certain representations, including representations that (i) any Exchange Notes to be received by it will be acquired in the ordinary course of its business, (ii) it has no arrangement with any Person to participate in the distribution of the Exchange Notes and (iii) it is not an "affiliate," as defined in Rule 405 of the Securities Act, of Company or Holdings or if it is an affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

16.7 FAILURE TO CONSUMMATE EXCHANGE OFFER.

The failure to comply with the provisions of Section 16 shall not constitute an Event of Default and the sole remedy of Lenders for such failure shall be to receive the additional interest provided for in Section 1.4.2.

SECTION 17. ASSIGNMENTS.

17.1 NOTE REGISTER.

Company shall keep at its principal executive office a register for the recordation of the names and addresses of the Lenders from time to time (the "REGISTER"). The Register shall be available for inspection by any Lender at any reasonable time and from time to time upon reasonable prior notice.

Company, Lender Representative and Lenders shall deem and treat the Persons listed as Lenders in the Register as the holders and owners of the corresponding Notes listed therein for all purposes hereof, and no assignment or transfer of any Note shall be effective, in each case unless and until an Assignment Agreement effecting the assignment or transfer thereof shall have been accepted by Company and recorded in the Register as provided in Section 17.2. Prior to such recordation, all amounts owed with respect to the applicable Note shall be owed to the Lender listed in the Register as the owner thereof, and any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is listed in the Register as a Lender shall be conclusive and binding on any subsequent holder, assignee or transferee of the corresponding Notes.

17.2 ASSIGNMENTS; PARTICIPATIONS.

Subject to the immediately succeeding paragraph, each Lender shall have the right at any time to (a) sell, assign, or transfer to any Eligible Assignee, or (b) sell a participation to any Person in, all or any part of its Note; provided that no such sale, assignment, transfer or participation shall,
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without the consent of Company, require Company to file a registration statement with the SEC or apply to qualify such sale, assignment, transfer or participation under the securities laws of any state; provided, further that no
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such sale, assignment or transfer shall be effective unless and until an Assignment Agreement effecting

such sale, assignment or transfer shall have been received by Company and recorded in the Register.

The parties to each such assignment shall execute and deliver to Company for recording in the Register an Assignment Agreement. Upon execution, delivery and recordation, from and after the effective date specified in such Assignment Agreement, (a) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment Agreement, shall have the rights and obligations of a Lender hereunder and (b) the assigning Lender thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment Agreement, relinquish its rights (other than any rights which survive the termination of this Agreement under Section 18.4) and be released from its obligations under this Agreement (and, in the case of an Assignment Agreement covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such assigning Lender shall cease to be a party hereto). The assigning Lender shall, upon the effectiveness of such assignment or as promptly thereafter as practicable, surrender its Notes to Company for cancellation, and thereupon new Notes shall be issued to the assignee and to the assigning Lender, substantially in the form of Exhibit I
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annexed hereto, with appropriate insertions. All costs and expenses of any such assignment shall be paid by the assignor or the assignee.

SECTION 18. MISCELLANEOUS.

18.1 PAYMENTS ON NOTES.

Company will pay all sums becoming due on each Note for principal, premium, if any, and interest by the method and at the address specified for such purpose below your name in Schedule A annexed hereto, or by such other
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method or at such other address as you shall have from time to time specified to Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to Company at its principal executive office. Prior to any disposition of any Note held by you,

you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon; provided, however, that the failure to make (or any error in the making of) any such notation shall not limit or otherwise affect the obligations of Company hereunder or under such Note with respect to any payments of principal, premium or interest on such Note.

18.2 EXPENSES.

Whether or not the transactions contemplated hereby shall be consummated, Company agrees to pay promptly (a) all reasonable costs and expenses incurred by Wells Fargo Bank, National Association in connection with the negotiation, preparation and execution of the Financing Documents and any consents, amendments, waivers or other

modifications thereto and the transactions contemplated thereby; (b) all the costs of furnishing all opinions by counsel for Company (including, without limitation, any opinions requested by Lenders as to any legal matters arising hereunder) and of Company's performance of and compliance with all agreements and conditions on its part to be performed or complied with under this Agreement and the other Financing Documents, including, without limitation, with respect to confirming compliance with environmental, insurance and solvency requirements; (c) the reasonable fees, expenses and disbursements of counsel to Wells Fargo Bank, National Association (including, to the extent not duplicative, allocated costs of internal counsel) in connection with the negotiation, preparation, execution and administration of the Financing Documents and any consents, amendments, waivers or other modifications thereto and any other documents or matters requested by Company; (d) all reasonable costs and expenses incurred in connection with the syndication of the Notes by Wells Fargo Bank, National Association; and (e) after the occurrence and during the continuance of an Event of Default, all costs and expenses, including reasonable attorneys' fees (including, to the extent not duplicative, allocated costs of internal counsel) and costs of settlement, incurred by Lenders in enforcing any Obligations of or in collecting any payments due from Company or any Restricted Subsidiary hereunder or under the other Financing Documents by reason of such Event of Default (including, without limitation, in connection with the enforcement of the Guarantee) or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or pursuant to any insolvency or bankruptcy proceedings.

18.3 INDEMNITIES.

In addition to the payment of expenses pursuant to Section 18.2, whether or not the transactions contemplated hereby shall be consummated, Company agrees to defend (subject to Indemnitees' selection of counsel), indemnify, pay and hold harmless Lenders, and the officers, directors, employees, agents and affiliates of Lenders (collectively called the "INDEMNITEES"), from and against any and all Indemnified Liabilities (as hereinafter defined); provided that Company shall not have any obligation to any Indemnitee hereunder with respect to (i) any Indemnified Liabilities to the extent such Indemnified Liabilities arise from the gross negligence or willful misconduct of that Indemnitee as determined by a final judgment of a court of competent jurisdiction or (ii) any Indemnified Liabilities arising in any proceeding brought by Company against the Indemnitee in which the Indemnitee has been found in breach of its obligations to Company under this Agreement.

As used herein, "INDEMNIFIED LIABILITIES" means, collectively, any and all liabilities, obligations, losses, damages (including natural resource damages), penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened by any Person, whether or not any such Indemnitee shall be designated as a party or a potential party thereto, and any fees or expenses incurred by Indemnitees in enforcing this indemnity), whether direct, indirect or consequential and whether based on any federal, state

or foreign laws, statutes, rules or regulations (including securities and commercial laws, statutes, rules or regulations), on common law or equitable cause or on contract or otherwise, that may be imposed on, incurred by, or asserted against any such Indemnitee, in any manner relating to or arising out of (i) this Agreement or the Notes or the transactions contemplated hereby or thereby (including each Lender's agreement to make the loans hereunder) or the use or intended use of the proceeds thereof, or any enforcement of any of the Financing Documents and (ii) the statements contained in the commitment letter delivered by any Lender to Company with respect thereto.

To the extent that the undertakings to defend, indemnify, pay and hold harmless set forth in this Section 18.3 may be unenforceable in whole or in part because they are violative of any law or public policy, Company shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by Indemnitees or any of them.

18.4 SURVIVAL OF REPRESENTATION, WARRANTIES AND AGREEMENTS.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent Lender, regardless of any investigation made at any time by or on behalf of you or any other Lender. All statements contained in any certificate or other instrument delivered by or on behalf of Company pursuant to this Agreement shall be deemed representations and warranties of Company under this Agreement.

The obligations of Company under Sections 18.2 and 18.3 and this Section 18.4 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

18.5 ENTIRE AGREEMENT.

Subject to Section 18.4, this Agreement and the Notes embody the entire agreement and understanding between you and Company and supersede all prior agreements and understandings relating to the subject matter hereof.

18.6 AMENDMENT AND WAIVER.

This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of Company and the Required Lenders, except that (a) no amendment or waiver of any of the provisions of Sections 1, 2 or 3, or any material defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of each Lender, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the

amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or premium on, the Notes, (ii) change the percentage of the principal amount of the Lenders are required to consent to any such amendment or waiver, or (c) amend any of Sections 5.1, 5.2, 6, 11.1, 11.2, 12, 13, 15 or 18.11.

18.7 SOLICITATION OF LENDERS OF NOTES.

18.7.1 Solicitation. Company will provide each Lender (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Lender to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 18.7.1 to each Lender promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the Requisite Lenders.

18.7.2 Payment. Company will not directly or indirectly pay or cause to

be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any Lender as consideration for or as an inducement to the entering into by any Lender or any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each Lender then outstanding even if such Lender did not consent to such waiver or amendment.

18.8 BINDING EFFECT, ETC.

Any amendment or waiver consented to as provided in this Agreement applies equally to all Lenders and is binding upon them and upon each future holder of any Note and upon Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between Company and any Lender nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any Lender.

18.9 NOTES HELD BY COMPANY, ETC.

Solely for the purpose of determining whether Requisite Lenders approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the Lenders holding a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by Company or any of its Affiliates shall be deemed not to be outstanding.

18.10 NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to you, at the address specified for such communications in Schedule A annexed hereto, or at such other address as you shall have specified to Company in writing,

(ii) if to any other Lender, at such address as such other Lender shall have specified to Company in writing, or

(iii) if to Company or any Guarantor, at the address specified below such party's name on the signature pages hereto, or at such other address as Company or such Guarantor shall have specified to each Lender in writing.

Notices under this Section 18.10 will be deemed given only when actually received.

18.11 CONFIDENTIAL INFORMATION.

For the purposes of this Section 18.11, "CONFIDENTIAL INFORMATION" means information delivered to you by or on behalf of Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement, provided that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by Company or any Subsidiary or (d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you, provided

that you may deliver or disclose Confidential Information to (i) your directors, officers, employees, agents, attorneys and Affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 18.11, (iii) any other Lender, (iv) any institution to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 18.11), (v) any Person from which you offer to purchase any security of Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 18.11), (vi) any federal or state regulatory authority having jurisdiction over you, (vii) the National Association of Insurance Commissioners or any similar organization, or any

nationally recognized rating agency that requires access to information about your investment portfolio or (viii) any other Person to which such delivery or disclosure may be reasonably necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each Lender, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 18.11 as though it were a party to this Agreement. On reasonable request by Company in connection with the delivery to any Lender of information required to be delivered to such Lender under this Agreement or requested by such Lender (other than a Lender that is a party to this Agreement), such Lender will enter into an agreement with Company embodying the provisions of this Section 18.11.

18.12 SUCCESSORS AND ASSIGNS.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns whether so expressed or not.

18.13 PAYMENTS DUE ON NON-BUSINESS DAYS.

Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of, premium or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

18.14 SEVERABILITY.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

18.15 CONSTRUCTION.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such

provision shall be applicable whether such action is taken directly or indirectly by such Person.

18.16 CERTAIN DEFINITIONAL PROVISIONS.

(a) Except as otherwise expressly provided in this Agreement, all accounting terms not otherwise defined herein shall have the meanings assigned to them in conformity with GAAP. Financial statements and other information required to be delivered by Company pursuant to Section 7.1 shall be prepared in accordance with GAAP as in effect at the time of such preparation. Calculations in connection with the definitions, covenants and other provisions of this Agreement shall utilize accounting principles and policies in conformity with those used to prepare the financial statements referred to in Section 4.10.

(b) Any of the terms defined herein may, unless the context otherwise required, be used in the singular or the plural, depending on the reference. References to "Sections" and "subsections" shall be to Sections and subsections, respectively, of this Agreement unless otherwise specifically provided. The use herein of the word "include" or "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not nonlimiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter.

18.17 COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

18.18 GOVERNING LAW.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than such state.

18.19 LENDER REPRESENTATIVE.

Wells Fargo Bank, National Association is hereby appointed Lender Representative hereunder. Lender Representative shall have only those duties and responsibilities that are expressly specified in this Agreement. Lender Representative shall not have, by reason of this Agreement or any of the other Financing Documents, a fiduciary relationship in respect of any Lender; and nothing in this Agreement or any of the other

Financing Documents, expressed or implied, is intended to or shall be so construed as to impose upon Lender Representative any obligations in respect of this Agreement or any of the other Financing Documents except as expressly set forth herein or therein.

18.20 PROVISIONS RELATING TO CERTAIN PURCHASERS.

18.20.1 CONDITION PRECEDENT TO PURCHASE BY INSURANCE COMPANIES.

On the applicable Closing Date the making of loans evidenced by the Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation G, T or X of the Board of Governors of the Federal Reserve System) and (c) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officers' Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

18.20.2 REPRESENTATION REGARDING SOURCE OF FUNDS.

You represent that either (a) the source of funds (a "SOURCE") to be

used by you to make the loan evidenced by the Notes issued to you hereunder does not include assets of any employee benefit plan, other than a plan exempt from coverage of ERISA; or (b) at least one of the following statements is an accurate representation as to the Source to be used by you to make the loan evidenced by the Notes issued to you hereunder:

(i) if you are an insurance company, the Source does not include assets allocated to any separate account maintained by you in which any employee benefit plan (or its related trust) has any interest, other than a separate account that is maintained solely in connection with your fixed contractual obligations under which the amounts payable, or credited, to such plan and to any participant or beneficiary of such plan (including any annuitant) are not affected in any manner by the investment performance of the separate account; or

(ii) the Source is either (A) an insurance company pooled separate account, within the meaning of Prohibited Transaction Exemption ("PTE") 90-1 (issued January 29, 1990), or (B) a bank collective investment fund, within the meaning of PTE 91-38 (issued July 12, 1991) and, except as you have disclosed to Company in writing pursuant to this paragraph (b), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(iii) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to Company in writing pursuant to this paragraph (c); or

(iv) the Source is a governmental plan; or

(v) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to Company in writing pursuant to this paragraph (v).

As used in this Section 18.20.2, the terms "EMPLOYEE BENEFIT PLAN", "GOVERNMENTAL PLAN", "PARTY IN INTEREST" and "SEPARATE ACCOUNT" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

18.21 LENDER REPRESENTATIONS.

Each Lender hereby represents that it makes or invests in loans in the ordinary course of its business, that it has the power and authority and all authorizations, consents and approvals necessary to make the loans evidenced by the Notes and that it will make such loans for its own account in the ordinary course of such business, subject to its right to sell, assign, transfer or sell a participation in all or any part of its Note pursuant to Section 17.2.

18.22 WAIVER OF JURY TRIAL.

COMPANY AND THE LENDERS EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER FINANCING DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. COMPANY AND THE LENDERS EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE

FOREGOING, THE

PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT, ANY OTHER FINANCING DOCUMENT, OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER FINANCING DOCUMENTS.

18.23 TERMINATION OF AGREEMENT.

The provisions of this Agreement, other than the obligations of Company set forth in Sections 18.2 and 18.3, shall terminate upon the execution and delivery of the Indenture and the consummation of the Exchange Offer.

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to Company, whereupon the foregoing shall become a binding agreement between you and Company.

Very truly yours,

COMPANY: FAVORITE BRANDS INTERNATIONAL, INC.

By:_____
Name:_____
Title:

GUARANTORS: DAE-JULIE, INC.

By:_____
Name:_____
Title:

SATHERS, INC.

By:_____
Name:_____
Title:

SATHER TRUCKING CORPORATION

By:_____
Name:_____
Title:

FARLEY CANDY COMPANY

By:_____
Name:_____
Title:

MEDERER CORPORATION

By:_____
Name:_____
Title:

TROLLI, INC.

By:_____
Name:_____
Title:

The foregoing is hereby agreed to as of the date thereof.

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:_____
Name_____
Title:

NEW YORK LIFE INSURANCE COMPANY

By:_____
Name:_____
Title:

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
By: New York Life Insurance Company

By: _____
Name:_____
Title:

OAK HILL SECURITIES FUND, L.P.
By: Oak Hill Securities GenPar, L.P.,
its General Partner

By: Oak Hill Securities, MGP, Inc.,
its General Partner

By: _____
Name:_____
Title:

AMERICAN GENERAL LIFE AND ACCIDENT INSURANCE COMPANY
THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
THE FRANKLIN LIFE INSURANCE COMPANY

By: _____
Name:_____
Title:

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION

By: _____
Name:_____
Title:

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

By: _____
Name:_____
Title:

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

By: _____
Name:_____
Title:

GREAT AMERICAN INSURANCE COMPANY

By: _____
Name:_____
Title:

GREAT AMERICAN LIFE INSURANCE COMPANY

By: _____
Name:_____
Title:

SENIOR HIGH INCOME PORTFOLIO, INC.

By: _____
Name:_____
Title:

DEBT STRATEGIES FUND, INC.

By: _____
Name:_____
Title:

METROPOLITAN LIFE INSURANCE COMPANY

By: _____
Name:_____
Title:

OCTAGON CREDIT INVESTORS INC.

By: _____
Name:_____
Title:

ORIX USA CORPORATION

By: _____
Name:_____
Title:

PAMCO CAYMAN LTD.
By: Protective Asset Management Company,
as Collateral Manager

By: _____
Name:_____
Title:

PARIBAS CAPITAL FUNDING LLC

By: _____
Name:_____
Title:

TCW/CRESCENT MEZZANINE PARTNERS, L.P.
By: TCW/Crescent Mezzanine LLC, as General Partner

By: _____
Name:_____
Title:

By: _____
Name:_____
Title:

TCW/CRESCENT MEZZANINE TRUST
By: TCW/Crescent Mezzanine LLC, as Managing Owner

By: _____
Name:_____
Title:

By: _____
Name:_____
Title:

TCW/CRESCENT MEZZANINE INVESTMENT PARTNERS, L.P.
By: TCW/Crescent Mezzanine LLC, as General Partner

By: _____
Name:_____
Title:

By: _____
Name:_____
Title:

TCW LEVERAGED INCOME TRUST, L.P.
By: TCW Advisors (Bermuda), Limited, as General Partner

By: _____
Name:_____
Title:

By: TCW Investment Management Company, as Investment Advisor

By: _____
Name:_____
Title:

SCHEDULE A

LENDERS

Lender	Amount
Wells Fargo Bank, National Association	$ 59,500,000

Address:
555 Montgomery Street
10th Floor
San Francisco, CA 94111
Attention: Nino Fanlo
John Walbridge

Wire Instructions:

ABA No.: 121000248
Account No.: 2782-507206
111 Sutter Street, 8th Floor
San Francisco, CA 94104

Attention: Clara DiBona
Agnes Wong
Reference: Favorite Brands

A-1

Lender	Amount
New York Life Insurance Company	$20,000,000

Address:
51 Madison Avenue
New York, NY 10010
Attention: Investment Department
Private Finance Group
Room 206

with a copy (excluding periodic financial statements) to:

51 Madison Avenue
New York, NY 10010
Attention: Office of General Counsel
Investment Section
Room 1104

Wire Instructions:

Bank: Chase Manhattan Bank
New York, NY 10019
ABA No.: 021-000-021
Account No.: 008-9-00687
For the Account of New York Life Insurance Company

with advice of such payments to:

New York Life Insurance Company
51 Madison Avenue
New York, NY 10010-1603
Attention: Treasury Department
Securities Income Section
Room 209

A-2

Lender	Amount
New York Life Insurance and Annuity Corporation	$5,000,000

Address:
c/o New York Life Insurance Company
51 Madison Avenue
New York, NY 10010
Attention: Investment Department
Private Finance Group
Room 206

with a copy (excluding financial statements) to:

51 Madison Avenue
New York, NY 10010
Attention: Office of General Counsel
Investment Section
Room 104

Wire Instructions:

Bank: Chase Manhattan Bank
New York, NY 10019
ABA No.: 021-000-021
Account No.: 008-0-57001
For the account of New York Life Insurance and Annuity

Corporation

with advice of such payments to:

New York Life Insurance and Annuity Corporation
c/o New York Life Insurance Company
51 Madison Avenue
New York, NY 10010-1603
Attention: Treasury Department
Securities Income Section
Room 209

A-3

Lender	Amount
Oak Hill Securities Fund, L.P.	$20,000,000

Address:
c/o Oak Hill Advisors
65 East 55th Street
32nd Floor
New York, NY 10022
Attention: Scott Krase
Megan McCann

Wire Instructions:

Bank: The Bank of New York
One Wall Street
26th Floor (Institutional Custody)
New York, NY 10004
ABA No.: 021000018
Credit: Oakhill Securities Fund L.P.
Account No.: 272244
Attention: Dave Call
212/635-4628

A-4

Lender	Amount
American General Life and Accident Insurance Company	$2,000,000

Payment notices to:

American General Life and Accident Insurance Company
and PA 10
c/o State Street Bank and Trust Company
Insurance Services Custody (AH2)
1776 Heritage Drive
North Quincy, MA 02171
Facsimile: 617/985-4923

Wire Instructions:

ABA No.: 011000028
State Street Bank and Trust Company
Boston, MA 02101
Re: American General Life and Accident Insurance Company
AC-0125-934-0
OBI=PPN and description of payment
Fund Number PA 10

Duplicate payment notices and all other correspondence to:

American General Life and Accident Insurance Company
c/o American General Corporation
Attention: Investment Research Department, A37-01
P.O. Box 3247
Houston, Texas 77253-3247

Overnight Mail Address:

2929 Allen Parkway
Houston, Texas 77019-2155
Facsimile: 713/831-1366

Taxpayer I.D.: 62-0306330

Lender	Amount
The Variable Annuity Life Insurance Company	$6,000,000

Payment notices to:

The Variable Annuity Life Insurance Company and PA 54
c/o State Street Bank and Trust Company
Insurance Services Custody (AH2)
1776 Heritage Drive
North Quincy, MA 02171
Facsimile: 617/985-4923

Wire Instructions:

ABA No.: 011000028
State Street Bank and Trust Company
Boston, MA 02101
Re: The Variable Annuity Life Insurance Company
AC-0125-821-9
OBI=PPN and description of payment
Fund Number PA 54

Duplicate payment notices and all other correspondence to:

The Variable Annuity Life Insurance Company
c/o American General Corporation
Attention: Investment Research Department, A37-01
P.O. Box 3247
Houston, Texas 77253-3247

Overnight Mail Address:

2929 Allen Parkway
Houston, Texas 77019-2155
Facsimile: 713/831-1366

Taxpayer I.D.: 74-1625348

Lender	Amount
The Franklin Life Insurance Company	$2,000,000

Payment notices to:

The Franklin Life Insurance Company and PA 37
c/o State Street Bank and Trust Company
Insurance Services Custody (AH2)
1776 Heritage Drive
North Quincy, MA 02171
Facsimile: 617/985-4923

Wire Instructions:

ABA No.: 011000028
State Street Bank and Trust Company
Boston, MA 02101
Re: The Franklin Life Insurance Company

AC-2492-440-9
OBI=PPN and description of payment
Fund Number PA 37

Duplicate payment notices and all other correspondence to:

The Franklin Life Insurance Company
c/o American General Corporation
Attention: Investment Research Department, # A37-01
P.O. Box 3247
Houston, Texas 77253-3247

Overnight Mail Address:

2929 Allen Parkway
Houston, Texas 77019-2155
Facsimile: 713/831-1366

Taxpayer I.D.: 37-0281650

Lender	Amount
Bank of America National Trust & Savings Association	$5,000,000

Address:
231 S. LaSalle Street
Chicago, IL 60697

Attention: Francis J. Griffin
Phone:
Fax:

Wire Instructions:

Bank: Bank of America NT & SA
ABA No.: 121000358
Acct. No.: Asset Sales BAI Bancontrol #12331-14378
Attn: Special Loan Servicing

Lender	Amount
The Equitable Life Assurance Society of the United States	$5,000,000

Address:
1345 Avenue of the Americas, 38th Floor
New York, New York 10105
Attention: Nelson R. Jantzen
Reference: Senior Vice President
Telephone: 212/969-2267
Facsimile: 212/969-1554

Wire Instructions:

Bank: Chase Manhattan Bank
Wire: Chase/NYC/Cust/Equitable Life/037-2-418459
Account No.: G06138
Attention: Delores Fiorello
Reference: Life Non Par Account
Account: Equitable Life Society for the benefit of Life Non Par
One Chase Plaza - Level 4B
New York, NY 10015
Telephone: 718/242-5382

Lender	Amount
The Equitable Life Assurance Society of the United States	$5,000,000

Address:
1345 Avenue of the Americas, 38th Floor
New York, New York 10105
Attention: Nelson R. Jantzen
Reference: Senior Vice President
Telephone: 212/969-2267
Facsimile: 212/969-1554

Wire Instructions:

Bank: Chase Manhattan Bank
Wire: Chase/NYC/Cust/Equitable Life/037-2-413419
Account No.: G04675
Attention: Delores Fiorello
Reference: NUTMEG Account
Account: Equitable Life Assurance Society for the benefit of Nutmeg Fund One Chase Plaza - Level 4B
New York, NY 10015
Telephone: 718/242-5382

Lender	Amount
Great American Insurance Company	$5,000,000

All Notices with Respect to Payments:

Bank of New York
One Wall Street, 14th Floor
New York, NY 10288
Attention: Alex DeBorja

All Other Notices:

Bill Effler
Senior Vice President
American Money Management
One East Fourth Street, 3rd Floor
Cincinnati, OH 45202
Telephone: 513/579-2515

Wire Instructions:

Bank: Bank of New York
ABA No.: 021 000 018
BK OF NYC/CTR/BBK
IOC 587 - P&I
GREAT AMERICAN INS CO. 140996
Attn: Alex DeBorja
Ref: Favorite Brands International, Inc.

Taxpayer I.D.: 31-0501234

Lender	Amount
Great American Life Insurance Company	$5,000,000

All Notices with Respect to Payments:

Bank of New York
One Wall Street, 14th Floor

New York, NY 10286
Attention: Alex DeBorja

With a copy to:

Great American Life Insurance Company
c/o American Money Management Corporation
One East Fourth Street
Cincinnati, OH 45202

Bank:	Bank of New York
ABA No.:	021 000 018
	BK OF NYC/CTR/BBK
	IOC 587 - P&I
	GREAT AMERICAN LIFE INS CO. 141001
Attn:	Alex DeBorja
Ref:	Favorite Brands International, Inc.

Taxpayer I.D.: 13-1935920

Lender	Amount
Senior High Income Portfolio, Inc.	$5,000,000

Address:
Merrill Lynch Asset Management
800 Scudders Mill Road - Area 1B
Plainsboro, NJ 08536
Attention: Jill Montanye
Telephone: 609/282-3102
Fax: 609/282-3542

Merrill Lynch Asset Management
MLAM Accounting
500 College Road-4E
Plainsboro, NJ 08536
Telephone: 609/282-7707
Fax: 609/282-7616

Custodian Bank:

Bank of New York
90 Washington Street, 12th Floor
New York, NY 10286
Attention: Michelle Moore
Telephone: 212/495-2919
Fax: 212/495-2935;-2936;-2937
Taxpayer ID No.: 22-3226962
Wire Instructions:

Method of Payment:	Fed Wire
ABA No.:	021000018
Account No.:	328995
Account Name:	Senior High Income Portfolio, Inc.
Attention:	Michelle Moore
Telephone:	212/495-2919
Reference:	SHIP

Taxpayer I.D.: 22-3226962

Lender	Amount
Debt Strategies Fund, Inc.	$4,000,000

Address:
Merrill Lynch Asset Management

800 Scudders Mill Road - Area 1B
Plainsboro, NJ 08536
Attention: Jill Montanye
Telephone: 609/282-3102
Fax: 609/282-3542

Merrill Lynch Asset Management
MLAM Accounting
500 College Road-4E
Plainsboro, NJ 08536
Telephone: 609/282-7707
Fax: 609/282-7616

Custodian Bank:

Bank of New York
90 Washington Street, 12th Floor
New York, NY 10286
Attention: Michelle Moore
Telephone: 212/495-2919
Fax: 212/495-2935;-2936;-2937
Taxpayer ID No.: 22-3226962

Wire Instructions:

Method of Payment:	Fed Wire
ABA No.:	021000018
Account No.:	245040
Account Name:	Debt Strategies Fund, Inc.
Attention:	Michelle Moore
Telephone:	212/495-2919
Reference:	DSF

Lender	Amount
Metropolitan Life Insurance Company	$12,000,000

All notices, including notices related to payments:

Metropolitan Life Insurance Company
334 Madison Avenue
P.O. Box 633
Convent Station, NJ 07961-0633
Attention: Private Placement Unit
Telecopier: 201/254-3050

With a copy to:

Metropolitan Life Insurance Company
334 Madison Avenue
P.O. Box 633
Convent Station, New Jersey 07961-0633
Attention: Private Placement Unit
Telecopier: 201/254-3050

Wire Instructions:

Bank:	The Chase Manhattan Bank 33 East 23rd Street New York, NY 10010
ABA No.:	021000021
Account:	Metropolitan Life-Corporate Investments
Account No.:	002-2-410591

Lender	Amount

Octagon Credit Investors Inc. $ 10,000,000

Address:
380 Madison Avenue
12th Floor
New York, NY 10017
Attention: Richard W. Stewart
Telephone: 212/622-3062
Fax: 212/622-3797

Wire Instructions:

Bank:	The Chase Manhattan Bank
ABA No.:	021000021
Account No.:	323205704
Attention:	Harry Falconer
Reference:	Favorite Brands
Telephone:	212/622-3652
Fax:	212/622-3799

Lender	Amount
Orix USA Corporation	$4,000,000

Address:
780 Third Avenue, 48th Floor
New York, NY 10017

Contact - Credit Matters:
Brian Feuer
Telephone: 212/418-8373
Fax: 212/418-8308

Contact - Operations /Administration:
Marisol Berrios-Acosta
Telephone: 212/418-8353
Fax: 212/418-8351

Wire Instructions:

Bank:	Sanwa Bank, Ltd.
ABA No.:	026009823
Account No.:	006089-0010
Account Name:	ORIX USA Corporation

Lender	Amount
PamCo Cayman Ltd.	$ 4,000,000

Address:
Protective Asset Management Company
1150 Two Galleria Tower
13455 Noel Road, LB #45
Dallas, TX 75240

Attention:	Cris Curtis
Telephone:	972/392-4153
Fax:	972/233-6143

Duplicate To:

Susan Williams
Acct. #1773600
Pamco II
c/o Texas Commerce Bank, N.A.
600 Travis Street, 8th Floor
Houston, TX 77002-8039

Telephone: 713/216-5739
Fax: 713/216-2101

Wire Instructions:

Bank:	Texas Commerce Bank, N.A. Houston, TX
ABA No.:	113-000-609
Account No.:	00101606278
Account Name:	Trust Wires Clearing Account
Attention:	Susan Williams/560300117736
Ref:	Favorite Brands

Lender	Amount
Paribas Capital Funding LLC	$4,000,000

Address:
787 Seventh Avenue
32nd Floor
New York, NY 10019
Attention: Michael Weinberg
Telephone: 212/841-2544
Fax: 212/841-2144

With a copy to:

Richard Wagman
State Street Bank & Trust Co.
Telephone: 617/664-5410
Fax: 617/664-5466;67;68

Backup Contact:

Francois Gauvin
Telephone: 212/841-2548
Fax: 212/841-2144

Wire Instructions:

Bank:	State Street Bank & Trust Co.
ABA No.:	011-00-0028
Account No.:	99039422
Reference:	Paribas Capital
Attention:	Matt Callahan

Lender	Amount
TCW/Crescent Mezzanine Partners, L.P.	$3,754,572

Address:
11100 Santa Monica Blvd., Suite 2000
Los Angeles, CA 90025

Attention:	Jean-Marc Chapus
Phone:	310/235-5902
Fax:	310/235-5967

Wire Instructions:

Bank:	State Street Bank
ABA No.:	011000028
	Corporate Trust Department
DDA:	9903-942-2
Ref:	TCW/Crescent Mezzanine Partners, L.P.
Acct. No.:	EW0620
Attn:	Ray Welliver

617/664-5482

Lender	Amount
TCW/Crescent Mezzanine Trust	$ 1,142,832

Address:
11100 Santa Monica Blvd., Suite 2000
Los Angeles, CA 90025

Attention: Jean-Marc Chapus
Telephone: 310/235-5902
Fax: 310/235-5967

Wire Instructions:

Bank: State Street Bank
ABA No.: 011000028
Corporate Trust Department
DDA: 9903-942-2
Ref: TCW/Crescent Mezzanine Trust
Acct. No.: EW0621
Attn: Ray Welliver
617/664-5482

Lender	Amount
TCW/Crescent Mezzanine Investment Partners, L.P.	$ 102,596

Address:
11100 Santa Monica Blvd., Suite 2000
Los Angeles, CA 90025

Attention: Jean-Marc Chapus
Phone: 310/235-5902
Fax: 310/235-5967

Wire Instructions:

Bank: State Street Bank
ABA No.: 011000028
Corporate Trust Department
DDA: 9903-942-2
Ref: TCW/Crescent Mezzanine
Investment Partners
Acct. No.: EW0622
Attn: Ray Welliver
617/664-5482

Lender	Amount
TCW Leveraged Income Trust, L.P.	$ 7,500,000

Address:
11100 Santa Monica Blvd., Suite 2000
Los Angeles, CA 90025

Attention: Jean-Marc Chapus
Phone: 310/235-5902
Fax: 310/235-5967
Wire Instructions:

Bank: State Street Bank
ABA No.: 011000028
Corporate Trust Department
DDA: 9903-942-2

SCHEDULE B

DEFINITIONS

"ACQUIRED INDEBTEDNESS" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary of Company or at the time such Person merges or consolidates with or into Company or any of its Restricted Subsidiaries or assumed in connection with the acquisition of assets from such Person and, in each case, not incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary of Company or such acquisition, merger or consolidation.

"ADDITIONAL CLOSING DATE" has the meaning assigned to that term in Section 2.

"ADDITIONAL NOTES" has the meaning assigned to that term in Section 1.1.

"ADJUSTED MAXIMUM AMOUNT" has the meaning assigned to that term in Section 14.7.

"ADMINISTRATIVE LENDER" means Wells Fargo Bank, National Association in its capacity as administrative lender under the Senior Credit Agreement and any successor administrative lender thereunder.

"AFFILIATE" means, with respect to any Person, any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative of the foregoing.

"AFFILIATE TRANSACTION" has the meaning assigned to that term in Section 9.3.

"AGREEMENT" means this Agreement as it may from time to time be amended, supplemented or otherwise modified.

"AGGREGATE PAYMENTS" has the meaning assigned to that term in Section 14.7.

"ASSET ACQUISITION" means (i) an Investment by Company or any Restricted Subsidiary of Company in any other Person pursuant to which such Person shall become a Restricted Subsidiary of Company or any Restricted Subsidiary of Company or shall be merged with or into Company or any Restricted Subsidiary of Company, or (ii) the acquisition by Company or any Restricted Subsidiary of Company of the assets of any Person (other than a Restricted Subsidiary of Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business.

"ASSET SALE" means any direct or indirect sale, issuance, conveyance,

transfer, lease (other than operating leases entered into in the ordinary course of business), assignment or other transfer for value by Company or any of its Restricted Subsidiaries (including any Sale and Leaseback Transaction) to any Person other than Company or a Wholly-Owned Restricted Subsidiary of Company of (i) any Capital Stock of any Restricted Subsidiary of Company or (ii) any other property or assets of Company or any Restricted Subsidiary of Company other than in the ordinary course of business; provided, however, that Asset Sales shall
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not include (a) a transaction or series of related transactions for which Company or its Restricted Subsidiaries receive aggregate consideration of less than $5,000,000, (b) the sale, lease, conveyance, disposition or other transfer of all or substantially all of the assets of Company or any Restricted Subsidiary as permitted under Section 10, (c) the sale or discount, in each case without recourse, of accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof, (d) the factoring of accounts receivable arising in the ordinary course of business pursuant to arrangements customary in the industry and (e) the licensing of intellectual property.

"ASSIGNMENT AGREEMENT" means an Assignment and Assumption Agreement
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substantially in the form of Exhibit II annexed hereto.

"BANKRUPTCY LAW" means Title 11, U.S. Code or any similar federal, state or
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foreign law for the relief of debtors.

"BLOCKAGE PERIOD" has the meaning assigned to that term in Section 13.2.

"BOARD OF DIRECTORS" means, with respect to any Person, the board of
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directors of such Person or any duly authorized committee thereof.

"BOARD RESOLUTION" means, with respect to any Person, a copy of a
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resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification.

"BUSINESS DAY" means any day other than a Saturday, Sunday or other day on
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which commercial banks in New York City, San Francisco or Chicago are authorized or required by law to close.

"CAPITALIZED LEASE OBLIGATION" means, with respect to any Person, the
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obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP and, for purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

"CAPITAL STOCK" means (i) with respect to any Person that is a corporation,
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any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such

Person and (ii) with respect to any Person that is not a corporation, any and all partnership or other equity interests of such Person.

"CASH EQUIVALENTS" means (i) marketable direct obligations issued by, or
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unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof; (ii) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's; (iii) commercial paper maturing no more than one year from the date

of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's; (iv) certificates of deposit or bankers' acceptances maturing within one year from the date of acquisition thereof issued by any bank organized under the laws of the United States or any state thereof or the District of Columbia or any U.S. branch of a foreign bank having at the date of acquisition thereof combined capital and surplus of not less than $250,000,000; (v) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (i) above entered into with any bank meeting the qualifications specified in clause (iv) above; and (vi) investments in money market funds which invest substantially all their assets in securities of the types described in clauses (i) through (v) above.

"CHANGE OF CONTROL" means the occurrence of one or more of the following events: (i) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of Company or Holdings to any Person or group of related Persons for purposes of Section 13(d) of the Exchange Act (a "GROUP"), together with any Affiliates thereof (whether or not otherwise in compliance with the provisions of this Agreement) other than TPG and Related Parties; (ii) the approval by the holders of Capital Stock of Company or Holdings, as the case may be, of any plan or proposal for the liquidation or dissolution of Company or Holdings, as the case may be (whether or not otherwise in compliance with the provisions of this Agreement); (iii) any Person or Group (other than TPG and Related Parties) shall become the owner, directly or indirectly, beneficially or of record, of shares representing more than 40% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock (the "VOTING STOCK") of Company or Holdings and TPG and Related Parties beneficially own, directly or indirectly, in the aggregate a lesser percentage of the Voting Stock of Company or Holdings, as the case may be, than such other Person or Group; or (iv) the replacement of a majority of the Board of Directors of Company or Holdings over a two-year period from the directors who constituted the Board of Directors of Company or Holdings, as the case may be, at the beginning of such period, and such replacement shall not have been approved by a vote of at least a majority of the Board of Directors of Company or Holdings, as the case may be, then still in office who either were members of such Board of Directors at the beginning of such period or whose election as a member of such Board of Directors was previously so approved or who were nominated by, or designees of, TPG and Related Parties;provided, however, that this paragraph (iv) shall not apply to the Board of

Directors of Company so long as Holdings owns shares representing 100% of the Voting Stock of Company.

"CHANGE OF CONTROL DATE" has the meaning assigned to that term in Section 6.

"CHANGE OF CONTROL PREPAYMENT OFFER" has the meaning assigned to that term in Section 6.

"CHANGE OF CONTROL PREPAYMENT DATE" has the meaning assigned to that term in Section 6.

"CLOSING DATE" has the meaning assigned to that term in Section 2.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"COMMON STOCK" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock, whether outstanding on the Original Closing Date or issued after the Original Closing Date, and includes, without limitation, all series and classes of such common stock.

"COMPANY" has the meaning assigned to that term in the Introduction.

"CONFIDENTIAL INFORMATION" is defined in Section 18.11.

"CONSOLIDATED EBITDA" means, with respect to any Person, for any period, the sum (without duplication) of (i) Consolidated Net Income for such periods and (ii) to the extent Consolidated Net Income has been reduced thereby, (a) all income taxes of such Person and its Restricted Subsidiaries paid or accrued in accordance with GAAP for such period, (b) Consolidated Interest Expense for such period and (c) Consolidated Non-cash Charges less any non-cash items increasing Consolidated Net Income for such period, all as determined on a consolidated basis for such Person and its Restricted Subsidiaries in accordance with GAAP.

"CONSOLIDATED FIXED CHARGE COVERAGE RATIO" means, with respect to any Person, the ratio of Consolidated EBITDA of such Person during the four full fiscal quarters (the "FOUR QUARTER PERIOD") ending on or prior to the date of the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio (the "TRANSACTION DATE") to Consolidated Fixed Charges of such Person for the Four Quarter Period. In addition to and without limitation of the foregoing, for purposes of this definition, "CONSOLIDATED EBITDA" and "CONSOLIDATED FIXED CHARGES" shall be calculated after giving effect on a pro forma basis for the period of such calculation to (i) the incurrence or repayment of any Indebtedness of such Person or any of its Restricted Subsidiaries (and the application of the proceeds thereof) giving rise to the need to make such calculation and any incurrence or repayment of other Indebtedness (and the application of the proceeds thereof), other than the incurrence or repayment of

Indebtedness in the ordinary course of business for working capital purposes pursuant to working capital facilities, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period and (ii) any Asset Sales or Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of such Person or one of its Restricted Subsidiaries (including any Person who becomes a Restricted Subsidiary as a result of the Asset Acquisition) incurring, assuming or otherwise being liable for Acquired Indebtedness and also including any Consolidated EBITDA (including any pro forma expense and cost reductions calculated on a basis consistent with Regulation S-X under the Securities Act) attributable to the assets which are the subject of the Asset Acquisition or Asset Sale during the Four Quarter Period) occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such Asset Sale or Asset Acquisition (including the incurrence, assumption or liability for any such Indebtedness or Acquired Indebtedness) occurred on the first day of the Four Quarter Period. If such Person or any of its Restricted Subsidiaries directly or indirectly guarantees Indebtedness of a third Person, the preceding sentence shall give effect to the incurrence of such guaranteed Indebtedness as if such Person or any Restricted Subsidiary of such Person had directly incurred or otherwise assumed such guaranteed Indebtedness. Furthermore, in calculating "Consolidated Fixed Charges" for purposes of determining the denominator (but not the numerator) of the "Consolidated Fixed Charge Coverage Ratio," (a) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date and (b) notwithstanding clause (a) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Interest Swap Obligations, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements.

"CONSOLIDATED FIXED CHARGES" means, with respect to any Person for any

period, the sum, without duplication, of (i) Consolidated Interest Expense (excluding amortization or write-off of deferred financing costs) for such period, plus (ii) the product of (x) the amount of all dividend payments on any series of Preferred Stock of such Person paid in cash, Cash Equivalents or Indebtedness or payable in cash, Cash Equivalents or Indebtedness and accrued during such period times (y) a fraction, the numerator of which is one and the denominator of which is one minus the then current effective consolidated federal, state and local tax rate of such Person, expressed as a decimal.

"CONSOLIDATED INTEREST EXPENSE" means, with respect to any Person, for any period, the sum, without duplication, of (i) the aggregate of the interest expense of such Person and its Restricted Subsidiaries for such period determined on a consolidated basis in conformity with GAAP, including, without limitation, (a) any amortization of debt discount and amortization or write-off of deferred financing costs, (b) the net costs under Interest Swap Obligations, (c) all capitalized interest and (d) the interest portion of any deferred payment obligation; and (ii) the

interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Restricted Subsidiaries during such period as determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED NET INCOME" means, with respect to any Person, for any period, the aggregate net income (or loss) of such Person and its Restricted Subsidiaries for such period on a consolidated basis, determined in accordance with GAAP; provided that there shall be excluded therefrom (i) after-tax gains and losses from Asset Sales (without regard to the $5,000,000 limitation set forth in the definition thereof) or abandonments or reserves relating thereto, (ii) after-tax items classified as extraordinary gains and losses, (iii) the net income of any Person acquired in a "pooling of interests" transaction accrued prior to the date it becomes a Restricted Subsidiary of the referent Person or is merged or consolidated with the referent Person or any Restricted Subsidiary of the referent Person, (iv) the net income (but not loss) of any Restricted Subsidiary of the referent Person to the extent that the declaration or payment of dividends or similar distributions to the referent Person by that Restricted Subsidiary of that income is restricted by contract, operation of law or otherwise, (v) the net income of any Person, other than a Restricted Subsidiary of the referent Person, except to the extent of cash dividends or distributions paid to the referent Person or a Wholly-Owned Restricted Subsidiary of the referent Person by such Person, (vi) income or loss attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued), (vii) in the case of a successor to the referent Person by consolidation or merger or as a transferee of the referent Person's assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets and (viii) the cumulative effect of a change in accounting principles following the date hereof. Notwithstanding the foregoing, "Consolidated Net Income" shall be calculated without giving effect to (a) the amortization of any premiums, fees or expenses incurred in connection with any Asset Acquisition consummated on or prior to the Original Closing Date and related financings and (b) the amortization or depreciation of any amounts required or permitted by Accounting Principles Board Opinion Nos. 16 (including non-cash write-ups and non-cash charges relating to inventory and fixed assets, in each case arising in connection with any such Asset Acquisition) and 17 (including non-cash charges relating to intangibles and goodwill arising in connection with any such Asset Acquisition).

"CONSOLIDATED NON-CASH CHARGES" means, with respect to any Person, for any period, the aggregate depreciation, amortization and other non-cash expenses of such Person and its Restricted Subsidiaries reducing Consolidated Net Income of such Person and its Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP (excluding any such non-cash charge which requires an accrual of or a reserve for cash charges for any future period).

"CONTRACTUAL OBLIGATION" means, with respect to any Person, any provision

of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

"CONTRIBUTING GUARANTORS" has the meaning assigned to that term in Section 14.7.

"CURRENCY AGREEMENT" means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect Company or any Restricted Subsidiary of Company against fluctuations in currency values.

"CUSTODIAN" means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any applicable Bankruptcy Law.

"DEFAULT" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"DEFAULT NOTICE" has the meaning assigned to that term in Section 13.2.

"DEFAULT RATE" means 2% per annum in excess of the interest rate otherwise payable under this Agreement.

"DESIGNATED SENIOR DEBT" means (i) Indebtedness under or in respect of the Senior Credit Agreement or (ii) any other Indebtedness constituting Senior Debt which, at the time of determination, has an aggregate principal amount outstanding, together with any commitments to lend additional amounts of at least $40,000,000 and is specifically designated in the instrument evidencing such Senior Debt as "Designated Senior Debt" by Company.

"DESIGNATION" has the meaning assigned to that term in Section 9.10.

"DESIGNATION AMOUNT" has the meaning assigned to that term in Section 9.10.

"DISCOUNTED VALUE" means, with respect to any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Note from their respective scheduled due dates to the Settlement Date with respect to such Note, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Note.

"DISINTERESTED DIRECTOR" means, with respect to any Person, a member of the Board of Directors of such Person who does not have any material direct or indirect financial interest in or with respect to the transaction being considered.

"DISQUALIFIED CAPITAL STOCK" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, on or prior to the final maturity date of the Notes.

"ELIGIBLE ASSIGNEE" means (i)(a) a commercial bank organized under the laws

of the United States or any state thereof; (b) a savings and loan association or savings bank organized under the laws of the United States or any state thereof; (c) a commercial bank organized under the laws of any other country or a political subdivision thereof; provided that (x) such bank is acting through a branch or agency located in the United States or (y) such bank is organized under the laws of a country that is a member of the Organization for Economic Cooperation and Development or a political subdivision of such country; and (d) any other entity which is an "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) which extends credit or buys loans as one of its businesses including, but not limited to, insurance companies, funds and finance companies; (ii) any Lender and any Affiliate of any Lender; and (iii) subject to Section 5.3, Company or any Affiliate of Company; provided, however, that no competitor or Affiliate of a competitor of Company or any Affiliate of Company shall be an Eligible Assignee.

"ENVIRONMENTAL LAWS" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, workers' health and safety, natural resource and land use matters, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Clean Air Act, the Federal Water Pollution Control Act of 1972, the Solid Waste Disposal Act, the Federal Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Emergency Planning and Community Right-to-Know Act, the Endangered Species Act and similar state and local laws.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"EVENT OF DEFAULT" has the meaning assigned to that term in Section 11.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"EXCHANGE NOTES" means Notes of Company which are (i) guaranteed by the Guarantors, (ii) issued pursuant to the Indenture and (iii) substantially in the form of the Notes with such changes thereto as are necessary to (a) reflect changes in Company's or any of its Subsidiary's legal structures and (b) comply with any applicable law or regulation or any applicable interpretation or policy of the staff of the SEC.

"EXCHANGE OFFER" has the meaning assigned to that term in Section 16.1.

"EXCHANGE OFFER REGISTRATION STATEMENT" has the meaning assigned to that term in Section 16.1.

"EXISTING SUBORDINATED NOTES" has the meaning assigned to that term in Section 1.1.

"FAIR MARKET VALUE" means, with respect to any asset or property, the price which could be negotiated in an arm's-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair market value shall be determined by the Disinterested Directors of the Board of Directors of Company acting reasonably and in good faith and shall be evidenced by a Board Resolution of the Board of Directors of Company delivered to each Lender.

"FAIR SHARE" has the meaning assigned to that term in Section 14.7.

"FAIR SHARE SHORTFALL" has the meaning assigned to that term in Section 14.7.

"FINANCING DOCUMENTS" means this Agreement, the Notes and the Guarantee.

"FUNDING GUARANTOR" has the meaning assigned to that term in Section 14.7.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession of the United States. All ratios and other financial covenants shall be computed in accordance with GAAP as in effect as of the Original Closing Date.

"GOVERNMENTAL AUTHORITY" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"GOVERNMENTAL AUTHORIZATION" means any permit, license, authorization, plan directive, consent order or consent decree of or from any federal, state or local governmental authority.

"GUARANTEE" means the Guarantee of Guarantors set forth in Section 14 and on the Notes.

"GUARANTEE OBLIGATIONS" has the meaning provided in Section 15.1.

"GUARANTORS" means each Restricted Subsidiary party hereto and each Restricted Subsidiary formed, created or acquired before or after the Original Closing Date required to become a Guarantor after the Original Closing Date pursuant to Section 9.8. A Restricted Subsidiary whose Guarantee has terminated pursuant to Section 9.8 ceases to be a Guarantor effective as of such termination.

"GUARANTOR BLOCKAGE PERIOD" has the meaning assigned to that term in Section 15.2.

"GUARANTOR SENIOR DEBT" means, with respect to any Guarantor, the principal of, premium, if any, on, interest (including any interest accruing subsequent to the commencement of bankruptcy, insolvency or similar proceedings at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, fees under, and, with respect to the Senior Credit Agreement only, all monetary obligations under, any Indebtedness of such Guarantor, whether outstanding on the Original Closing Date or thereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall not be senior in right of payment to the Guarantee of such Guarantor. Without limiting the generality of the foregoing, "GUARANTOR SENIOR DEBT" shall also include the principal of, premium, if any, interest (including any interest accruing subsequent to the commencement of bankruptcy, insolvency or similar proceedings at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, and all other amounts owing in respect of, (i) all monetary obligations (including guarantees thereof) of every nature or arising at any time of such Guarantor under the Senior Credit Agreement, including, without

limitation, obligations to pay principal and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities, (ii) all Interest Swap Obligations (including guarantees thereof) and (iii) all obligations (including guarantees thereof) under Currency Agreements, in each case whether outstanding on the Original Closing Date or thereafter incurred. Notwithstanding the foregoing, Guarantor Senior Debt shall not include (a) any Indebtedness of such Guarantor to a Subsidiary of such Guarantor, (b) Indebtedness to, or guaranteed on behalf of, any shareholder, director, officer or employee of such Guarantor or any Subsidiary of such Guarantor (including, without limitation, amounts owed for compensation), (c) Indebtedness to trade creditors and other amounts incurred in connection with obtaining goods, materials or services, (d) Indebtedness represented by Disqualified Capital Stock, (e) any liability for federal, state,local or other taxes owed or owing by such Guarantor, (f) that portion of any Indebtedness incurred in violation of the provisions set forth under Section 9.1 (but, as to any such obligation, no such violation shall be deemed to exist for purposes of this clause (f) if the holder(s) of such obligation or their representative and each Lender shall have received an Officers' Certificate of Company to the effect that the incurrence of such Indebtedness does not (or, in the case of revolving credit Indebtedness, that the incurrence of the entire committed amount thereof at the date on which the initial borrowing thereunder is made would not) violate such provisions of this Agreement) and (g) any guaranty of Indebtedness which is, by its express terms, subordinated in right of payment to any other guaranty of Indebtedness of such Guarantor.

"HOLDINGS" means Favorite Brands International Holding Corp., a Delaware corporation, and the parent corporation of Company.

"HOLDINGS PREFERRED" means the Series A Cumulative Preferred Stock, $.01 par value per share, of Holdings and the Series B Cumulative Preferred Stock, $.01 par value per share, of Holdings.

"INCUR" has the meaning assigned to that term in Section 9.1.

"INDEBTEDNESS" means, with respect to any Person, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all Capitalized Lease Obligations of such Person, (iv) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 90 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted), (v) all obligations for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction, (vi) guarantees and other contingent obligations in respect of Indebtedness referred to in clauses (i) through (v) above and clause (viii) below, (vii) all obligations of any other Person of the type referred to in clauses (i) through (vi) which are secured by any lien on any property or asset of such Person, the amount of such obligation being deemed to be the lesser of the fair market value of such property or asset or the amount of the obligation so secured, (viii) all obligations under Currency Agreements and Interest Swap Obligations of such Person and (ix) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any. For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Agreement, and if such price is based upon, or measured by, the fair market value of such Disqualified Capital Stock, such fair market value shall be determined reasonably and in good faith by the Board of Directors of the issuer of such Disqualified Capital Stock.

"INDEMNIFIED LIABILITIES" has the meaning assigned to that term in Section

18.3.

"INDEMNITEES" has the meaning assigned to that term in Section 18.3.

"INDENTURE" means an indenture which is (i) qualified under the TIA or is exempt from such qualification and (ii) substantially in the form attached hereto as Exhibit V which such changes thereto as are necessary to (a) reflect changes in Company's or any of its Subsidiary's legal structures, and (b) comply with any applicable law or regulation or any applicable interpretation or policy of the staff of the SEC.

"INDEPENDENT AUDITOR" has the meaning assigned to that term in Section 7.1(a).

"INDEPENDENT FINANCIAL ADVISOR" means a firm (i) which does not, and whose directors, officers and employees or Affiliates do not, have a direct or indirect financial interest in Company and (ii) which, in the judgment of the Board of Directors of Company, is otherwise independent and qualified to perform the task for which it is to be engaged.

"INITIAL INTEREST RATE" has the meaning assigned to that term in Section 1.4.1.

"INTEREST RATE" has the meaning assigned to that term in Section 1.4.1.

"INTEREST SWAP OBLIGATIONS" means the obligations of any Person, pursuant to any arrangement with any other Person, whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of interest on the same notional amount and shall include, without limitation, interest rate swaps, caps, floors, collars and similar agreements.

"INVESTMENT" means, with respect to any Person, any direct or indirect loan or other extension of credit (including, without limitation, a guarantee) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person. "Investment" shall exclude extensions of trade credit by Company and its Restricted Subsidiaries on commercially reasonable terms in accordance with normal trade practices of Company or such Restricted Subsidiary, as the case may be. For the purposes of Section 9.2, (i) "Investment" shall include and be valued at the fair market value of the net assets of any Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary and shall exclude the fair market value of the net assets of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary and (ii) the amount of any Investment shall be the original cost of such Investment plus the cost of all additional Investments by Company or any of its Restricted Subsidiaries, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment, reduced by the payment of dividends or distributions in connection with such Investment or any other amounts received in respect of such Investment; provided that no such payment of dividends or distributions or receipt of any such other amounts shall reduce the amount of any Investment if such payment of dividends or distributions or receipt of any such amounts would be included in Consolidated Net Income. If Company or any Restricted Subsidiary of Company sells or otherwise disposes of any Common Stock of any direct or indirect Restricted Subsidiary of Company such that, after giving effect to any such sale or disposition, Company no longer owns, directly or indirectly, 100% of the outstanding Common Stock of such

Restricted Subsidiary, Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Common Stock of such Restricted Subsidiary not sold or disposed of.

"IRS" means the Internal Revenue Service, and any Governmental Authority succeeding to any of its principal functions.

"LENDER" and "LENDERS" means the persons identified as "Lenders" and listed on the signature pages of this Agreement, together with their successors and permitted assigns pursuant to Section 17.

"LENDER REPRESENTATIVE" means Wells Fargo Bank, National Association.

"LIEN" means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest).

"MAKE-WHOLE AMOUNT" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to such Note over the principal amount of such Note, provided that the Make-Whole Amount may in no event be less than zero.

"MARGIN STOCK" means "margin stock" as such term is defined in Regulation G, T, U, or X of the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

"MATERIAL ADVERSE EFFECT" means (i) a material adverse change in, or a material adverse effect upon, the operations, business, assets, properties, condition (financial or otherwise) or prospects of Company or Company and its Subsidiaries taken as a whole; or (ii) a material impairment of the ability of Company or one or more of its Subsidiaries to perform under any Financing Document which impairment has a material adverse effect upon the rights or remedies of the Lenders under the Financing Documents taken as a whole.

"MERGER" means a merger by Company with an entity with a class of equity securities which is the subject of a then effective registration statement pursuant to Section 12(b) of the Exchange Act.

"MINIMUM RATING" means B- or better from S&P and B3 or better from Moody's or, in either case, any substantially equivalent rating from S&P or Moody's under any rating system in effect from time to time.

"MOODY'S" means Moody's Investors Service, Inc.

"NASD" means the National Association of Securities Dealers, Inc.

"NET CASH PROCEEDS" means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents (other than the portion of any such deferred payment constituting interest) received by Company or any of its Restricted Subsidiaries from such Asset Sale net of (i) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions), (ii) taxes paid or payable after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements, (iii) repayment of Indebtedness that is required to be repaid in connection with such Asset Sale and (iv) appropriate amounts to be provided by Company or any Restricted Subsidiary, as

the case may be, as a reserve, in accordance with GAAP, against any liabilities associated with such Asset Sale and retained by Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities,

liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale.

"NET PROCEEDS OFFER" has the meaning assigned to that term in Section 9.6.

"NET PROCEEDS OFFER AMOUNT" has the meaning assigned to that term in Section 9.6.

"NET PROCEEDS OFFER PREPAYMENT DATE" has the meaning assigned to that term in Section 9.6.

"NET PROCEEDS OFFER TRIGGER DATE" has the meaning assigned to that term in Section 9.6.

"NOTES" means, collectively, the Series A Senior Subordinated Notes due August 20, 2007 of Company issued pursuant to Section 2 on the Original Closing Date and on the Additional Closing Date and any Series A Senior Subordinated Notes due August 20, 2007 issued by Company pursuant to Section 17 in connection with assignments by Lenders, in each case substantially in the form of Exhibit I annexed hereto, as they may from time to time be amended, supplemented or otherwise modified.

"OBLIGATIONS" means all obligations for principal, premium, interest (including postpetition interest), penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"OFFICER" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Treasurer, the Controller, or the Secretary of such Person, or any other officer designated by the Board of Directors serving in a similar capacity.

"OFFICERS' CERTIFICATE" means, with respect to any Person, a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of such Person.

"ORIGINAL CLOSING DATE" has the meaning assigned to that term in Section 2.

"ORIGINAL NOTES" has the meaning assigned to that term in Section 1.1.

"ORGANIZATION DOCUMENTS" means, for any corporation, the certificate or articles of incorporation, the bylaws, and any instrument relating to the rights of preferred shareholders of such corporation.

"PBGC" means the Pension Benefit Guarantee Corporation referred to and defined in ERISA or any successor thereto.

"PERMITTED INDEBTEDNESS" means, without duplication, each of the following:

(i) Indebtedness under the Notes and the Guarantee;

(ii) Indebtedness incurred pursuant to the Senior Credit Agreement in an aggregate principal amount at any time outstanding not to exceed $535,000,000 less, without duplication, (1) the aggregate amount of all scheduled mandatory principal payments actually made by Company in respect of term loans thereunder (excluding any such payments to the extent refinanced at the time of payment under a replacement Senior Credit Agreement), (2) the aggregate amount of all mandatory principal payments actually made by Company in respect of term loans thereunder made from (or attributable to) the proceeds received from Asset Sales, insured losses or condemnation proceedings, and (3) in the case of a revolving credit facility, any required permanent repayments thereunder (which are accompanied by a corresponding permanent commitment reduction);

(iii) other Indebtedness of Company and its Restricted Subsidiaries outstanding on the Original Closing Date reduced by the amount of any scheduled amortization payments or mandatory prepayments when actually paid or permanent reductions thereon;

(iv) Interest Swap Obligations of Company or its Restricted Subsidiaries covering Indebtedness of Company or such Restricted Subsidiary; provided, however, that such Interest Swap Obligations are
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entered into to protect Company and its Restricted Subsidiaries from fluctuations in interest rates on Indebtedness incurred in accordance with this Agreement to the extent the notional principal amount of such Interest Swap Obligation does not exceed the principal amount of the Indebtedness to which such Interest Swap Obligation relates;

(v) Indebtedness under Currency Agreements of Company or its Restricted Subsidiaries; provided that in the case of Currency Agreements
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which relate to Indebtedness, such Currency Agreements do not increase the Indebtedness of Company and its Restricted Subsidiaries outstanding other than as a result of fluctuations in foreign currency exchange rates or by reason of fees, indemnities and compensation payable thereunder;

(vi) Indebtedness of a Wholly-Owned Restricted Subsidiary of Company to Company or to a Wholly-Owned Restricted Subsidiary of Company for so long as such Indebtedness is held by Company or a Wholly-Owned Restricted Subsidiary of Company, in each case subject to no Lien held by a Person other than Company or a Wholly-Owned Restricted Subsidiary of Company; provided that (a) any Indebtedness of any Wholly-Owned Restricted
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Subsidiary of Company is unsecured and subordinated, pursuant to a written agreement, to Company's obligations under this Agreement and the Notes and (b) if as of any date any Person other than Company or a Wholly-Owned Restricted Subsidiary of Company owns or holds any such Indebtedness or holds a Lien in respect of such Indebtedness, such date shall be deemed the incurrence of Indebtedness not constituting Permitted Indebtedness by the issuer of such Indebtedness;

(vii) Indebtedness of Company to a Wholly-Owned Restricted Subsidiary of Company for so long as such Indebtedness is held by a Wholly-Owned Restricted Subsidiary of Company, in each case subject to no Lien; provided
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that (a) any Indebtedness of Company to any Wholly-Owned Restricted Subsidiary of Company is unsecured and subordinated, pursuant to a written agreement, to Company's obligations under this Agreement and the Notes and (b) if as of any date any Person other than a Wholly-Owned Restricted Subsidiary of Company owns or holds any such Indebtedness or any Person holds a Lien in respect of such Indebtedness, such date shall be deemed the incurrence of Indebtedness not constituting Permitted Indebtedness by Company;

(viii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided, however, that such
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Indebtedness is extinguished within 5 Business Days of incurrence;

(ix) Indebtedness of Company or any of its Restricted Subsidiaries represented by letters of credit for the account of Company or such Restricted Subsidiary, as the case may be, in order to provide security for workers' compensation claims, payment obligations in connection with self-insurance, performance bonds, surety bonds, completion guarantees or similar requirements in the ordinary course of business;

(x) Refinancing Indebtedness;

(xi) Indebtedness in respect of deferred purchase price payments or adjustments in connection with Permitted Investments or Asset Acquisitions otherwise permitted by this Agreement in an amount not to exceed $20,000,000 in the aggregate at any one time outstanding; and

(xii) additional Indebtedness of Company and its Restricted Subsidiaries in an aggregate principal amount not to exceed $35,000,000 at any one time outstanding (which amount may, but need not, be incurred in whole or in part under the Senior Credit Agreement).

"PERMITTED INVESTMENTS" means:

(i) Investments by Company or any Restricted Subsidiary of Company in (a) any Person that is or will become immediately after such Investment a Wholly-Owned Restricted Subsidiary of Company or that will merge or consolidate into Company or a Wholly-Owned Restricted Subsidiary of Company, provided such Person is engaged in a Related Business, or (b) any Person that is or will become immediately after such Investment a Restricted Subsidiary (other than a Wholly-Owned Restricted Subsidiary) of Company or that will merge or consolidate into Company or a Restricted Subsidiary (other than a Wholly-Owned Restricted Subsidiary) of Company, provided such Person is engaged in a Related Business, in an amount having an aggregate fair market value, taken

together with all other Investments made pursuant to this clause (i)(b) that are at the time outstanding, not exceeding $50,000,000 in the aggregate at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), provided that any such Restricted
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Subsidiary is not restricted from making dividends or similar distributions by contract, operation of law or otherwise;

(ii) Investments by Company or any Restricted Subsidiary of Company in any Person that is or will become immediately after such Investment an Unrestricted Subsidiary of Company or that will merge or consolidate into an Unrestricted Subsidiary of Company, provided such Person is engaged in a Related Business, in an amount having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (ii) that are at the time outstanding, not exceeding $15,000,000 in the aggregate at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(iii) Investments in Company by any Restricted Subsidiary of Company; provided that any Indebtedness evidencing such Investment is unsecured and
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subordinated, pursuant to a written agreement, to Company's obligations under the Notes and this Agreement;

(iv) Investments in cash and Cash Equivalents;

(v) Currency Agreements and Interest Swap Obligations entered into in the ordinary course of Company's or its Restricted Subsidiaries' businesses and otherwise in compliance with this Agreement;

(vi) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers;

(vii) Investments made by Company or its Restricted Subsidiaries as a result of consideration received in connection with an Asset Sale made in compliance with Section 9.6;

(viii) guarantees permitted by Section 9.8;

(ix) additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (ix) that are at the time outstanding, not exceeding $15,000,000 in the aggregate at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus an amount equal to (a) 100% of the aggregate net cash proceeds received by Company from any Person (other than a Subsidiary of Company) from the issuance and sale subsequent to the Original Closing

Date and on or prior to the date of such Investment of Qualified Capital Stock of Company (including Qualified Capital Stock issued upon the conversion of convertible Indebtedness or in exchange for outstanding Indebtedness or as capital contributions to Company (other than from a Subsidiary)) plus (b) without duplication of any amounts included in clause (ix)(a) above, 100% of the aggregate net cash proceeds of any equity contribution received by Company from any Person (other than a Subsidiary) subsequent to the Original Closing Date and on or prior to the date of such Investment, that in the case of amounts described in clause (ix)(a) or (ix)(b) are applied by Company within 180 days after receipt to make additional Permitted Investments under this clause (ix); and

(x) Investments received by Company or its Restricted Subsidiaries as consideration for asset sales, including Asset Sales effected in accordance with this Agreement.

"PERMITTED LIENS" means the following types of Liens:

(i) Liens for taxes, assessments or governmental charges or claims either (a) not delinquent or (b) contested in good faith by appropriate proceedings and as to which Company or its Restricted Subsidiaries shall have set aside on its books such reserves as may be required pursuant to GAAP;

(ii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof;

(iii) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(iv) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(v) easements, rights-of-way, zoning restrictions and other similar charges or encumbrances in respect of real property not interfering in any material respect with the ordinary conduct of the business of Company or any of its Restricted Subsidiaries;

(vi) any interest or title of a lessor under any Capitalized Lease

Obligation; provided that such Liens do not extend to any property or asset which is not leased property subject to such Capitalized Lease Obligation;

(vii) Liens securing Capitalized Lease Obligations and Purchase Money Indebtedness permitted under clause (xi) of the definition of "Permitted Indebtedness"; provided, however, that in the case of Purchase Money Indebtedness (A) the Indebtedness shall not exceed the cost of such property or assets being acquired or constructed and shall not be secured by any property or assets of Company or any Restricted Subsidiary of Company other than the property and assets being acquired or constructed and (B) the Lien securing such Indebtedness shall be created within 90 days of such acquisition or construction;

(viii) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(ix) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(x) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of Company or any of its Restricted Subsidiaries, including rights of offset and setoff;

(xi) leases or subleases granted to others that do not materially interfere with the ordinary course of business of Company and its Restricted Subsidiaries;

(xii) Liens arising from filing Uniform Commercial Code financing statements regarding leases;

(xiii) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties in connection with the importation of goods;

(xiv) Liens securing Interest Swap Obligations that relate to Indebtedness that is otherwise permitted under this Agreement;

(xv) Liens securing Indebtedness under Currency Agreements;

(xvi) Liens securing Acquired Indebtedness incurred in accordance with Section 9.1; provided that (A) such Liens secured such Acquired Indebtedness at the time of and prior to the incurrence of such Acquired Indebtedness by Company or a Restricted Subsidiary of Company and were not granted in connection with, or in anticipation of, the incurrence of such Acquired Indebtedness by Company or a Restricted Subsidiary of

Company and (B) such Liens do not extend to or cover any property or assets of Company or of any of its Restricted Subsidiaries other than the property or assets that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of Company or a Restricted Subsidiary of Company and are no more favorable to the lienholders than those securing the Acquired Indebtedness prior to the incurrence of such Acquired Indebtedness by Company or a Restricted Subsidiary of Company; and

(xvii) Liens existing on the Original Closing Date, together with any Liens securing Indebtedness incurred in reliance on clause (x) of the definition of Permitted Indebtedness in order to refinance the Indebtedness secured by Liens existing on the Original Closing Date; provided that the Liens securing such Refinancing Indebtedness do not extend to or cover any property or assets other than the property or assets subject to the Liens securing the Indebtedness being refinanced.

"PERSON" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or government or agency or political subdivision thereof.

"PREFERRED STOCK" of any Person means any Capital Stock of such Person that has preferential rights to any other Capital Stock of such Person with respect to dividends or redemptions or upon liquidation.

"PREPAYMENT DATE" means, with respect to any Note to be prepaid, the date fixed for such prepayment pursuant to Section 5 or Section 16.

"PROCEEDS PREPAYMENT DATE" has the meaning assigned to that term in Section 9.6.

"PROPERTY" or "PROPERTIES" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"PROSPECTUS" means the prospectus included in the Exchange Offer Registration Statement (including, without limitation, any prospectus subject to completion and a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Securities Act and any term sheet filed pursuant to Rule 434 under the Securities Act), as amended or supplemented by any prospectus supplement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"PTE" has the meaning assigned to that term in Section 18.20.2.

"PUBLIC EQUITY OFFERING" means an underwritten public offering of Qualified Capital Stock of Holdings or Company pursuant to a registration statement filed with the SEC in accordance with the Securities Act; provided that, in the event of a Public Equity Offering by

Holdings, Holdings contributes to the capital of Company the portion of the net cash proceeds of such Public Equity Offering necessary to permit Company to exercise its option to prepay the Notes pursuant to Section 5.

"PUBLIC OFFERING REGISTRATION STATEMENT" has the meaning assigned to that term in Section 16.2.

"PURCHASE MONEY INDEBTEDNESS" means Indebtedness of Company or any Restricted Subsidiary of Company incurred in the normal course of business for the purpose of financing all or any part of the purchase price, or the cost of installation, construction or improvement, of property.

"QPAM EXEMPTION" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"QUALIFIED CAPITAL STOCK" means any Capital Stock that is not Disqualified Capital Stock.

"REFERENCE DATE" has the meaning assigned to that term in Section 9.2.

"REFINANCE" means, in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or

to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness in whole or in part. "Refinanced" and "Refinancing" shall have correlative meanings.

"REFINANCING INDEBTEDNESS" means any Refinancing by Company or any Restricted Subsidiary of Company of Indebtedness incurred in accordance with Section 9.1 (other than pursuant to clauses (ii), (iv), (v), (vi), (vii), (viii), (ix), (xi) or (xii) of the definition of Permitted Indebtedness), in each case that does not (a) result in an increase in the aggregate principal amount of Indebtedness or commitment therefor of such Person as of the date of such proposed Refinancing (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and plus the amount of reasonable expenses incurred by Company in connection with such Refinancing) or (b) create Indebtedness with (1) a Weighted Average Life to Maturity that is less than the Weighted Average Life to Maturity of the Indebtedness being Refinanced or (2) a final maturity earlier than the final maturity of the Indebtedness being Refinanced; provided that (x) if such Indebtedness being Refinanced is Indebtedness of Company, then such Refinancing Indebtedness shall be Indebtedness solely of Company, (y) if such Indebtedness being Refinanced is subordinate or junior to the Notes, then such Refinancing Indebtedness shall be subordinate to the Notes at least to the same extent and in the same manner as the Indebtedness being Refinanced and (z) if such Indebtedness being Refinanced is pari passu with the Notes, then such Refinancing Indebtedness shall be pari passu with or subordinated to the Notes.

"REGISTER" has the meaning assigned to that term in Section 17.1.

"REGISTERED OFFERING" means an underwritten public offering of debt or equity securities of Company or Holdings pursuant to a registration statement filed with the SEC under the Securities Act.

"REGISTRATION STATEMENT" means any registration statement of the Company filed with the SEC under the Securities Act, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

"REINVESTMENT YIELD" means, with respect to any Note, 0.75% plus the yield to maturity implied by (i) the yields reported, as of 10:00 a.m. New York City time, on the Business Day next preceding the Settlement Date with respect to such Note, on the display designated as "Page 678" on the Telerate Service (or such other display as may replace Page 678 on the Telerate Service) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Note as of such Settlement Date, or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, (ii) the Treasury Consent Maturity Series yields reported, for the latest day for which such yields shall have been so reported as of the Business Day next preceding the Settlement Date with respect to such Note, in Federal Reserve Statistical Release H.15 (519)(or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Note as of such Settlement Date. Such implied yield shall be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between yields reported for various maturities.

"RELATED BUSINESS" means a business which is the same, similar or reasonably related to the businesses in which Company and its Restricted Subsidiaries are engaged on the Original Closing Date.

"RELATED PARTIES" means InterWest Partners V, L.P., InterWest Investors or any of their affiliated funds, Seaver Kent & Company and Al Bono.

"REMAINING AVERAGE LIFE" means, with respect to any Note, the number of
years (calculated to the nearest one-twelfth year) obtained by dividing (i) the principal amount of such Note into (ii) the sum of the products obtained by multiplying (a) each Remaining Scheduled Payment of such Note (but not of interest thereon) by (b) the number of years (calculated to the nearest one-twelfth year) which will elapse between the Settlement Date with respect to such Note and the scheduled due date of such Remaining Scheduled Payment.

"REMAINING SCHEDULED PAYMENTS" means, with respect to any Note, all
payments of principal and interest thereon that would be due on or after the Settlement Date with respect to such Note if no payment of such Note were made prior to its scheduled due date.

"REPLACEMENT ASSETS" has the meaning assigned to that term in Section 9.6.

"REPRESENTATIVE" means the indenture trustee or other trustee, agent or
representative in respect of any Designated Senior Debt; provided that if, and for so long as, any Designated Senior Debt lacks such a representative, then the Representative for such Designated Senior Debt shall at all times constitute the holders of a majority in outstanding principal amount of such Designated Senior Debt in respect of any Designated Senior Debt. As of the date first written above, the only representative in respect of Designated Senior Debt is Wells Fargo Bank, National Association as agent under the Senior Credit Agreement.

"REQUIREMENT OF LAW" means, with respect to any Person, any law (statutory
or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"REQUIRED LENDERS" means, at any time, the holders of at least 51% in
principal amount of the Notes at the time outstanding (exclusive of Notes then owned by Company or any of its Affiliates).

"RESPONSIBLE OFFICER" means any Senior Financial Officer and any other
officer of Company with responsibility for the administration of the relevant portion of this Agreement.

"RESTRICTED PAYMENT" has the meaning assigned to that term in Section 9.2.

"RESTRICTED SUBSIDIARY" of any Person means any Subsidiary of such Person
which at the time of determination is not an Unrestricted Subsidiary.

"REVOCATION" has the meaning assigned to that term in Section 9.10.

"S&P" means Standard & Poor's Ratings Service, a division of The McGraw
Hill Corporation.

"SALE AND LEASEBACK TRANSACTION" means any direct or indirect arrangement
with any Person or to which any such Person is a party, providing for the leasing to Company or a Restricted Subsidiary of Company of any property, whether owned by Company or any Restricted Subsidiary at the Original Closing Date or later acquired, which has been or is to be sold or transferred by Company or such Restricted Subsidiary to such Person or to any other Person from whom funds have been or are to be advanced by such Person on the security of such property.

"SEC" means the Securities and Exchange Commission and any successor

agency.

"SECURITIES ACT" means the Securities Act of 1933, as amended, or any successor statute or statutes thereto.

"SENIOR CREDIT AGREEMENT" means the Amended and Restated Revolving Credit and Term Loan Agreement dated as of August 30, 1996, as amended by First Amendment to

Amended and Restated Revolving Credit and Term Loan Agreement dated as of January 13, 1997, Second Amendment to Amended and Restated Revolving Credit and Term Loan Agreement dated as of March 18, 1997 and Third Amendment to Amended and Restated Revolving Credit and Term Loan Agreement dated as of August 11, 1997 among Holdings, Company, the lenders party thereto in their capacities as lenders thereunder and Wells Fargo Bank, National Association, as administrative lender, together with the related documents thereto (including, without limitation, any guarantee agreements, security agreements, pledge agreements, mortgages and other collateral documents), including any agreement extending the maturity of, refinancing, replacing or otherwise restructuring (including, without limitation, increasing the amount of available borrowings thereunder (provided that such increase in borrowings is permitted by Section 9.1) or adding Restricted Subsidiaries of Company as additional borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreement or any successor or replacement agreement and whether by the same or any other agent, lender or group of lenders, in each case as such agreements may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time.

"SENIOR DEBT" means the principal of, premium, if any, on, interest (including any interest accruing subsequent to the commencement of bankruptcy, insolvency or similar proceedings at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, fees under, and, with respect to the Senior Credit Agreement only, all monetary obligations under, any Indebtedness of Company, whether outstanding on the Original Closing Date or thereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall not be senior in right of payment to the Notes. Without limiting the generality of the foregoing, "SENIOR DEBT" shall also include the principal of, premium, if any, interest (including any interest accruing subsequent to the commencement of bankruptcy, insolvency or similar proceedings at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, and all other amounts owing in respect of, (i) all monetary obligations (including guarantees thereof) of every nature and arising at any time of Company under the Senior Credit Agreement, including, without limitation, obligations to pay principal and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities, (ii) all Interest Swap Obligations (including guarantees thereof) and (iii) all obligations (including guarantees thereof) under Currency Agreements, in each case whether outstanding on the Original Closing Date or thereafter incurred. Notwithstanding the foregoing, Senior Debt shall not include (a) any Indebtedness of Company to a Subsidiary of Company, (b) Indebtedness to, or guaranteed on behalf of, any shareholder, director, officer or employee of Company or any Subsidiary of Company (including, without limitation, amounts owed for compensation), (c) Indebtedness to trade creditors and other amounts incurred in connection with obtaining goods, materials or services, (d) Indebtedness represented by Disqualified Capital Stock, (e) any liability for federal, state, local or other taxes owed or owing by Company, (f) that portion of any Indebtedness incurred in violation of the provisions set forth under Section 9.1 (but, as to any such obligation, no such violation shall be deemed to exist for purposes of this clause (f) if the holder(s) of such obligation or their representative and each

Lender shall have received an Officers' Certificate of Company to the effect that the incurrence of such Indebtedness does not (or, in the case of revolving

credit Indebtedness, that the incurrence of the entire committed amount thereof at the date on which the initial borrowing thereunder is made would not) violate such provisions of this Agreement) and (g) any Indebtedness which is, by its express terms, subordinated in right of payment to any other Indebtedness of Company.

"SENIOR FINANCIAL OFFICER" means the chief financial officer, principal accounting officer, treasurer or comptroller of Company.

"SETTLEMENT DATE" means, with respect to any Note, the date on which such Note is to be prepaid pursuant to Section 16.1.

"SIGNIFICANT SUBSIDIARY" has the meaning assigned to that term in Rule 1.02(w) of Regulation S-X under the Securities Act.

"SOLVENT" means, with respect to any Person at any time, that (i) the fair value of the property of such Person on a going concern basis is greater than the amount of such Person's liabilities (including contingent liabilities), as such value is established and such liabilities are evaluated for purposes of Section 101(32) of the Federal Bankruptcy Reform Act of 1978 and, in the alternative, for purposes of the Illinois Uniform Fraudulent Transfer Act or any similar state statute applicable to Company or any of its Subsidiaries; (ii) the present fair salable value of the property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (iii) such Person is able to realize upon its property and pay its debts and other liabilities (including contingent liabilities) as they mature in the normal course of business; (iv) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (v) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital.

"SOURCE" has the meaning assigned to that term in Section 18.20.2.

"SUBSIDIARY" means, with respect to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries).

"SURVIVING ENTITY" has the meaning assigned to that term in Section 10.1.

"SURVIVING PARENT ENTITY" has the meaning assigned to that term in Section 10.3.

"TIA" means the Trust Indenture Act of 1939, as amended.

"TPG" means, collectively, TPG Partners, L.P., TPG Parallel I, L.P., TPG Parallel II, L.P., or any of their affiliated funds, which in all cases shall be managed by TPG Advisors, Inc.

"UNRESTRICTED SUBSIDIARY" of any Person means any Subsidiary of such Person designated as such pursuant to Section 9.10.

"WEIGHTED AVERAGE LIFE TO MATURITY" means, when applied to any Indebtedness
 ----
at any date, the number of years obtained by dividing (i) the then outstanding aggregate principal amount of such Indebtedness into (ii) the sum of the total of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

"WHOLLY-OWNED RESTRICTED SUBSIDIARY" of any Person means any Restricted
 ----
Subsidiary of such Person of which all the outstanding voting securities (other than in the case of a foreign Restricted Subsidiary, directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) are owned by such Person or any Wholly-Owned Restricted Subsidiary of such Person.

EXHIBIT I

[FORM OF NOTE]

FAVORITE BRANDS INTERNATIONAL, INC.

SERIES A SENIOR SUBORDINATED NOTE DUE AUGUST 20, 2007

No.[_____] September 12, 1997
$[_____]

FOR VALUE RECEIVED, the undersigned, FAVORITE BRANDS INTERNATIONAL, INC. (herein called "COMPANY"), a Delaware corporation, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS on August 20, 2007, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rates provided for in the Note Agreement referred to below from [August 20, 1997][the date hereof], payable semiannually in arrears, on the 20th day of February and August in each year, commencing with the February 20 succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any premium, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 2% in excess of the interest rate otherwise payable hereunder. [This Note amends and restates that certain Note dated August 20, 1997.]

Payments of principal of, interest on and any premium with respect to this Note are to be made in lawful money of the United States of America by the method and at the address specified for such purpose in accordance with Section 18.1 of the Note Agreement referred to below.

This Note is one of the notes (herein called the "NOTES") issued pursuant to an Amended and Restated Senior Subordinated Note Agreement, dated as of September 12, 1997 (as from time to time amended, the "NOTE AGREEMENT"), among Company, the guarantors named therein and the lenders named therein and is entitled to the benefits and subject to the terms thereof. Without limiting the foregoing, this Note is subject to the terms of subordination set forth in Sections 13 and 15 of the Note Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have agreed to the confidentiality provisions set forth in Section 18.11 of the Note Agreement.

This Note is a registered Note and, as provided in the Note Agreement, upon surrender of this Note for registration of transfer, accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, Company may treat the

person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and Company will not be affected by any notice to the contrary.

Company will make required prepayments of principal on the dates and in the amounts specified in the Note Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Agreement, but not otherwise.

If an Event of Default, as defined in the Note Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable premium) and with the effect provided in the Note Agreement.

This Note shall be construed and enforced in accordance with the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

FAVORITE BRANDS INTERNATIONAL, INC.

By:_____
Name:_____
Title:

GUARANTEE

THE UNDERSIGNED HAVE EACH UNCONDITIONALLY GUARANTEED ON A SENIOR SUBORDINATED BASIS (I) THE DUE AND PUNCTUAL PAYMENT OF THE PRINCIPAL OF, INTEREST ON AND ANY PREMIUM WITH RESPECT TO THIS NOTE, WHETHER AT MATURITY, BY ACCELERATION OR OTHERWISE, THE DUE AND PUNCTUAL PAYMENT OF INTEREST ON THE OVERDUE PRINCIPAL OF, INTEREST ON AND PREMIUM WITH RESPECT TO THIS NOTE, TO THE EXTENT LAWFUL, AND THE DUE AND PUNCTUAL PERFORMANCE OF ALL OTHER OBLIGATIONS OF COMPANY TO ANY HOLDERS HEREOF ALL IN ACCORDANCE WITH THE TERMS SET FORTH IN SECTION 14 OF THE NOTE AGREEMENT AND (II) IN CASE OF ANY EXTENSION OF TIME OF PAYMENT OR RENEWAL OF THIS NOTE OR ANY OF SUCH OTHER OBLIGATIONS, THAT THE SAME WILL BE PROMPTLY PAID IN FULL WHEN DUE OR PERFORMED IN ACCORDANCE WITH THE TERMS OF THE EXTENSION OR RENEWAL, WHETHER AT STATED MATURITY, BY ACCELERATION OR OTHERWISE.

DAE-JULIE, INC.

By:_____
Name:_____
Title:

SATHERS, INC.

By:_____
Name:_____
Title:

SATHER TRUCKING CORPORATION

By:_____
Name:_____
Title:

FARLEY CANDY COMPANY

By:_____
Name:_____
Title:

MEDERER CORPORATION

By:_____
Name:_____

Title:

TROLLI, INC.

By:_____
Name:_____
Title:

EXHIBIT II

[FORM OF ASSIGNMENT AGREEMENT]

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement") is dated as of _____ __, ____ between _____ ("Assignor") and _____ ("Assignee"). In consideration of the mutual agreements herein contained, the parties hereto agree as follows:

1. Assignment and Assumption. Effective _____, ____ (the "Assignment Effective Date"), Assignor hereby, without recourse, and without representation or warranty (except as expressly provided in Section 3 below), assigns to Assignee a portion of Assignor's right, title and interest under the Amended and Restated Senior Subordinated Note Agreement dated as of September 12, 1997 among Favorite Brands International, Inc., the guarantors named therein and the lenders named therein (the "Note Agreement") in an amount equal to the Assigned Share (as defined below). The "Assigned Share" means _____% [rounded to eight decimal places] of the aggregate principal amount of all Series A Senior Subordinated Notes due August 20, 2007 of Company outstanding on the Assignment Effective Date. Effective on the Assignment Effective Date, Assignee hereby accepts the foregoing assignment of, and hereby assumes from Assignor, the right, title and interest of Assignor under the Note Agreement represented by the Assigned Share.

2. Payments on Assignment Effective Date. In consideration of the assignment by Assignor to and the assumption by Assignee of the Assigned Share, on the Assignment Effective Date Assignee shall pay to Assignor $_____ in respect of the principal amount of the Assigned Share plus an amount equal to all accrued and unpaid interest thereon to the Assignment Effective Date.

3. Representations and Warranties.

(a) Each of Assignor and Assignee represents and warrants to the other as follows:

(i) It has full power and authority, and has taken all action necessary, to execute and deliver this Agreement and to fulfill its obligations under, and to consummate the transactions contemplated by, this Agreement.

(ii) The making and performance of this Agreement and all documents required to be executed and delivered by it hereunder do not and will not violate any law or regulation applicable to it.

(iii) This Agreement has been duly executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable in accordance with its terms.

(iv) All approvals, authorizations or other actions by, or filings with, any governmental authority necessary for the validity or enforceability of its obligations under this Agreement have been made or obtained.

(b) Assignor represents and warrants to Assignee that Assignor owns the Assigned Share, or is entitled to transfer the Assigned Share, free and

clear of any lien or other encumbrance.

(c) Assignee represents and warrants to Assignor as follows:

(i) Assignee has made and shall continue to make its own independent investigation of the financial condition, affairs and creditworthiness of Company and any other person or entity (each a "Credit Party") obligated in connection with its assumption of the Assigned Share.

(ii) Assignee has received a copy of the Note Agreement and such other documents, financial statements and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement.

4. No Assignor Responsibility. Assignor makes no representation or warranty and assumes no responsibility to Assignee for:

(a) the execution (by any party other than Assignor), effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of the Note Agreement or for any representations, warranties, recitals or statements made in the Note Agreement or in any financial or other written or oral statement, instrument, report, certificates or any other document made or furnished or made available by Assignor to Assignee or by or on behalf of any Credit Party to Assignor or Assignee in connection with the Note Agreement and the transactions contemplated thereby;

(b) the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained in the Note Agreement or as to the existence of any default or event of default under the Note Agreement; or

(c) the accuracy or completeness of any information provided to Assignee, whether by Assignor or by or on behalf of any Credit Party.

Assignor shall have no initial or continuing duty or responsibility to make any investigation of the financial condition, affairs or creditworthiness of any Credit Party, in connection with the assignment of the Assigned Share or to provide Assignee with any credit or

other information with respect thereto, whether coming into its possession before the date thereof or at any time or times thereafter.

5. Assignee Bound By Credit Agreement. Effective on the Assignment Effective Date, Assignee (a) shall be deemed to be a party to the Note Agreement and (b) agrees to be bound by the Note Agreement as it would have been if it had been an original party thereto.

6. New Notes. On or promptly after the Assignment Effective Date, Company shall deliver a new Note executed by Company, dated the Assignment Effective Date, to Assignee [and a new Note executed by Company, dated the Assignment Effective Date, to Assignor] in exchange for the surrender by Assignor to Company of any outstanding Note[s] by Company, marked "Exchanged."

7. General.

(a) This Agreement may be executed in one or more counterparts. Each set of executed counterparts shall be an original. Executed counterparts may be delivered by facsimile transmission.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(c) All payments to Assignor or Assignee hereunder shall, unless otherwise specified by the party entitled thereto, be made in United States Dollars, in immediately available funds, and to the address or account specified on the signature pages of this Agreement. The address of Assignee for notice purposes under the Note Agreement shall be as specified on the signature pages of this Agreement.

(d) Each party shall bear its own expenses in connection with the preparation and execution of this Agreement.

(e) This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

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

ASSIGNOR:

By:_____
Printed Name:_____
Title:

Assignor's Notice Instructions

_____
_____
_____

Attention:_____
Reference:_____
Telephone:_____
Facsimile:_____

Assignor's Payment Instructions

_____
_____
_____

ABA No._____
Account No._____
Attention:_____
Reference:_____
Telephone:_____
Facsimile:_____

ASSIGNEE:

By:_____
Printed Name:_____
Title:

Assignee's Notice Instructions:

_____
_____
_____
Attention:_____
Reference:_____
Telephone:_____
Facsimile:_____

Assignee's Payment Instructions

_____
_____
_____
ABA No._____
Account No._____

Reference:_____
Telephone:_____

cc: Favorite Brands International, Inc.

EXHIBIT V

[FORM OF INDENTURE]

FAVORITE BRANDS INTERNATIONAL, INC.,
as Issuer

[RESTRICTED SUBSIDIARIES]

as Guarantors

and

[NAME OF TRUSTEE]

as Trustee

INDENTURE

Dated as of _____

$[200,000,000]

Senior Subordinated Notes due August 20, 2007

CROSS-REFERENCE TABLE

TIA Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.08; 7.10
(b)	7.08; 7.10; 13.02
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.05
(b)	13.03
(c)	13.03
313(a)	7.06
(b)(1)	N.A.
(b)(2)	7.06
(c)	7.06; 13.02
(d)	7.06
314(a)	4.07; 4.08; 13.02
(b)	N.A.
(c)(1)	13.04
(c)(2)	13.04
(c)(3)	N.A.
(d)	N.A.
(e)	13.05
(f)	N.A.
315(a)	7.01(b)
(b)	7.05; 13.02
(c)	7.01(a)
(d)	7.01(c)
(e)	6.11
316(a)(last sentence)	2.09
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A.
(b)	6.07

(c) 9.05
317(a)(1) 6.08
(a)(2) 6.09
(b) 2.04
318(a) 13.01
(c) 13.01

N.A. means Not Applicable

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

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

INDENTURE, dated as of _____, ____, among FAVORITE BRANDS INTERNATIONAL, INC., a Delaware corporation (the "Company"), [RESTRICTED SUBSIDIARIES] (collectively, the "Guarantors") and [TRUSTEE], a [_____ banking and trust company], as Trustee (the "Trustee").

The Company has duly authorized the creation of an issue of Senior Subordinated Notes due 2007 (the "Notes") and, to provide therefor, the Company has duly authorized the execution and delivery of this Indenture. All things necessary to make the Notes, when duly issued and executed by the Company, and authenticated and delivered hereunder, the valid obligations of the Company, and to make this Indenture a valid and binding agreement of the Company, have been done.

Guarantors have agreed to guarantee the Notes on a senior subordinated basis.

Each party hereto agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Notes.

ARTICLE ONE

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.1. Definitions.

"Acceleration Notice" has the meaning provided in Section 6.02(a).

"Acquired Indebtedness" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary of the Company or at the time such Person merges or consolidates with or into the Company or any of its Restricted Subsidiaries or assumed in connection with the

acquisition of assets from such Person and, in each case, not incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary of the Company or such acquisition, merger or consolidation.

"Adjusted Maximum Amount" has the meaning provided in Section 11.08.

"Affiliate" means, with respect to any Person, any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative of the foregoing.

"Affiliate Transaction" has the meaning provided in Section 4.11.

"Agent" means any Registrar, Paying Agent or co-Registrar.

"Agent Members" has the meaning provided in Section 2.16.

"Aggregate Payments" has the meaning provided in Section 11.08.

"Asset Acquisition" means (i) an Investment by the Company or any Restricted Subsidiary of the Company in any other Person pursuant to which such Person shall become a Restricted Subsidiary of the Company or any Restricted Subsidiary of the Company or shall be merged with or into the Company or any Restricted Subsidiary of the Company, or (ii) the acquisition by the Company or any Restricted Subsidiary of the Company of the assets of any Person (other than a Restricted Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business.

"Asset Sale" means any direct or indirect sale, issuance, conveyance, transfer, lease (other than operating leases entered into in the ordinary course of business), assignment or other transfer for value by the Company or any of its Restricted Subsidiaries (including any Sale and Leaseback Transaction) to any Person other than the Company or a Wholly-Owned Restricted Subsidiary of the Company of (i) any Capital Stock of any Restricted Subsidiary of the Company or (ii) any other property or assets of the Company or any Restricted Subsidiary of the Company other than in the ordinary course of business; provided, however, that Asset Sales shall not include (a) a transaction or series of related transactions for which the Company or its Restricted Subsidiaries receive aggregate consideration of less than $5,000,000; (b) the sale, lease, conveyance, disposition or other transfer of all or substantially all of the assets of the Company or any Restricted Subsidiary as permitted under Article Five; (iii) the sale or discount, in each case without recourse, of accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof, (iv) the factoring of accounts receivable arising in the ordinary course of business pursuant to arrangements customary in the industry and (v) the licensing of intellectual property.

"Authenticating Agent" has the meaning provided in Section 2.02.

"Bankruptcy Law" means Title 11, U.S. Code or any similar Federal, state or foreign law for the relief of debtors.

"Blockage Period" has the meaning provided in Section 10.02.

"Board of Directors" means, with respect to any Person, the board of directors of such Person or any duly authorized committee thereof.

"Board Resolution" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means a day that is not a Legal Holiday.

"Capitalized Lease Obligation" means, with respect to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP and, for purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

"Capital Stock" means (i) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person and (ii) with respect to any Person that is not a corporation, any and all partnership or other equity interests of such Person.

"Cash Equivalents" means (i) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof; (ii) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's; (iii) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's; (iv) certificates of deposit or bankers' acceptances maturing within one year from the date of acquisition thereof issued by any bank organized under the laws of the United States or any state thereof or the District of Columbia or any branch of a foreign bank having at the date of acquisition thereof combined capital and surplus of not less than $250,000,000; (v) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (i) above entered into with any bank meeting the qualifications specified in clause (iv) above; and (vi) investments in money market funds which invest substantially all their assets in securities of the types described in clauses (i) through (v) above.

"Change of Control" means the occurrence of one or more of the following events: (i) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or Holdings to any Person or group of related Persons for purposes of Section 13(d) of the Exchange Act (a "Group"), together with any Affiliates thereof (whether or not otherwise in compliance with the provisions of this Indenture) other than TPG and Related Parties; (ii) the approval by the holders of Capital Stock of the Company or Holdings, as the case may be, of any plan or proposal for the liquidation or

dissolution of the Company or Holdings, as the case may be (whether or not otherwise in compliance with the provisions of this Indenture); (iii) any Person or Group (other than TPG and Related Parties) shall become the owner, directly or indirectly, beneficially or of record, of shares representing more than 40% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock (the "Voting Stock") of the Company or Holdings and TPG and Related Parties beneficially own, directly or indirectly, in the aggregate a

lesser percentage of the Voting Stock of the Company or Holdings, as the case may be, than such other Person or Group; or (iv) the replacement of a majority of the Board of Directors of the Company or Holdings over a two-year period from the directors who constituted the Board of Directors of the Company or Holdings, as the case may be, at the beginning of such period, and such replacement shall not have been approved by a vote of at least a majority of the Board of Directors of the Company or Holdings, as the case may be, then still in office who either were members of such Board of Directors at the beginning of such period or whose election as a member of such Board of Directors was previously so approved or who were nominated by, or designees of TPG and Related Parties; provided, however, that this paragraph (iv) shall not apply to the Board of Directors of the Company so long as Holdings owns shares representing 100% of the Voting Stock of the Company.

"Change of Control Date" has the meaning provided in Section 4.15.

"Change of Control Offer" has the meaning provided in Section 4.15.

"Change of Control Payment Date" has the meaning provided in Section 4.15.

"Common Stock" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock, whether outstanding on the Loan Closing Date or issued after the Loan Closing Date, and includes, without limitation, all series and classes of such common stock.

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

"Consolidated EBITDA" means, with respect to any Person, for any period, the sum (without duplication) of (i) Consolidated Net Income for such periods and (ii) to the extent Consolidated Net Income has been reduced thereby, (a) all income taxes of such Person and its Restricted Subsidiaries paid or accrued in accordance with GAAP for such period, (b) Consolidated Interest Expense for such period and (c) Consolidated Non-cash Charges less any non-cash items increasing Consolidated Net Income for such period, all as determined on a consolidated basis for such Person and its Restricted Subsidiaries in accordance with GAAP.

"Consolidated Fixed Charge Coverage Ratio" means, with respect to any Person, the ratio of Consolidated EBITDA of such Person during the four full fiscal quarters (the "Four Quarter Period") ending on or prior to the date of the transaction giving rise to the need to

calculate the Consolidated Fixed Charge Coverage Ratio (the "Transaction Date") to Consolidated Fixed Charges of such Person for the Four Quarter Period. In addition to and without limitation of the foregoing, for purposes of this definition, "Consolidated EBITDA" and "Consolidated Fixed Charges" shall be calculated after giving effect on a pro forma basis for the period of such calculation to (i) the incurrence or repayment of any Indebtedness of such Person or any of its Restricted Subsidiaries (and the application of the proceeds thereof) giving rise to the need to make such calculation and any incurrence or repayment of other Indebtedness (and the application of the proceeds thereof), other than the incurrence or repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to working capital facilities, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period and (ii) any Asset Sales or Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such

calculation as a result of such Person or one of its Restricted Subsidiaries (including any Person who becomes a Restricted Subsidiary as a result of the Asset Acquisition) incurring, assuming or otherwise being liable for Acquired

Indebtedness and also including any Consolidated EBITDA (including any pro forma expense and cost reductions calculated on a basis consistent with Regulation S-X under the Securities Act) attributable to the assets which are the subject of the Asset Acquisition or Asset Sale during the Four Quarter Period) occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such Asset Sale or Asset Acquisition (including the incurrence, assumption or liability for any such Indebtedness or Acquired Indebtedness) occurred on the first day of the Four Quarter Period. If such Person or any of its Restricted Subsidiaries directly or indirectly guarantees Indebtedness of a third Person, the preceding sentence shall give effect to the incurrence of such guaranteed Indebtedness as if such Person or any Restricted Subsidiary of such Person had directly incurred or otherwise assumed such guaranteed Indebtedness. Furthermore, in calculating "Consolidated Fixed Charges" for purposes of determining the denominator (but not the numerator) of the "Consolidated Fixed Charge Coverage Ratio," (a) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date and (b) notwithstanding clause (a) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Interest Swap Obligations, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements.

"Consolidated Fixed Charges" means, with respect to any Person for any period, the sum, without duplication, of (i) Consolidated Interest Expense (excluding amortization or write-off of deferred financing costs) for such period, plus (ii) the product of (x) the amount of all dividend payments on any series of Preferred Stock of such Person paid in cash, Cash Equivalents or Indebtedness or payable in cash, Cash Equivalents or Indebtedness and accrued during such period times (y) a fraction, the numerator of which is one and the denominator of

which is one minus the then current effective consolidated federal, state and local tax rate of such Person, expressed as a decimal.

"Consolidated Interest Expense" means, with respect to any Person for any period, the sum, without duplication, of (i) the aggregate of the interest expense of such Person and its Restricted Subsidiaries for such period determined on a consolidated basis in conformity with GAAP, including, without limitation, (a) any amortization of debt discount and amortization or write-off of deferred financing costs, (b) the net costs under Interest Swap Obligations, (c) all capitalized interest and (d) the interest portion of any deferred payment obligation; and (ii) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Restricted Subsidiaries during such period as determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means, with respect to any Person, for any period, the aggregate net income (or loss) of such Person and its Restricted Subsidiaries for such period on a consolidated basis, determined in accordance with GAAP; provided that there shall be excluded therefrom (i) after-tax gains and losses from Asset Sales (without regard to the $5,000,000 limitation set forth in the definition thereof) or abandonments or reserves relating thereto, (ii) after-tax items classified as extraordinary gains and losses, (iii) the net income of any Person acquired in a "pooling of interests" transaction accrued prior to the date it becomes a Restricted Subsidiary of the referent Person or is merged or consolidated with the referent Person or any Restricted Subsidiary of the referent Person, (iv) the net income (but not loss) of any Restricted Subsidiary of the referent Person to the extent that the declaration or payment of dividends or similar distributions to the referent Person by that Restricted Subsidiary of that income is restricted by contract, operation of law or

otherwise, (v) the net income of any Person, other than a Restricted Subsidiary of the referent Person, except to the extent of cash dividends or distributions paid to the referent Person or a Wholly-Owned Restricted Subsidiary of the referent Person by such Person, (vi) income or loss attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued), (vii) in the case of a successor to the referent Person by consolidation or merger or as a transferee of the referent Person's assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets and (viii) the cumulative effect of a change in accounting principles following the Loan Closing Date. Notwithstanding the foregoing, "Consolidated Net Income" shall be calculated without giving effect to (a) the amortization of any premiums, fees or expenses incurred in connection with any Asset Acquisition consummated on or prior to the Loan Closing Date and related financings and (b) the amortization or depreciation of any amounts required or permitted by Accounting Principles Board Opinion Nos. 16 (including non-cash write-ups and non-cash charges relating to inventory and fixed assets, in each case arising in connection with such Asset Acquisition) and 17 (including non-cash charges relating to intangibles and goodwill arising in connection with any such Asset Acquisition).

"Consolidated Non-cash Charges" means, with respect to any Person, for any period, the aggregate depreciation, amortization and other non-cash expenses of such Person and its Restricted Subsidiaries reducing Consolidated Net Income of such Person and its Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP (excluding any such non-cash charge which requires an accrual of or a reserve for cash charges for any future period).

"Contractual Obligation" means, with respect to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

"Contributing Guarantors" has the meaning assigned to that term in Section 11.08.

"Covenant Defeasance" has the meaning provided in Section 8.02.

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

"Custodian" means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any applicable Bankruptcy Law.

"Default" means an event or condition the occurrence or existence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"Default Notice" has the meaning provided in Section 10.02.

"Depository" means The Depository Trust Company, its nominees and successors.

"Designated Senior Debt" means (i) Indebtedness under or in respect of the Senior Credit Agreement or (ii) any other Indebtedness constituting Senior Debt which, at the time of determination, has an aggregate principal amount outstanding, together with any commitments to lend additional amounts of at least $40,000,000 and is specifically designated in the instrument evidencing such Senior Debt as "Designated Senior Debt" by the Company.

"Designation" has the meaning assigned to that term in Section 4.20.

"Designation Amount" has the meaning assigned to that term in Section
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4.20.

"Disinterested Director" means, with respect to any Person, a member
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of the Board of Directors of such Person who does not have any material direct or indirect financial interest in or with respect to the transaction being considered.

"Disqualified Capital Stock" means that portion of any Capital Stock
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which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, on or prior to the final maturity date of the Notes.

"Event of Default" has the meaning provided in Section 6.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended,
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or any successor statute or statutes thereto.

"Exchange Offer" means the registration by the Company under the
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Securities Act pursuant to a registration statement of the offer by the Company to each Holder of the Original Notes to exchange all the Original Notes held by such Holder for Notes in an aggregate principal amount equal to the aggregate principal amount of the Original Notes held by such Holder, all in accordance with the terms and conditions of the Note Agreement.

"Existing Subordinated Notes" means the 11-1/8% Senior Subordinated
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Notes due April 1, 2007 of the Company.

"fair market value" means, with respect to any asset or property, the
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price which could be negotiated in an arm's-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair market value shall be determined by the Disinterested Directors of the Board of Directors of the Company acting reasonably and in good faith and shall be evidenced by a Board Resolution of the Board of Directors of the Company.

"Fair Share" has the meaning assigned to that term in Section 11.08.

"Fair Share Shortfall" has the meaning assigned to that term in
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Section 11.08.

"Funding Guarantor" has the meaning assigned to that term in Section
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11.08.

"GAAP" means generally accepted accounting principles set forth in the
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opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession of the United States. All ratios and other financial covenants shall be computed in accordance with GAAP as in effect as of the Loan Closing Date.

"Global Note" has the meaning provided in Section 2.01.

"Guarantee" means the Guarantee set forth in Article Eleven or a
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Guarantee of a Restricted Subsidiary described in Section 4.18.

"Guarantee Obligations" has the meaning provided in Section 12.01.

"Guarantor" means each Restricted Subsidiary party hereto and each
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Restricted Subsidiary that executes a Guarantee pursuant to Section 4.18, each until a successor replaces it pursuant to this Indenture and thereafter means such successor. A Restricted Subsidiary whose Guarantee has terminated pursuant to Section 4.18 ceases to be a Guarantor effective as of such termination.

"Guarantor Blockage Period" has the meaning provided in Section 12.02.

"Guarantor Default Notice" has the meaning provided in Section 12.02.

"Guarantor Senior Debt" means, with respect to any Guarantor, the
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principal of, premium, if any, on interest (including any interest accruing subsequent to the commencement of bankruptcy, insolvency or similar proceedings at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, fees under, and, with respect to the Senior Credit Agreement only, all monetary obligations under, any Indebtedness of such Guarantor, whether outstanding on the Loan Closing Date or thereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall not be senior in right of payment to the Guarantee of such Guarantor. Without limiting the generality of the foregoing, "Guarantor Senior Debt" shall also include the principal of, premium, if any, interest (including any interest accruing subsequent to the commencement of bankruptcy, insolvency or similar proceedings at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, and all other amounts owing in respect of, (i) all monetary obligations (including guarantees thereof) of every nature or arising at any time of such Guarantor under the Senior Credit Agreement, including, without limitation, obligations to pay principal and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities, (ii) all Interest Swap Obligations (including guarantees thereof) and (iii) all obligations (including guarantees thereof) under Currency Agreements, in each case whether outstanding on the Loan Closing Date or thereafter incurred. Notwithstanding the foregoing, Guarantor Senior Debt shall not include (a) any Indebtedness of such Guarantor to a Subsidiary of such Guarantor, (b) Indebtedness to, or guaranteed on behalf of, any shareholder, director, officer or employee of such Guarantor or any Subsidiary of such Guarantor (including, without limitation, amounts owed for compensation), (c) Indebtedness to trade creditors and other amounts incurred in connection with obtaining goods, materials or services, (d) Indebtedness represented by Disqualified Capital Stock, (e) any liability for federal, state, local or other taxes owed or owing by such Guarantor, (f) that portion of any Indebtedness incurred in violation of the provisions set forth under Section 4.12 (but, as to

any such obligation, no such violation shall be deemed to exist for purposes of this clause), and (g) any guaranty of Indebtedness which is, by its express terms, subordinated in right of payment to any other guaranty of Indebtedness of such Guarantor.

"Holder" or "Noteholder" means the Person in whose name a Note is
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registered on the Registrar's books.

"Holdings" means Favorite Brands International Holding Corp., a
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Delaware corporation, and the parent corporation of the Company.

"Holdings Preferred" means the Series A Cumulative Preferred Stock, $.01 par value per share, of Holdings and the Series B Cumulative Preferred Stock, $.01 par value per share, of Holdings.

"incur" has the meaning provided in Section 4.12.

"Indebtedness" means with respect to any Person, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all Capitalized Lease Obligations of such Person, (iv) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 90 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted), (v) all obligations for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction, (vi) guarantees and other contingent obligations in respect of Indebtedness referred to in clauses (i) through (v) above and clause (viii) below, (vii) all obligations of any other Person of the type referred to in clauses (i) through (vi) which are secured by any lien on any property or asset of such Person, the amount of such obligation being deemed to be the lesser of the fair market value of such property or asset or the amount of the obligation so secured, (viii) all obligations under Currency Agreements and Interest Swap Obligations of such Person and (ix) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any. For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Capital Stock, such fair market value shall be determined reasonably and in good faith by the Board of Directors of the issuer of such Disqualified Capital Stock.

"Indenture" means this Indenture, as amended or supplemented from time to time in accordance with the terms hereof.

"Independent Financial Advisor" means a firm (i) which does not, and whose directors, officers and employees or Affiliates do not, have a direct or indirect financial interest in the Company and (ii) which, in the judgment of the Board of Directors of the Company, is otherwise independent and qualified to perform the task for which it is to be engaged.

"Interest Payment Date" means the stated maturity of an installment of interest on the Notes.

"Interest Swap Obligations" means the obligations of any Person, pursuant to any arrangement with any other Person, whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of interest on the same notional amount and shall include, without limitation, interest rate swaps, caps, floors, collars and similar agreements.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time and the rules and regulations promulgated thereunder.

"Investment" means, with respect to any Person, any direct or indirect

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loan or other extension of credit (including, without limitation, a guarantee) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person. "Investment" shall exclude extensions of trade credit by the Company and its Restricted Subsidiaries on commercially reasonable terms in accordance with normal trade practices of the Company or such Restricted Subsidiary, as the case may be. For the purposes of Section 4.10, (i) "Investment" shall include and be valued at the fair market value of the net assets of any Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary and shall exclude the fair market value of the net assets of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary and (ii) the amount of any Investment shall be the original cost of such Investment plus the cost of all additional Investments by the Company or any of its Restricted Subsidiaries, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment, reduced by the payment of dividends or distributions in connection with such Investment or any other amounts received in respect of such Investment; provided that no such
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payment of dividends or distributions or receipt of any such other amounts shall reduce the amount of any Investment if such payment of dividends or distributions or receipt of any such amounts would be included in Consolidated Net Income. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Common Stock of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any

such sale or disposition, the Company no longer owns, directly or indirectly, 100% of the outstanding Common Stock of such Restricted Subsidiary, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Common Stock of such Restricted Subsidiary not sold or disposed of.

"Legal Defeasance" has the meaning provided in Section 8.02.

"Legal Holiday" has the meaning provided in Section 13.07.

"Lien" means any lien, mortgage, deed of trust, pledge, security
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interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest).

"Loan Closing Date" means August 20, 1997.

"Margin Stock" means "margin stock" as such term is defined in
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Regulation G, T, U, or X of the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

"Material Adverse Effect" means (i) a material adverse change in, or a
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material adverse effect upon, the operations, business, assets, properties, condition (financial or otherwise) or prospects of the Company or the Company and its Subsidiaries taken as a whole; or (ii) a material impairment of the ability of Company or one of more of its Subsidiaries to perform under the Indenture, the Notes or the Guarantee which impairment has a material adverse effect upon the rights or remedies of the Holders under the Indenture, the Notes and the Guarantee taken as a whole.

"Maturity Date" means August 20, 2007.

"Minimum Rating" means B- or better from S&P and B3 or better from
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Moody's or, in either case, any substantially equivalent rating from S&P or

Moody's under any rating system in effect from time to time.

"Moody's" means Moody's Investors Service, Inc.

"Net Cash Proceeds" means, with respect to any Asset Sale, the
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proceeds in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents (other than the portion of any such deferred payment constituting interest) received by the Company or any of its Restricted Subsidiaries from such Asset Sale net of (i) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions), (ii) taxes paid or payable after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements, (iii) repayment of Indebtedness that is required to be repaid in connection with

such Asset Sale and (iv) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with GAAP, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale.

"Net Proceeds Offer" has the meaning provided in Section 4.16.

"Net Proceeds Offer Amount" has the meaning assigned to that term in
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Section 4.16.

"Net Proceeds Offer Payment Date" has the meaning provided in Section
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4.16.

"Net Proceeds Offer Trigger Date" has the meaning provided in Section
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4.16.

"Note Agreement" means the Senior Subordinated Note Agreement dated as
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of August 20, 1997, among the Company, the Guarantors and the Lenders listed in Schedule A thereto, as amended or supplemented from time to time.

"Notes" means the Notes, as amended or supplemented from time to time
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in accordance with the terms hereof, that are issued pursuant to this Indenture.

"Obligations" means all obligations for principal, premium, interest
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(including postpetition interest), penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Officer" means, with respect to any Person, the Chairman of the
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Board, the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Treasurer, the Controller, or the Secretary of such Person, or any other officer designated by the Board of Directors serving in a similar capacity.

"Officers' Certificate" means, with respect to any Person, a
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certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of such Person and otherwise complying with the applicable requirements of this Indenture, as they relate to the making of an Officers' Certificate.

"Opinion of Counsel" means a written opinion from legal counsel, who
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may be counsel for the Company, and who is reasonably acceptable to the Trustee and not rendered by any employee of the Company or any of its Affiliates or Subsidiaries complying with the requirements of Sections 13.04 and 13.05, as they relate to the giving of an Opinion of Counsel.

"Original Notes" means the promissory notes executed and delivered by the Company pursuant to the Note Agreement.

"Paying Agent" has the meaning provided in Section 2.03.

"Permitted Indebtedness" means, without duplication, each of the following:

(i) Indebtedness under the Notes and this Indenture;

(ii) Indebtedness incurred pursuant to the Senior Credit Agreement in an aggregate principal amount at any time outstanding not to exceed $535,000,000 less, without duplication, (1) the aggregate amount of all scheduled mandatory principal payments actually made by the Company in respect of term loans thereunder (excluding any such payments to the extent refinanced at the time of payment under a replacement Senior Credit Agreement), (2) the aggregate amount of all mandatory principal payments actually made by the Company in respect of term loans thereunder made from (or attributable to) the proceeds received from Asset Sales, insured losses or condemnation proceedings, (3) the aggregate principal amount of any Additional Notes (as defined therein) issued under the Note Agreement, and (4) in the case of a revolving credit facility, any required permanent repayments (which are accompanied by a corresponding permanent commitment reduction);

(iii) other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Loan Closing Date reduced by the amount of any scheduled amortization payments or mandatory prepayments when actually paid or permanent reductions thereon;

(iv) Interest Swap Obligations of the Company or its Restricted Subsidiaries covering Indebtedness of the Company or such Restricted Subsidiary; provided, however, that such Interest Swap Obligations are entered into to protect the Company and its Restricted Subsidiaries from fluctuations in interest rates on Indebtedness incurred in accordance with this Indenture to the extent the notional principal amount of such Interest Swap Obligation does not exceed the principal amount of the Indebtedness to which such Interest Swap Obligation relates;

(v) Indebtedness under Currency Agreements of the Company or its Restricted Subsidiaries; provided that in the case of Currency Agreements which relate to Indebtedness, such Currency Agreements do not increase the Indebtedness of the Company and its Restricted Subsidiaries outstanding other than as a result of fluctuations in foreign currency exchange rates or by reason of fees, indemnities and compensation payable thereunder;

(vi) Indebtedness of a Wholly-Owned Restricted Subsidiary of the Company to the Company or to a Wholly-Owned Restricted Subsidiary of the Company for so long as such Indebtedness is held by the Company or a Wholly-Owned Restricted Subsidiary of the Company, in each case subject to no Lien held by a Person other than the Company or a Wholly-Owned Restricted Subsidiary of the Company; provided that (a) any

Indebtedness of any Wholly-Owned Restricted Subsidiary of the Company is unsecured and subordinated, pursuant to a written agreement, to the Company's obligations under this Indenture and (b), if as of any date any Person other than the Company or a Wholly-Owned Restricted Subsidiary of the Company owns or holds any such Indebtedness or holds a Lien in respect

of such Indebtedness, such date shall be deemed the incurrence of Indebtedness not constituting Permitted Indebtedness by the issuer of such Indebtedness;

(vii) Indebtedness of the Company to a Wholly-Owned Restricted Subsidiary of the Company for so long as such Indebtedness is held by a Wholly-Owned Restricted Subsidiary of the Company, in each case subject to no Lien; provided that (a) any Indebtedness of the Company to any Wholly-Owned Restricted Subsidiary of the Company is unsecured and subordinated, pursuant to a written agreement, to the Company's obligations under this Indenture and the Notes and (b) if as of any date any Person other than a Wholly-Owned Restricted Subsidiary of the Company owns or holds any such Indebtedness or any Person holds a Lien in respect of such Indebtedness, such date shall be deemed the incurrence of Indebtedness not constituting Permitted Indebtedness by the Company;

(viii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of incurrence;

(ix) Indebtedness of the Company or any of its Restricted Subsidiaries represented by letters of credit for the account of the Company or such Restricted Subsidiary, as the case may be, in order to provide security for workers' compensation claims, payment obligations in connection with self-insurance, performance bonds, surety bonds, completion guarantees or similar requirements in the ordinary course of business;

(x) Refinancing Indebtedness;

(xi) Indebtedness in respect of deferred purchase price payments or adjustments in connection with Permitted Investments or Asset Acquisitions otherwise permitted by this Agreement in an amount not to exceed $20,000,000 in the aggregate at any one time outstanding;

(xii) additional Indebtedness of the Company and its Restricted Subsidiaries in an aggregate principal amount not to exceed $35,000,000 at any one time outstanding (which amount may, but need not, be incurred in whole or in part under the Senior Credit Agreement); and

(xiii) Indebtedness of the Company under the Existing Subordinated Notes in an aggregate principal amount not to exceed $45,000,000 reduced by the amount of any

scheduled amortization payments or mandatory prepayment when actually paid or permanent reductions thereon.

"Permitted Investments" means:

(i) Investments by the Company or any Restricted Subsidiary of the Company in (a) any Person that is or will become immediately after such Investment a Wholly-Owned Restricted Subsidiary of the Company or that will merge or consolidate into the Company or a Wholly-Owned Restricted Subsidiary of the Company, provided such Person is engaged in a Related Business, or (b) any Person that is or will become immediately after such Investment a Restricted Subsidiary (other than a Wholly-Owned Restricted Subsidiary) of the Company or that will merge or consolidate into the Company or a Restricted Subsidiary (other than a Wholly-Owned Restricted Subsidiary) of the Company, provided such Person is engaged in a Related Business, in an amount having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (i)(b) that are at the time outstanding, not exceeding $50,000,000 in the aggregate at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), provided that any such Restricted Subsidiary is not restricted from making dividends or similar distributions by contract, operation of law or otherwise;

(ii) Investments by the Company or any Restricted Subsidiary of the Company in any Person that is or will become immediately after such Investment an Unrestricted Subsidiary of the Company or that will merge or consolidate into an Unrestricted Subsidiary of the Company, provided such Person is engaged in a Related Business, in an amount having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (ii) that are at the time outstanding, not exceeding $15,000,000 in the aggregate at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(iii) Investments in the Company by any Restricted Subsidiary of the Company; provided that any Indebtedness evidencing such Investment is
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unsecured and subordinated, pursuant to a written agreement, to the Company's obligations under the Notes and this Indenture;

(iv) Investments in cash and Cash Equivalents;

(v) Currency Agreements and Interest Swap Obligations entered into in the ordinary course of the Company's or its Restricted Subsidiaries' businesses and otherwise in compliance with this Indenture;

(vi) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers;

(vii) Investments made by the Company or its Restricted Subsidiaries as a result of consideration received in connection with an Asset Sale made in compliance with Section 4.16;

(viii) guarantees permitted by Section 4.18;

(ix) additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (ix) that are at the time outstanding, not exceeding $5,000,000 in the aggregate at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus an amount equal to (a) 100% of the aggregate net cash proceeds received by the Company from any Person (other than a Subsidiary of the Company) from the issuance and sale subsequent to the Loan Closing Date and on or prior to the date of such Investment of Qualified Capital Stock of the Company (including Qualified Capital Stock issued upon the conversion of convertible Indebtedness or in exchange for outstanding Indebtedness or as capital contributions to the Company (other than from a Subsidiary)) plus (b) without duplication of any amounts included in clause (ix)(a) above, 100% of the aggregate net cash proceeds of any equity contribution received by the Company from any Person (other than a Subsidiary) subsequent to the Loan Closing Date and on or prior to the date of such Investment, that in the case of amounts described in clause (ix)(a) or (ix)(b) are applied by the Company within 180 days after receipt to make additional Permitted Investments under this clause (ix); and

(x) Investments received by the Company or its Restricted Subsidiaries as consideration for asset sales, including Asset Sales effected in accordance with this Indenture.

"Permitted Liens" means the following types of Liens:

(i) Liens for taxes, assessments or governmental charges or claims either (a) not delinquent or (b) contested in good faith by appropriate proceedings and as to which the Company or its Restricted Subsidiaries shall have set aside on its books such reserves as may be required pursuant to GAAP;

(ii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other

appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof;

(iii) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(iv) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(v) easements, rights-of-way, zoning restrictions and other similar charges or encumbrances in respect of real property not interfering in any material respect with the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries;

(vi) any interest or title of a lessor under any Capitalized Lease Obligation; provided that such Liens do not extend to any property or asset
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which is not leased property subject to such Capitalized Lease Obligation;

(vii) Liens securing Capitalized Lease Obligations and Purchase Money Indebtedness permitted under clause (xi) of the definition of "Permitted Indebtedness"; provided, however, that in the case of Purchase Money
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Indebtedness (A) the Indebtedness shall not exceed the cost of such property or assets being acquired or constructed and shall not be secured by any property or assets of the Company or any Restricted Subsidiary of the Company other than the property and assets being acquired or constructed and (B) the Lien securing such Indebtedness shall be created within 90 days of such acquisition or construction;

(viii) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(ix) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(x) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or any of its Restricted Subsidiaries, including rights of offset and setoff;

(xi) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries;

(xii) Liens arising from filing Uniform Commercial Code financing statements regarding leases;

(xiii) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties in connection with the importation of goods;

(xiv) Liens securing Interest Swap Obligations that relate to Indebtedness that is otherwise permitted under this Indenture;

(xv) Liens securing Indebtedness under Currency Agreements;

(xvi) Liens securing Acquired Indebtedness incurred in accordance with Section 4.12; provided that (A) such Liens secured such Acquired Indebtedness at the time of and prior to the incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary of the Company and were not granted in connection with, or in anticipation of, the incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary of the Company and (B) such Liens do not extend to or cover any property or assets of the Company or of any of its Restricted Subsidiaries other than the property or assets that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Restricted Subsidiary of the Company and are no more favorable to the lienholders than those securing the Acquired Indebtedness prior to the incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary of the Company; and

(xvii) Liens existing on the Loan Closing Date, together with any Liens securing Indebtedness incurred in reliance on clause (x) of the definition of Permitted Indebtedness in order to refinance the Indebtedness secured by Liens existing on the Loan Closing Date; provided that the Liens securing such Refinancing Indebtedness do not extend to or cover any property or assets other than the property or assets subject to the Liens securing the Indebtedness being refinanced.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or government, or agency or political subdivision thereof.

"Physical Notes" means permanent certificated Notes in registered form in substantially the form set forth in Exhibit A.

"Preferred Stock" of any Person means any Capital Stock of such Person that has preferential rights to any other Capital Stock of such Person with respect to dividends or redemptions or upon liquidation.

"pro forma" means, with respect to any calculation made or required to be made pursuant to the terms of this Indenture, a calculation in accordance with Article 11 of Regulation S-X under the Securities Act, as determined by the Chief Financial Officer, Treasurer or Controller of the Company.

"principal" of any Indebtedness (including the Notes) means the outstanding principal amount of such Indebtedness plus the premium, if any, on such Indebtedness.

"Proceeds Purchase Date" has the meaning provided in Section 4.16.

"Public Equity Offering" means an underwritten public offering of Qualified Capital Stock of Holdings or the Company pursuant to a registration statement filed with the SEC in accordance with the Securities Act; provided that, in the event of a Public Equity Offering by Holdings, Holdings contributes to the capital of the Company the portion of the net cash proceeds of such Public Equity Offering necessary to permit the Company to exercise its option to redeem any Notes to be redeemed pursuant to Paragraph 6(b) of the Notes.

"Purchase Money Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary incurred in the normal course of business for the purpose of financing all or any part of the purchase price, or the cost of installation, construction or improvement, of property.

"Qualified Capital Stock" means any Capital Stock that is not

Disqualified Capital Stock.

"Record Date" means each of the dates designated as such in the Notes, whether or not a Legal Holiday.

"Redemption Date," when used with respect to any Note to be redeemed, means the date fixed for such redemption pursuant to this Indenture and the Notes.

"Redemption Price," when used with respect to any Note to be redeemed, means the price fixed for such redemption pursuant to this Indenture and the Notes.

"Reference Date" has the meaning provided in Section 4.10.

"Refinance" means, in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness, in whole or in part. "Refinanced" and "Refinancing" shall have correlative meanings.

"Refinancing Indebtedness" means any Refinancing by the Company or any Restricted Subsidiary of the Company of Indebtedness incurred in accordance with Section 4.12 (other than pursuant to clauses (ii), (iv), (v), (vi), (vii), (viii), (ix), (xi) or (xii) of the definition of

Permitted Indebtedness), in each case that does not (a) result in an increase in the aggregate principal amount of Indebtedness or commitment therefor of such Person as of the date of such proposed Refinancing (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and plus the amount of reasonable expenses incurred by the Company in connection with such Refinancing) or (b) create Indebtedness with (1) a Weighted Average Life to Maturity that is less than the Weighted Average Life to Maturity of the Indebtedness being Refinanced or (2) a final maturity earlier than the final maturity of the Indebtedness being Refinanced; provided that (x) if such Indebtedness being Refinanced is Indebtedness of the Company, then such Refinancing Indebtedness shall be Indebtedness solely of the Company, (y) if such Indebtedness being Refinanced is subordinate or junior to the Notes, then such Refinancing Indebtedness shall be subordinate to the Notes at least to the same extent and in the same manner as the Indebtedness being Refinanced and (z) if such Indebtedness being Refinanced is pari passu with the Notes, then such Refinancing Indebtedness shall be pari passu or subordinated to the Notes.

"Registrar" has the meaning provided in Section 2.03.

"Related Business" means a business which is the same, similar or reasonably related to the businesses in which the Company and its Restricted Subsidiaries are engaged on the Loan Closing Date.

"Related Parties" means InterWest Partners V, L.P., InterWest Investors or any of their affiliated funds, Seaver Kent & Company and Al Bono.

"Replacement Assets" has the meaning provided in Section 4.16.

"Representative" means the indenture trustee or other trustee, agent or representative in respect of any Designated Senior Debt; provided that, if and for so long as any Designated Senior Debt lacks such a representative, then

the Representative for such Designated Senior Debt shall at all times constitute the holders of a majority in outstanding principal amount of such Designated Senior Debt in respect of any Designated Senior Debt. As of the date first written above, the only representative in respect of Designated Senior Debt is Wells Fargo Bank, National Association, as agent under the Senior Credit Agreement.

"Restricted Payment" has the meaning provided in Section 4.10.

"Restricted Subsidiary" of any Person means any Subsidiary of such Person which at the time of determination is not an Unrestricted Subsidiary.

"Revocation" has the meaning provided in Section 4.20.

"Rule 144A" means Rule 144A under the Securities Act.

"S&P" means Standard & Poor's Ratings Service, a division of The McGraw Hill Corporation.

"Sale and Leaseback Transaction" means any direct or indirect arrangement with any Person or to which any such Person is a party, providing for the leasing to the Company or a Restricted Subsidiary of the Company of any property, whether owned by the Company or any Restricted Subsidiary at the Original Closing Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person from whom funds have been or are to be advanced by such Person on the security of such property.

"SEC" means the Securities and Exchange Commission and any successor agency.

"Securities Act" means the Securities Act of 1933, as amended, or any successor statute or statutes thereto.

"Senior Credit Agreement" means the Amended and Restated Revolving Credit and Term Loan Agreement dated as of August 30, 1996, as amended by First Amendment to Amended and Restated Revolving Credit and Term Loan Agreement dated as of January 13, 1997, Second Amended to Amended and Restated Revolving Credit and Term Loan Agreement dated as of March 18, 1997 and Third Amendment to Amended and Restated Revolving Credit and Term Loan Agreement dated as of August 11, 1997 among Holdings, the Company, the lenders party thereto in their capacities as lenders thereunder and Wells Fargo Bank, National Association, as administrative lender, together with the related documents thereto (including, without limitation, any guarantee agreements, security agreements, pledge agreements, mortgages and other collateral documents), including any agreement extending the maturity of, refinancing, replacing or otherwise restructuring (including, without limitation, increasing the amount of available borrowings thereunder (provided that such increase in borrowings is permitted by Section 4.12) or adding Restricted Subsidiaries of the Company as additional borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreement or any successor or replacement agreement and whether by the same or any other agent, lender or group of lenders, in each case as such agreements may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time.

"Senior Debt" means the principal of, premium, if any, on, interest (including any interest accruing subsequent to the commencement of bankruptcy, insolvency or similar proceedings at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, fees under, and, with respect to the Senior Credit Agreement only, all monetary obligations under, any Indebtedness of the Company (other

than the Existing Subordinated Notes), whether outstanding on the Loan Closing Date or thereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall not be senior in right of payment to the Notes.

Without limiting the generality of the foregoing, "Senior Debt" shall also include the principal of, premium, if any, interest (including any interest accruing subsequent to the commencement of bankruptcy, insolvency or similar proceedings at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, and all other amounts owing in respect of, (i) all monetary obligations (including guarantees thereof) of every nature and arising at any time of the Company under the Senior Credit Agreement, including, without limitation, obligations to pay principal and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities, (ii) all Interest Swap Obligations (including guarantees thereof) and (iii) all obligations (including guarantees thereof) under Currency Agreements, in each case whether outstanding on the Loan Closing Date or thereafter incurred. Notwithstanding the foregoing, Senior Debt shall not include (a) any Indebtedness of the Company to a Subsidiary of the Company, (b) Indebtedness to, or guaranteed on behalf of, any shareholder, director, officer or employee of the Company or any Subsidiary of the Company (including, without limitation, amounts owed for compensation), (c) Indebtedness to trade creditors and other amounts incurred in connection with obtaining goods, materials or services, (d) Indebtedness represented by Disqualified Capital Stock, (e) any liability for federal, state, local or other taxes owed or owing by the Company, (f) any Indebtedness incurred in violation of the provisions set forth under Section 4.12 (but, as to any such obligation, no such violation shall be deemed to exist for purposes of this clause (f) if the holder(s) of such obligation or their representative and each Lender shall have received an Officers' Certificate of the Company to the effect that the incurrence of such Indebtedness does not (or, in the case of revolving credit Indebtedness, that the incurrence of the entire committed amount thereof at the date on which the initial borrowing thereunder is made would not) violate such provisions of this Indenture) and (g) any Indebtedness which is, by its express terms, subordinated in right of payment to any other Indebtedness of the Company.

"Significant Subsidiary" has the meaning set forth in Rule 1.02(w) of Regulation S-X under the Securities Act.

"Solvent" means, with respect to any Person at any time, that (i) the fair value of the property of such Person on a going concern basis is greater than the amount of such Person's liabilities (including contingent liabilities), as such value is established and such liabilities are evaluated for purposes of Section 101(32) of the Federal Bankruptcy Reform Act of 1978 and, in the alternative, for purposes of the Illinois Uniform Fraudulent Transfer Act or any similar state statute applicable to the Company or any of its Subsidiaries; (ii) the present fair salable value of the property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (iii) such Person is able to realize upon its property and pay its debts and other liabilities (including contingent liabilities) as they mature in the normal course of business; (iv) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (v) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital.

"Subsidiary", with respect to any Person, means (i) any corporation of which the outstanding Capital Stock having at least a majority of the votes entitled to be cast in the election of directors under ordinary circumstances shall at the time be owned, directly or indirectly, by such Person or (ii) any other Person of which at least a majority of the voting interest under ordinary circumstances is at the time owned, directly or indirectly, by such Person.

"Surviving Entity" has the meaning provided in Section 5.01.

"Surviving Parent Entity" has the meaning provided in Section 5.03.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. (S)(S) 77aaa-77bbbb), as amended, as in effect on the date of this Indenture, except as otherwise provided in Section 9.04.

"TPG" means, collectively, TPG Partners, L.P., TPG Parallel I, L.P., TPG Parallel II, L.P., or any of their affiliated funds, which in all cases shall be managed by TPG Advisors, Inc.

"Trust Officer" means any officer of the Trustee assigned by the Trustee to administer this Indenture, or in the case of a successor trustee, an officer assigned to the department, division or group performing the corporation trust work of such successor and assigned to administer this Indenture.

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

"Unrestricted Subsidiary" of any Person means any Subsidiary of such Person designated as such pursuant to Section 4.20.

"U.S. Government Obligations" means direct obligations of, and obligations guaranteed by, the United States for the payment of which the full faith and credit of the United States is pledged.

"U.S. Legal Tender" means such coin or currency of the United States as at the time of payment shall be legal tender for the payment of public and private debts.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the then outstanding aggregate principal amount of such Indebtedness into (ii) the sum of the total of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

"Wholly-Owned Restricted Subsidiary" of any Person means any Restricted Subsidiary of such Person of which all the outstanding voting securities (other than, in the case of a foreign Restricted Subsidiary, directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) are owned by such Person or any Wholly-Owned Restricted Subsidiary of such Person.

SECTION 1.2. Incorporation by Reference of TIA.

Whenever this Indenture refers to a provision of the TIA, such provision is incorporated by reference in, and made a part of, this Indenture. The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Notes.

"indenture security holder" means a Holder or a Noteholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company or any other obligor on the Notes.

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

SECTION 1.3. Rules of Construction.

Unless the context otherwise requires:

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

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP as in effect on the Loan Closing Date;

(3) "or" is not exclusive;

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

(5) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

ARTICLE TWO

THE NOTES

SECTION 2.1. Form and Dating.

The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or depository rule or usage. The Company and the Trustee shall approve the form of the Notes and any notation, legend or endorsement on them. Each Note shall be dated the date of its issuance and shall show the date of its authentication.

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

The Notes shall be issued initially in the form of one or more global Notes in registered form, substantially in the form set forth in Exhibit A (the "Global Note"), deposited with the Registrar as custodian for the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Global Note may from time to time be increased or decreased by adjustments made on the records of the Registrar, as custodian for the Depository, as hereinafter provided.

SECTION 2.2. Execution and Authentication; Aggregate Principal Amount.

Two Officers, or an Officer and an Assistant Secretary, shall sign, or one Officer shall sign and one Officer or an Assistant Secretary (each of whom shall, in each case, have been duly authorized by all requisite corporate actions) shall attest to, the Notes for the Company by manual or facsimile signature.

If an Officer or Assistant Secretary whose signature is on a Note was an Officer or Assistant Secretary at the time of such execution but no longer holds that office or position at the time the Trustee authenticates the Note, the Note shall nevertheless be valid.

A Note shall not be valid until an authorized signatory of the Trustee

manually signs the certificate of authentication on the Note. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee shall authenticate Notes from time to time for issue only in exchange for a like principal amount of Notes, in each case upon written orders of the Company in the form of an Officers' Certificate. The Officers' Certificate shall specify the amount of Notes to be authenticated, the date on which the Notes are to be authenticated and the aggregate principal amount of Notes outstanding on the date of authentication. The aggregate principal amount of

Notes outstanding at any time may not exceed $200,000,000 plus the aggregate principal amount of the Existing Subordinated Notes, except as provided in Section 2.07.

The Trustee shall not be required to authenticate Notes if the issuance of such Notes pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Notes and this Indenture in a manner which is not reasonably acceptable to the Trustee.

The Trustee may appoint an authenticating agent (the "Authenticating Agent") reasonably acceptable to the Company to authenticate Notes. Unless otherwise provided in the appointment, an Authenticating Agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such Authenticating Agent. An Authenticating Agent has the same rights as an Agent to deal with the Company and Affiliates of the Company.

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

SECTION 2.3. Registrar and Paying Agent.

The Company shall maintain an office or agency (which shall be located in the Borough of Manhattan in the City of New York, State of New York) where (a) Notes may be presented or surrendered for registration of transfer or for exchange (the "Registrar"), (b) Notes may be presented or surrendered for payment (the "Paying Agent") and (c) notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company, upon prior written notice to the Trustee, may have one or more co-Registrars and one or more additional paying agents reasonably acceptable to the Trustee. The term "Paying Agent" includes any additional Paying Agent and the term "Registrar" includes any Co-Registrar. Neither the Company nor any Affiliate of the Company may act as Paying Agent.

The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture, which agreement shall incorporate the provisions of the TIA and implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee, in advance, of the name and address of any such Agent. If the Company fails to maintain a Registrar or Paying Agent, or fails to give the foregoing notice, the Trustee shall act as such.

The Company initially appoints the Trustee as Registrar, Paying Agent and agent for service of demands and notices in connection with the Notes, until such time as the Trustee has resigned or a successor has been appointed. The Paying Agent or Registrar may resign upon 30 days written notice to the Company and the Trustee; provided that a replacement Paying Agent or Registrar, as the case may be, has been duly appointed and has agreed to act as such, or that the Trustee has assumed the duties of the Paying Agent or the Registrar, as the case may be.

Upon the occurrence and during the continuance of an Event of Default described in Section 6.01(6) or (7), the Trustee shall, or upon the occurrence and during the continuance of any other Event of Default by notice to the Company, the Registrar and the Paying Agent, the Trustee may, assume the duties and obligations of the Registrar and the Paying Agent hereunder.

SECTION 2.4. Paying Agent To Hold Assets in Trust.

The Company shall require each Paying Agent other than the Trustee to agree in writing that each Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all assets held by the Paying Agent for the payment of principal of, or interest on, the Notes (whether such assets have been distributed to it by the Company or any other obligor on the Notes), and the Company and the Paying Agent shall notify the Trustee of any Default by the Company (or any other obligor on the Notes) in making any such payment. The Company at any time may require a Paying Agent to distribute all assets held by it to the Trustee and account for any assets disbursed and the Trustee may at any time during the continuance of any payment Default or Event of Default, upon written request to a Paying Agent, require such Paying Agent to distribute all assets held by it to the Trustee and to account for any assets distributed. Upon distribution to the Trustee of all assets that shall have been delivered by the Company to the Paying Agent, the Paying Agent shall have no further liability for such assets.

SECTION 2.5. Noteholder Lists.

The Registrar shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of the Holders. If the Trustee or any Paying Agent is not the Registrar, the Company shall furnish or cause the Registrar to furnish to the Trustee or any such Paying Agent on or before the third Business Day preceding each Record Date and at such other times as the Trustee or any such Paying Agent may request in writing a list as of such date and in such form as the Trustee may reasonably require of the names and addresses of the Holders, which list may be conclusively relied upon by the Trustee or any such Paying Agent.

SECTION 2.6. Transfer and Exchange.

Subject to the provisions of Sections 2.15 and 2.16, when Notes are presented to the Registrar or a co-Registrar with a request to register the transfer of such Notes or to exchange such Notes for an equal principal amount of Notes of other authorized denominations, the Registrar or co-Registrar shall register the transfer or make the exchange as requested if the requirements for such transaction are met; provided, however, that the Notes presented or
surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar or co-Registrar, duly executed by the Holder thereof or his or her attorney duly authorized in writing. To permit registrations of transfer and exchanges, the Company shall execute and the Trustee shall authenticate Notes at the Registrar's or co-Registrar's request. No service charge shall be made for any registration of transfer or exchange, but the Company may require

payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchanges or transfers pursuant to Sections 2.10, 3.06, 4.15, 4.16 or 9.06, in which event the Company shall be responsible for the payment of such taxes).

In the event that the Company delivers to the Trustee a copy of an Officers' Certificate certifying that a registration statement under the Securities Act with respect to the Exchange Offer has been declared effective by the SEC and that the Company has offered registered Notes to the Holders in accordance with the Exchange Offer, the Registrar shall exchange, upon request of any Holder, such Holder's original Notes for registered Notes upon the terms set forth in the Exchange Offer and in accordance with Section 2.06, provided

that the original Notes so surrendered for exchange are duly endorsed and accompanied by a letter of transmittal or written instrument of transfer in form satisfactory to the Company and the Registrar and duly executed by the Holder thereof or such Holder's attorney who shall be duly authorized in writing to execute such document on behalf of such Holder.

The Registrar or co-Registrar shall not be required to register the transfer of or exchange of any Note (i) during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Notes and ending at the close of business on the day of such mailing and (ii) selected for redemption in whole or in part pursuant to Article Three, except the unredeemed portion of any Note being redeemed in part.

Any Holder of an interest in any Global Note shall, by acceptance of such interest, agree that transfers of beneficial interests in such Global Note may be effected only through a book-entry system maintained by the Holder of such Global Note (or its agent), and that ownership of a beneficial interest in the Global Note shall be required to be reflected in a book-entry system.

SECTION 2.7. Replacement Notes.

If a mutilated Note is surrendered to the Registrar or if the Holder of a Note claims that the Note has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee or any authenticating agent of the Trustee shall authenticate a replacement Note if the Registrar's requirements are met. If required by the Registrar or the Company, such Holder must provide an affidavit of lost certificate and an indemnity bond or other indemnity, sufficient, in the judgment of both the Company and the Registrar, to protect the Company, the Trustee and any Agent from any loss which any of them may suffer if a Note is replaced. The Company may charge such Holder for its reasonable, out-of-pocket expenses in replacing a Note, including reasonable fees and expenses of counsel. Every replacement Note shall constitute an additional obligation of the Company.

SECTION 2.8. Outstanding Notes.

Notes outstanding at any time are all the Notes that have been authenticated by the Trustee except those cancelled by the Registrar, those delivered to the Registrar for cancellation and those described in this Section as not outstanding. Subject to the provisions of Section 2.09, a Note does not cease to be outstanding because the Company or any of its Affiliates holds the Note.

If a Note is replaced pursuant to Section 2.07 (other than a mutilated Note surrendered for replacement), it ceases to be outstanding unless the Registrar receives an Opinion of Counsel that the replaced Note is held by a bona fide purchaser. A mutilated Note ceases to be outstanding upon surrender
of such Note and replacement thereof pursuant to Section 2.07.

If on a Redemption Date or the Maturity Date the Paying Agent holds U.S. Legal Tender or U.S. Government Obligations sufficient to pay all of the principal and interest due on the Notes payable on that date and is not prohibited from paying such money to the Holders thereof pursuant to the terms of this Indenture, then from and including that date such Notes cease to be outstanding and interest on them ceases to accrue.

SECTION 2.9. Treasury Notes.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver, consent or notice, Notes owned by the Company or any of its Affiliates shall be considered as though they are not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which a Trust Officer of the Trustee actually knows are so owned shall be so considered. The Company shall notify the Trustee, in writing, when it or any of its Affiliates repurchases or otherwise acquires Notes, of the aggregate principal amount of such Notes so repurchased or otherwise acquired.

SECTION 2.10. Temporary Notes.

Until definitive Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes upon receipt of a written order of the Company in the form of an Officers' Certificate. The Officers' Certificate shall specify the amount of temporary Notes to be authenticated and the date on which the temporary Notes are to be authenticated. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate upon receipt of a written order of the Company pursuant to Section 2.02 definitive Notes in exchange for temporary Notes.

SECTION 2.11. Cancellation.

The Company at any time may deliver Notes to the Registrar for cancellation. The Paying Agent shall forward to the Registrar any Notes surrendered to it for registration of transfer, exchange, purchase or payment. The Registrar shall cancel and, at the written direction of the Company, shall dispose of all Notes surrendered for registration of transfer, exchange, purchase, payment or cancellation. Subject to Section 2.07, the Company may not issue new Notes to replace Notes that it has paid or delivered to the Registrar for cancellation. If the Company shall acquire any of the Notes, such acquisition shall not operate as a redemption or satisfaction of the Indebtedness represented by such Notes unless and until the same are surrendered to the Registrar for cancellation pursuant to this Section 2.11.

SECTION 2.12. Defaulted Interest.

If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest, plus (to the extent lawful) any interest payable on the defaulted interest to the Persons who are Holders on a subsequent special record date, which date shall be the fifteenth day next preceding the date fixed by the Company for the payment of defaulted interest or the next succeeding Business Day if such date is not a Business Day. At least 15 days before the subsequent special record date, the Company shall mail to each Person who was a Holder as of a recent date selected by the Company, with a copy to the Trustee and the Paying Agent, a notice that states the subsequent special record date, the payment date and the amount of defaulted interest, and interest payable on such defaulted interest, if any, to be paid.

SECTION 2.13. CUSIP Number.

The Company in issuing the Notes may use a "CUSIP" number, and if so, the Trustee shall use the CUSIP number in notices of redemption or exchange as a convenience to Holders; provided that no representation is hereby deemed to be made by the Trustee as to the correctness or accuracy of the CUSIP number printed in the notice or on the Notes, and that reliance may be placed only on the other identification numbers printed on the Notes. The Company shall promptly notify the Trustee and the Registrar of any change in the CUSIP number.

SECTION 2.14. Deposit of Moneys.

Prior to 11:00 a.m. New York City time on each Interest Payment Date and on the Maturity Date, the Company shall have deposited with the Paying Agent in immediately available funds money sufficient to make cash payments, if any, due on such Interest Payment Date or Maturity Date, as the case may be, in a timely manner which permits the Paying Agent to remit payment to the Holders on such Interest Payment Date or Maturity Date, as the case may be.

SECTION 2.15. Restrictive Legends.

EACH GLOBAL NOTE SHALL BEAR THE FOLLOWING LEGEND ON THE FACE THEREOF:

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY, OR BY ANY SUCH NOMINEE OF THE DEPOSITORY, OR BY THE DEPOSITORY OR NOMINEE OF SUCH SUCCESSOR DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK LIMITED PURPOSE TRUST COMPANY ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2.17 OF THE INDENTURE.

SECTION 2.16. Book-Entry Provisions for Global Note.

(a) The Global Note initially shall (i) be registered in the name of the Depository or the nominee of such Depository, (ii) be delivered to the Registrar as custodian for such Depository and (iii) bear legends as set forth in Section 2.15.

Members of, or participants in, the Depository ("Agent Members") shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depository, or the Registrar as its custodian, or under the Global Note, and the Depository may be treated by the Company, the Trustee, each Agent and any agent of the Company, the Trustee or any Agent as the absolute owner of the Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee, each Agent or any agent of the Company, the Trustee or any Agent from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the

Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any Note.

(b) Transfers of the Global Note shall be limited to transfers in whole, but not in part, to the Depository, its successors or their respective nominees. Interests of beneficial owners in the Global Note may be transferred or exchanged for Physical Notes in accordance with the rules and procedures of the Depository. In addition, Physical Notes shall be transferred to all beneficial owners in exchange for their beneficial interests in the Global Note only if (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for the Global Note and a successor depositary is not appointed by the Company within 90 days of such notice or (ii) an Event of Default has occurred and is continuing and the Registrar has received a written request from the Depository to issue Physical Notes.

(c) In connection with any transfer or exchange of a portion of the beneficial interest in the Global Note to beneficial owners pursuant to paragraph (b), the Registrar shall (if one or more Physical Notes are to be issued) reflect on its books and records the date and a decrease in the principal amount of the Global Note in an amount equal to the principal amount of the beneficial interest in the Global Note to be transferred, and the Company shall execute, and the Trustee shall authenticate and deliver, one or more Physical Notes of like tenor and amount.

(d) In connection with the transfer of the entire Global Note to beneficial owners pursuant to paragraph (b), the Global Note shall be deemed to be surrendered to the Registrar for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner

identified by the Depository in exchange for its beneficial interest in the Global Note, an equal aggregate principal amount of Physical Notes of authorized denominations.

(e) The Holder of the Global Note may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Notes.

ARTICLE THREE

REDEMPTION

SECTION 3.1. Notices to Trustee.

If the Company elects to redeem Notes pursuant to Paragraph 6 of the Notes, it shall notify the Trustee and the Paying Agent in writing of the Redemption Date and the principal amount of the Notes to be redeemed.

The Company shall give each notice provided for in this Section 3.01 at least 30 days and not more than 60 days before the Redemption Date (unless a shorter notice period shall

be satisfactory to the Trustee and the Paying Agent, as evidenced in a writing signed on behalf of the Trustee and the Paying Agent), together with an Officers' Certificate stating that such redemption shall comply with the conditions contained herein and in the Notes.

SECTION 3.2. Selection of Notes To Be Redeemed.

If fewer than all of the Notes are to be redeemed, selection of the Notes to be redeemed will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not then listed on a national securities exchange, on a pro rata basis, by lot or in such other fair and reasonable manner chosen at the discretion of the Trustee; provided, however, that if a partial redemption is made with the proceeds of a Public Equity Offering, selection of the Notes or portion thereof for redemption shall be made by the Trustee only on a pro rata basis, to the extent practical, unless such method is otherwise prohibited. The Company shall promptly notify the Trustee and the Paying Agent in writing of the date of listing and the name of the securities exchange if and when the Notes are listed on a principal national securities exchange. The Trustee shall make the selection from the Notes outstanding and not previously called for redemption and shall promptly notify the Company and the Paying Agent in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. Notes in denominations of $1,000 may be redeemed only in whole. The Trustee may select for redemption portions (equal to $1,000 or any integral multiple thereof) of the principal of Notes that have denominations larger than $1,000. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

SECTION 3.3. Notice of Redemption.

At least 30 days but not more than 60 days before a Redemption Date, the Company shall mail or cause to be mailed a notice of redemption by first class mail, postage prepaid, to each Holder whose Notes are to be redeemed, with a copy to the Trustee and any Paying Agent. At the Company's written request, the Paying Agent shall give the notice of redemption in the Company's name and at the Company's expense.

Each notice for redemption shall identify the Notes to be redeemed and shall state:

(1) the Redemption Date;

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

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

(4) the subparagraph of the Notes pursuant to which such redemption is being made;

(5) that Notes called for redemption must be surrendered to the Paying Agent to collect the Redemption Price plus accrued interest, if any, and that interest on the Notes to be redeemed will cease to accrue on and after the applicable Redemption Date, whether or not such Notes are presented for payment.

(6) that, unless the Company defaults in making the redemption payment, interest on Notes called for redemption ceases to accrue on and after the Redemption Date, and the only remaining right of the Holders of such Notes is to receive payment of the Redemption Price plus accrued interest, if any, upon surrender to the Paying Agent of the Notes redeemed;

(7) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the Redemption Date, and upon surrender of such Note, a new Note or Notes in the aggregate principal amount equal to the unredeemed portion thereof will be issued; and

(8) if fewer than all the Notes are to be redeemed, the identification of the particular Notes (or portion thereof) to be redeemed, as well as the aggregate principal amount of Notes to be redeemed and the aggregate principal amount of Notes to be outstanding after such partial redemption.

SECTION 3.4. Effect of Notice of Redemption.

Once notice of redemption is mailed in accordance with Section 3.03, Notes called for redemption become due and payable on the Redemption Date and at the Redemption Price plus accrued interest thereon, if any. Upon surrender to the Paying Agent, such Notes called for redemption shall be paid at the Redemption Price (which shall include accrued interest thereon to but excluding the Redemption Date), but installments of interest, the maturity of which is on or prior to the Redemption Date, shall be payable to Holders of record at the close of business on the relevant record dates referred to in the Notes.

SECTION 3.5. Deposit of Redemption Price.

On or before 11:00 a.m. New York City time on the Redemption Date, the Company shall deposit with the Paying Agent U.S. Legal Tender sufficient to pay the Redemption Price plus accrued interest, if any, of all Notes to be redeemed on the Redemption Date. The Paying Agent shall promptly return to the Company any U.S. Legal Tender so deposited which is not required for that purpose, except with respect to monies owed as obligations to the Trustee pursuant to Article Seven.

If the Company complies with the preceding paragraph, then, unless the Company defaults in the payment of such Redemption Price plus accrued interest payable through the Redemption Date, if any, interest on the Notes to be redeemed will cease to accrue on and after the applicable Redemption Date, whether or not such Notes are presented for payment.

SECTION 3.6. Notes Redeemed in Part.

Upon surrender of a Note that is to be redeemed in part, the Company shall execute and, upon the request of the Company, the Trustee shall authenticate for the Holder a new Note or Notes equal in principal amount to the unredeemed portion of the Note surrendered.

ARTICLE FOUR

COVENANTS

SECTION 4.1. Payment of Notes.

The Company shall duly and punctually pay the principal of and interest on the Notes on the dates and in the manner provided in the Notes and in this Indenture. An installment of principal of or interest on the Notes shall be considered paid on the date it is due if the Trustee or Paying Agent (other than the Company or an Affiliate of the Company) holds on that date U.S. Legal Tender designated for and sufficient to pay the installment in full and is not prohibited from paying such money to the Holders pursuant to the terms of this Indenture.

The Company shall pay, to the extent such payments are lawful, interest on overdue principal and on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the rate borne by the Notes plus 2% per annum. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Notwithstanding anything to the contrary contained in this Indenture, the Company may, to the extent it is required to do so by law, deduct or withhold income or other similar taxes imposed by the United States from principal or interest payments hereunder.

SECTION 4.2. Maintenance of Office or Agency.

The Company shall maintain the office or agency required under Section 2.03. The Company shall give prior written notice to the Trustee and the Paying Agent of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee and the Paying Agent with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 13.02.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may

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

SECTION 4.3. Corporate Existence.

Except as otherwise permitted by Article Five and Section 4.16, the Company shall do or cause to be done, at its own cost and expense, all things necessary to preserve and keep in full force and effect its corporate existence and the corporate existence of each of its Restricted Subsidiaries in accordance with the respective organizational documents of each such Restricted Subsidiary and the material rights (charter and statutory) and franchises of the Company and each such Restricted Subsidiary unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 4.4. Payment of Taxes and Other Claims.

The Company shall pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all material taxes, assessments and governmental charges (including withholding taxes and any penalties, interest and additions to taxes) levied or imposed upon it or any of its Subsidiaries or properties of it or any of its Subsidiaries and (ii) all lawful claims for

labor, materials and supplies that, if unpaid, might by law become a Lien upon the property of it or any of its Subsidiaries; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings properly instituted and diligently conducted for which adequate reserves, to the extent required under GAAP, have been taken.

SECTION 4.5. Maintenance of Properties and Insurance.

(a) The Company shall, and shall cause each of its Restricted Subsidiaries to, maintain its material properties in good working order and condition (subject to ordinary wear and tear) and make all necessary repairs, renewals, replacements, additions, betterments and improvements thereto to actively conduct and carry on its business; provided, however, that nothing in this Section 4.05 shall prevent the Company or any of its Restricted Subsidiaries from discontinuing the operation and maintenance of any of its properties, if such discontinuance is, in the good faith judgment of the Board of Directors of the Company or such Restricted Subsidiary, as the case may be, desirable in the conduct of their respective businesses and would not reasonably be expected to have a Material Adverse Effect.

(b) The Company shall provide or cause to be provided, for itself and each of its Restricted Subsidiaries, insurance (including appropriate co-insurance and self-insurance) against loss or damage of the kinds that, in the good faith judgment of the Board of Directors of the Company, are adequate and appropriate for the conduct of the business of the Company and such Restricted Subsidiaries in a prudent manner, with reputable insurers or with the government of the United States or an agency or instrumentality thereof, in such amounts, with such deductibles, and by such methods as shall be customary, in the good faith judgment of the Board of Directors of the Company, for companies similarly situated in its industry.

SECTION 4.6. Compliance Certificate; Notice of Default.

(a) The Company for itself and on behalf of each Guarantor shall deliver to the Trustee, within 90 days after the end of the Company's fiscal year, an Officers' Certificate stating that a review of its activities and the activities of its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company or such Guarantor, as the case may be, has kept, observed, performed and fulfilled its obligations under this Indenture and further stating, as to each such Officer signing such certificate, that to the best of such Officer's knowledge the Company or such Guarantor, as the case may be, during such preceding fiscal year has kept, observed, performed and fulfilled each and every such covenant and no Default or Event of Default occurred during such year and at the date of such certificate there is no Default or Event of Default that has occurred and is continuing or, if such signers do know of such Default or Event of Default, the certificate shall describe the Default or Event of Default and its status with particularity. The Officers' Certificate of the Company shall also notify the Trustee should the Company elect to change the manner in which it fixes its fiscal year end.

(b) The Company shall deliver to the Trustee, with 45 days after the end of each of the Company's fiscal quarters, an Officers' Certificate stating that all Restricted Payments made during such fiscal quarter comply with this Indenture and setting forth in appropriate detail the basis upon which the required calculations were computed, which calculations may be based upon the Company's latest available internal quarterly financial statements. The Trustee shall have no duty or obligation to recalculate or otherwise verify the accuracy of the calculations set forth in any such Officers' Certificates.

(c) If any Default or Event of Default has occurred and is continuing or (ii) if any Holder seeks to exercise any remedy hereunder with respect to a claimed Default under this Indenture or the Notes, the Company shall deliver to the Trustee, at its address set forth in Section 13.02, by registered or certified mail or by telegram or facsimile transmission followed by hard copy by registered or certified mail an Officers' Certificate specifying such event,

notice or other action within five Business Days of its becoming aware of such occurrence. The Trustee shall not be deemed to have notice of any Default or Event of Default unless one of its Trust Officers receives written notice thereof from the Company or any of the Holders.

SECTION 4.7. Compliance with Laws.

The Company shall comply, and shall cause each of its Restricted Subsidiaries to comply, with all applicable statutes, rules, regulations, orders and restrictions of the United States, all states and municipalities thereof, and of any governmental department, commission, board, regulatory authority, bureau, agency and instrumentality of the foregoing, in respect of the conduct of their respective businesses, and the ownership of their respective properties, except for such noncompliances as are not in the aggregate reasonably likely to have a Material Adverse Effect.

SECTION 4.8. SEC Reports.

(a) So long as the Notes are outstanding, the Company and each Guarantor (at its own expense) shall file with the SEC and shall file with the Trustee within 15 days after it files them with the SEC copies of the quarterly and annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) to be filed pursuant to Section 13 or 15(d) of the Exchange Act (without regard to whether the Company or such Guarantor is subject to the requirements of such Section 13 or 15(d) of the Exchange Act). The Company shall also comply with the provisions of TIA (S) 314(a).

(b) At the Company's expense, the Company shall cause an annual report if furnished by it to stockholders generally and each quarterly or other financial report if furnished by it to stockholders generally to be filed with the Trustee and mailed to the Holders at their addresses appearing in the register of Notes maintained by the Registrar at the time of such mailing or furnishing to stockholders.

SECTION 4.9. Waiver of Stay, Extension or Usury Laws.

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

SECTION 4.10. Limitation on Restricted Payments.

The Company shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, (a) declare or pay any dividend or make any distribution

(other than dividends or distributions payable in Qualified Capital Stock of the Company and dividends or distributions payable to the Company) on or in respect of shares of the Capital Stock of the Company to holders of such Capital Stock of the Company, (b) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company or any warrants, rights or options to purchase or acquire shares of any class of such Capital Stock of the Company (other than the exchange of such Capital Stock for Qualified Capital Stock of the Company), (c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, any Indebtedness of the

Company or any of its Restricted Subsidiaries that is subordinate or junior in right of payment to the Notes or (d) make any Investment (other than Permitted Investments) (each of the foregoing actions set forth in clauses (a), (b) (c) and (d) being referred to as a "Restricted Payment"), if at the time of such

Restricted Payment or immediately after giving effect thereto, (i) a Default or an Event of Default shall have occurred and be continuing or (ii) the Company is not able to incur at least $1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with Section 4.12 or (iii) the aggregate amount of Restricted Payments (including such proposed Restricted Payment) made subsequent to the Loan Closing Date (the amount expended for such purposes, if other than in cash, being the fair market value of such property as determined reasonably and in good faith by the Board of Directors of the Company) shall exceed the sum, without duplication, of (u) 50% of the cumulative Consolidated Net Income (or if cumulative Consolidated Net Income shall be a loss, minus 100% of such loss) of the Company earned subsequent to the Loan Closing Date and on or prior to the date the Restricted Payment occurs (the "Reference Date")

(treating such period as a single accounting period); plus (v) 100% of the aggregate net cash proceeds received by the Company from any Person (other than a Subsidiary of the Company) from the issuance and sale subsequent to the Loan Closing Date and on or prior to the Reference Date of Qualified Capital Stock of the Company; plus (w) without duplication of any amounts included in clause (iii)(v) above, 100% of the aggregate net cash proceeds of any equity contribution received by the Company from any Person (other than a Subsidiary of the Company) subsequent to the Loan Closing Date and on or prior to the Reference Date; plus (x) without duplication and to the extent not included in the calculation of Consolidated Net Income of the Company, the sum of (1) the aggregate amount returned in cash on or with respect to Investments (other than Permitted Investments) made subsequent to the Loan Closing Date whether through interest payments, principal payments, dividends or other distributions or payments, (2) the net cash proceeds received by the Company or any Restricted Subsidiary from the disposition of all or any portion of such Investments (other than to a Subsidiary of the Company) and (3) upon redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, an amount equal to the fair market value of the Company's interest in such Subsidiary on such date; provided, however, that with respect to all Investments made in any Unrestricted

Subsidiary or joint venture, the sum of clauses (1), (2) and (3) above with respect to such Investment shall not exceed the aggregate amount of all such Investments made subsequent to the Loan Closing Date in such Unrestricted Subsidiary or joint venture; plus (y) the principal amount of any Indebtedness or Disqualified Capital Stock of the Company or any of its Restricted Subsidiaries incurred or issued subsequent to the Loan Closing Date which has been converted into or exchanged for Qualified Capital Stock of the

Company; minus (z) the greater of (1) $0 and (2) the Designation Amount (measured as of the date of Designation) with respect to any Subsidiary of the Company which has been designated as an Unrestricted Subsidiary subsequent to the Loan Closing Date.

Notwithstanding the foregoing, the provisions set forth in the immediately preceding paragraph do not prohibit: (1) the payment of any dividend or consummation of any redemption within 60 days after the date of declaration of such dividend or redemption if the dividend or redemption would have been permitted on the date of declaration; (2) so long as no Default or Event of Default shall have occurred and be continuing, the acquisition of any shares of Capital Stock of the Company or the repayment, retirement, redemption or other acquisition of any Indebtedness of the Company that is subordinate or junior in right of payment to the Notes, either (i) solely in exchange for shares of Qualified Capital Stock of the Company or (ii) through the application of net proceeds of a substantially concurrent sale for cash (other than to a Subsidiary of the Company) of shares of Qualified Capital Stock of the Company; (3) so long as no Default or Event of Default shall have occurred and be continuing, payments for the purpose of and in an amount equal to the amount required to permit Holdings to redeem or repurchase shares of its Capital Stock or options in respect thereof from employees or officers of Holdings, the Company or any of their respective Subsidiaries or their estates or authorized representatives upon the death, disability or termination of the employment of such employees or officers or pursuant to repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate employees in an aggregate amount not to exceed $7,000,000 (which amount shall be increased by

the amount of any cash proceeds to the Company from (x) sales of its Qualified Capital Stock to management employees subsequent to the Loan Closing Date and (y) any "key-man" life insurance policies which are used to make such redemptions or repurchases) in the aggregate; (4) the payment of fees and compensation as permitted under clause (i) of paragraph (b) of Section 4.11; (5) so long as no Default or Event of Default shall have occurred and be continuing, payments not to exceed $100,000 in the aggregate, to enable the Company to make payments to holders of its Capital Stock in lieu of issuance of fractional shares of its Capital Stock; (6) repurchases of Capital Stock of the Company deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof; and (7) so long as (i) no Default or Event of Default shall have occurred and be continuing, (ii) Holders shall have received a copy of the audited consolidated balance sheet of Holdings and its Subsidiaries as at the end of the fiscal year ended June 28, 1997, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such year, accompanied by the opinion of Price Waterhouse & Co., which report shall state that such opinion is unqualified, shall express no doubts about the ability of Holdings and its Subsidiaries to continue as a going concern, and shall state that the accompanying financial statements fairly present in all material respects the consolidated financial position of Holdings and its Subsidiaries as at the date indicated and the results of their operations and their cash flow for the period indicated in conformity with GAAP and that the examination by such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, (iii) Consolidated EBITDA of the Company and its Subsidiaries for the fiscal year ended June 28, 1997 is at least $75,000,000, and (iv) the Trustee shall have received an

Officers' Certificate certifying that Holdings and Company will be Solvent after giving effect to the payment of the proposed dividend and the making of the proposed redemption of the Holdings Preferred Stock, the payment of a dividend not exceeding $38,000,000 to Holdings to be applied to the redemption of the Holdings Preferred Stock. In determining the aggregate amount of Restricted Payments made subsequent to the Closing Date in accordance with clause (iii) of the immediately preceding paragraph, (a) amounts expended (to the extent such expenditure is in the form of cash or other property other than Qualified Capital Stock) pursuant to clauses (1), (2) and (3) of this paragraph shall be included in such calculation, provided that such expenditures pursuant to clause
(3) shall not be included to the extent of cash proceeds received by the Company from any "key man" life insurance policies and (b) amounts expended pursuant to clauses (4), (5), (6) and (7) shall be excluded from such calculation.

SECTION 4.11. Limitation on Transactions with Affiliates.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of their respective Affiliates (each an "Affiliate Transaction"), other than (x) Affiliate Transactions permitted under paragraph (b) below and (y) Affiliate Transactions on terms that are no less favorable to the Company or such Restricted Subsidiary than those that might reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company or such Restricted Subsidiary. All Affiliate Transactions (and each series of related Affiliate Transactions which are similar or part of a common plan) involving aggregate payments or other property (excluding for this purpose Qualified Capital Stock of the Company issued to an Affiliate of the Company) with a fair market value of more than $2,000,000 shall be approved by a majority of the Disinterested Directors of the Board of Directors of the Company or such Restricted Subsidiary, as the case may be, such approval to be evidenced by a Board Resolution stating that such Board of Directors has determined that such transaction complies with the foregoing provisions. If the Company or any Restricted Subsidiary of the Company enters into an Affiliate Transaction (or a series of related Affiliate Transactions which are similar or part of a common plan) involving aggregate payments or other property (excluding for this purpose Qualified Capital Stock of the Company issued to an Affiliate of the Company) with a fair market value of more than $10,000,000, the Company or such Restricted Subsidiary, as the case may be, shall, prior to the consummation

thereof, obtain a favorable written opinion as to the fairness of such transaction or series of related transactions to the Company or the relevant Restricted Subsidiary, as the case may be, from a financial point of view, from an Independent Financial Advisor and file the same with the Trustee.

(b) The foregoing restrictions shall not apply to (i) reasonable fees, compensation and out-of-pocket expenses paid to indemnity provided on behalf of, and benefit plans maintained for, officers, directors, employees or consultants of the Company or any Restricted Subsidiary of the Company as determined in good faith by the Company's Board of

Directors or senior management; (ii) transactions between or among the Company and any of its Wholly-Owned Restricted Subsidiaries or exclusively between or among such Wholly-Owned Restricted Subsidiaries, provided that such transactions are not otherwise prohibited by this Indenture; (iii) Restricted Payments and Permitted Investments permitted by this Indenture; (iv) the issuance of Qualified Capital Stock of the Company or any of its Restricted Subsidiaries to any of their respective Affiliates; (v) the purchase by the Company or any of its Restricted Subsidiaries of any assets from any of their respective Affiliates (previously purchased by such Affiliate) if the amount paid therefor does not exceed the sum of (x) the amount paid by such Affiliate for such asset, (y) recourse liabilities incurred by such Affiliate in connection with such asset plus (z) cost of funds to such Affiliate in connection with the purchase of such asset; and (vi) transactions described on Schedule 4.11 annexed hereto.

SECTION 4.12. Limitation on Incurrence of Additional Indebtedness and Issuance of Disqualified Capital Stock.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume, guarantee, acquire, become liable, contingently or otherwise, with respect to, or otherwise become responsible for payment of (collectively, "incur") any Indebtedness (other than Permitted Indebtedness) or issue any Disqualified Capital Stock (other than to the Company or to a Wholly-Owned Restricted Subsidiary of the Company) or permit any Person (other than the Company or a Wholly-Owned Restricted Subsidiary of the Company) to own any Disqualified Capital Stock of the Company or any Restricted Subsidiary of the Company; provided, however, that if no Default or Event of Default shall have occurred and be continuing at the time or as a consequence of the incurrence of any such Indebtedness or the issuance of any such Disqualified Capital Stock, the Company and the Restricted Subsidiaries of the Company may incur Indebtedness (including, without limitation, Acquired Indebtedness) or issue Disqualified Capital Stock, in each case if on the date of the incurrence of such Indebtedness or the issuance of such Disqualified Capital Stock, after giving effect to the incurrence or issuance thereof, the Consolidated Fixed Charge Coverage Ratio of the Company is greater than 2.0 to 1.0.

SECTION 4.13. Limitation on Dividends and Other Payment Restrictions Affecting Subsidiaries.

The Company shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary of the Company to (a) pay dividends or make any other distributions on or in respect of its Capital Stock; (b) make loans or advances or to, guarantee the Indebtedness of, or pay any Indebtedness or other obligation owed to, the Company or any other Restricted Subsidiary of the Company; or (c) transfer any of its property or assets to the Company or any other Restricted Subsidiary of the Company, except for such encumbrances or restrictions existing under or by reason of: (1) applicable law; (2) this Indenture; (3) customary non-assignment provisions of any contract or

lease governing a leasehold or ownership interest of the Company or any

Restricted Subsidiary of the Company; (4) any instrument governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired; (5) agreements existing on the Loan Closing Date (including, without limitation, the Senior Credit Agreement) to the extent and in the manner such agreements are in effect on the Loan Closing Date; (6) restrictions on transfer of property subject to a Permitted Lien imposed by the holder of such Permitted Lien; (7) other instruments with respect to Indebtedness existing on the Loan Closing Date; (8) the Existing Subordinated Notes; (9) an agreement governing Indebtedness incurred to Refinance the Indebtedness issued, assumed or incurred pursuant to an agreement referred to in clause (2), (4), (5), (6), (7) or (8) above; provided, however,
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that the provisions relating to such encumbrance or restriction contained in any such Indebtedness are no less favorable to the Company in any material respect as determined by the Board of Directors of the Company in its reasonable and good faith judgment than the provisions relating to such encumbrance or restriction contained in agreements referred to in such clause (2), (4), (5), (6), (7) or (8); or (10) an agreement for the sale or disposition of the assets of the Company or any Restricted Security of the Company prior to consummation of such sale.

SECTION 4.14. Prohibition on Incurrence of Senior Subordinated Debt.

The Company shall not incur or suffer to exist Indebtedness that is senior in right of payment to the Notes and subordinate in right of payment to any other Indebtedness of the Company. No Guarantor shall incur or suffer to exist Indebtedness that is senior in right of payment to the Guarantee of such Guarantor and subordinate in right of payment to any other Indebtedness of such Guarantor. The Existing Subordinated Notes shall rank pari passu with the Notes.

SECTION 4.15. Change of Control.

(a) Upon the occurrence of a Change of Control, Company shall make the Change of Control Offer, and each Holder will have the right to require that the Company purchase all or a portion of such Holder's Notes pursuant to such Change of Control Offer, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest thereon, if any, to but excluding the Change of Control Redemption Date (the "Change of Control Offer").

Prior to the mailing of the notice referred to below, but in any event within 30 days following any Change of Control, Company shall (i) to the extent required under the terms thereof, repay in full and terminate all commitments under Indebtedness under the Senior Credit Agreement and all other Senior Debt the terms of which require repayment upon a Change of Control or offer to repay in full and terminate all commitments under all Indebtedness under the Senior Credit Agreement and all other such Senior Debt and to repay the Indebtedness owed to each lender which has accepted such offer or (ii) obtain the requisite consents under the Senior Credit Agreement and all other Senior Debt to permit the repurchase of the Notes as provided below. Company shall first comply with the covenant in the immediately preceding sentence

before it shall be required to repurchase Notes pursuant to the provisions described in this Section 4.15. Company's failure to comply with the immediately preceding sentence shall constitute an Event of Default under Section 6.01(3) and not under Section 6.01(2).

(b) Within 30 days following the date upon which the Change of Control occurred (the "Change of Control Date"), Company shall send, by first
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class mail, a notice to each Holder, with a copy to the Trustee and each Paying Agent, which notice shall govern the terms of the Change of Control Offer. The notice to the Holders shall contain all instructions and materials reasonably necessary to enable such Holders to tender Notes pursuant to the Change of Control Offer. Such notice shall state:

(i) that the Change of Control Offer is being made pursuant to Section 4.15 and that all Notes tendered and not withdrawn will be accepted for payment;

(ii) the purchase amount (including the amount of accrued interest) and the purchase date (which shall be no earlier than 30 days nor later than 45 days from the date such notice is mailed, other than as may be required by law) (the "Change of Control Payment Date");

(iii) that any Note not tendered will continue to accrue interest;

(iv) that, unless the Company defaults in making payment therefor, any Note accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest on and after the Change of Control Payment Date;

(v) that Holders electing to have a Note purchased pursuant to a Change of Control Offer will be required to surrender its Note with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the Paying Agent at the address specified in the Change of Control Offer prior to the close of business on the third Business Day prior to the Change of Control Payment Date;

(vi) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than five Business Days prior to the Change of Control Payment Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Notes the Holder delivered for purchase and a statement that such Holder is withdrawing its election to have such Notes purchased;

(vii) that Holders whose Notes are prepaid only in part will be issued new Notes in a principal amount equal to the unprepaid portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in an original principal amount of $1,000 or integral multiples thereof; and

(viii) the circumstances and relevant facts regarding such Change of Control.

On or before the Change of Control Payment Date, the Company shall (i) accept for payment Notes or portions thereof tendered pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent U.S. Legal Tender sufficient to pay the purchase price plus accrued interest, if any, of all Notes so tendered and (iii) deliver to the Registrar Notes so accepted together with an Officers' Certificate stating the Notes or portions thereof being purchased by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price plus accrued interest, if any, and the Trustee shall promptly authenticate and mail to such Holders new Notes equal in principal amount to any unpurchased portion of the Notes surrendered. Any Notes not so accepted shall be promptly mailed by the Company or, if requested by the Company, the Paying Agent to the Holder thereof.

Any amounts remaining after the purchase of Notes pursuant to a Change of Control Offer shall be returned by the Paying Agent to the Company.

The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent the provisions of any securities laws or regulations conflict with this Section 4.15, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 4.15 by virtue thereof.

SECTION 4.16. Limitation on Asset Sales.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless (i) the Company or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value of the assets sold or otherwise disposed of (as determined in good faith by a majority of the Company's Board of Directors); (ii) at least 75% of the consideration (whether or not paid in installments) received by the Company or the Restricted Subsidiary, as the case may be, from such Asset Sale shall be in the form of cash or Cash Equivalents (provided that (A) the amount of any liabilities (as

shown on the Company's or such Restricted Subsidiary's most recent balance sheet) of the Company or any such Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Notes) that are assumed by the transferee of any such assets and (B) notes or other obligations that are promptly converted into cash or Cash Equivalents shall be deemed to be cash for the purposes of this provision) and is received at the time of such disposition; and (iii) upon the consummation of an Asset Sale, the Company shall apply, or cause such Restricted Subsidiary to apply, the Net Cash Proceeds relating to such Asset Sale within 365 days of receipt thereof either (A) to prepay any Senior Debt and, in the case of any Senior Debt under any revolving credit facility, effect a permanent reduction in the availability under such revolving credit facility, (B) to make an investment in properties and assets that replace the properties and assets that were the subject of such Asset

Sale or in properties and assets that will be used in the business of the Company and its Restricted Subsidiaries as existing on the Loan Closing Date or in businesses which are the same, similar or reasonably related thereto ("Replacement Assets"), or (C) a combination of prepayment and investment permitted by the foregoing clauses (iii)(A) and (iii)(B). Subject to the last sentence of this paragraph, on the 366th day after an Asset Sale or such earlier date, if any, as the Board of Directors of the Company or of such Restricted Subsidiary determines not to apply the Net Cash Proceeds relating to such Asset Sale as set forth in clause (iii)(A), (iii)(B) or (iii)(C) of the next preceding sentence (each, a "Net Proceeds Offer Trigger Date"), such aggregate amount of Net Cash Proceeds which have not been applied on or before such Net Proceeds Offer Trigger Date as permitted in clauses (iii)(A), (iii)(B) and (iii)(C) of the next preceding sentence (each a "Net Proceeds Offer Amount") shall be applied by the Company or such Restricted Subsidiary to make an offer to purchase (the "Net Proceeds Offer") on a date (the "Net Proceeds Offer Payment Date") not less than 30 nor more than 45 days following the applicable Net Proceeds Offer Trigger Date, from all Holders on a pro rata basis, that amount of Notes equal to the Net Proceeds Offer Amount at a price equal to 100% of the principal amount of the Notes to be purchased, plus accrued and unpaid interest thereon, if any, to but excluding the date of purchase; provided, however, that if at any time any non-cash consideration received by the Company or any Restricted Subsidiary of the Company, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any such non-cash consideration), then such conversion or disposition shall be deemed to constitute an Asset Sale hereunder and the Net Cash Proceeds thereof shall be applied in accordance with this covenant. The Company may defer the Net Proceeds Offer until there is an aggregate unutilized Net Proceeds Offer Amount equal to or in excess of $20,000,000 resulting from one or more Asset Sales (at which time, the entire unutilized Net Proceeds Offer Amount, and not just the amount in excess of $20,000,000, shall be applied as required pursuant to this paragraph).

In the event of the transfer of substantially all (but not all) of the property and assets of the Company and its Restricted Subsidiaries as an entirety to a Person in a transaction permitted under Article Five, the successor Person shall be deemed to have sold the properties and assets of the Company and its Restricted Subsidiaries not so transferred for purposes of this covenant, and shall comply with the provisions of this covenant with respect to such deemed sale as if it were an Asset Sale. In addition, the fair market value (as determined in good faith by a majority of the Company's Board of Directors) of such properties and assets of the Company or its Restricted Subsidiaries deemed to be sold shall be deemed to be Net Cash Proceeds for purposes of this Section 4.16.

Each Net Proceeds Offer will be mailed to the record Holders by the Company as shown on the register of Holders within 25 days following the Net Proceeds Offer Trigger Date, with a copy to the Trustee and each Paying Agent, and shall comply with the procedures set forth in this Indenture. Upon receiving notice of the Net Proceeds Offer, Holders may elect to tender their Notes in whole or in part in integral multiples of $1,000 in exchange for cash. To the

extent Holders properly tender Notes in an amount exceeding the Net Proceeds Offer Amount, Notes of

tendering Holders will be purchased on a pro rata basis (based on amounts tendered). To the extent that the aggregate amount of Notes tendered pursuant to a Net Proceeds Offer is less than the Net Proceeds Offer Amount, the Company may use such excess Net Proceeds Offer Amount for general corporate purposes or for any other purpose not prohibited by this Indenture. Upon completion of any such Net Proceeds Offer, the Net Proceeds Offer Amount shall be reset at zero. A Net Proceeds Offer shall remain open for a period of 20 Business Days or such longer period as may be required by law.

(b) Subject to the deferral of the Net Proceeds Offer Trigger Date contained in the second paragraph of subsection (a) above, each notice of a Net Proceeds Offer pursuant to this Section 4.16 shall be mailed or caused to be mailed, by first class mail, by the Company not more than 25 days after the Net Proceeds Offer Trigger Date to all Holders at their last registered addresses as of a date within 15 days of the mailing of such notice, with a copy to the Trustee and each Paying Agent. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Net Proceeds Offer and shall state the following terms:

(1) that the Net Proceeds Offer is being made pursuant to Section 4.16 and that all Notes tendered and not withdrawn will be accepted for payment; provided, however, that if the aggregate principal amount of Notes tendered in a Net Proceeds Offer exceeds the aggregate amount of the Net Proceeds Offer, the Company shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of $1,000 or multiples thereof shall be purchased);

(2) the purchase price (including the amount of accrued interest) and the purchase date (which shall be 20 Business Days from the date of mailing of notice of such Net Proceeds Offer, or such longer period as required by law) (the "Proceeds Purchase Date");

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless the Company defaults in making payment therefor, any Note accepted for payment pursuant to the Net Proceeds Offer shall cease to accrue interest on and after the Proceeds Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to a Net Proceeds Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day prior to the Proceeds Purchase Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than five Business Days prior to the Proceeds Purchase Date, a

facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Notes the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased; and

(7) that Holders whose Notes are purchased only in part will be issued new Notes in a principal amount equal to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in an original principal amount of $1,000 or integral multiples thereof.

On or before the Proceeds Purchase Date, the Company shall (i) accept for payment Notes or portions thereof tendered pursuant to the Net Proceeds Offer which are to be purchased in accordance with item (b)(1) above, (ii) deposit with the Paying Agent U.S. Legal Tender sufficient to pay the purchase price plus accrued interest, if any, of all Notes to be purchased and (iii) deliver to the Paying Agent Notes so accepted together with an Officers' Certificate stating the Notes or portions thereof being purchased by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price plus accrued interest, if any.

Any amounts remaining after the purchase of Notes pursuant to a Net Proceeds Offer shall be returned by the Trustee to the Company.

The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to a Net Proceeds Offer. To the extent that the provisions of any securities laws or regulations conflict with this Section 4.16, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 4.16 by virtue thereof.

SECTION 4.17. Limitation on Liens.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, create, incur, assume or suffer to exist any Liens of any kind against or upon any of its property or assets, whether owned on the Loan Closing Date or acquired after the Loan Closing Date, or any proceeds therefrom, or assign or otherwise convey any right to receive income or profits therefrom unless (i) in the case of Liens securing Indebtedness that is expressly subordinate or junior in right of payment to the Notes, the Notes are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens and (ii) in all other cases, the Notes are equally and ratably secured, except for (A) Liens existing as of the Loan Closing Date to the extent and in the manner such Liens are in effect as of the Loan Closing Date; (B) Liens securing Senior Debt and Liens on assets of Restricted Subsidiaries securing guarantees of Senior Debt; (C) Liens securing the Notes; (D) Liens of the Company or a Wholly-Owned Restricted Subsidiary of the Company on assets of any Restricted Subsidiary of the Company; (E) Liens securing Refinancing Indebtedness which is incurred to Refinance Indebtedness which has been

secured by a Lien permitted under this Indenture and which has been incurred in accordance with the provisions of this Indenture; provided, however, that such Liens do not extend to or cover any property or assets of the Company or any of its Restricted Subsidiaries not securing the Indebtedness so Refinanced; and (F) Permitted Liens.

SECTION 4.18. Limitation on Guarantees by Restricted Subsidiaries.

The Company shall not permit any of its Restricted Subsidiaries, directly or indirectly, by way of the pledge of any intercompany note or otherwise, to assume, guarantee or in any other manner become liable with respect to any Indebtedness of the Company or any other Restricted Subsidiary (other than (a) Permitted Indebtedness of a Restricted Subsidiary, (b) Indebtedness under Currency Agreements incurred in reliance on clause (v) of the definition of Permitted Indebtedness, or (c) Interest Swap Obligations incurred in reliance on clause (iv) of the definition of Permitted Indebtedness), unless, in any such case (a) such Restricted Subsidiary executes and delivers a supplemental indenture to this Indenture, providing a guarantee of payment of the Notes by such Restricted Subsidiary (a "Guarantee") substantially similar to the Guarantee contained in Article Eleven and (b) (x) if any such assumption, guarantee or other liability of such Restricted Subsidiary is provided in respect of Senior Debt, the guarantee or other instrument provided by such Restricted Subsidiary in respect of such Senior Debt may be superior to such Guarantee pursuant to subordination provisions no less favorable to the Holders of the Notes than those contained in this Indenture, and (y) if such assumption, guarantee or other liability of such Restricted Subsidiary is provided in

respect of Indebtedness that is expressly subordinated to the Notes, the guarantee or other instrument provided by such Restricted Subsidiary in respect of such subordinated Indebtedness shall be subordinated to such Guarantee pursuant to subordination provisions no less favorable to the Holders of the Notes than those contained in this Indenture.

Each Guarantee of a Restricted Subsidiary will be limited in amount to an amount not to exceed the maximum amount that can be guaranteed by a Restricted Subsidiary without rendering such Guarantee, as it relates to such Restricted Subsidiary, void or voidable under applicable laws relating to fraudulent conveyance or fraudulent transfer or other similar laws affecting the rights of creditors generally; provided that in the event that such Guarantee is subordinated in right of payment to a guaranty constituting Guarantor Senior Debt containing a comparable limitation, such limitation in such other guaranty shall not be given effect in calculating the limitation on the amount of the Guarantee made to this Section 4.18. In addition, such Guarantee shall contain appropriate provisions relating to contribution among all Restricted Subsidiaries executing Guarantees.

Notwithstanding the foregoing, any such Guarantee of the Notes by a Restricted Subsidiary of the Company shall provide by its terms that it shall be automatically and unconditionally released and discharged, without any further action required on the part of the Trustee or any Holder, upon: (i) the unconditional release of such Restricted Subsidiary from its liability in respect of the Indebtedness in connection with which such Guarantee was executed

and delivered pursuant to the preceding paragraph; (ii) any sale or other disposition (by merger or otherwise) to any Person which is not a Restricted Subsidiary of the Company, of all of the Company's Capital Stock in, or all or substantially all of the assets of, such Restricted Subsidiary; provided that
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(a) such sale or disposition of such Capital Stock or assets is otherwise in compliance with the terms of this Indenture and (b) such assumption, guarantee or other liability of such Restricted Subsidiary has been released by the holders of the other Indebtedness so guaranteed; or (iii) the designation of such Restricted Subsidiary as an Unrestricted Subsidiary in accordance with the terms of this Indenture.

SECTION 4.19. Conduct of Business.

The Company and its Restricted Subsidiaries will not engage in any businesses other than a Related Business.

SECTION 4.20. Designation of Unrestricted Subsidiaries.

(a) The Company may designate after the Loan Closing Date any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary) as an "Unrestricted Subsidiary" under this Indenture (a
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"Designation") only if:

(i) no Default or Event of Default shall have occurred and be continuing at the time of or after giving effect to such Designation;

(ii) at the time of and after giving effect to such Designation, the Company could incur $1.00 of additional Indebtedness (other than Permitted Indebtedness) under Section 4.12; and

(iii) The Company would be permitted to make an Investment (other than a Permitted Investment) at the time of Designation (assuming the effectiveness of such Designation) pursuant to Section 4.10(d) in an amount (the "Designation Amount") equal to the fair market value of Company's
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interest in such Subsidiary on such date.

Neither the Company nor any Restricted Subsidiary shall at any time (x) provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, or guarantee, any Indebtedness of any Unrestricted Subsidiary (including any

undertaking, agreement or instrument evidencing such Indebtedness) or (y) be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary.

(b) The Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a "Revocation") if:

(i) no Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such Revocation;

(ii) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if incurred at such time, have been permitted to be incurred for all purposes of this Indenture; and

(iii) any transaction (or series of related transactions) between such Subsidiary and any of its Affiliates that occurred while such Subsidiary was an Unrestricted Subsidiary and will continue after the time of such Revocation would be permitted by Section 4.11 as if such transaction (or series of related transactions) had occurred at the time of such Revocation.

All Designations and Revocations must be evidenced by a Board Resolution of the Company certifying compliance with the foregoing provisions.

Any Guarantor that is designated an Unrestricted Subsidiary pursuant to and in accordance with paragraph (a) above shall upon such Designation be released and discharged of its Guarantee Obligations in respect of this Indenture.

ARTICLE FIVE

SUCCESSOR CORPORATION

SECTION 5.1. Merger, Consolidation and Sale of Assets.

(a) The Company shall not, in a single transaction or a series of related transactions, consolidate with or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary of the Company to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries), to any Person, whether as an entirety or substantially as an entirety, unless:

(1) either (A) the Company shall be the surviving or continuing corporation or (B) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and its Restricted Subsidiaries substantially as an entirety (the "Surviving Entity") (x) shall be a corporation organized and validly existing under the laws of the United States or any state thereof or the District of Columbia and (y) shall expressly assume, by supplemental indenture (in form and substance reasonably satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes and the performance of every covenant of the Notes and this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction and the assumption contemplated by clause (1)(B)(y) above (including giving effect to any Indebtedness and

Acquired Indebtedness incurred or anticipated to be incurred in connection with or in respect of such transaction), the Company or such Surviving

Entity, as the case may be, shall be able to incur at least $1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with Section 4.12;

(3) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (1)(B)(y) above (including, without limitation, giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred and be continuing; and

(4) the Company or the Surviving Entity, as the case may be, shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with the applicable provisions of this Indenture and that all conditions precedent in this Indenture relating to such transaction have been satisfied.

(b) For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties and assets of one or more Restricted Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

SECTION 5.2. Successor Corporation Substituted.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the assets of the Company in accordance with the foregoing, in which the Company is not the continuing corporation, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture and the Notes with the same effect as if such surviving entity had been named as such.

SECTION 5.3. Merger, Consolidation and Sale of Assets of Guarantor.

(a) No Guarantor shall, in a single transaction or a series of related transactions, consolidate with or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of such Guarantor's assets (determined on a consolidated basis for such Guarantor and its Subsidiaries), whether as an entirety or substantially as an entirety, unless:

(1) either (A) such Guarantor shall be the surviving or continuing corporation or (B) the Person (if other than such Guarantor) formed by such consolidation or into which such Guarantor is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of Guarantor and its Subsidiaries substantially as an entirety (the "Surviving Parent Entity") (x) shall be a corporation or other entity organized or formed and validly existing under the laws of the United States or any state thereof or the District of Columbia and (y) shall expressly assume, by supplemental indenture (in form and substance reasonably satisfactory to the Trustee), executed and delivered to the Trustee, obligations of such Guarantor of the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes and the performance of every covenant of this Indenture to be performed or observed by such Guarantor;

(2) immediately after giving effect to such transaction and the assumption contemplated by clause (1)(B)(y) above (including giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred in connection with or in respect of such transaction), such Guarantor or such Surviving Parent Entity, as the case may be, shall be able to incur at least $1.00 of additional Indebtedness (other than

Permitted Indebtedness) in compliance with Section 4.12;

(3) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (1)(B)(y) above (including, without limitation, giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred and be continuing; and

(4) Such Guarantor or the Surviving Parent Entity, as the case may be, shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with the applicable provisions of this Indenture and that all conditions precedent in this Indenture relating to such transaction have been satisfied.

(b) For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties and assets of one or more Subsidiaries of any Guarantor, the Capital Stock of which constitutes all or substantially all of the properties and assets of such Guarantor, shall be deemed to be the transfer of all or substantially all of the properties and assets of such Guarantor.

SECTION 5.4. Successor Corporation Substituted for Guarantor.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the assets of any Guarantor in accordance with the foregoing, in which such

Guarantor is not the continuing corporation, the successor Person formed by such consolidation or into which such Guarantor is merged or to which such conveyance, lease or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, such Guarantor under this Indenture with the same effect as if such surviving entity had been named as such.

ARTICLE SIX

DEFAULT AND REMEDIES

SECTION 6.1. Events of Default.

An "Event of Default" occurs if:

(1) the Company fails to pay interest on any Notes when the same becomes due and payable and the Default continues for a period of 30 days (whether or not such payment shall be prohibited by Article Ten of this Indenture); or

(2) the Company fails to pay the principal of or premium, if any, on any Notes when such principal or premium becomes due and payable, at maturity, upon redemption or otherwise (including the failure to make a payment to purchase Notes tendered pursuant to a Change of Control Offer or a Net Proceeds Offer) (whether or not such payment shall be prohibited by Article Ten); or

(3) the Company or any Guarantor defaults in the observance or performance of any other covenant or agreement contained in this Indenture or the Guarantee and which default continues for a period of 30 days after written notice specifying the default (and demanding that such default be remedied) is received by the Company from the Trustee or by the Company and the Trustee from the Holders of at least 25% of the outstanding principal amount of the Notes; or

(4) the Company fails to pay at final stated maturity (giving effect to any applicable grace periods and any extensions thereof) the principal amount of any Senior Debt for borrowed money of the Company or any Restricted Subsidiary of the Company, and such failure continues for a

period of 5 Business Days or more, or the acceleration of the final stated maturity of any such Senior Debt (which acceleration is not rescinded, annulled or otherwise cured within 5 Business Days of receipt by the Company or such Restricted Subsidiary of notice of any such acceleration) if the aggregate principal amount of such Senior Debt, together with the principal amount of any other Indebtedness for borrowed money of the Company or any Restricted Subsidiary of the Company in default for failure to pay principal at final stated maturity or which has been accelerated, and in the case of any such Senior Debt the 5 Business Day-period described above has passed, aggregates $10,000,000 or more at any time; or the Company fails to pay at final stated maturity (giving effect to any applicable grace periods and any

extensions thereof) the principal amount of any other Indebtedness for borrowed money of the Company or any Restricted Subsidiary of the Company, or the acceleration of the final stated maturity of any such other Indebtedness if the aggregate principal amount of such other Indebtedness, together with the principal amount of any other Indebtedness for borrowed money of the Company or any Restricted Subsidiary of the Company in default for failure to pay principal at final stated maturity or which has been accelerated, and in the case of any such Senior Debt the 5 Business Day-period described above has passed, aggregates $10,000,000 or more at any time;

(5) one or more judgments for the payment of money in an aggregate amount of $5,000,000 or more in excess of the amount covered by independent third party insurance to the extent the insurer does not dispute coverage shall have been rendered against the Company or any of its Restricted Subsidiaries and such judgments remain undischarged, unpaid or unstayed for a period of 60 days after such judgment or judgments become final and nonappealable; or

(6) the Company or any Significant Subsidiary of the Company (a) commences a voluntary case or proceeding under any Bankruptcy Law with respect to itself, (b) consents to the entry of a judgment, decree or order for relief against it in an involuntary case or proceeding under any Bankruptcy Law, (c) consents to the appointment of a Custodian of it or for substantially all of its property, (d) consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it, (e) makes a general assignment for the benefit of its creditors, or (f) takes any corporate action to authorize or effect any of the foregoing; or

(7) a court of competent jurisdiction enters a judgment, decree or order for relief in respect of the Company or any Significant Subsidiary of the Company in an involuntary case or proceeding under any Bankruptcy Law, which shall (a) approve as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the Company or any such Significant Subsidiary, (b) appoint a Custodian of the Company or any such Significant Subsidiary or for substantially all of its property or (c) order the winding up or liquidation of its affairs; and such judgment, decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(8) the failure of the Guarantee to be in full force and effect (except as contemplated by the terms thereof) with respect to any Guarantor or the denial or disaffirmation of its Guarantee Obligations by any Guarantor.

SECTION 6.2. Acceleration.

(a) If an Event of Default (other than an Event of Default specified in Section 6.01(6) or (7) with respect to the Company) occurs and is continuing and has not been waived pursuant to Section 6.04, then the Trustee or the Holders of at least 25% in principal amount of outstanding Notes may declare the principal of and accrued interest on all the Notes to be due

and payable by notice in writing to the Company and the Trustee specifying the respective Event of Default and that it is a "notice of acceleration" (the

"Acceleration Notice"), and the same (i) shall become immediately due and payable or (ii) if there are any amounts outstanding under the Senior Credit Agreement, shall become immediately due and payable upon the first to occur of an acceleration under the Senior Credit Agreement or five Business Days after receipt by the Company and the Representative under the Senior Credit Agreement of such Acceleration Notice, but only if such Event of Default is then continuing. Upon any such declaration, but subject to the immediately preceding sentence, such amount shall be immediately due and payable.

(b) If an Event of Default specified in Section 6.01(6) or (7) occurs and is continuing with respect to the Company, all unpaid principal of and premium, if any, and accrued and unpaid interest on all of the outstanding Notes shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

(c) At any time after the delivery of an Acceleration Notice with respect to the Notes in accordance with Section 6.02(a), the Holders of a majority in principal amount of the Notes may, on behalf of the Holders of all of the Notes, rescind and cancel such declaration and its consequences (i) if the rescission would not conflict with any judgment or decree, (ii) if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration, (iii) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid, (iv) if the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its expenses, disbursements and any other amounts due the Trustee under Section 7.07 and advances and (v) in the event of the cure or waiver of an Event of Default of the type described in Section 6.01(6) or (7), the Trustee shall have received an Officers' Certificate and an Opinion of Counsel that such Event of Default has been cured or waived. No such rescission shall affect any subsequent Default or impair any right consequent thereto. The Holders of a majority in principal amount of the Notes may waive any existing Default or Event of Default under this Indenture and its consequences, except a default in the payment of the principal of or interest on any Notes.

SECTION 6.3. Other Remedies.

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

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair

the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative to the extent permitted by law.

SECTION 6.4. Waiver of Past Defaults.

Subject to Sections 2.09, 6.07 and 9.02, the Holders of a majority in principal amount of the outstanding Notes by notice to the Trustee may waive an existing Default or Event of Default and its consequences, except a Default in the payment of principal of or interest on any Note as specified in clauses (1) and (2) of Section 6.01. When a Default or Event of Default is waived, it is cured and ceases.

SECTION 6.5. Control by Majority.

Subject to Section 2.09, the Holders of a majority in principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it, including, without limitation, any remedies provided for in Section 6.03. Subject to Section 7.01, however, the Trustee may refuse to

follow any direction that the Trustee reasonably believes conflicts with any law or this Indenture, that the Trustee determines may be unduly prejudicial to the rights of another Holder, or that may involve the Trustee in personal liability; provided that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction; and provided further that this provision shall not affect the rights of the Trustee set forth in Section 7.01(d).

SECTION 6.6. Limitation on Suits.

A Holder may not pursue any remedy with respect to this Indenture or the Notes unless:

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

(2) Holders of at least 25% in principal amount of the outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holders offer to the Trustee indemnity in its sole discretion satisfactory to the Trustee against any loss, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 45 days after receipt of the request and the offer of satisfactory indemnity; and

(5) during such 45-day period the Holders of a majority in principal amount of the outstanding Notes do not give the Trustee a direction which, in the opinion of the Trustee, is inconsistent with the request.

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

SECTION 6.7. Rights of Holders To Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of and interest on a Note, on or after the respective due dates expressed in such Note, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.8. Collection Suit by Trustee.

If an Event of Default in payment of principal or interest specified in clause (1) or (2) of Section 6.01 occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company or any other obligor on the Notes for the whole amount of principal and accrued interest remaining unpaid, together with interest on overdue principal and, to the extent that payment of such interest is lawful, interest on overdue installments of interest at the rate set forth in Section 4.01 and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.07.

SECTION 6.9. Trustee May File Proofs of Claim.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable expenses and disbursements of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.07) and the Holders allowed in any judicial proceedings relating to the Company or any other obligor upon the Notes, any of their respective creditors or any of their respective property and shall be entitled and empowered to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same, and any Custodian in

any such judicial proceedings is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable expenses and disbursements of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.07. The Company's payment obligations under this Section 6.09 shall be secured in accordance with the provisions of Section 7.07 hereunder. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or

composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. Priorities.

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

First: to the Trustee for amounts due under Section 7.07;

Second: if the Holders are forced to proceed against the Company directly without the Trustee, to Holders for their collection costs;

Third: to Holders for amounts due and unpaid on the Notes for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, respectively; and

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

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

SECTION 6.11. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a suit by a Holder or Holders of more than 10% in principal amount of the outstanding Notes.

ARTICLE SEVEN

TRUSTEE

SECTION 7.1. Duties of Trustee.

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

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

(1) The Trustee need perform only those duties as are specifically

set forth in this Indenture and no covenants or obligations shall be implied in this Indenture against the Trustee.

(2) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

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

(1) This paragraph does not limit the effect of paragraph (b) of this Section 7.01.

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

(3) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.02, 6.04 or 6.05.

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

(e) Whether or not herein expressly provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (d) of this Section 7.01.

(f) The Trustee shall not be liable for interest on any money or assets received by it except as the Trustee may agree in writing with the Company. Assets held in trust by the Trustee need not be segregated from other assets except to the extent required by law.

SECTION 7.2. Rights of Trustee.

Subject to Section 7.01:

(a) The Trustee may rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may consult with counsel and may require an Officers' Certificate, an Opinion of Counsel or both, which shall conform to Sections 11.04 and 11.05. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or indirectly or by or through agents or attorneys and the Trustee shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(d) The Trustee shall not be liable for any action that it takes or omits to take in good faith which it reasonably believes to be authorized or within its rights or powers.

(e) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, notice, request, direction, consent, order, bond, debenture, or other paper or document, but the Trustee, in its discretion,

may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled, upon reasonable notice to the Company, to examine the books, records, and premises of the Company, personally or by agent or attorney and to consult with the officers and representatives of the Company, including the Company's accountants and attorneys.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee security or indemnity satisfactory to the Trustee in its sole discretion against the costs, expenses and liabilities which may be incurred by it in compliance with such request, order or direction.

(g) The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

SECTION 7.3. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company, any Subsidiary of the Company or their respective Affiliates with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

SECTION 7.4. Trustee's Disclaimer.

The recitals contained herein and in the Notes shall be taken as statements of the Company and the Trustee assumes no responsibility for their correctness. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Notes, and it shall not be accountable for the Company's use of the proceeds from the Notes, and it shall not be responsible for any statement of the Company in this Indenture or the Notes other than the Trustee's certificate of authentication.

SECTION 7.5. Notice of Default.

If a Default or an Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Holder notice of the uncured Default or Event of Default within 90 days after such Default or Event of Default occurs. Except in the case of a Default or an Event of Default in payment of principal of, or interest on, any Note, including an accelerated payment and the failure to make payment on the Change of Control Payment Date pursuant to a Change of Control Offer or on the Proceeds Purchase Date pursuant to a Net Proceeds Offer and, except in the case of a failure to comply with Article Five, the Trustee may withhold such notice if and so long as its Board of Directors, the executive committee of its Board of Directors or a committee of its directors and/or Trust Officers in good faith determines that withholding the notice is in the interest of the Holders.

SECTION 7.6. Reports by Trustee to Holders.

Within 60 days after each May 15, the Trustee shall, to the extent that any of the events described in TIA (S) 313(a) occurred within the previous twelve months, but not otherwise, mail to each Holder a brief report dated as of such date that complies with TIA (S) 313(a). The Trustee also shall comply with TIA (S)(S) 313(b), (c) and (d).

A copy of each report at the time of its mailing to Holders shall be mailed to the Company and filed with the SEC and each stock exchange, if any, on which the Notes are listed.

The Company shall promptly notify the Trustee if the Notes become listed on any stock exchange and the Trustee shall comply with TIA (S) 313(d).

SECTION 7.7. Compensation and Indemnity.

The Company shall pay to the Trustee and each Agent from time to time reasonable compensation for their respective services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable fees and expenses, including out-of-pocket expenses incurred or made by it in connection with the performance of its duties under this Indenture. Such expenses shall include the reasonable fees and expenses of the Trustee's and such Agent's agents, consultants and counsel.

The Company shall indemnify the Trustee and each Agent and their respective agents, employees, stockholders and directors and officers for, and hold them harmless against, any loss, liability or expense incurred by them except for such actions to the extent caused by any negligence, bad faith or willful misconduct on their part, arising out of or in connection with the administration of this trust including the reasonable costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their rights, powers or duties hereunder. The Trustee and each Agent shall notify the Company promptly of any claim asserted against the Trustee or such Agent for which it may seek indemnity. At the Company's sole discretion, the Company shall defend the claim and the Trustee or such Agent, as the case may be, shall cooperate and may participate in the defense; provided that any settlement of a claim shall be approved in writing by
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the Trustee or such Agent, as the case may be, unless such settlement provides for a full release of the Trustee or such Agent, as the case may be. The Company need not pay for any settlement made by the Trustee or such Agent without its written consent. The Company need not reimburse any expense or indemnify against any loss or liability to the extent incurred by the Trustee through its negligence, bad faith or willful misconduct or after it has assumed the defense of the Trustee or the Agent in such matter.

To secure the Company's payment obligations in this Section 7.07, the Trustee shall have a lien prior to the Notes on all assets or money held or collected by the Trustee, in its capacity as Trustee, except assets or money held in trust to pay principal of or interest on particular Notes. The Trustee's right to receive payment of any amounts due under this Section 7.07 shall not be subordinate to any other liability or indebtedness of the Company (even though the Notes may be subordinate to such other liability or indebtedness).

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(6) or (7) shall have occurred, such expenses and the compensation for such services are intended to constitute expenses of administration under any Bankruptcy Law; provided, however, that this shall not
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affect the Trustee's rights as set forth in the preceding paragraph or Section 6.10.

The Company's obligations under this Section 7.07 and any lien arising hereunder shall survive the resignation or removal of the Trustee, the discharge of the Company's

obligations pursuant to Article Eight or other termination of this Indenture and any rejection or termination of this Indenture under any Bankruptcy Law.

SECTION 7.8. Replacement of Trustee.

The Trustee may resign by giving the Company 30 days' prior written notice. The Holders of a majority in principal amount of the outstanding Notes may remove the Trustee by giving the Company and the Trustee 30 days' prior written notice and may appoint a successor Trustee reasonably acceptable to the Company. The Company may remove the Trustee with or without cause by giving the Trustee and the Holders 30 days' prior written notice.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall notify each Holder of such event and shall promptly appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately thereafter, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided in Section 7.07, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. A successor Trustee shall mail notice of its succession to each Holder.

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

If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

SECTION 7.9. Successor Trustee by Merger, Etc.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to another corporation, the resulting, surviving or transferee corporation without any further act shall, if such resulting, surviving or transferee corporation is otherwise eligible hereunder, be the successor Trustee; provided that such corporation shall be otherwise qualified and eligible under this Article Seven.

SECTION 7.10. Eligibility; Disqualification.

This Indenture shall always have a Trustee who satisfies the requirement of TIA (S)(S) 310(a)(1), (2) and (5). The Trustee (or, in the case of a corporation included in a bank holding company system, the related bank holding company) shall have a combined capital and surplus of at least $50 million as set forth in its most recent published annual report of condition. In addition, if the Trustee is a corporation included in a bank holding company system, the Trustee, independently of such bank holding company, shall meet the capital requirements of TIA (S) 310(a)(2). The Trustee shall comply with TIA (S) 310(b); provided, however, that there shall be excluded from the operation of TIA (S) 310(b)(1) any indenture or indentures under which other securities, or certificates of interest or participation in other securities, of the Company are outstanding, if the requirements for such exclusion set forth in TIA (S) 310(b)(1) are met. The provisions of TIA (S) 310 shall apply to the Company, as obligor of the Notes.

SECTION 7.11. Preferential Collection of Claims Against Company.

The Trustee shall comply with TIA (S) 311(a), excluding any creditor relationship listed in TIA (S) 311(b). A Trustee who has resigned or been removed shall be subject to TIA (S) 311(a) to the extent indicated therein. The provisions of TIA (S) 311 shall apply to the Company, as obligor on the Notes.

ARTICLE EIGHT

DISCHARGE OF INDENTURE; DEFEASANCE

SECTION 8.1. Termination of the Company's Obligations.

The Company may terminate its obligations under the Notes and this Indenture, except those obligations referred to in the penultimate paragraph of this Section 8.01, if all Notes previously authenticated and delivered (other

than destroyed, lost or stolen Notes which have been replaced or paid or Notes for whose payment U.S. Legal Tender has theretofore been deposited with the Trustee or the Paying Agent in trust or segregated and held in trust by the Company and thereafter repaid to the Company, as provided in Section 8.05) have been delivered to the Registrar for cancellation and the Company has paid all sums payable by it hereunder, or if:

(a) either (i) pursuant to Article Three, the Company shall have given notice to the Trustee and each Paying Agent and mailed a notice of redemption to each Holder of the redemption of all of the Notes under arrangements satisfactory to the Trustee for the giving of such notice or (ii) all Notes have otherwise become due and payable hereunder;

(b) the Company shall have irrevocably deposited or caused to be deposited with the Trustee or a trustee satisfactory to the Trustee, under the terms of an irrevocable

trust agreement in form and substance satisfactory to the Trustee, as trust funds in trust solely for the benefit of the Holders for that purpose, U.S. Legal Tender in such amount as is sufficient without consideration of reinvestment of such interest, to pay principal of, premium, if any, and interest on the outstanding Notes to maturity or redemption; provided that
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the Trustee shall have been irrevocably instructed to apply such U.S. Legal Tender to the payment of said principal, premium, if any, and interest with respect to the Notes and; provided, further, that from and after the time
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of deposit, the money deposited shall not be subject to the rights of holders of Senior Debt pursuant to the provisions of Article Ten;

(c) no Default or Event of Default with respect to this Indenture or the Notes shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company is a party or by which it is bound;

(d) the Company shall have paid all other sums payable by it hereunder; and

(e) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent providing for or relating to the termination of the Company's obligations under the Notes and this Indenture have been complied with. Such Opinion of Counsel shall also state that such satisfaction and discharge does not result in a default under the Senior Credit Agreement (if then in effect) or any other agreement or instrument then known to such counsel that binds or affects the Company.

Notwithstanding the foregoing paragraph, the Company's obligations in Sections 2.05, 2.06, 2.07, 2.08, 4.01, 4.02, 7.07, 8.05 and 8.06 shall survive until the Notes are no longer outstanding pursuant to the last paragraph of Section 2.08. After the Notes are no longer outstanding, the Company's obligations in Sections 7.07, 8.05 and 8.06 shall survive.

After such delivery or irrevocable deposit, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations under the Notes and this Indenture except for those surviving obligations specified above.

SECTION 8.2. Legal Defeasance and Covenant Defeasance.

(a) The Company may, at its option by Board Resolution, at any time, elect to have either paragraph (b) or (c) below be applied to all outstanding Notes upon compliance with the conditions set forth in Section 8.03.

(b) Upon the Company's exercise under paragraph (a) hereof of the option applicable to this paragraph (b), the Company shall, subject to the satisfaction of the conditions set forth in Section 8.03, be deemed to have been discharged from its obligations with respect to

all outstanding Notes on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means
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that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.04 and the other Sections of this Indenture referred to in (i) and (ii) below, and to have satisfied all its other obligations under such Notes and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), and Holders of the Notes and any amounts deposited under Section 8.03 shall cease to be subject to any obligations to, or the rights of, any holder of Senior Debt under Article Ten or otherwise, except for the following provisions, which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of outstanding Notes to receive solely from the trust fund described in Section 8.04, and as more fully set forth in such Section, payments in respect of the principal of and interest on such Notes when such payments are due, (ii) the Company's obligations with respect to such Notes under Article Two and Section 4.02, (iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's obligations in connection therewith and (iv) this Article Eight. Subject to compliance with this Article Eight, the Company may exercise its option under this paragraph (b) notwithstanding the prior exercise of its option under paragraph (c) hereof.

(c) Upon the Company's exercise under paragraph (a) hereof of the option applicable to this paragraph (c), the Company shall, subject to the satisfaction of the conditions set forth in Section 8.03, be released from its obligations under the covenants contained in Sections 4.05, 4.07 and 4.10 through 4.20 and Article Five with respect to the outstanding Notes on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Notes shall thereafter be deemed not
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"outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes) and Holders of the Notes and any amounts deposited under Section 8.03 shall cease to be subject to any obligations to, or the rights of, any holder of Senior Debt under Article Ten or otherwise. For this purpose, such Covenant Defeasance means that, with respect to the outstanding Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event or Default under Section 6.01(3), but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. In addition, upon the Company's exercise under paragraph (a) hereof of the option applicable to this paragraph (c), subject to the satisfaction of the conditions set forth in Section 8.03, Sections 6.01(3), 6.01(4) and 6.01(5) shall not constitute Events of Default.

SECTION 8.3. Conditions to Legal Defeasance or Covenant Defeasance.

The following shall be the conditions to the application of either Section 8.02(b) or 8.02(c) to the outstanding Notes:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, U.S. Legal Tender or U.S. Government Obligations which, through the scheduled payment of principal and interest in respect thereof in accordance with their terms, will provide, not later than one day before the due date of any scheduled payment on the Notes, U.S. Legal Tender, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest on the Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, of such principal or installment of principal of or interest on the Notes; provided that the Trustee shall have

received an irrevocable written order from the Company instructing the Trustee to apply or cause the Paying Agent to apply such U.S. Legal Tender or the proceeds of such U.S. Government Obligations to said payments with respect to the Notes;

(b) in the case of an election under Section 8.02(b), the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of an election under Section 8.02(c), the Company shall have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the incurrence of Indebtedness all or a portion of the proceeds of which will be used to defease the Notes pursuant to this Article Eight concurrently with such incurrence) or

insofar as Sections 6.01(6) and 6.01(7) are concerned, at any time in the period ending on the 91st day after the date of such deposit;

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of or constitute a default under this Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(f) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

(g) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(h) the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that (i) the trust funds will not be subject to any rights of any holders of Senior Debt, including, without limitation, those arising under this Indenture, and (ii) assuming no intervening bankruptcy or insolvency of the Company between the date of deposit and the 91st day following the deposit and that no Holder is an insider of the Company, after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable Bankruptcy Law.

SECTION 8.4. Application of Trust Money.

The Trustee or Paying Agent shall hold in trust U.S. Legal Tender or U.S. Government Obligations deposited with it pursuant to Article Eight, and shall apply the deposited U.S. Legal Tender and the proceeds from U.S. Government Obligations in accordance with this Indenture to the payment of principal of and interest on the Notes. The Trustee shall be under no obligation to invest said U.S. Legal Tender or U.S. Government Obligations except as it may agree with the Company.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Legal Tender or U.S. Government Obligations deposited pursuant to Section 8.03 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article Eight to the contrary notwithstanding, the Trustee shall, or shall request the Paying Agent to, deliver or pay to the Company from time to time upon the Company's request any U.S. Legal Tender or U. S. Government Obligations held by

it as provided in Section 8.03 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.5. Repayment to the Company.

Subject to Article Eight, the Trustee and the Paying Agent shall promptly pay to the Company upon request any excess U.S. Legal Tender or U.S. Government Obligations held by them at any time and thereupon shall be relieved from all liability with respect thereto. The Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal or interest that remains unclaimed for two years; provided that the Trustee or such Paying Agent, before being required to make any payment, may at the expense of the Company cause to be published once in a newspaper of general circulation in the City of New York or mail to each Holder entitled to such money notice that such money remains unclaimed and that after a date specified therein which shall be at least 30 days from the date of such publication or mailing any unclaimed balance of such money then remaining will be repaid to the Company. After payment to the Company, Holders entitled to such money must look to the Company for payment as general creditors unless an applicable law designates another Person to whom such Holders may look.

SECTION 8.6. Reinstatement.

If the Trustee or Paying Agent is unable to apply any U.S. Legal Tender or U.S. Government Obligations in accordance with Article Eight by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Article Eight until such time as the Trustee or Paying Agent is permitted to apply all such U.S. Legal Tender or U.S. Government Obligations in accordance with Article Eight; provided that if the Company has made any payment of interest on or principal of any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the U.S. Legal Tender or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE NINE

AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 9.1. Without Consent of Holders.

The Company, when authorized by a Board Resolution, and the Trustee, together, may amend or supplement this Indenture or the Notes without notice to or consent of any Holder:

(1) to cure any ambiguity herein, or to correct or supplement any provision hereof which may be inconsistent with any other provision hereof or to add any other provisions with respect to matters or questions arising under this Indenture; provided that such actions shall not adversely affect the interests of the Holders in any material respect;

(2) to comply with Article Five;

(3) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(4) to comply with any requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA;

(5) to make any change that would provide any additional benefit or rights to the Holders;

(6) to provide for issuance of the Notes;

(7) to add a Guarantor pursuant to Section 4.18; or

(8) to make any other change that does not, in the good faith judgment of the Trustee, adversely affect in any material respect the rights of any Holders hereunder.

In addition, without the consent of the Holders, the Company and the Trustee may amend this Indenture to provide for the assumption by a successor corporation, partnership, trust or limited liability company of the obligations of the Company under this Indenture as permitted by Article Five, to add further Guarantees with respect to the Notes, to secure the Notes, to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power conferred upon the Company by this Indenture or the Notes.

SECTION 9.2. With Consent of Holders.

Subject to Section 6.07, the Company, when authorized by a Board Resolution, and the Trustee, together, upon receipt of the written consent of the Holder or Holders of at least a majority of the aggregate outstanding principal amount of the Notes, may amend or supplement this Indenture or the Notes, without notice to any other Holders. Subject to Section 6.07, the Holder or Holders of a majority in aggregate outstanding principal amount of the Notes may waive compliance by the Company with any provision of this Indenture or the Notes without notice to any other Holder. Notwithstanding the forgoing, no amendment, supplement or waiver, including a waiver pursuant to Section 6.04, shall, without the consent of each Holder of each Note affected thereby:

(1) reduce the amount of Notes whose Holders must consent to an amendment;

(2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any Notes;

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption, or reduce the redemption price therefor;

(4) make any Notes payable in a currency other than that stated in the Notes;

(5) make any change in provisions of this Indenture protecting the right of each Holder to receive payment of principal of and interest on such Note on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of Notes to waive Defaults or Events of Default, other than ones with respect to the payment of principal of or interest on the Notes;

(6) amend, modify, change or waive any provision of this Section 9.02;

(7) amend, modify or change in any material respect the obligation of the Company to make or consummate a Change of Control Offer in the event of a Change of Control or make and consummate a Net Proceeds Offer in respect of any Asset Sale that has been consummated or modify any of the provisions or definitions with respect thereto after a Change of Control has occurred or the subject Asset Sale has been consummated; or

(8) modify Articles Ten or Twelve or the definitions used in Articles Ten or Twelve to adversely affect the Holders of the Notes in any material respect.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Company shall mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 9.3. Effect on Senior Debt.

No amendment of this Indenture shall adversely affect the rights of any holder of Senior Debt under Article Ten of this Indenture, without the consent of such holder.

SECTION 9.4. Compliance with TIA.

Every amendment, waiver or supplement of this Indenture or the Notes shall comply with the TIA as then in effect.

SECTION 9.5. Revocation and Effect of Consents.

Until an amendment, waiver or supplement becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. Subject to the following paragraph, any such Holder or subsequent Holder may revoke the consent as to such Holder's Note or portion of such Note by written notice to the Trustee or the Company received before the date on which the Trustee receives an Officers' Certificate certifying that the Holders of the requisite principal amount of Notes have consented (and not theretofore revoked such consent) to the amendment, supplement or waiver.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver, which record date shall be at least 10 days prior to the first solicitation of such consent. If a record date is fixed, then notwithstanding the last sentence of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it makes a change described in any of clauses (1) through (8) of Section 9.02, in which case the amendment, supplement or waiver shall bind only each Holder of a Note who has consented to it and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note; provided that any such waiver

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shall not impair or affect the right of any Holder to receive payment of principal of and interest on a Note on or after the respective due dates expressed in such Note, or to bring suit for the enforcement of any such

payment on or after such respective dates without the consent of such Holder.

SECTION 9.6. Notation on or Exchange of Notes.

If an amendment, supplement or waiver changes the terms of a Note, the Trustee may require the Holder of such Note to deliver it to the Trustee. The Trustee may place an appropriate notation on the Note about the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Note shall issue and the Trustee shall authenticate a new Note that reflects the changed terms. Any such notation or exchange shall be made at the sole cost and expense of the Company.

SECTION 9.7. Trustee To Sign Amendments, Etc.

The Trustee shall execute any amendment, supplement or waiver authorized pursuant to this Article Nine; provided that the Trustee may, but shall not be obligated to, execute any such amendment, supplement or waiver which affects the Trustee's own rights, duties or immunities under this Indenture. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel and an Officers' Certificate each complying with Section 13.04 and 13.05 and stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article Nine is authorized or permitted by this Indenture. Such Opinion of Counsel shall not be an expense of the Trustee.

SECTION 9.8. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article Nine, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

ARTICLE TEN

SUBORDINATION

SECTION 10.1. Notes Subordinated to Senior Debt.

The Company covenants and agrees, and each Holder of the Notes, by its acceptance thereof, likewise covenants and agrees, that all Notes shall be issued subject to the provisions of this Article Ten; and each Person holding any Note, whether upon original issue or upon transfer, assignment or exchange thereof, accepts and agrees that the payment of all Obligations under the Notes by the Company shall, to the extent and in the manner herein set forth, be subordinated and junior in right of payment to the prior payment in full in cash of the Senior Debt; that the subordination is for the benefit of, and shall be enforceable directly by, each holder of Senior Debt, and that each holder of Senior Debt whether now outstanding or hereafter created, incurred, assumed or guaranteed shall be deemed to have acquired Senior Debt in reliance upon the covenants and provisions contained in this Indenture and the Notes.

SECTION 10.2. No Payment on Notes in Certain Circumstances.

(a) If any default occurs and is continuing in the payment when due, whether at maturity, upon redemption, by declaration, acceleration or otherwise, of any principal of, interest on, unpaid drawings for letters of credit issued in respect of, or fees, costs or other amounts with respect to, any Senior Debt, no payment of any kind or character shall be made by, or on behalf of, the Company or any other Person (including any Guarantor) on its or their behalf with respect to any Obligations under the Notes, or to acquire any of the Notes for cash or property or otherwise, and the Holders of the Notes may not accept or receive (in cash, property,

stock or obligations or by set off, exercise of contractual or statutory rights or otherwise) from the Company, any Guarantor or any other Person any payment of any kind on account of the Obligations under the Notes. In addition, if any other event of default occurs and is continuing with respect to any Designated Senior Debt, as such event of default is defined in the instrument creating or evidencing such Designated Senior Debt, permitting the holders of such Designated Senior Debt then outstanding to accelerate the maturity thereof and if the Representative for the respective issue of Designated Senior Debt gives written notice of the event of default to the Trustee and each Paying Agent (a "Default Notice"), then, unless and until all events of default have been cured
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or waived or have ceased to exist or the Trustee and each Paying Agent receives notice thereof from the Representative for the respective issue of Designated Senior Debt terminating the Blockage Period (as defined below), during the 179 days after the delivery of such Default Notice (the "Blockage Period"), neither
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the Company nor any other Person (including any Guarantor) on its behalf shall (x) make any payment of any kind or character (including in cash, property, stock or other obligations) with respect to any Obligations under the Notes (other than payment of amounts already deposited in accordance with the defeasance provisions of this Indenture) or (y) acquire (whether by setoff, exercise of contractual or statutory rights or otherwise) any of the Notes for cash, property, stock or other obligations, and the Holders of the Notes may not accept or receive (in cash, property, stock or obligations or by setoff, exercise of contractual or statutory rights or otherwise) from the Company, any Guarantor or any other Person any payment of any kind on account of the Obligations under the Notes. Notwithstanding anything herein to the contrary, in no event will a Blockage Period extend beyond 179 days from the date the Default Notice was delivered to the Trustee and each Paying Agent and only one such Blockage Period may be commenced within any 360 consecutive days. No event of default which existed or was continuing on the date of the commencement of any Blockage Period with respect to the Designated Senior Debt and which was set forth in a written notice from the Company to the holders or Representative of such Designated Senior Debt shall be, or be made, the basis for the commencement of a second Blockage Period by the Representative of such Designated Senior Debt whether or not within a period of 360 consecutive days, unless such event of default shall have been cured or waived for a period of not less than 90 consecutive days (it being acknowledged that any subsequent action or any breach of any financial covenants for a period commencing after the date of commencement of such Blockage Period that, in either case, would give rise to an event of default pursuant to any provisions under which an event of default previously existed or was continuing shall constitute a new event of default for this purpose).

(b) In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee, any Paying Agent or any Holder when such payment is prohibited by Section 10.02(a), such payment shall be held in trust for the benefit of, and shall promptly be paid over or delivered to (in the form received without any setoff, counterclaim or other claim), the holders of Senior Debt (pro rata to such holders on the basis of the respective amount of Senior Debt held by such holders) or their respective Representatives, as their respective interests may appear. The Trustee and each Paying Agent shall be entitled to rely on information regarding amounts then due and owing on the Senior Debt, if any, received from the holders of

Senior Debt (or their Representatives) or, if such information is not received from such holders or their Representatives, from the Company and only amounts included in the information provided to the Trustee or any Paying Agent shall be paid to the holders of Senior Debt.

(c) Notwithstanding anything herein to the contrary, so long as any amounts are outstanding under the Senior Credit Agreement, any Default Notice delivered by the Representative of any Designated Senior Debt pursuant to Section 13.2(a) shall be delivered only at the direction of the lender or lenders authorized to exercise remedies under the Senior Credit Agreement. The Trustee shall be entitled to rely, and shall be fully protected in relying, upon any such Default Notice believed by it to be genuine and correct and to have been sent by such Representative.

(d) Nothing contained in this Article Ten shall limit the right of the Trustee or the Holders of Notes to take any action to accelerate the maturity of the Notes pursuant to Section 6.02 or to pursue any rights or remedies hereunder; provided that all Senior Debt thereafter due or declared to be due shall first be paid in full in cash before the Holders are entitled to receive any payment of any kind or character with respect to Obligations under the Notes.

SECTION 10.3. Payment Over of Proceeds upon Dissolution, Etc.

(a) Upon any payment or distribution of assets of the Company (or any Guarantor) of any kind or character, whether in cash, property or securities, to creditors, upon any total or partial liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors or marshaling of assets of the Company (or any Guarantor) or in a bankruptcy, reorganization, insolvency, receivership or other similar proceeding relating to the Company (or any Guarantor) or its property, whether voluntary or involuntary, all Senior Debt shall first be paid in full in cash before any payment or distribution (including by setoff) of any kind or character (including in cash, property, stock or other obligations), is made by or on behalf of the Company or any other Person (including any Guarantor) on account of any Obligations under the Notes, or for the acquisition (whether by setoff, exercise of contractual or statutory rights or otherwise) of any of the Notes for cash, property, stock or other obligations, and the Holders of the Notes may not accept or receive (in cash, property, stock or obligations or by setoff, exercise of contractual or statutory rights or otherwise) from the Company, any Guarantor or any other Person any payment of any kind on account of the Obligations under the Notes. Upon any such dissolution, winding-up, liquidation, reorganization, receivership or similar proceeding, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Notes would be entitled, except for the provisions hereof, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders if received by them, directly to the holders of Senior Debt (pro rata to such holders on the basis of the respective amounts of Senior Debt held by such holders) or their respective Representatives, or to the trustee or trustees under any indenture pursuant to

which any of such Senior Debt may have been issued, as their respective interests may appear, for application to the payment of Senior Debt remaining unpaid until all such Senior Debt has been paid in full in cash after giving effect to any concurrent payment, distribution or provision therefor to or for the holders of Senior Debt.

(b) To the extent any payment of Senior Debt (whether by or on behalf of the Company, as proceeds of security or enforcement of any right of setoff or otherwise) is declared to be fraudulent or preferential, set aside or required to be paid to any receiver, trustee in bankruptcy, liquidating trustee, agent or other similar Person under any bankruptcy, insolvency, receivership, fraudulent conveyance or similar law, then, if such payment is recovered by, or paid over to, such receiver, trustee in bankruptcy, liquidating trustee, agent or other similar Person, the Senior Debt or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

(c) In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, shall be received by any Holder when such payment or distribution is prohibited by this Section 10.03(c), such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Debt (pro rata to such holders on the basis of the respective amount of Senior Debt held by such holders) or their respective Representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Debt may have been issued, as their respective interests may appear, for application to the payment of Senior Debt remaining unpaid until all such Senior Debt has been paid in full in cash, after giving effect to any concurrent payment, distribution or provision therefor to or for the holders of such Senior Debt.

(d) The consolidation of the Company with, or the merger of the Company with or into, another Person or the liquidation or dissolution of the Company following the conveyance or transfer of all or substantially all of its assets, to another Person upon the terms and conditions provided in Article Five and as long as permitted under the terms of the Senior Debt shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 10.03 if such other Person shall, as a part of such consolidation, merger, conveyance or transfer, assume the Company's obligations hereunder in accordance with Article Five.

SECTION 10.4. Payments May Be Paid Prior to Dissolution.

Nothing contained in this Article Ten or elsewhere in this Indenture shall prevent (i) the Company, except under the conditions described in Sections 10.02 and 10.03, from making payments at any time in respect of principal of and interest on the Notes, or from depositing with the Trustee any moneys for such payments, or (ii) in the absence of actual knowledge by the Trustee or any Paying Agent that a given payment would be prohibited by Section 10.02 or 10.03, the application by the Trustee or such Paying Agent, as the case may be, of any moneys deposited with it for the purpose of making such payments of principal of, and

interest on, the Notes to the Holders entitled thereto unless at least two Business Days prior to the date upon which such payment would otherwise become due and payable a Trust Officer or officers of the Paying Agent, as the case may be, shall have actually received the written notice provided for in the second sentence of Section 10.02(a) or in Section 10.07 (provided that, notwithstanding the foregoing, such application shall otherwise be subject to the provisions of the first sentence of Section 10.02(a) and Section 10.03). The Company shall give prompt written notice to the Trustee and each Paying Agent of any dissolution, winding up, liquidation or reorganization of the Company.

SECTION 10.5. Subrogation.

Subject to the payment in full in cash of all Senior Debt, the Holders of the Notes shall be subrogated to the rights of the holders of Senior Debt to receive payments or distributions of cash, property or securities of the Company applicable to the Senior Debt until the Notes shall be paid in full; and, for the purposes of such subrogation, no such payments or distributions to the holders of the Senior Debt by or on behalf of the Company or by or on behalf of the Holders by virtue of this Article Ten which otherwise would have been made to the Holders shall, as between the Company and the Holders of the Notes, be deemed to be a payment by the Company to or on account of the Senior Debt, it being understood that the provisions of this Article Ten are and are intended solely for the purpose of defining the relative rights of the Holders of the Notes, on the one hand, and the holders of the Senior Debt, on the other hand.

SECTION 10.6. Obligations of the Company Unconditional.

Nothing contained in this Article Ten or elsewhere in this Indenture or in the Notes is intended to or shall impair, as among the Company, its creditors other than the holders of Senior Debt, and the Holders, the obligation of the Company, which is absolute and unconditional, to pay to the Holders the principal of and any interest on the Notes as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders and creditors of the Company other than the holders of the Senior Debt, nor shall anything herein or therein prevent the Holder of any Note or the Trustee on its behalf from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

SECTION 10.7. Notice to Trustee and Paying Agents.

The Company shall give prompt written notice to the Trustee and each Paying Agent of any fact known to the Company which would prohibit the making of any payment to or by the Trustee or any Paying Agent in respect of the Notes pursuant to the provisions of this Article Ten. Regardless of anything to the

contrary contained in this Article Ten or elsewhere in this Indenture, neither the Trustee nor any Paying Agent shall be charged with knowledge of the existence of any default or event of default with respect to any Senior Debt or of any other facts which would prohibit the making of any payment to or by the Trustee or any Paying Agent

unless and until the Trustee or such Paying Agent, as the case may be, shall have received a Default Notice from the Representative of any Designated Senior Debt, together with proof satisfactory to the Trustee or such Paying Agent, as the case may be, of such holding of Senior Debt or of the authority of such Representative, and, prior to the receipt of any such Default Notice, the Trustee shall be entitled to assume (in the absence of actual knowledge to the contrary) that no such facts exist.

In the event that the Trustee or any Paying Agent determines in good faith that any evidence is required with respect to the right of any Person as a holder of Senior Debt to participate in any payment or distribution pursuant to this Article Ten, the Trustee or such Paying Agent, as the case may be, may request such Person to furnish evidence to the reasonable satisfaction of the Trustee or such Paying Agent, as the case may be, as to the amounts of Senior Debt held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article Ten, and if such evidence is not furnished the Trustee or such Paying Agent, as the case may be, may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 10.8. Reliance on Judicial Order or Certificate of Liquidating Agent.

Upon any payment or distribution of assets of the Company referred to in this Article Ten, the Trustee, subject to the provisions of Article Seven, each Paying Agent and the Holders of the Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which any insolvency, bankruptcy, receivership, dissolution, winding-up, liquidation, reorganization or similar case or proceeding is pending, or upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, receiver, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or the Holders of the Notes, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Debt and other Indebtedness of the Company or any Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article Ten.

SECTION 10.9. Trustee's Relation to Senior Debt.

The Trustee, each Agent and any agent of the Company, of the Trustee or any Agent shall be entitled to all the rights set forth in this Article Ten with respect to any Senior Debt which may at any time be held by it in its individual or any other capacity to the same extent as any other holder of Senior Debt and nothing in this Indenture shall deprive the Trustee, any Agent or any such agent of any of its rights as such a holder.

With respect to the holders of Senior Debt, the Trustee and each Agent undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article Ten, and no implied covenants or obligations with respect to the holders of Senior

Debt shall be read into this Indenture against the Trustee or any Agent. Neither the Trustee nor any Agent shall be deemed to owe any fiduciary duty to the holders of Senior Debt.

Whenever a distribution is to be made or a notice is to be given to holders or owners of Senior Debt, the distribution may be made and the notice may be given to their Representatives, if any.

SECTION 10.10. Subordination Rights Not Impaired by Acts or Omissions of the Company or Holders of Senior Debt.

No right of any present or future holders of any Senior Debt to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or any Guarantor or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company or any Guarantor with the terms of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Debt may, at any time and from time to time, without the consent of or notice to the Trustee, without incurring responsibility to the Trustee or the Holders of the Notes and without impairing or releasing the subordination provided in this Article Ten or the obligations hereunder of the Holders of the Notes to the holders of the Senior Debt, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew, refinance to the extent permitted by this Indenture or alter, Senior Debt, or otherwise amend or supplement in any manner Senior Debt, or any instrument evidencing the same or any agreement under which Senior Debt is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Debt; (iii) release any Person liable in any manner for the payment or collection of Senior Debt; and (iv) exercise or refrain from exercising any rights against the Company, any Guarantor and any other Person.

SECTION 10.11. Noteholders Authorize Trustee and Paying Agent To Effectuate Subordination of Notes.

Each Holder of Notes by its acceptance of them authorizes and expressly directs the Trustee and each Paying Agent on its behalf to take such action as may be necessary or appropriate to effectuate, as between the holders of Senior Debt and the Holders of Notes, the subordination provided in this Article Ten, and appoints the Trustee and each Paying Agent its attorney-in-fact for such purposes, including, in the event of any dissolution, winding-up, liquidation or reorganization of the Company (whether in bankruptcy, insolvency, receivership, reorganization or similar proceedings or upon an assignment for the benefit of creditors or otherwise) tending towards liquidation of the business and assets of the Company, the filing of a claim for the unpaid balance of its Notes and accrued interest in the form required in those proceedings.

If the Trustee does not file a proper claim or proof of debt in the form required in such proceeding prior to 30 days before the expiration of the time to file such claim or claims, then the holders of the Senior Debt or their Representatives are hereby authorized to have the right to file and are hereby authorized to file an appropriate claim for and on behalf of the Holders of said Notes. Nothing herein contained shall be deemed to authorize the Trustee or the holders of Senior Debt or their Representatives to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee or the holders of Senior Debt or their Representatives to vote in respect of the claim of any Holder in any such proceeding.

SECTION 10.12. This Article Ten Not To Prevent Events of Default.

The failure to make a payment on account of principal of or interest on the Notes by reason of any provision of this Article Ten will not be construed as preventing the occurrence of an Event of Default.

SECTION 10.13. Trustee's Compensation Not Prejudiced.

Nothing in this Article Ten will apply to amounts due to the Trustee pursuant to other sections in this Indenture.

ARTICLE ELEVEN

GUARANTEE OF RESTRICTED SUBSIDIARIES

SECTION 11.1. Unconditional Guarantee.

The Guarantors hereby jointly and severally unconditionally guarantee (such guarantee to be referred to herein as the "Guarantee") to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns on behalf of such Holder, the Notes or the obligations of the Company hereunder or thereunder, that: (i) the principal of and interest on the Notes will be promptly paid in full when due, subject to any applicable grace period, whether at maturity, by acceleration or otherwise and interest on the overdue principal, if any, and interest on any interest, to the extent lawful, of the Notes and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and (ii) in case of any extension of time of payment or renewal of any Notes or of any such other obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at stated maturity, by acceleration or otherwise. Each Guarantor hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any

judgment against the Company, any action to enforce the same or any other circumstance with might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that the Guarantee will not be discharged except by complete performance of the obligations contained in the Notes, this Indenture and in the Guarantee. If any Noteholder, the Trustee or any Paying Agent is required by any court or otherwise to return to the Company, any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Company or any Guarantor, any amount paid by the Company or any Guarantor to the Trustee or such Paying Agent or Noteholder, the Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor further agrees that, as between such Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may, to the extent permitted by applicable law, be accelerated as provided in Article Six for the purposes of the Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any acceleration of such obligations as provided in Article Six, such obligations (whether or not due and payable) shall forthwith become due and payable by such Guarantor for the purpose of the Guarantee.

Anything to the contrary notwithstanding, the obligations of each Guarantor under the Guarantee will be limited in amount to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor without rendering the Guarantee, as it relates to such Guarantor, voidable under applicable laws relating to fraudulent conveyance or fraudulent transfer or other similar laws affecting the rights of creditors generally.

SECTION 11.2. Subordination of Guarantee.

The obligations of each Guarantor to the Holders of the Notes and to the Trustee on behalf of the Holders pursuant to the Guarantee and this Indenture are expressly subordinate and subject in right of payment to the prior payment in full of all Guarantor Senior Debt of such Guarantor, to the extent and in the manner provided in Article Twelve.

SECTION 11.3. Severability.

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

SECTION 11.4. Release of Guarantee.

Upon (i) the release by the lenders under the Senior Credit Agreement and future refinancings thereof of all guarantees of any Guarantor relating to such Indebtedness, or (ii) the sale or disposition (whether by merger, stock purchase, asset sale or otherwise) of any Guarantor

(or all or substantially all of its assets) to an entity which is not a Restricted Subsidiary of the Company and which sale or disposition is otherwise in compliance with the terms of this Indenture, or (iii) the designation of such Restricted Subsidiary as an Unrestricted Subsidiary in accordance with the terms of this Indenture, such Guarantor shall be deemed released from all obligations under this Article Eleven without any further action required on the part of the Trustee or any Holder; provided, however, that any such release shall occur only to the extent that all obligations of such Guarantor under all of its guarantees of such Indebtedness of the Company shall also be released upon such release, sale or disposition.

The Trustee shall deliver an appropriate instrument evidencing such release upon receipt of a request by the Company accompanied by an Officers' Certificate certifying as to the compliance with this Section 11.04.

SECTION 11.5. Waiver of Subrogation.

Until payment in full is made of the Notes and all other obligations of the Company to the Holders or the Trustee on behalf of the Holders hereunder and under the Notes, each Guarantor hereby irrevocably waives any claim or other rights which it may now or hereafter acquire against the Company that arise from the existence, payment, performance or enforcement of such Guarantor's obligations under the Guarantee, including, without limitation, any right of subrogation, reimbursement, exoneration, indemnification, and any right to participate in any claim or remedy of any Holder of Notes against the Company, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including, without limitation, the right to take or receive from the Company, directly or indirectly, in cash or other property or by setoff or any other manner, payment or security on account of such claim or other rights. If any amount shall be paid to any Guarantor in violation of the preceding sentence and the Notes shall not have been paid in full, such amount shall have been deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, the Holders of the Notes, and shall forthwith be paid to the Trustee for the benefit of such Holders to be credited and applied upon the Notes, whether matured or unmatured, in accordance with the terms of this Indenture. Such Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by this Indenture and that the waiver set forth in this Section 11.05 is knowingly made in contemplation of such benefits.

SECTION 11.6. Execution of Guarantee.

To evidence its guarantee to the Noteholders set forth in this Article Eleven, each Guarantor hereby agrees to execute the Guarantee in substantially the form included in Exhibit A, which shall be endorsed on such Note ordered to be authenticated and delivered by the Trustee. Each Guarantor hereby agrees that its Guarantee set forth in this Article Eleven shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee. Each such Guarantee shall be signed on behalf of each Guarantor by two Officers, or an Officer and an Assistant Secretary prior to the authentication of the Note on which it is endorsed, and the delivery of such Note by the Trustee, after the authentication

thereof hereunder, shall constitute due delivery of such Guarantee on behalf of each Guarantor. Such signatures upon the Guarantee may be by manual or facsimile signature of such officers and may be imprinted or otherwise reproduced on the Guarantee, and in case any such officer who shall have signed the Guarantee shall cease to be such officer before the Note on which such Guarantee is endorsed shall have been authenticated and delivered by the Trustee or disposed of by the Company, such Note nevertheless may be authenticated and delivered or disposed of as though the person who signed the Guarantee had not ceased to be such Officer of such Guarantor.

SECTION 11.7. Waiver of Stay, Extension or Usury Laws.

Each Guarantor covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive such Guarantor from performing its Guarantee as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture; and (to the extent that it may lawfully do so) such Guarantor hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 11.8. Contribution.

Each Guarantor under the Guarantee together desire to allocate among themselves (collectively, the "Contributing Guarantors"), in a fair and equitable manner, their obligations arising under the Guarantee. Accordingly, in the event any payment or distribution is made on any date by any Guarantor under the Guarantee (a "Funding Guarantor") that exceeds its Fair Share as of such date, that Funding Guarantor shall be entitled to a contribution from each of the other Contributing Guarantors in the amount of such other Contributing Guarantor's Fair Share Shortfall as of such date, with the result that all such contributions will cause each Contributing Guarantor's Aggregate Payments to equal its Fair Share as of such date. "Fair Share" means, with respect to a Contributing Guarantor as of any date of determination, an amount equal to (i) the ratio of (x) the Adjusted Maximum Amount with respect to such Contributing Guarantor to (y) the aggregate of the Adjusted Maximum Amounts with respect to all Contributing Guarantors, multiplied by (ii) the aggregate amount paid or distributed on or before such date by all Funding Guarantors under the Guarantee in respect of the obligations guarantied. "Fair Share Shortfall" means, with respect to a Contributing Guarantor as of any date of determination, the excess, if any, of the Fair Share of such Contributing Guarantor over the Aggregate Payments of such Contributing Guarantor. "Adjusted Maximum Amount" means, with respect to a Contributing Guarantor as of any date of determination, the maximum aggregate amount of the obligations of such Contributing Guarantor under the Guarantee determined as of such date in accordance with Section 11.01; provided that, solely for purposes of calculating the "Adjusted Maximum Amount" with respect to any Contributing Guarantor for purposes of this Section

11.08, any assets or liabilities of such Contributing Guarantor arising by virtue of any rights to subrogation, reimbursement or indemnification or any rights to or obligations of contribution hereunder shall not be considered as assets or liabilities of such Contributing Guarantor. "Aggregate Payments" means, with respect to a Contributing Guarantor as of any date of determination, an amount equal to (i) the aggregate amount of all payments and distributions made on or before such date by such Contributing Guarantor in respect of the Guarantee (including, without limitation, in respect of this Section 11.08) minus (ii) the aggregate amount of all payments received on or before such date

by such Contributing Guarantor from the other Contributing Guarantors as contributions under this Section 11.08. The amounts payable as contributions hereunder shall be determined as of the date on which the related payment or distribution is made by the applicable Funding Guarantor. The allocation among Contributing Guarantors of their obligations as set forth in this Section 11.08 shall not be construed in any way to limit the liability of any Contributing Guarantor hereunder.

SECTION 11.9. Subordination of Other Obligations.

Any Indebtedness of the Company now or hereafter held by any Guarantor is hereby subordinated in right of payment to the Guarantee Obligations. In addition, the Company and each Guarantor hereby agree that any payment by such Guarantor under the Guarantee shall result in a pro tanto reduction of the amount of any intercompany Indebtedness owed by such Guarantor to the Company.

ARTICLE TWELVE

SUBORDINATION OF GUARANTEE

SECTION 12.1. Guarantee Obligations Subordinated to Guarantor Senior Debt of Guarantors.

Each Guarantor covenants and agrees, and each Holder of the Notes, by its acceptance thereof, likewise covenants and agrees, that any payment of obligations by such Guarantor in respect of its Guarantee (its "Guarantee Obligations") shall be made subject to the provisions of this Article Twelve, and each Person holding any Note, whether upon original issue or upon transfer, assignment or exchange thereof, accepts and agrees that the payment of all Guarantee Obligations by each Guarantor shall, to the extent and in the manner herein set forth, be subordinated and junior in right of payment to the prior payment in full in cash of the Guarantor Senior Debt of such Guarantor, that the subordination is for the benefit of, and shall be enforceable directly by, each holder of Guarantor Senior Debt of such Guarantor, and that each holder of Guarantor Senior Debt of such Guarantor whether now outstanding or hereafter created, incurred, assumed or guaranteed shall be deemed to have acquired Guarantor Senior Debt of such Guarantor in reliance upon the covenants and provisions contained in this Indenture and the Notes.

SECTION 12.2. No Payment on Notes in Certain Circumstances.

(a) If any default occurs and is continuing in the payment when due, whether at maturity, upon redemption, by declaration, acceleration or otherwise, of any principal of, interest on, unpaid drawings for letters of credit issued in respect of, or fees, costs or other amounts with respect to, any Guarantor Senior Debt of any Guarantor, no payment of any kind or character shall be made by, or on behalf of, such Guarantor, or any other Person (including the Company) on its or their behalf with respect to any Guarantee Obligations, or to acquire any of the Notes for cash or property or otherwise, and the Holders of the Notes may not accept or receive (in cash, property, stock or obligations or by setoff, exercise of contractual or statutory rights or otherwise) from the Company, any Guarantor or any other Person any payment of any kind on account of the Guarantee Obligations. In addition, if any other event of default occurs and is continuing with respect to any Designated Senior Debt, as such event of default is defined in the instrument creating or evidencing such Designated Senior Debt, permitting the holders of such Designated Senior Debt then outstanding to accelerate the maturity thereof and if the Representative for the respective issue of Designated Senior Debt gives written notice of the event of default to the Trustee and each Paying Agent (a "Guarantor Default Notice"), then, unless and until all events of default have been cured or waived or have ceased to exist or the Trustee and each Paying Agent receives notice thereof from the Representative for the respective issue of Designated Senior Debt terminating the Guarantor Blockage Period (as defined below), during the 179 days after the delivery of such Guarantor Default Notice (the "Guarantor Blockage Period"), no

Guarantor nor any other Person (including the Company) on its behalf shall (x) make any payment of any kind or character (including in cash, property, stock or obligations) with respect to any Guarantee Obligations or (y) acquire (whether by setoff, exercise of contractual or statutory rights or otherwise) any of the Notes for cash, property, stock or other obligations, and the Holders of the Notes may not accept or receive (in cash, property, stock, or obligations or by setoff, exercise of contractual or statutory rights or otherwise) from the Company, any Guarantor or any other Person any payment of any kind on account of the Guarantee Obligations. Notwithstanding anything herein to the contrary, in no event will a Guarantor Blockage Period extend beyond 179 days from the date the Guarantor Default Notice was delivered to the Trustee and the Paying Agent and only one such Guarantor Blockage Period may be commenced within any 360 consecutive days. No event of default which existed or was continuing on the date of the commencement of any Guarantor Blockage Period with respect to the Designated Senior Debt and which was set forth in a written notice from the Company to the holders or Representative of such Designated Senior Debt shall be, or be made, the basis for the commencement of a second Guarantor Blockage Period by the Representative of such Designated Senior Debt whether or not within a period of 360 consecutive days, unless such event of default shall have been cured or waived for a period of not less than 90 consecutive days (it being acknowledged that any subsequent action or any breach of any financial covenants for a period commencing after the date of commencement of such Guarantor Blockage Period that, in either case, would give rise to an event of default pursuant to any provisions under which an event of default previously existed or was continuing shall constitute a new event of default for this purpose).

(b) In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee, any Paying Agent or any Holder when such payment is prohibited by Section 12.02(a), such payment shall be held in trust for the benefit of, and shall promptly be paid over or delivered to (in the form received and without any setoff, counterclaim or other claim), the holders of Guarantor Senior Debt of the applicable Guarantor (pro rata to such holders on the basis of the respective amount of Guarantor Senior Debt of such Guarantor held by such holders) or their respective Representatives, as their respective interests may appear. The Trustee and each Paying Agent shall be entitled to rely on information regarding amounts then due and owing on the Guarantor Senior Debt of such Guarantor, if any, received from the holders of such Guarantor Senior Debt (or their Representatives) or, if such information is not received from such holders or their Representatives, from the Guarantors and only amounts included in the information provided to the Trustee and each Paying Agent shall be paid to the holders of Guarantor Senior Debt of each Guarantor.

(c) Notwithstanding anything herein to the contrary, so long as any amounts are outstanding under the Senior Credit Agreement, any Default Notice delivered by the Representative of any Designated Senior Debt pursuant to Section 13.2(a) shall be delivered only at the direction of the lender or lenders authorized to exercise remedies under the Senior Credit Agreement. The Trustee shall be entitled to rely, and shall be fully protected in relying, upon any such Default Notice believed by it to be genuine and correct and to have been sent by such Representative.

(d) Nothing contained in this Article Twelve shall limit the right of the Trustee or the Holders of Notes to take any action to accelerate the maturity of the Notes pursuant to Section 6.02 or to pursue any rights or remedies hereunder; provided that all Guarantor Senior Debt of each Guarantor
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thereafter due or declared to be due shall first be paid in full in cash before the Holders are entitled to receive any payment of any kind or character with respect to the Guarantee Obligations.

SECTION 12.3. Payment Over of Proceeds upon Dissolution, Etc.

(a) Upon any payment or distribution of assets of any Guarantor (or the Company) of any kind or character, whether in cash, property or securities, to creditors upon any total or partial liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors or marshaling of assets of such Guarantor (or the Company) or in a bankruptcy, reorganization, insolvency, receivership or other similar proceeding relating to such Guarantor (or the Company) or its property, whether voluntary or involuntary, all Guarantor Senior Debt of such Guarantor shall first be paid in full in cash

before any payment or distribution (including by setoff) of any kind or character (including in cash, property, stock or other obligations) is made by or on behalf of such Guarantor or any other Person (including the Company) on account of any Guarantee Obligations, or for the acquisition (whether by setoff, exercise of contractual or statutory rights or otherwise) of any of the Notes for cash, property, stock or other obligations, and the Holders of the Notes may not accept or receive (in cash, property, stock or obligations or

by setoff, exercise of contractual or statutory rights or otherwise) from the Company, any Guarantor or any other Person any payment of any kind on account of the Guarantee Obligations. Upon any such dissolution, winding-up, liquidation, reorganization, receivership or similar proceeding, any payment or distribution of assets of any Guarantor of any kind or character, whether in cash, property or securities, to which the Holders of the Notes or the Trustee under this Indenture would be entitled, except for the provisions hereof, shall be paid by such Guarantor or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders or by the Trustee under this Indenture if received by them, directly to the holders of Guarantor Senior Debt of such Guarantor (pro rata to such holders on the basis of the respective amounts of Guarantor Senior Debt of such Guarantor held by such holders) or their respective Representatives, or to the trustee or trustees under any indenture pursuant to which any of such Guarantor Senior Debt of such Guarantor may have been issued, as their respective interests may appear, for application to the payment of Guarantor Senior Debt of such Guarantor remaining unpaid until all such Guarantor Senior Debt of such Guarantor has been paid in full in cash after giving effect to any concurrent payment, distribution or provision therefor to or for the holders of Guarantor Senior Debt of such Guarantor.

(b) To the extent any payment of Guarantor Senior Debt of any Guarantor (whether by or on behalf of such Guarantor, as proceeds of security or enforcement of any right of setoff or otherwise) is declared to be fraudulent or preferential, set aside or required to be paid to any receiver, trustee in bankruptcy, liquidating trustee, agent or other similar Person under any bankruptcy, insolvency, receivership, fraudulent conveyance or similar law, then, if such payment is recovered by, or paid over to, such receiver, trustee in bankruptcy, liquidating trustee, agent or other similar Person, the Guarantor Senior Debt of such Guarantor or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

(c) In the event that, notwithstanding the foregoing, any payment or distribution of assets of any Guarantor of any kind or character, whether in cash, property or securities, shall be received by any Holder when such payment or distribution is prohibited by this Section 12.03(c), such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Guarantor Senior Debt of such Guarantor (pro rata to such holders on the basis of the respective amount of Guarantor Senior Debt of such Guarantor held by such holders) or their respective Representatives, or to the trustee or trustees under any indenture pursuant to which any of such Guarantor Senior Debt of such Guarantor may have been issued, as their respective interests may appear, for application to the payment of Guarantor Senior Debt of such Guarantor remaining unpaid until all such Guarantor Senior Debt of such Guarantor has been paid in full in cash, after giving effect to any concurrent payment, distribution or provision therefor to or for the holders of such Guarantor Senior Debt of such Guarantor.

(d) The consolidation of any Guarantor with, or the merger of any Guarantor with or into, another Person or the liquidation or dissolution of any Guarantor following the

conveyance or transfer of all or substantially all of its assets, to another Person upon the terms and conditions provided in Article Five and as long as permitted under the terms of the Guarantor Senior Debt of any Guarantor shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 12.03 if such other Person shall, as a part of such consolidation, merger, conveyance or transfer, assume such Guarantor's obligations hereunder in accordance with Article Five.

SECTION 12.4. Payments May Be Paid Prior to Dissolution.

Nothing contained in this Article Twelve or elsewhere in this Indenture shall prevent (i) any Guarantor except under the conditions described in Sections 12.02 and 12.03, from making payments at any time in respect of Guarantee Obligations, or from depositing with the Trustee any moneys for such payments, or (ii) in the absence of actual knowledge by the Trustee or any Paying Agent that a given payment would be prohibited by Section 12.02 or 12.03, the application by the Trustee or such Paying Agent, as the case may be, of any moneys deposited with it for the purpose of making such payments of principal of, and interest on, Guarantee Obligations to the Holders entitled thereto unless at least two Business Days prior to the date upon which such payment would otherwise become due and payable a Trust Officer or officer of the Paying Agent, as the case may be, shall have actually received the written notice provided for in the second sentence of Section 12.02(a) or in Section 12.07 (provided that, notwithstanding the foregoing, such application shall otherwise be subject to the provisions of the first sentence of Section 12.02(a) and Section 12.03). Each Guarantor shall give prompt written notice to the Trustee and each Paying Agent of any dissolution, winding-up, liquidation or reorganization of such Guarantor.

SECTION 12.5. Subrogation.

Subject to the payment in full in cash of all Guarantor Senior Debt of any Guarantor, the Holders of the Guarantee Obligations shall be subrogated to the rights of the holders of Guarantor Senior Debt of such Guarantor to receive payments or distributions of cash, property or securities of such Guarantor applicable to the Guarantor Senior Debt of such Guarantor until the Guarantee Obligations shall be paid in full; and, for the purposes of such subrogation, no such payments or distributions to the holders of the Guarantor Senior Debt of any Guarantor by or on behalf of such Guarantor or by or on behalf of the Holders by virtue of this Article Twelve which otherwise would have been made to the Holders shall, as between such Guarantor and the Holders of the Guarantee Obligations, be deemed to be a payment by such Guarantor to or on account of the Guarantor Senior Debt of such Guarantor, it being understood that the provisions of this Article Twelve are and are intended solely for the purpose of defining the relative rights of the Holders of the Guarantee Obligations, on the one hand, and the holders of the Guarantor Senior Debt of each Guarantor, on the other hand.

SECTION 12.6. Obligations of Guarantors Unconditional.

Nothing contained in this Article Twelve or elsewhere in this Indenture or in the Notes is intended to or shall impair, as among any Guarantor, its creditors other than the holders of Guarantor Senior Debt of such Guarantor, and the Holders, the obligation of such Guarantor, which is absolute and unconditional, to pay the Guarantee Obligations to the Holders as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders and creditors of such Guarantor other than the holders of the Guarantor Senior Debt of such Guarantor, nor shall anything herein or therein prevent the Holder of any Note or the Trustee on its behalf from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, in respect of cash, property or securities of such Guarantor received upon the exercise of any such remedy.

SECTION 12.7. Notice to Trustee and Paying Agents.

Each Guarantor shall give prompt written notice to the Trustee and each Paying Agent of any fact known to such Guarantor which would prohibit the making of any payment to or by the Trustee or any Paying Agent in respect of the Guarantee Obligations pursuant to the provisions of this Article Twelve. Regardless of anything to the contrary contained in this Article Twelve or elsewhere in this Indenture, neither the Trustee nor any Paying Agent shall be charged with knowledge of the existence of any default or event of default with respect to any Guarantor Senior Debt of such Guarantor or of any other facts which would prohibit the making of any payment to or by the Trustee or any

Paying Agent unless and until the Trustee or such Paying Agent, as the case may be, shall have received a Guarantor Default Notice from the Representative of any Designated Senior Debt, together with proof satisfactory to the Trustee or such Paying Agent, as the case may be, of such holding of Guarantor Senior Debt of such Guarantor or of the authority of such Representative, and, prior to the receipt of any such Guarantor Default Notice, the Trustee shall be entitled to assume (in the absence of actual knowledge to the contrary) that no such facts exist.

In the event that the Trustee or any Paying Agent determines in good faith that any evidence is required with respect to the right of any Person as a holder of Guarantor Senior Debt of any Guarantor to participate in any payment or distribution pursuant to this Article Twelve, the Trustee or such Paying Agent, as the case may be, may request such Person to furnish evidence to the reasonable satisfaction of the Trustee or such Paying Agent, as the case may be, as to the amounts of Guarantor Senior Debt of such Guarantor held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article Twelve, and if such evidence is not furnished, the Trustee or such Paying Agent, as the case may be, may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 12.8. Reliance on Judicial Order or Certificate of Liquidating Agent.

Upon any payment or distribution of assets of any Guarantor referred to in this Article Twelve, the Trustee, subject to the provisions of Article Seven, such Paying Agent and the Holders of the Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which any insolvency, bankruptcy, receivership, dissolution, winding-up, liquidation, reorganization or similar case or proceeding is pending, or upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, receiver, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or the Holders of the Notes, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Guarantor Senior Debt of such Guarantor and other Indebtedness of such Guarantor or the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article Twelve.

SECTION 12.9. Trustee's Relation to Guarantor Senior Debt of Guarantors.

The Trustee, each Agent and any agent of any Guarantor, of the Trustee or any Agent shall be entitled to all the rights set forth in this Article Twelve with respect to any Guarantor Senior Debt of any Guarantor which may at any time be held by it in its individual or any other capacity to the same extent as any other holder of Guarantor Senior Debt of such Guarantor and nothing in this Indenture shall deprive the Trustee, any Agent or any such agent of any of its rights as such a holder.

With respect to the holders of Guarantor Senior Debt of any Guarantor, the Trustee and each Agent undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article Twelve, and no implied covenants or obligations with respect to the holders of Guarantor Senior Debt of such Guarantor shall be read into this Indenture against the Trustee. Neither the Trustee nor any Agent shall be deemed to owe any fiduciary duty to the holders of Guarantor Senior Debt of any Guarantor.

Whenever a distribution is to be made or a notice is to be given to holders or owners of Guarantor Senior Debt of any Guarantor, the distribution may be made and the notice may be given to their Representatives, if any.

SECTION 12.10. Subordination Rights Not Impaired by Acts or Omissions of Guarantor or Holders of Guarantor Senior Debt.

No right of any present or future holders of any Guarantor Senior Debt of any Guarantor to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any Guarantor or the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by any

Guarantor or the Company with the terms of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Guarantor Senior Debt of any Guarantor may, at any time and from time to time, without the consent of or notice to the Trustee, without incurring responsibility to the Trustee or the Holders of the Notes and without impairing or releasing the subordination provided in this Article Twelve or the obligations hereunder of the Holders of the Notes to the holders of the Guarantor Senior Debt of any Guarantor, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew, refinance to the extent permitted by this Indenture or alter, Guarantor Senior Debt of any Guarantor, or otherwise amend or supplement in any manner Guarantor Senior Debt of any Guarantor, or any instrument evidencing the same or any agreement under which Guarantor Senior Debt of any Guarantor is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Guarantor Senior Debt of any Guarantor; (iii) release any Person liable in any manner for the payment or collection of Guarantor Senior Debt of any Guarantor; and (iv) exercise or refrain from exercising any rights against Guarantor, the Company and any other Person.

SECTION 12.11. Noteholders Authorize Trustee and Paying Agent To Effectuate Subordination of Notes.

Each Holder of Notes by its acceptance of them authorizes and expressly directs the Trustee and each Paying Agent on its behalf to take such action as may be necessary or appropriate to effectuate, as between the holders of Guarantor Senior Debt of any Guarantor and the Holders of Notes, the subordination provided in this Article Twelve, and appoints the Trustee and each Paying Agent its attorney-in-fact for such purposes, including, in the event of any dissolution, winding-up, liquidation or reorganization of any Guarantor (whether in bankruptcy, insolvency, receivership, reorganization or similar proceedings or upon an assignment for the benefit of creditors or otherwise) tending towards liquidation of the business and assets of any Guarantor, the filing of a claim for the unpaid balance of its Notes and accrued interest in the form required in those proceedings.

If the Trustee does not file a proper claim or proof of debt in the form required in such proceeding prior to 30 days before the expiration of the time to file such claim or claims, then the holders of the Guarantor Senior Debt of any Guarantor or their Representatives are hereby authorized to have the right to file and are hereby authorized to file an appropriate claim for and on behalf of the Holders of said Notes. Nothing herein contained shall be deemed to authorize the Trustee or the holders of Guarantor Senior Debt of any Guarantor or their Representatives to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee or the holders of Guarantor Senior Debt of any

Guarantor or their Representatives to vote in respect of the claim of any Holder in any such proceeding.

SECTION 12.12. This Article Twelve Not To Prevent Events of Default.

The failure to make a payment on account of Guarantee Obligations by reason of any provision of this Article Twelve will not be construed as preventing the occurrence of an Event of Default.

ARTICLE THIRTEEN

SECTION 13.1. TIA Controls.

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

SECTION 13.2. Notices.

Any notices or other communications required or permitted hereunder shall be in writing, and shall be sufficiently given if made by hand delivery, by commercial courier service, by telecopier or registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

if to the Company:

Favorite Brands International, Inc.

Attn:

Telephone No.:
Facsimile No.:

with a copy to:

if to the Trustee:

Attn:
Telephone No.:
Facsimile No.:

if to the Paying Agent or Registrar:

Attn:
Telephone No.:
Facsimile No.:

Each of the Company, each Guarantor, the Trustee and the Paying Agent by written notice to each other such Person may designate additional or different addresses for notices to such Person. Any notice or communication to the Company, any Guarantor, the Trustee and the Paying Agent shall be deemed to have been given or made as of the date so delivered if personally delivered; when receipt is confirmed if delivered by commercial courier service; when receipt is acknowledged, if faxed; and five (5) calendar days after mailing if sent by registered or certified mail, postage prepaid (except that a notice of change of address shall not be deemed to have been given until actually received by the addressee).

In the event any additional Guarantors are added pursuant to Section 4.18, this Section 13.02 shall be supplemented to provide for delivery of any notices or communications described herein to each such Guarantor.

Any notice or communication mailed to a Holder shall be mailed to him by first class mail or other equivalent means at his address as it appears on the registration books of the Registrar and shall be sufficiently given to him if so mailed within the time prescribed.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

SECTION 13.3. Communications by Holders with Other Holders.

Holders may communicate pursuant to TIA (S) 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company,

the Trustee, the Registrar and any other Person shall have the protection of TIA (S) 312(c).

SECTION 13.4. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company or any Guarantor to the Trustee to take any action under this Indenture, the Company or such Guarantor, as the case may be, shall furnish to the Trustee:

(1) an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee, stating that, in the opinion of the signers, all conditions precedent to be performed by the Company, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent to be performed by the Company, if any, provided for in this Indenture relating to the proposed action have been complied with.

SECTION 13.5. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture, other than the Officers' Certificate required by Section 4.06, shall include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition and the definitions relating thereto;

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

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

SECTION 13.6. Rules by Trustee, Paying Agent, Registrar.

The Trustee may make reasonable rules in accordance with the Trustee's customary practices for action by or at a meeting of Holders. Each of the Paying Agent or Registrar may make reasonable rules for its functions.

SECTION 13.7. Legal Holidays.

A "Legal Holiday" used with respect to a particular place of payment is a Saturday, a Sunday or a day on which banking institutions in New York, New York or at such place of payment are not required to be open. If a payment date is a Legal Holiday at such place, payment may be made at such place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

SECTION 13.8. Governing Law.

THIS INDENTURE AND THE NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS. EACH OF THE PARTIES HERETO AGREES TO SUBMIT TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW

YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE.

SECTION 13.9. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or any of its Subsidiaries. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 13.10. No Recourse Against Others.

A director, officer, employee, stockholder or incorporator, as such, of the Company, any Guarantor or of the Trustee shall not have any liability for any obligations of the Company or any Guarantor under the Notes, the Guarantees or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of the Notes.

SECTION 13.11. Successors.

All agreements of the Company and Guarantors in this Indenture and the Notes shall bind their respective successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 13.12. Duplicate Originals.

All parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together shall represent the same agreement.

SECTION 13.13. Severability.

In case any one or more of the provisions in this Indenture or in the Notes shall be held invalid, illegal or unenforceable, in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

SIGNATURES

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

Issuer:

FAVORITE BRANDS INTERNATIONAL, INC.

By:_____
Name:
Title:

Guarantors:

By:_____
Name:
Title:

By:_____
Name:
Title:

By:_____
Name:
Title:

By:_____
Name:
Title:

By:_____
Name:
Title:

By:_____
Name:
Title:

Trustee:

[TRUSTEE],
as Trustee

By:_____
Name:
Title:

ACKNOWLEDGED AND AGREED:

[PAYING AGENT],
as Registrar, Paying Agent and Authenticating Agent

By:_____
Name:
Title:

EXHIBIT A

CUSIP No.:

FAVORITE BRANDS INTERNATIONAL, INC.

SENIOR SUBORDINATED NOTE DUE 2007

No. $

FAVORITE BRANDS INTERNATIONAL, INC., a Delaware corporation (the "Company," which term includes any successor entity), for value received promises to pay to _____ or registered assigns, the principal sum of _____ Dollars, on August 20, 2007.

Interest Payment Dates: February 20 and August 20,
Record Dates: February 20 and August 20

Reference is made to the further provisions of this Note contained herein, which will for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Note to be signed manually or by facsimile by its duly authorized officers and a facsimile of its corporate seal to be affixed hereto or imprinted hereon.

FAVORITE BRANDS INTERNATIONAL, INC.

By:_____
Name:
Title:

By:_____
Name:
Title:

Dated:

Certificate of Authentication

This is one of the Senior Subordinated Notes due 2007 referred to in the within-mentioned Indenture.

[TRUSTEE], or as Trustee	[TRUSTEE], as Trustee
By:_____ Authorized Signatory	By: [AUTHENTICATING AGENT], as Authenticating Agent
	By:_____ Authorized Signatory

(REVERSE OF SECURITY)

SENIOR SUBORDINATED NOTE DUE 2007

1. Interest. FAVORITE BRANDS INTERNATIONAL, INC., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Note at the rate per annum shown above plus, in the event that this Note is issued prior to October 1, 1998, 100 basis points from and after October 1, 1998 if the Company fails to obtain the Minimum Rating on or prior to September 30, 1998 (the "Interest Rate"). Interest on the Notes will accrue from the most recent date on which interest has been paid or, if no interest has been paid, from _____. The Company will pay interest semi-annually in arrears on each Interest Payment Date, commencing _____. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Company shall pay interest on overdue principal and on overdue installments of interest from time to time on demand at the rate borne by the Notes plus 2% per annum and on overdue installments of interest (without regard to any applicable grace periods) to the extent lawful.

2. Method of Payment. The Company shall pay interest on the Notes (except defaulted interest) to the Persons who are the registered Holders at the close of business on the Record Date immediately preceding the Interest Payment Date even if the Notes are cancelled on registration of transfer or registration of exchange after such Record Date. Holders must surrender Notes to a Paying Agent to collect principal payments. The Company shall pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts ("U.S. Legal Tender"). However, the Company may pay principal and interest by its check payable in such U.S. Legal Tender. The Company may deliver any such interest payment to the Paying Agent or to a Holder at the Holder's registered address.

3. Paying Agent and Registrar. Initially, [TRUSTEE] [ADDRESS], will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co-Registrar without notice to the Holders.

4. Indenture and Guarantee. The Company issued the Notes under an Indenture, dated as of _____ (the "Indenture"), among the Company, [RESTRICTED SUBSIDIARIES], and [TRUSTEE], as Trustee (the "Trustee"). This Note is one of a duly authorized issue of Notes of the Company designated as its Senior Subordinated Notes due 2007 (the "Notes"). The Notes are limited in aggregate principal amount to [$200,000,000] plus the aggregate amount of the Existing Subordinated Notes. Capitalized terms herein are used as defined in the Indenture unless otherwise defined herein. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S. Code (S)(S) 77aaa-77bbbb) (the "TIA"), as in effect on the date of the Indenture. Notwithstanding anything to the contrary herein, the Notes are subject to all such terms, and Holders of Notes are referred to the Indenture and said Act for a statement of them. The Notes are general unsecured obligations of the Company. Payment of each Note is guaranteed on a senior subordinated basis by the Guarantors pursuant to Article Eleven of the Indenture.

5. Subordination. The Notes are subordinated in right of payment, in the manner and to the extent set forth in the Indenture, to the prior payment in full in cash of all Senior Debt of the Company, whether outstanding on the date of the Indenture or thereafter created, incurred, assumed or guaranteed. Each Holder by his acceptance hereof agrees to be bound by such provisions and authorizes and expressly directs the Trustee and the Paying Agent, on his behalf, to take such action as may be necessary or appropriate to effectuate the subordination provided for in the Indenture and appoints the Trustee his attorney-in-fact for such purposes.

6. Redemption.

(a) Optional Redemption. The Notes will be redeemable, at the Company's option, in whole at any time or in part from time to time, on and after August 20, 2002, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the twelve-month period commencing on August 20 of the year set forth below, plus, in each case, accrued and unpaid interest to but excluding the date of redemption:

Year	Percentage
2002	105.125%
2003	103.4167%
2004	101.7083%
2005 and thereafter	100.0000%;

provided, however, that in the event that the Company has failed to obtain the Minimum Rating on or prior to September 30, 1998, the amounts set forth above shall be increased by 0.5% with respect to any Prepayment Date during the twelve-month period commencing August 20, 2002, 0.3333% with respect to any Prepayment Date during the twelve-month period commencing August 20, 2003, 0.1667% with respect to any Prepayment Date during the twelve-month period commencing August 20, 2004 and 0% with respect to any Prepayment Date thereafter.

(b) Optional Redemption Upon Public Equity Offerings. At any time, or from time to time, on or prior to August 20, 2000, the Company may, at its option, use the net cash proceeds of one or more Public Equity Offerings (as defined in the Indenture) to redeem up to 35% of the aggregate principal amount of Notes originally issued at a redemption price equal to 110.25% of the principal amount thereof plus, in each case, (i) accrued interest to but excluding the date of redemption and (ii), in the event that the date of redemption occurs after September 30, 1998 and the Company has failed to obtain the Minimum Rating on or prior to September 30, 1998, 100 basis points; provided that at least 65% of the principal amount of Notes originally issued remains outstanding immediately after any such redemption.

In order to effect the foregoing redemption with the proceeds of any Public Equity Offering, the Company shall make such redemption not more than 120 days after the consummation of any such Public Equity Offering.

7. Notice of Redemption. Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of Notes to be redeemed at

such Holder's registered address. Notes in denominations larger than $1,000 may be redeemed in part.

Except as set forth in the Indenture, if monies for the redemption of the Notes called for redemption shall have been deposited with the Paying Agent for redemption on such Redemption Date, then, unless the Company defaults in the payment of such Redemption Price plus accrued and unpaid interest, if any, the

Notes called for redemption will cease to bear interest on and after such Redemption Date and the only right of the Holders of such Notes will be to receive payment of the Redemption Price plus accrued and unpaid interest, if any.

8. Offers to Purchase. Sections 4.15 and 4.16 of the Indenture provide that, upon the occurrence of a Change of Control (as defined in the Indenture) and after certain Asset Sales (as defined in the Indenture), and subject to further limitations contained therein, the Company will make an offer to purchase certain amounts of the Notes in accordance with the procedures set forth in the Indenture.

9. Denominations; Transfer; Exchange. The Notes are in registered form, without coupons, in denominations of $1,000 and integral multiples of $1,000. A Holder shall register the transfer of or exchange Notes in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay certain transfer taxes or similar governmental charges payable in connection therewith as permitted by the Indenture. The Registrar need not register the transfer of or exchange of any Notes or portions thereof selected for redemption.

10. Persons Deemed Owners. The registered Holder of a Note shall be treated as the owner of it for all purposes.

11. Unclaimed Money. If money for the payment of principal or interest remains unclaimed for two years, the Trustee and the Paying Agent will pay the money back to the Company. After that, all liability of the Trustee and such Paying Agent with respect to such money shall cease.

12. Discharge Prior to Redemption or Maturity. If the Company at any time deposits with the Trustee U.S. Legal Tender or U.S. Government Obligations sufficient to pay the principal of and interest on the Notes to redemption or maturity and complies with the other provisions of the Indenture relating thereto, the Company will be discharged from certain provisions of the Indenture and the Notes (including certain covenants, but excluding its obligation to pay the principal of and interest on the Notes).

13. Amendment; Supplement; Waiver. Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the written consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding, and any existing Default or Event of Default or noncompliance with any provision may be waived with the written consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding. Without notice to or consent of any Holder, the parties thereto may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency, provide for uncertificated Notes in addition to or in place of certificated Notes, or comply with Article Five

of the Indenture or make any other change that does not adversely affect in any material respect the rights of any Holder of a Note.

14. Restrictive Covenants. The Indenture imposes certain limitations on the ability of the Company and its Restricted Subsidiaries to, among other things, incur additional Indebtedness, make payments in respect of its Capital Stock or certain Indebtedness, enter into transactions with Affiliates, create dividend or other payment restrictions affecting Subsidiaries, merge or consolidate with any other Person, sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets or adopt a plan of liquidation. Such limitations are subject to a number of important qualifications and exceptions. The Company and Holdings must annually report to the Trustee on compliance with such limitations.

15. Successors. When a successor assumes, in accordance with the Indenture, all the obligations of its predecessor under the Notes and the

Indenture, the predecessor will be released from those obligations.

16. Defaults and Remedies. If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of Notes then outstanding may declare all the Notes to be due and payable in the manner, at the time and with the effect provided in the Indenture. Holders of Notes may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee is not obligated to enforce the Indenture or the Notes unless it has received indemnity reasonably satisfactory to it. The Indenture permits, subject to certain limitations therein provided, Holders of a majority in aggregate principal amount of the Notes then outstanding to direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of Notes notice of any continuing Default or Event of Default (except a Default in payment of principal or interest) if it determines that withholding notice is in their interest.

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

18. No Recourse Against Others. No stockholder, director, officer, employee or incorporator, as such, of the Company shall have any liability for any obligation of the Company under the Notes or the Indenture or for any claim based on, in respect of or by reason of, such obligations or their creation. Each Holder of a Note by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

19. Authentication. This Note shall not be valid until the Trustee or an Authenticating Agent manually signs the certificate of authentication on this Note.

20. Governing Law. The Laws of the State of New York shall govern this Note and the Indenture, without regard to principles of conflict of laws.

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

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

23. Indenture. Each Holder, by accepting a Note, agrees to be bound by all of the terms and provisions of the Indenture, as the same may be amended from time to time.

The Company will furnish to any Holder of a Note upon written request and without charge a copy of the Indenture, which has the text of this Note in larger type. Requests may be made to: _____.

[FORM OF NOTATION ON NOTE RELATING TO GUARANTEE]

GUARANTEE

The undersigned has unconditionally guaranteed on a senior subordinated basis (such guarantee being referred to herein as the "Guarantee") (i) the due and punctual payment of the principal of and interest on the Notes, whether at maturity, by acceleration or otherwise, the due and punctual payment of interest on the overdue principal and interest, if any, on the Notes, to the extent lawful, and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee all in accordance with the terms set forth in Article Eleven of the Indenture and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

The obligations of the undersigned to the Holders of Notes and to the Trustee pursuant to the Guarantee and the Indenture are expressly subordinated in right of payment to the prior payment in full of all Guarantor Senior Debt (as defined in the Indenture) of the undersigned, to the extent and in the manner provided, in Articles Eleven and Twelve of the Indenture, and reference is hereby made to such Indenture for the precise terms of the Guarantee therein made.

No stockholder, officer, director or incorporator, as such, past, present or future, of the undersigned shall have any liability under the Guarantee by reason of his or its status as such stockholder, officer, director or incorporator.

The Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Notes upon which the Guarantee is noted shall have been executed by the Trustee or an Authenticating Agent under the Indenture by the manual signature of one of its authorized officers.

[RESTRICTED SUBSIDIARIES]

By:_____
Name:

By:_____
Name:

By:_____
Name:

By:_____
Name:

By:_____
Name:

By:_____
Name:

ASSIGNMENT FORM

If you the Holder want to assign this Note, fill in the form below and have your signature guaranteed:

I or we assign and transfer this Note to:

_____

_____

_____
(Print or type name, address and zip code and
social security or tax ID number of assignee)

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

Dated: _____ Signed:_____
(Sign exactly as name appears on the other side of this Note)

Signature Guarantee: _____

[OPTION OF HOLDER TO ELECT PURCHASE]

If you want to elect to have this Note purchased by the Company pursuant to Section 4.15 or Section 4.16 of the Indenture, check the appropriate box:

Section 4.15 [ ]
Section 4.16 [ ]

If you want to elect to have only part of this Note purchased by the Company pursuant to Section 4.15 or Section 4.16 of the Indenture, state the amount you elect to have purchased:

$_____

Dated: _____ _____
NOTICE: The signature on this assignment must correspond with the name as it appears upon the face of the within Note in every particular without alteration or enlargement or any change whatsoever and be guaranteed by the endorser's bank or broker.

Signature Guarantee: _____

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

By:_____
Name:
Title:

Signature Guarantee: _____

EXHIBIT 4.13

FIRST AMENDMENT TO AMENDED AND RESTATED SENIOR SUBORDINATED NOTE AGREEMENT

This FIRST AGREEMENT TO AMENDED AND RESTATED SENIOR SUBORDINATED NOTE AGREEMENT (this "Amendment") is dated as of March 20, 1998 and entered into by and among Favorite Brands International Inc., a Delaware corporation ("Company"), and the lenders listed on the signature pages hereof ("Lenders") and is made with reference to that certain Amended and Restated Senior Subordinated Note Agreement dated as of September 12, 1997 (the "Note Agreement "), by and among Company and Lenders. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Note Agreement.

RECITALS

WHEREAS, Company and Lenders desire to amend the Note Agreement as set forth below:

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

SECTION 1. AMENDMENT TO THE NOTE AGREEMENT

Clause (ii) of the definition of Permitted Indebtedness contained in Schedule B of the Note Agreement is hereby amended by deleting clause (3) thereof in its entirety and renumbering clause (4) thereof as clause (3).

SECTION 2. REPRESENTATIONS AND WARRANTIES

Company represents and warrants to each Lender that:

A. POWER. Company and each Guarantor has the power and authority to execute and deliver this Amendment and to perform its Obligations under the Note Agreement as amended by this Amendment (the "Amended Agreement").

B. AUTHORIZATION; NO CONTRAVENTION. The execution and delivery by Company and Guarantors of this Amendment and the performance by Company and Guarantors of the Amended Agreement have duly authorized by all necessary corporate action, and do not and will not:

(i) contravene the terms of any such Person's Organizational Documents;

(ii) conflict with or result in any breach or contravention of, or

the creation of any Lien under, any document evidencing any Contractual Obligation to which such Person is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its property is subject; or

(iii) violate any Requirement of Law.

C. GOVERNMENTAL AUTHORIIZATION. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution or delivery by Company of this Amendment or the performance by, or enforcement against, Company of the Amended Agreement.

D. BINDING EFFECT. This Amendment and the Amended Agreement constitute the legal, valid and binding obligations of Company and each Guarantor, enforceable against such Person in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

SECTION 3. MISCELLANEOUS

A. REFERENCE TO AND EFFECT ON THE NOTE AGREEMENT.

(i) On and after the date hereof, each reference in the Note Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Note Agreement shall mean and be a reference to the Amended Agreement.

(ii) Except as specially amended by this Amendment, the Note Agreement shall remain in full force and effect and is hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of any Lender under, the Note Agreement.

B. GOVERNING LAW. This 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 New York excluding choice-of-law principles of the law of such

state that would require the application of the laws of a jurisdiction other than such state.

C. COUNTERPARTS; EFFECTIVENESS. This Amendment may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a

number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto. This Amendment shall become effective as of September 12, 1997 upon the execution of a counterpart hereof by Company, Guarantors and Required Lenders and receipt by Company of written notification of such execution.

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

FAVORITE BRANDS INTERNATIONAL, INC.

By: [SIGNATURE ILLEGIBLE]

Title: Vice President

SATHERS, INC.

By: [SIGNATURE ILLEGIBLE]

Title: Vice President

SATHER TRUCKING CORPORATION

By: [SIGNATURE ILLEGIBLE]

Title: Vice President

FARLEY CANDY COMPANY

By: [SIGNATURE ILLEGIBLE]

Title: Vice President

TROLLI, INC

By: [SIGNATURE ILLEGIBLE]

Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Alan W. Wray

Title: Vice President

NEW YORK LIFE INSURANCE COMPANY

By: /s/ Steven M. Benevento

Title: Investment Manager

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

By: /s/ Steven M. Benevento

Title: Investment Manager

OAK HILL SECURITIES FUND, LP.

By: Oak Hill Securities GenPar, L.P.
its General Partner

By: Oak Hill Securities MSP, Inc.,
its General Partner

By: /s/ Scott D. Krase

Name SCOTT D. KRASE
Title Vice President

AMERICAN GENERAL LIFE AND
ACCIDENT INSURANCE COMPANY

THE VARIABLE ANNUITY LIFE
INSURANCE COMPANY

THE FRANKLIN LIFE INSURANCE COMPANY

By: /s/ Peter V. Tuters

Title: Peter V. Tuters
Investment Officer

BANK OF AMERICA NATIONAL TRUST
& SAVINGS ASSOCIATION

By: /s/ Jonathan M. Kites

Title: Jonathan M. Kites
Attorney-in-Fact

THE EQUITABLE LIFE ASSURANCE
SOCIETY OF THE UNITED STATES

By:_____
Title:_____

THE EQUITABLE LIFE ASSURANCE
SOCIETY OF THE UNITED STATES

By:_____
Title:_____

GREAT AMERICAN INSURANCE COMPANY

By: [SIGNATURE ILLEGIBLE]

Title: Asst. Vice President

GREAT AMERICAN LIFE INSURANCE COMPANY

By: [SIGNATURE ILLEGIBLE]

Title: Senior Vice President

SENIOR HIGH INCOME PORTFOLIO, INC.

By: [SIGNATURE ILLEGIBLE]

Title:_____

DEBT STRATEGIES FUND, INC.

By: [SIGNATURE ILLEGIBLE]

Title:_____

METROPOLITAN LIFE INSURANCE COMPANY

By: [SIGNATURE ILLEGIBLE]

Title: Director

OCTAGON BOND TRUST

By:_____
Title:_____

ORIX USA CORPORATION

By:_____
Title:_____

PAMCO CAYMAN LTD,

By:_____
Title:_____

PARIBAS CAPITAL FUNDING LLC

By:_____
Title:_____

TCW LEVERAGED INCOME TRUST, L.P.
By TCW Advisors (Bermuda), Limited, as General Partner
By TCW Investment Management Company, as Investment Advisor

/s/ Jean-Hart Chapus

Jean-Hart Chapus
Managing Director

By: /s/ Melissa Weiler

Title: Melissa Weiler

Managing Director

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY

By: /s/ Richard A. Strait

Title: Its authorized representative

MERRILL LYNCH ASSET MANAGEMENT as Investment Advisor

by Merrill Lynch Debt Strategies Portfolio

By: /s/ [SIGNATURE ILLEGIBLE]

Title:_____

BHF-BANK AKTIENGESELLSCHAFT

By: /s/ [SIGNATURE ILLEGIBLE]

Title: ??? ????

ALLIANCE CAPITAL MANAGEMENT

By:_____
Title:_____

CONTINENTAL CASUALTY COMPANY

By:_____
Title:_____

POLLY & CO.

By:_____
Title:_____

HARE & CO.

By:_____
Title:_____

CHASE SECURITIES, INC.

By: /s/ Geoffrey P. Sherry

Title: Managing Director

MERRILL LYNCH GLOBAL INVESTMENT SERIES
INCOME STRATEGIES PORTFOLIO
By Merrill Lynch Asset Management as Investment Advisor

By: /s/ [SIGNATURE ILLEGIBLE]

Title:_____

EXHIBIT 4.14

SECOND AMENDMENT TO AMENDED AND RESTATED SENIOR SUBORDINATED NOTE AGREEMENT

This SECOND AMENDMENT TO AMENDED AND RESTATED SENIOR SUBORDINATED NOTE AGREEMENT (this "AMENDMENT") is dated as of June 19, 1998 and entered into by and among Favorite Brands International, Inc., a Delaware corporation ("COMPANY"), the Subsidiaries of the Company listed on the signature pages hereof ("GUARANTORS") and the lenders listed on the signature pages hereof ("LENDERS") and is made with reference to that certain Amended and Restated Senior Subordinated Note Agreement dated as of September 12, 1997 (the "1997 AGREEMENT"), as amended by the First Amendment to the Amended and Restated Senior Subordinated Note Agreement dated as of March 20, 1998 (the "FIRST AMENDMENT" and together with the 1997 Agreement, the "NOTE AGREEMENT"), by and among the Company, Guarantors and Lenders. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Note Agreement.

RECITALS

WHEREAS, the Company and the Lenders desire to amend the Note Agreement as set forth below;

NOW THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

SECTION 1. AMENDMENT TO THE NOTE AGREEMENT

The Note Agreement is amended as follows:

A. PERMITTED INDEBTEDNESS. Clause (ii) of the definition of Permitted Indebtedness contained in Schedule B of the Note Agreement is hereby amended (A) by deleting the reference to $535,000,000 and replacing such figure with $450,000,000 and (B) by inserting the words "after May 19, 1998" after the word "Company" in subclause (1) thereof.

B. SECTION 7.1 FINANCIAL AND BUSINESS INFORMATION.

(i) Paragraph (a) of Section 7.1 is hereby amended (A) to delete the reference to "Holdings" each time that it appears therein and to replace each such reference with "Company" and (B) to delete clause (ii) in its entirety and to replace "and" at the end of clause (i) with a period.

(ii) Paragraph (b) of Section 7.1 is hereby amended (A) to delete the reference to "Holdings" each time that it appears therein and to replace each

such reference with "Company" and (B) to delete the words "and consolidating" each time that they appear therein.

C. SECTION 9.2 LIMITATION ON RESTRICTED PAYMENTS. The first sentence of the second paragraph of Section 9.2 is hereby amended by deleting clause (7) in its entirety and replacing; "and" at the end of clause (6) with a period. The second sentence of the second paragraph of Section 9.2 is amended by replacing clause (b) thereof with the words "(b) amounts expended pursuant to clauses (4), (5) and (6) shall be excluded from such calculation."

SECTION 2. REPRESENTATION AND WARRANTIES

Company represents and warrants to each Lender that:

A. POWER. Company and each Guarantor has the power and authority to execute and deliver this Amendment and to perform its Obligations under the Note Agreement as amended by this Amendment (the "AMENDED AGREEMENT").

B. AUTHORIZATION; NO CONTRAVENTION. The execution and delivery by Company and Guarantors of this Amendment and the performance by Company and Guarantors of the Amended Agreement have been duly authorized by all necessary corporate action, and do not and will not:

(i) contravene the terms of any of such Person's Organizational Documents;

(ii) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any Contractual Obligation to which such Person is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its property is subject; or

(iii) violate any Requirement of Law.

C. GOVERNMENTAL AUTHORIZATION. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution or delivery by Company or Guarantors of this Amendment or the performance by, or enforcement against, Company of the Amended Agreement.

D. BINDING EFFECT. This Amendment and the Amended Agreement constitute the legal, valid and binding obligations of Company and each Guarantor, enforceable against such person in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

SECTION 3. THE INDENTURE

Until such time as an Exchange Offer is effected by the Company and the Indenture becomes effective, each amendment heretofore, herein and hereafter made to the Note Agreement shall be deemed made to the corresponding provision of the form of Indenture in Exhibit V regardless of whether any such amendment to the Note Agreement referenced or references Exhibit V.

SECTION 4. MISCELLANEOUS

A. REFERENCE TO AND EFFECT ON THE NOTE AGREEMENT.

(i) On and after the date hereof, each reference in the Note Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import referring to the Note Agreement shall mean and be a reference to the Amended Agreement.

(ii) Except as specifically amended by this Amendment, the Note Agreement shall remain in full force and effect and is hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of any Lender under, the Note Agreement.

B. GOVERNING LAW. This 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 New York excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than such state.

C. COUNTERPARTS; EFFECTIVENESS. This Amendment may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto. This Amendment shall become effective as of June 19, 1998 upon the execution of a counterpart hereof by Company, Guarantors and Required Lenders and receipt by Company of written notification of such execution.

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

COMPANY: FAVORITE BRANDS INTERNATIONAL, INC.

By: /s/ [SIGNATURE ILLEGIBLE]

Title: Vice President

GUARANTORS: SATHER TRUCKING CORPORATION

By: /s/ [SIGNATURE ILLEGIBLE]

Title: Vice President

TROLLI INC.

By: /s/ [SIGNATURE ILLEGIBLE]

Title: Vice President

LENDERS: NEW YORK LIFE INSURANCE COMPANY

By: /s/ Adam G. Clemens

Title: MANAGING DIRECTOR

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

By: /s/ Adam G. Clemens

Title: MANAGING DIRECTOR

OAK HILL SECURITIES FUND, L.P.

By: Oak Hill Securities GenPar, L.P.
Its General Partner

By: Oak Hill Securities M??, Inc.
Its General Partner

By: /s/ Scott D. Krase

Name SCOTT D. KRASE
Title Vice President

AMERICAN GENERAL LIFE AND ACCIDENT INSURANCE COMPANY

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

THE FRANKLIN LIFE INSURANCE COMPANY

By:_____
Title:_____

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION

By: /s/ [SIGNATURE ILLEGIBLE]

Title: Attorney-in-Fact

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

By:_____
Title:_____

GREAT AMERICAN INSURANCE COMPANY

By: /s/ [SIGNATURE ILLEGIBLE]
Title: Asst. Vice President

GREAT AMERICAN LIFE INSURANCE COMPANY

By: /s/ SIGNATURE ILLEGIBLE
Title: Senior Vice President

SENIOR HIGH INCOME PORTFOLIO, INC.

/s/ [SIGNATURE ILLEGIBLE]
By:
Title: Authorized Signatory

DEBT STRATEGIES FUND, INC.

/s/ [SIGNATURE ILLEGIBLE]
By:
Authorized Signatory
Title:

METROPOLITAN LIFE INSURANCE COMPANY

By:
Title:

OCTAGON BOND TRUST

By:
Title:

ORIX USA CORPORATION

/s/ Charles P. Hooker
By:----------
Senior Vice President
Title:----------

PAMCO CAYMAN LTD.

By: Protective Asset Management Company
as Collateral Manager

By:[SIGNATURE ILLEGIBLE]

PARIRAS CAPITAL FUNDING LLC

By:---
Title:---

TCW LEVERAGED INCOME TRUST,L.P.

By: /s/ Mark L. Attanasio

Title: Mark L. Attanasio (Group Managing Director)

By: John C.Rocchio

Managing Director

THE NORTHWESTERN MUTUAL LIFE
INSURANCE COMPANY

By: Richard A. Strait

Title: Its authorized representative

MERRILL LYNCH ASSET MANAGEMENT

By: Merrill Lynch Global Investment ?????: Income State,
L.P., Portfolio Investment Advisor

By: [SIGNATURE ILLEGIBLE]

Title: Authorized Signature

BHF-BANK AKTIENGESELLSCHAFT

By: [SIGNATURE ILLEGIBLE]

Title: Assistant Vice President /AT

CONTINENTAL CASUALTY COMPANY

By:_____
Title:_____

POLLY & CO.

By:_____
Title:_____

HARE & CO.

By:_____
Title:_____

CHASE SECURITIES, INC.

By: /s/ Geoffrey O. Sherry

Title: Geoffrey O. Sherry Managing Director

MERRILL LYNCH DEBT STRATEGIES
PORTFOLIO,

By: Merrill Lynch Asset
Management, L.P., as Investment Advisor

By: [SIGNATURE ILLEGIBLE]

Title: Authorized Signatory

ML CLO XV PILGRIM AMERICAN (CAYMAN) LTD.

By: Pilgrim American Investments Inc.
as its Investment Advisor

By: /s/ Howard Tiffen

Title: Senior Vice President

EXHIBIT 5.1

Writer's Direct Dial: (212) 225-2434

November 12, 1998

Favorite Brands International, Inc.
25 Tri-State International
Lincolnshire, IL 60069

Re: Favorite Brands International, Inc.--
Registration Statement on Form S-4

Ladies and Gentlemen:

We have acted as your counsel in connection with the above-referenced Registration Statement on Form S-4 (the "Registration Statement") filed today with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Act"), in respect of the 10-3/4% Senior Notes due 2006 (the "Exchange Notes"), to be offered in exchange for all outstanding 10-3/4% Senior Notes due 2006 (the "Initial Notes"). The Exchange Notes will be issued pursuant to an indenture (the "Indenture"), dated as of May 19, 1998, between Favorite Brands International, Inc. (the "Company"), the subsidiary guarantors thereto and LaSalle National Bank, as trustee.

We have participated in the Registration Statement and have reviewed originals or copies certified or otherwise identified to our satisfaction of such documents and records of the Company and such other instruments and other certificates of public officials, officers and representatives of the Company and such other persons, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions expressed below.

Based on the foregoing, and subject to the further assumptions and qualifications set forth below, it is our opinion that when the Exchange Notes, in the form filed as an exhibit to the Registration Statement, have been duly executed and authenticated in accordance with the Indenture, and duly issue and delivered by the Company in exchange for an equal principal amount of Initial Notes pursuant to the terms of the Exchange and Registration Rights Agreement in the form filed as an exhibit to the Registration Statement, the Exchange Notes will be legal, valid, binding and enforceable obligations of the Company, entitled to the benefits of the Indenture, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and to general principles of equity.

The foregoing opinion is limited to the law of the State of New York.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to this firm under the heading

"Legal Matters" in the Prospectus included in the Registration Statement. In giving such consent, we do not thereby admit that we are "experts" within the meaning of the Act or the rules and regulations of the Securities and Exchange Commission issued thereunder with respect to any part of the Registration Statement, including this exhibit.

Very truly yours,

CLEARY, GOTTLIEB, STEEN & HAMILTON

By /s/ Christopher E. Austin

Christopher E. Austin, a partner

EXHIBIT 10.1

EXEL LOGISTICS, INC.

OPERATING SERVICES AGREEMENT

WITH

FAVORITE BRANDS INTERNATIONAL, INC.

July 13, 1998

Fort Worth, Texas Operations

TABLE OF CONTENTS

OPERATING SERVICES AGREEMENT

This Agreement is made and entered into as July 13, 1998, by and between FAVORITE BRANDS INTERNATIONAL, INC., a Delaware corporation ("Customer") and EXEL LOGISTICS, INC., a Massachusetts corporation ("Exel").

Exel provides warehouse and logistic services, including, among other services, certain warehouse services for the receipt, storage, handling and shipping of goods; and

Customer desires to use Exel's services with respect to certain of its products and Exel is willing to provide the same on the terms and conditions hereinafter set forth for the services; and

THEREFORE, in consideration of the premises and of the mutual covenants set forth herein, the parties agree as follows:

(S)1. DEFINITIONS

For the purposes of this Agreement the following definitions will apply:

"Applicable Procedures" means those procedures with respect to the providing of the Services set forth in the Manual or, if there is no Manual, those procedures set forth in the Scope of Work attached hereto as Exhibit B (as the same may be amended from time to time in accordance with S3 (a)).

"Equipment" means that equipment and related items which are dedicated, purchased or leased by Exel in order to provide the Services hereunder (including certain hardware and related equipment located at the Facility or used at the Facility which are necessary for the use of the inventory management systems in performing the Services) and which are identified on Exhibit E, as Exhibit E may be amended or modified by agreement of the parties to reflect substitutions, additions or deletions thereto which may be beneficial or necessary in order for Exel to provide the Services.

"Facility" shall mean that approximately 161,000 square feet of warehouse/office space leased by Exel of an approximately 369,194 square feet warehouse located at the Fossil Creek Free Trade Centre, 3501 Sandshell Drive, Fort Worth, Texas at which the Services will be performed (the "Permanent Space"), or, as applicable, the approximately 80,000 square feet of warehouse/office space to be leased by Exel in the Fort Worth, Texas area (the "Temporary Space"). The Temporary Space shall be utilized to provide the Services until the Permanent Space is available, and ready for the performance of the Services.

"Manual" means the dated and signed written procedures, if any, developed or to be developed by Customer and Exel for the receiving, storing, handling, shipping, transporting and disposing of the Product.

"Operating Parameters" means the Product Information Data, the type and mixture of Product, volume and other key operating assumptions set forth on Exhibit D which have been mutually developed and upon which, after the end of the Cost Plus period as set forth on Exhibit C, the compensation elements are partially based.

"Product" means those Customer goods identified on Exhibit A, which Exhibit, may be amended to include (or delete) other goods manufactured, sold or distributed by Customer, provided however, that (i) if such goods are similar in

nature to the goods currently listed on Exhibit A and providing or deleting the Services for such goods would not constitute a change in the Scope of Services and/or Operating Parameters then Customer shall give Exel at least 5 days written notice of such amendment, (ii) if such goods are similar in nature to the goods currently listed on Exhibit A and providing the services for goods (or deleting the services for such goods) would constitute a change in the Scope of Services and/or Operating Parameters then Customer must give Exel 30 days written notice of such amendment, and (iii) if such goods are dissimilar in nature to the goods currently listed on Exhibit A, then Customer must give Exel at least 30 days written notice of such amendment and provided that in each case if handling such goods would constitute a material change in the Scope of Services or Operating Parameters, the compensation to be paid to Exel under this Agreement may be adjusted in accordance with (S)5(b). In no event, without Exel's prior written approval, shall Exhibit A be amended to include any hazardous materials, goods requiring temperature controls inconsistent with those available at the Facility, or any other goods inconsistent with the storage of food grade goods, require any special containment or that would require any modification to the Facility.

"Product Information Data" means all pertinent information concerning any special characteristics of the Product, including, but not limited to Material Safety Data Sheets, safety and health data, toxicological information, applicable environmental data, Customer's hazard communication program procedures used to comply with labeling and transportation requirements and OSHA regulations, any governmental (state, local or federal) regulations, and such other information concerning the special characteristics of the Product and the procedures known to or developed by Customer that are associated with the receiving, storing, handling, shipping, transporting and disposing of the Product.

"Replacement Cost" means Customer's actual manufacturing cost (using full absorption costing in accordance with Generally Accepted Accounting Principles) plus shipping and handling costs for the product, less salvage value if any.

"Scope of Services" means those services and procedures identified in Exhibit B and the Manual, if any.

"Services" means, collectively, the providing of all services related to receiving, handling, storing, staging for shipment ("shipment"), tendering for outbound transportation ("transportation") and arranging for disposal of Products at the Facility in accordance with this Agreement, the Applicable Procedures, the Scope of Services and the Warehouse Services. The parties acknowledge and agree that Exel's performance of the Services at the Temporary Space May not be performed fully in accordance with the Scope of Work or the Applicable Procedures. Any shipping, transportation or freight management performed by Exel for Customer shall be governed by the terms and provisions of a separate contract or contracts.

"Start-up Costs" means the start-up costs identified on Exhibit F. Exhibit F sets forth the manner and timing of payment for the Start-up Costs and those Start-up Costs which are to be amortized and the amortization period for the same. If the parties agree, during the term of this Agreement, to any additional matters of a similar nature that will be beneficial to the performance of the Services, the parties shall agree upon the same in writing together with the costs thereof and the reimbursement for the same, including any amortization of such costs. If Exel does not actually incur all of the Start-up Costs identified on Exhibit F, then Exel shall notify Customer of the amount of expenses not incurred and Exhibit F shall be deemed amended to delete such costs.

"Warehouse Services" means the customary services for the warehousing of Product to be conducted at the Facility including, without limitation, the receiving, storing, handling, shipping, transporting and disposing of the Product.

(S)2. PERIOD OF AGREEMENT

This Agreement shall be for a term commencing on July 15, 1998 and terminating on August 30, 2003 unless earlier terminated as provided for in this Agreement. Upon mutually agreeable terms and conditions, this Agreement may be renewed. Any early termination of this Agreement shall be subject to the provisions of (S)29, below, and, subject to the terms and conditions of this Agreement, shall not relieve or release Customer or Exel from any rights, liabilities or obligations that may have accrued under law or the terms of this Agreement prior to the date of such termination. The parties acknowledge that the lease for the Permanent Space may be renewed for two periods of five years each, upon twelve months prior written notice to the landlord thereunder. If Customer intends to renew this Agreement, it must give Exel at least a thirteen-month notice before the expiration of the term, or any renewal term, of its desire to extend the term hereof.

(S)3. SERVICES

(a) General Exel agrees to properly and economically perform the Services in accordance with the terms of this Agreement (including the Exhibits hereto) and in accordance with the American Institute of Baker's standards applied to food handling, storage and shipping. Exel shall provide sufficient, competent, knowledgeable and fit personnel and, except as specifically set forth in this Agreement, all equipment, machinery and other items, necessary to provide such Services. Customer shall be entitled to revise or modify any of the Applicable

Procedures provided that Customer shall timely provide the requested modifications to Exel and, if such modifications directly affect the cost of performing the Services or affect the Operating Parameters, either party shall have the right to request that the compensation payable to Exel for the Services be adjusted (up or down) pursuant to (S)5(b) to reflect the change in Exel's cost as a result of complying with the modification.

Customer agrees to timely inform Exel of and to provide Exel with the most current information required by the Product Information Data and to timely inform Exel of any Product (or any element thereof) which is, either in its undamaged or damaged state, a hazardous substance or material (as defined under applicable federal or state laws, rules or regulations) or if any Product has special characteristics (whether in its undamaged or damaged state) which may require special receiving, handling, storing, transporting, shipping or disposing procedures. Customer, at Customer's cost, shall cooperate with Exel in any training of Exel's personnel and compliance with governmental regulations relating to any Product with special characteristics that are not referred to on Exhibits A, B or D.

Each of the parties hereto agrees to notify the other of any significant change in the management personnel of the Facility or the operations pursuant to which the Services are rendered.

(b) Receipt and Storage. Exel shall receive and store, handle, stage for shipment, tender for outbound transportation or arrange for disposal of the Product in accordance with the Applicable Procedures and the other terms of this Agreement. All Product to be received and stored by Exel shall be delivered to the Facility during the Facility's normal business hours, properly marked and packaged for handling and storage and a manifest for the same shall be furnished to Exel identifying the Product and specifying, if consistent with the terms of this Agreement or any Exhibit hereto or the Applicable Procedures, the warehouse procedures or type of storage or other services to be performed. If Customer requires Exel to conform to any special receiving, handling, transporting, shipping, disposing or inventory procedures or other services not previously agreed to or identified in the Applicable Procedures, Customer shall timely provide Exel with prior notice thereof and Exel shall comply with such procedures or provide such services provided they are timely requested and reasonable. If such Services are not within the Scope of the Services and directly affect the cost of providing the Services, either party shall have the right to request that the compensation payable to Exel for the Services be adjusted (up or down) pursuant to (S)5(b) to reflect the cost of complying with the same. Any extra charges or costs shall be reduced or eliminated if the changed procedures or special considerations no longer exist. Customer shall be responsible for notifying Exel in writing in advance of delivery of any Product that has special characteristics not previously disclosed to Exel which may affect the receiving, storing, handling, shipping, transporting or disposing of such Product or which may affect the Facility or other goods stored in the warehouse of which the Facility is a part. Unless otherwise expressly agreed or unless identified as part of or within the intended type of the Product set forth on Exhibit A, Exel may refuse, without liability of any kind, to accept any Product having special characteristics which might adversely affect the Facility, other goods in the warehouse, cause property damage or personal injury or (except those identified on or within

the type of Product identified on Exhibit A), that are classified as a hazardous material or substance, as defined by any applicable federal, state or local statute, law, rule or regulation, or which, pursuant to any applicable federal, state or local law, rule, regulation now or hereinafter enacted or which, pursuant to any lease for the Facility or any covenant, condition or restriction on or for the Facility, would make the same unlawful or impermissible. In any such event, Exel shall promptly notify Customer of its refusal to accept any such Product and the reasons for its refusal and shall return the same to its originating point.

(c) Receiving and Shipping Charges. Exel shall not be liable for receiving or shipping charges of any kind, including without limitation, demurrage or detention charges, unless such charges are the result of Exel failing to comply with the terms of this Agreement or Exel's negligent acts or omissions. Customer shall pay and shall indemnify and hold Exel harmless from any and all such charges or costs, except for those resulting from Exel's negligence, for which Exel shall indemnify and hold Customer harmless. The provisions of this Subparagraph shall survive the termination of this Agreement.

(d) Ownership of Products. Customer shall be the owner of the Product at all times that the Product is in the custody of Exel and shall not ship or cause the Product to be shipped to Exel as named consignee. If Product is shipped with Exel as the named consignee, Customer shall notify the carrier in writing (or by facsimile transmission) prior to shipment that the named consignee is a warehouseman and that Exel has no beneficial title or interest in the Product. If Customer fails to so notify the carrier, Exel may refuse to accept the Product, without liability of any kind for any loss, injury or damage to the Product so shipped, and the same shall be returned to its originating point or Exel may accept the same but Customer shall indemnify Exel from and against any and all costs associated therewith.

(e) Inbound Damage; Storage Conditions. Damaged Product received by Exel shall be noted and handled in accordance with the Applicable Procedures. If, in the reasonable judgment of Exel, Product delivered to Exel or which is in Exel's custody may cause or is likely to cause infestation, contamination, or property damage or personal injury, Exel may refuse, without liability of any kind, to accept the Product or require Customer to remove the same, as applicable. If such condition requires Exel to act promptly, it may, upon written notice to Customer, remove the Product and ship the same to the originating point at Customer's cost and expense and Exel shall incur no liability to Customer for such removal.

(f) Shipment and Transfer. Instructions to Exel to load and ship Product on outbound vehicles will not be effective until received by Exel in writing; provided, however, Customer may authorize and instruct Exel to rely on electronically transmitted instructions from Customer. Exel will not be liable for any loss or error in connection with the shipment of Product that results from instructions received by Customer which can be demonstrated by Exel to contain data transmission or other errors which affect the clarity of the instructions.

Within the times set forth in the Applicable Procedures, Exel will load and ship Product on outbound vehicles (common or contract carrier or Customer-owned vehicles) for delivery to Customer's consignees.

Exel shall ship all Product from the Facility on a FIFO basis, as provided for in the Applicable Procedures. If Exel's failure to follow the Applicable Procedures results in unsalable Product, Exel shall be liable to Customer, subject to the provisions of (S)8, for the cost of such unsalable Product at the Replacement Cost.

Priorities for shipment of Product are established by the Applicable Procedures. Customer shall provide Exel in writing with Customer's approved list of carriers to be utilized for the shipping of Product. Such approved list may be changed from time to time by timely written notice to Exel. Customer shall provide Exel with instructions to determine the priority utilization of the approved carriers and once the Product is signed for by the carrier, Exel shall have no responsibility for any loss or damage to Product thereafter occurring.

For any Product containing special characteristics that are hazardous substances or materials, Customer agrees to timely furnish Exel with all correct and proper information and instructions to permit Exel to prepare the same for shipment, including shipping papers and certifications, in a manner which conforms such shipments with all applicable governmental regulations. Customer appoints Exel as its agent for the purposes of preparing the shipments and signing the certifications and shipping papers covering the shipment. Customer shall indemnify Exel against all losses and other damages, including fines, penalties or charges, which Exel may incur (including reasonable legal expenses), resulting from Customer's failure to provide any such accurate and timely information.

(g) Key Performance Indicators. Contemporaneously with the revisions to Exhibit C establishing a new rate structure after the end of the initial Cost Plus Period (as defined in Exhibit C), Exel and Customer agree in good faith to develop a set of key performance indicators and methodology for determining and measuring the indicators, together with default and remediation provisions to be

used to measure performance standards for the Services performed on Product warehoused at the Facility. If the parties are unable to agree as to such key performance indicators and related issues within such time period (or any extension thereof as the parties may mutually agree), then this Agreement may be terminated by either party upon 120 days prior written notice to the other. Such termination will be effective at the end of such notice period (during which period the parties will continue to perform their respective obligations at the rates then if effect or as otherwise agreed to).

(S)4. REMOVAL AND DISPOSAL OF PRODUCT

(a) Damaged or Unsalable Product. Damaged or unsalable Product is to be removed from the Facility within a reasonable time after occurrence or notification of the existence of such damaged or unsalable Product as may be provided for in the Applicable Procedures. If no

such Procedures exist, Exel shall notify Customer in writing of such damaged or unsalable Product and shall request instructions on how to handle such Product. If Exel does not receive instructions 15 business days after Customer received such notice then Exel shall have the right, absent instructions by Customer to the contrary, to remove the damaged or unsalable Product by shipping to the originating point at Customer's cost and without any liability to Exel. Notwithstanding the foregoing, Exel shall have the right to immediately remove and dispose of any Product that presents a health or sanitation hazard upon notice to Customer, at Customer's cost and without any liability to Exel.

(b) Waste Removal and Disposal. If non-hazardous waste is generated from the Product, Exel shall dispose of the same. Exel and Customer shall confer, if deemed necessary by Exel, to determine if such waste is hazardous. For any hazardous waste that is generated from the Product during Exel's performance of the Services, Customer shall be considered the waste generator and waste transporter. Exel's obligations with respect to such hazardous waste shall be limited to preparing such waste for pickup at the Facility in accordance with Customer's procedures for pickup and disposal by a Customer-approved and licensed carrier or transporter for disposal at a permitted and licensed disposal site. Exel shall not be liable or responsible for the actual disposal of such hazardous waste.

(S)5. COMPENSATION AND TERMS OF PAYMENT

(a) General. Customer agrees to compensate and pay Exel for the Services as provided for in schedule of rates and compensation set forth in the attached Exhibit C. Customer shall pay the same in the time and manner provided for in Exhibit C. If the Customer disputes any invoices (or any part thereof), Customer shall provide Exel with written notice of such dispute within 30 days of receipt of such invoice. Customer shall, however, pay that portion of the invoice not in dispute. Any such amount not in dispute and not paid within the time provided for in Exhibit C shall bear interest at the rate of one percent (1%) per month. Additionally, if any disputed portion of such invoice is later paid by Customer, or is determined subsequently to be due and owing to Exel, Customer shall also pay Exel interest on such amount from the original due date at the rate of one percent (1%) per month. The compensation set forth on Exhibit C is full compensation for all Services and other activities to be provided by Exel under this Agreement. Except as specifically set forth in this Agreement, Exel shall be responsible for paying all costs and expenses necessary to provide the Services and to otherwise comply with the terms of this Agreement.

(b) Operating Parameters or Scope of Service Changes. Notwithstanding the compensation provisions of Exhibit C, if (i) Customer requests a change to the Scope of Services or Applicable Procedures that directly affects the cost of providing the Services or (ii) during any year of this Agreement the Services or Operating Parameters materially vary from those set forth on Exhibit D to this Agreement, either party shall be entitled to notify the other party of the same and the parties shall endeavor in good faith to mutually agree upon a temporary or permanent adjustment to the compensation payable to Exel as promptly as possible. If such agreement is reached, it shall be evidenced by a writing signed and dated by the parties and the applicable

rates for the affected Services shall be adjusted to reflect the same. The parties acknowledge that, depending on the nature of the Operating Parameters or Services variation and the estimated continuation of the same, no single variation or series of variations taken in the aggregate may justify a cost or

rate adjustment but the parties also acknowledge that the contrary can be true and each party agrees to cooperate with the other and to exercise good faith in any such determination. If the parties cannot fully agree as to a temporary or permanent adjustment, then, either party may elect, upon 120 days prior written notice to the other, to terminate this Agreement effective upon the end of such notice (during which period the parties will continue to perform the respective obligations at the rates then in effect or as otherwise agreed to).

(c) Annual Compensation Review The fees and rates set forth in Exhibit C, as may be amended from time to time, shall be reviewed and may be redetermined effective annually at the beginning of each contract year. Within 120 days prior to the beginning of each contract year, Customer shall submit to Exel projected volume forecasts of product thru-put for the next succeeding contract year together with any anticipated and known changes to the Operating Parameters and/or Scope of Services. Exel, within 60 days after receipt of the same, shall submit to Customer the proposed schedule of rates and compensation for the next succeeding year, together with documentation supporting any requested rate adjustment. Exel and Customer shall endeavor in good faith to mutually agree as to the new schedule of rates and compensation to be used for the succeeding year within 30 days after Customer's receipt of the proposed schedule of rate and compensation. Such redetermined rates, even if agreed to after the beginning of the contract year, will become effective, unless otherwise agreed, as of the first day of such contract year. Any such redetermined rates shall be reflected upon a revised Exhibit C, dated and signed by the parties, which shall be attached to this Agreement. If the parties cannot agree in good faith to any adjusted schedule of rates and compensation within such 30 day period (or any extension thereof as the parties may agree), then, this Agreement may be terminated by either party upon 120 days prior written notice to the other. Such termination will be effective at the end of such notice period (during which period the parties will continue to perform their respective obligations at the rates then in effect or as otherwise agreed to).

(d) Performance Incentives. On or before the twelve-month anniversary of operations at the Permanent Space, Exel and Customer agree that they shall negotiate in good faith an addendum to this Agreement that will provide for a performance incentive program or gainsharing program based upon agreed assumptions and parameters. If the parties are unable to agree as to the terms and scope of such a program within such time period (or any extension thereof as the parties may mutually agree), then this Agreement may be terminated by either party upon 120 days prior written notice to the other. Such termination will be effective at the end of such notice period (during which period the parties will continue to perform their respective obligations at the rates then if effect or as otherwise agreed to).

(S)6. TAXES

Customer agrees to either pay directly or to reimburse Exel for all property taxes, licenses, charges and assessments imposed by any properly constituted governmental authority

upon Exel's Equipment, the Product or the Services. Such payment or reimbursement shall include any federal, state or local taxes, levies, imposts, duties, fees or other charges now or hereafter assessed which are levied or based on or related to any of the Services, supplies and/or materials provided or to be provided by Exel under this Agreement but shall not include any income taxes based solely on or measured by the income of Exel and Exel shall be responsible for paying directly any social security or withholding, unemployment or similar taxes. If, because of the nature of Exel's activities any of the Services, supplies and materials provided or to be provided or consumed hereunder or because of Customer's activities or status with such taxing authorities, there exists an exemption for any such taxes, levies, imports, duties, fees or other charges to be paid or reimbursed hereunder, Customer and Exel shall cooperate in obtaining any such exemption.

(S)7. SAFETY AND HEALTH

Exel shall comply with health, safety, environmental and other practices that are required by applicable governmental laws, rules and regulations. Customer shall assist Exel in identifying those that may be necessary because of the nature of the Product. If Exel is required to alter or modify the Facility in any way, or Exel is required to obtain any special governmental permits or licenses or to provide special training to its employees, in order to comply with such laws, rules and regulation and such actions are necessary as a result of the nature of the Product that was not identified on or otherwise apparent

from the Scope of Services or the Applicable Procedures available at the time, then, Customer shall pay for the costs of the same. Customer acknowledges that Customer has the responsibility of informing Exel of any special characteristics of the Product and to keep the Product Information Data current.

(S)8. RESPONSIBILITY FOR DAMAGE TO OR LOSS OF PRODUCT; LIMITATION OF DAMAGES

(a) General Exel in providing the Services shall exercise such care with respect to the Product under its custody as a reasonably careful man would exercise under like circumstances (including, as appropriate, those set forth in the Applicable Procedures) and shall not be liable for loss or damage which could not have been avoided by the exercise of such care and Exel shall not be liable for any such loss or damage to the extent caused or contributed to by the negligent acts or omissions of Customer (including, without limitation, Customer's failure to timely and fully inform Exel of any special characteristics with respect to the Product or to provide current and updated Product Information Data), or Exel's non-negligent performance of the Applicable Procedures or any deviations therefrom specifically requested or authorized by Customer. Exel shall not be liable for any loss or damage to Product occurring prior to or subsequent to its custody of the Product which shall commence when Exel accepts receipt of such Product for prompt unloading at the Facility and shall terminate when such Product is placed with a carrier for shipment unless such loss or damage results from Exel's improper care in loading the Product. Exel shall not be liable for any shipments dropped at the Facility which is not to be promptly unloaded at the Facility until such shipment is actually unloaded by Exel. Additionally, Exel shall only be liable for unsalable product or loss (i) caused by infestation or contamination that occurs at the Facility due to Exel's negligence, but not as a result of infested or contaminated Product delivered to the Facility, or (ii) caused by temperature failure resulting

from Exel's negligence in maintaining or monitoring the temperature control equipment and not as a result of temperature failure resulting from events outside of Exel's reasonable control.

(b) Maximum Liability Per Occurrence In case of loss or damage to Product for which Exel is liable hereunder because of its failure to exercise such care, Exel's liability, subject to the damage and loss allowance provisions of the next succeeding paragraph, shall be limited to Customer's Replacement Cost for the Product lost (including mysterious disappearance or unaccounted for goods) or damaged and its liability shall be limited to $5,000,000 per occurrence.

(c) Damage/Skrinkage Allowance. Customer acknowledges that some damage or loss to Customer's Product at the Facility may occur during the performance of the Services. Customer, therefore, in consideration of the rates and compensation to be paid to Exel, agrees (i) that Exel shall be entitled to the damage allowance set forth on Exhibit C which must be exceeded prior to Exel being liable for any damaged Product, and (ii) Customer further recognizes that the results of a physical inventory or cycle counts may not account for all of Customer's Product which purportedly were received by Exel and that shortages or overages may exist due to accounting or other errors, and, therefore, agrees that Exel shall be entitled to the annual shrinkage allowance set forth on Exhibit C which must be exceeded prior to Exel being liable for any shortages of Product.

(d) Claims Claims for lost or damaged Product must be made in writing no later than 120 days after the annual physical inventory provided for by the Applicable Procedures; provided, however, either party shall notify the other of any single occurrence of loss or damage in excess of $100,000 for which, subject to the damage and shrinkage allowance, a claim may be maintained. No action may be maintained by Customer for loss or damage to Product unless a timely written claim has been given as provided for above and unless such action is commenced within 12 months from the date of such written claim.

(e) Waiver and Release Notwithstanding anything in this (S)8 to the contrary, Customer hereby waives and releases for itself and its insurers, any and all rights of recovery, claim, action or cause of action, against Exel, its agents, contractors, officers or employees for loss or damage to Product that is within the damage and loss allowance and/or in excess of $5,000,000 per occurrence and Customer covenants that no insurer shall hold any right of subrogation against Exel. The failure of Customer to secure an appropriate clause in or endorsement to its respective insurance coverage, which waives the right of subrogation as provided for above, shall not in any manner affect the intended waiver and release and, if Customer's insurance company seeks subrogation against Exel because of the absence of such a waiver and release, Customer shall defend, indemnify and hold Exel harmless from and against such

subrogation claim.

(S)9 INVENTORY

(a) Records. Exel shall maintain complete records of the Product received by it showing quantities received and shipped, inventory on hand, damaged or lost Product, plus any other information or records required by the Applicable Procedures. Exel shall also provide reports on the foregoing as provided for by the Applicable Procedures.

(b) Inventory Accounting. A physical inventory of all Product received by Exel and periodic cycle counting shall be conducted by Exel as provided for by the Applicable Procedures and at the termination of this Agreement. Exel will take physical inventories or cycle counts beyond those provided for therein as requested by Customer at Customer's expense. Customer's duly authorized representatives shall have the right to be present at any physical inventory and shall have the right to visit, observe and inspect the Facility, the Product and upon reasonable notice to inspect inventory records at any time during Exel's normal business hours.

(c) Access. Customer acknowledges that, if its employees or agents have access to the inventory management system with the ability to make inventory adjustments and other similar adjustments affecting the inventory status of the Product at the Facility, Customer agrees that its employees and agents shall not make any such adjustments without prior written notification to Exel. If such adjustments are inadvertently made without such prior notification, Customer, upon becoming aware of the same, shall cause written notification to be promptly given to Exel together with the reasons for such adjustments. If such access exists, Exel shall have 90 days to reconcile any inventory discrepancy and Customer shall cooperate with Exel in any such reconciliation. If Exel can reasonably demonstrate that any unaccounted for Product was attributable to any such adjustments, Exel shall not be responsible for the same.

(d) Reconciliation. Inventory shortages or overages from the physical inventories or cycle counts taken at the Facility shall be determined by netting shortages and overages across all commodity groupings of Product, either at the time of the annual physical inventory or as provided for the Applicable Procedures. Net shortages or overages determined after the first annual physical inventory shall be carried over to the second annual physical inventory and shall be applied against net shortages or overages determined after the second annual physical inventory at which time there shall be a reconciliation of shortages and overages. If after the second annual physical inventory, there are net shortages for unaccounted Product for which Exel is liable, Exel shall be liable, subject to the provisions of (S)8, for the unaccounted for Product at the Replacement Cost. After the second annual physical inventory, shortages and overages from each succeeding year shall be carried over and reconciled as provided for in this (S)9(d).

(S)10. INSURANCE

(a) Exel. Exel shall maintain General Commercial Liability Insurance (written on an "occurrence" basis), including contractual liability coverage, with a combined single limit of bodily injury and property damage in the amount of no less than $5,000,000; Automobile Liability Coverage (written on an "occurrence" basis), with a combined single limit for bodily

injury and property damage in the amount of $1,000,000; Warehouseman's Legal Liability coverage in the amount of $5,000,000 per occurrence, which amount shall be Exel's maximum liability for loss or damage to Product per occurrence, no matter how caused, property insurance in an amount equal to the replacement value of the Equipment (excluding Customer-owned equipment as provided on Exhibit E), subject to any deductible, and Worker's Compensation Insurance as required by the law of the State in which the Facility is located. Such insurance shall be carried with an insurance company licensed to do business in the state where the Facility is located and with a rating from AM Best of A7 or higher. Customer shall be named as an additional insured on all such policies. At Customer's request, Exel shall provide to Customer certificates of insurance evidencing the insurance coverage set forth above.

(b) Customer. Since Warehousemen's Legal Liability insurance provides coverage with respect to the Product only when Exel is liable for the loss or

damage to Product because of its failure to exercise the standard of care set forth in (S)8, above, Customer, at its option, shall be responsible to provide insurance for its Product at the Facility to cover loss or damage to the Product not caused by: (i) Exel's failure to exercise the standard of care set forth in (S)8, above, (ii) which is less than the damage and shrinkage allowances set forth on Exhibit C, and (iii) for loss or damage to Product caused by Exel's failure to exercise the standard of care set forth in (S)8, above, over the maximum amount per occurrence.

(S)11. INDEMNIFICATION

(a) Exel Exel shall indemnify, defend and hold Customer harmless against liability, loss or expense resulting from or relating to (i) Exel's performance of the Services at the Facility or the operation of the Facility; (ii) the negligent acts or omissions or willful misconduct of Exel or its employees or agents in the performance of the Services, provided, however: (i) the provisions of this (S)11(a) shall not apply to loss or damage to Product, such loss or damage being governed by the provisions of (S)8; or (ii) the provisions of this subparagraph shall not apply to the extent such liability, loss or expense is caused or contributed to by the negligence or willful misconduct of Customer (including Customer's failure to timely and fully inform Exel of any special characteristics with respect to the product or to provide Exel with current and updated Product Information Data).

(b) Customer Customer shall indemnify, defend and hold Exel harmless from and against any liability, loss or expense resulting from or related to (i) Customer's acts, omissions or willful misconduct at the Facility; (ii) the negligent acts or omissions or willful misconduct of Customer or its employees or agents in the performance of its obligations under this Agreement; provided, however, this indemnity shall not apply to and Customer shall not be considered to be liable hereunder for any such liability, loss or damage or expense to the extent caused or contributed to by the negligence or willful misconduct of Exel.

(c) Indemnified Claims The liability, loss or expenses covered by the indemnities set forth above are with respect to claims, settlements, judgments, court costs, reasonable attorney's fees and other litigation expenses arising out of injury to or death of any person including

employees of Customer or Exel or damage to property (except, with respect to Exel, any loss or damage with respect to Product shall be governed by the provision set forth in (S)8, above). Each of the parties agrees that promptly after becoming aware of any exposure which the other party may have under these indemnification provisions, such party shall provide the other with written notice thereof, together with such other information as may be required to evaluate the other party's obligations and liabilities under this (S)11. Each party shall have the right to defend any such action by counsel reasonably acceptable to the other.

(d) No Consequential Damages. Notwithstanding any of the provisions of (S)8 and this (S)11 to the contrary, neither party in the performance of their obligations under this Agreement, except as specifically set forth in this Agreement, shall be liable to the other for any indirect or consequential damages (such as, but not limited to: loss of profits, loss of business, loss of customer goodwill or punitive or exemplary damages) even if the parties have been advised of the possibility of the same, and without regard to the nature of the claim or the underlying theory or cause of action (whether in contract, tort or otherwise).

(S)12. EXEL'S EQUIPMENT

Customer and Exel agree that in order for Exel to provide the Services, Exel shall dedicate, purchase or lease the Exel Equipment with respect to the Services. Upon expiration or early termination, Customer and Exel shall have those obligations and rights with respect to Exel's Equipment as provided for in (S)29.

Exel, with respect to the Exel's Equipment, shall be considered the owner or lessee for federal income tax and other purposes. Exel shall be responsible for maintaining and repairing such Equipment in accordance with industry standards, Exel's Equipment as listed on Exhibit E may be revised from time to time by the mutual agreement of the parties. Upon any such revision, if the same requires an adjustment to Customer's reimbursement obligations, the same shall be evidenced in writing at the time that such Exhibit is revised.

(S)13. FORCE MAJEURE

(a) General. Neither party shall be liable to the other for failure to perform its obligations under this Agreement to the extent such performance is prevented by an act of God, strikes, fire, flood, explosion, civil disturbance, interference by civil or military authority, accident, labor disputes or shortages, or because the continuation of the Services at the facility would be in violation of any future governmental laws, rules or regulations or would cause or create any material safety, health or environmental concerns or for other causes beyond the reasonable control of the party and not intentionally caused by such party ("Force Majeure"). Except that a Force Majeure event shall not include any performance prevented directly by a strike, labor dispute or shortage of Exel's employees at the Facility. Upon the occurrence of such an event, the party seeking to rely on this provision shall promptly give written notice to the other party of the nature and consequence of the cause. Each party shall use all reasonable efforts to minimize the effects of a Force Majeure event. If a Force Majeure event occurs with

respect to any of the services or obligations of the parties under this Agreement and such Force Majeure event is estimated to last beyond a period of time so that a parties' obligations or services are materially disrupted, the parties shall agree as to alternative temporary arrangements, the temporary cessation of services and/or obligations or the termination of this Agreement. During the period of any Force Majeure, services and the compensation for the same shall be equitably adjusted but, unless otherwise agreed to by Exel, nothing herein shall be construed to relieve Customer from paying any costs associated with the Facility or any unamortized costs for Exel's Equipment or start-up costs as the same are due and payable under the provisions of Exhibit C, except to the extent that any such costs are reimbursed to Exel pursuant to any policy of insurance. The provisions hereof shall not apply to monetary amounts due or owing by either party to the other. If a Force Majeure event with respect to the Services is estimated to last longer than 60 days, either party shall be entitled to terminate this Agreement upon written notice to the other.

(b) Facility. If any Force Majeure event with respect to the Facility occurs (such as partial or total destruction to the Facility by fire or other casualty), Customer shall not unreasonably withhold or delay its consent, unless the parties elect to terminate this Agreement by reason thereof, to move the Product to a temporary storage location at which the Services shall thereafter be provided until the Facility can once again be used for the providing of the Services. The cost and expense of transporting the Product to and from the Facility and to and from an alternate Facility and rent and other operating expenses associated with an alternate Facility shall be paid for by the Customer.

(S)14. DEFAULT

(a) Customer. If Customer fails to pay or compensate Exel for the Services within the time period set forth on Exhibit C, then within 30 days after notice thereof by Exel, Exel, upon 30 days prior written notice to Customer, shall have the right to terminate this Agreement and/or exercise its warehouseman's lien rights against Customer's Product, as provided for under applicable law, all without limitation (except as specifically set forth in this Agreement)to any and all rights under law and equity which Exel may have against Customer. If Customer breaches any other of its obligations hereunder and the same is not corrected within 30 days after written notice thereof by Exel to Customer, Exel shall have the right to require immediate payment of all unpaid charges, costs and expenses owed it by Customer and, upon 30 days prior written notice to Customer, terminate this Agreement and exercise its warehouseman's lien rights against Customer, as provided for under applicable law, for any outstanding amounts owed by Customer to Exel. Additionally, Exel shall be permitted to take any other legal or equitable action (except as specifically limited in this Agreement) against Customer that Exel deems appropriate or necessary.

(b) Exel. If Exel materially breaches any of its obligations hereunder, Customer shall give written notice thereof to Exel and if Exel does not substantially cure or correct same within 30 days of such notice, Customer shall have the right to terminate this Agreement upon 30 days prior written notice to Exel given no later than 60 days after such 30-day period and

Customer shall be permitted to take any other legal or equitable action (except as specifically limited in this Agreement) against Exel as Customer deems appropriate or necessary. Customer, however, shall, prior to such termination

and removal of Product, pay to Exel any and all amounts due Exel up to such termination. Customer shall not have the right to offset any amounts owed by Customer to Exel against any amounts due to Customer by Exel.

(c) Bankruptcy. Notwithstanding anything to the contrary contained herein, either party may terminate this Agreement upon 30 days prior written notice to the other party in the event that such party is adjudicated bankrupt, files a voluntary petition in bankruptcy, makes an assignment for the benefit of creditors or seeks protection against creditors under any applicable Federal or state laws, or if there is a commencement of any bankruptcy, insolvency, receivership, or other similar proceeding against the other party which is not dismissed within 120 days after such filing.

(d) Limitations. Notwithstanding anything to the contrary contained herein, neither party, except as specifically set forth in this Agreement, shall be (i) liable to the other for any consequential or indirect damages (including, but not limited to: loss of profits, loss of business opportunities, loss of customers or customer goodwill, or punitive or exemplary damages) resulting from a party's breach or default, even if the parties have been advised of the possibility of the same, and without regard to the nature of the claim or the underlying theory or cause of action (whether in tort, contract or otherwise), or (ii) responsible for any breach or default of their obligations to the extent caused by their acts or omissions of the other.

(e) Early Termination by Customer. In addition to Customer's rights to terminate this Agreement described elsewhere in this Agreement, Customer shall have the right to terminate this Agreement with or without cause, upon one-hundred eighty days written notice to Exel, subject to and upon the following terms and conditions:

(1) Customer may not give notice of termination of this Agreement without cause prior to the twenty-fourth month after the date hereof;

(2) Customer shall pay a termination fee (separate and apart from any obligations pursuant to (S)29 of this Agreement) ("Termination Fee") of any amount equal to the present value ("Present Value")of Exel's average monthly net profit for the six months prior to the notice of such termination multiplied by the number of months that would otherwise have remained in the term of this Agreement but for this early termination (not taking into account any renewal option). The Present Value shall be calculated using a discount rate of ten percent (10%).

(3) Customer shall pay all costs outlined in (S)29 of this Agreement.

(f) Early termination by Exel. In addition to Exel's right to terminate this Agreement described elsewhere in this Agreement, Exel shall have the right to terminate the Agreement if Customer or its permitted successors or assigns (which includes any of purchaser of

all or substantially all of the assets of the Customer as provided for in Section 15) fails to comply with the following:

(1) If Customer defaults under its payment obligation under its senior secured credit facility (as the same may be amended, replaced, or modified from time to time), defaults under any financial covenant therein, or the payment of the obligation thereunder is accelerated for any reason, Customer shall immediately notify Exel and, within 15 banking days thereof, Customer shall, without notice from Exel, provide Exel with an unconditional, irrevocable letter of credit from a financial institution reasonably acceptable to Exel and upon terms and conditions reasonably acceptable to Exel, in an amount equal to the unamortized start-up costs and unamortized equipment costs set forth on Exhibits F and E, respectively. Such letter of credit shall have a term equal to the lesser of twelve months and the term of this Agreement. If a letter of credit with a term less than the remaining term hereof is obtained, Customer shall be responsible for renewing and providing to Exel such renewed letter of credit at least 30-days prior to the expiration of such letter of credit, to remain in compliance with the terms hereof. The face amount of the letter of credit may be reduced, on a quarterly basis, as the amount of the unamortized start-up and equipment cost decrease. If Customer is no longer in default (as described above)under its then existing senior secured credit facility, Customer, upon at least 15 days prior written notice to Exel, may discontinue its letter of credit. If at any time thereafter Customer breaches any of the above provision of its then existing senior secured credit facility, Customer shall obtain a letter of credit in compliance with the terms of this section.

(2) If Customer's credit rating on its most senior secured credit

facility from Standard & Poor's rating service falls below B-, Exel may, at its sole option, deliver the Assignment and Assumption Agreement (defined in (S)15) to the Landlord of the Facility, and from that point forward, Customer shall be personally responsible for all costs covered by the lease for the Facility and Schedule C shall be adjusted to reflect such change. If Exel delivers the Assignment and Assumption Agreement, as described above, Customer shall have the right to terminate this Agreement within 120 days written notice, subject to the provisions of(S)29.

(3) Customer shall provide Exel with its fiscal quarterly unaudited and fiscal year-end audited financial statements in a timely manner, and in an event, no later than the same must be delivered to the lender of the then existing senior secured credit facility.

(4) If Customer fails to maintain a senior secured credit facility at any time, the parties shall mutually agree upon a replacement for the provisions hereof. If such agreement cannot be reached within 30 days, this Agreement may be terminated upon 60 days notice by either party.

(g) Cross Default. If Customer or its permitted successors or assigns, or
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Exel terminates any other agreement that each may have with the other pursuant to which Exel

manages a different facility and provides similar services thereat as the Services due to an uncured breach of such other agreement by the other, then the terminating party, at its option, may also terminate this Agreement by giving 180 days prior written notice to the other party.

(h) Termination. Termination of this Agreement by reason of default of the
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other party shall not relieve or release either party from any rights, liabilities or obligations which have accrued to it prior to the date of such termination, or any of the rights, liabilities or obligations set forth in (S)29.

(S)15. ASSIGNMENT

The rights and obligations under this Agreement are personal to each party and shall not be assignable by either party in whole or in part without the prior written consent of the other party; provided, however, (a) so long as such assigning party remains liable under this Agreement for the performance of all of its assignee's obligations under this Agreement and evidences the same in writing in a manner reasonably acceptable to the non-assigning party or if the assigning party provides a written guaranty reasonably acceptable to the non-assigning party from a guarantor reasonably acceptable to the non-assigning party, either party may assign its rights or obligations under this Agreement to an entity which it controls or which controls it or with which it is under common control and (b) Customer, upon written notice to Exel at least ten days prior to any such action becoming final (and subject to the penultimate sentence of this paragraph) may assign its rights and obligations under this Agreement without the consent of Exel to a purchaser of all or substantially all of the assets of Customer. Notwithstanding anything else contained in the Agreement or this (S)15 to the contrary, Customer shall not have the right to assign to any party or cause the assignment to any party (by operation of law or otherwise) that certain Assignment and Assumption of Lease for the Facility, attached hereto as Schedule 1, unless and until Customer obtains from the Landlord of the Facility its written consent to such assignment or assumption and such landlord's written and full release of Exel under the lease for the Facility from and after the effective date of such assignment or assumption. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

(S)16. CONFIDENTIALITY AND NONSOLICITATION

(a) Confidential Information. Customer acknowledges that material and
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information which Customer may acquire about Exel's inventory management software programs, staffing methods, financial or other accounting systems and Exel's other procedures and processes relating to the Services being provided hereunder are considered by Exel to be proprietary and confidential. Exel acknowledges that material and information which Exel may acquire about Customer's Product, volume, customers, pricing and procedures and processes are considered by Customer to be proprietary and confidential. Each party agrees that all such information acquired by the other hereunder shall be held in confidence during the term of this Agreement and for a period of three (3) years following the termination or expiration of this Agreement and, during such periods, each party shall not reveal or use any such information without the other party's prior written consent. Each party shall disclose such information only to those who have

reasonable need to know the same in connection with the performance of this Agreement. Neither party shall have any obligation, however, to preserve the confidentiality of any such information which: (i) is generally known in the industry or generally available to the industry; or (ii) was in the possession of or disclosed to the other prior to the date hereof, free of any obligation to keep the same confidential; or (iii) is lawfully acquired by the other from a third party under no obligation or confidence to the other party; or (iv) which a party is obligated under law or court order to disclose.

(b) Personnel Customer and Exel acknowledge and agree that the personnel employed by each in the performance of or in connection with the activities of the parties contemplated by this Agreement are important assets of the respective companies. Therefore, except as described below, without the prior written consent of the other, neither Customer nor Exel shall solicit for employment the employees or the officers of the other (or of any of their subsidiaries or their affiliates) for employment by them or any affiliate or subsidiary of either of them. Such nonsolicitation shall be for the period of this Agreement and for a period of one year after the termination of this Agreement. Notwithstanding the foregoing, if this Agreement is terminated by Customer pursuant to (S)14(b), (S)14(e) or (S)14(f), then Customer shall have the right to solicit and hire the non-management employees of Exel who provide services under this Agreement.

(c) Remedies. Exel and Customer further agree and acknowledge that a monetary remedy for a breach of this (S)16 may be inadequate and that such breach would cause each of the companies irrevocable harm. In the event of a breach of the provisions of this Section, each of the parties will be entitled, without the posting of a bond, in addition to any monetary damage it may subsequently prove, to temporary and permanent injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions. The provisions of this section shall survive the termination of this Agreement.

(S)17. NOTICES

Any notice required or which may be given hereunder shall be in writing and shall be delivered personally, or sent by certified, registered or express mail, postage prepaid or shall be sent by facsimile transmission or by overnight courier (provided evidence of receipt can be verified). The addresses to which written communications shall be directed may depend upon the subject matter of such communication. The parties agree that, with respect to the following subject matters, notification shall be sent as follows:

With respect to invoices and communications of all types shall be sent to Exel at:

Exel Logistics, Inc.
957 Heinz Way
Grand Prairie, TX 75051
Attention: Jim Hofstra
Facsimile #: 972-623-0248

With respect to payments to be sent to Exel, the same shall be sent to: Exel Logistics, Inc., P.O. Box 8500, S-1070, Philadelphia, Pennsylvania 19178-1070.

and to Customer at:

Favorite Brands International, Inc.
25 Tri-State International
Lincolnshire, Illinois 60669
Attention: Charlie Mayer (with a copy to the General Counsel)
Facsimile #: (847) 374-0952

Notice shall be deemed delivered when personally delivered, and shall be deemed delivered by certified, registered, or express mail or overnight courier when a receipt is signed, and by facsimile transmission one (1) business day after the facsimile transmission is sent.

(S)18. INDEPENDENT CONTRACTOR

It is understood that Exel's employees and the equipment and facilities used by Exel shall be under its direction and control. Exel's relationship to Customer shall be that of an independent contractor. Nothing in this Agreement shall be construed to constitute Exel, or any of its employees, as agents, employees or, partners of Customer; provided, however, Exel shall be considered as Customer's agent for the limited purpose of acting as a "shipper" or "receiver" of Product.

(S)19. COMPLIANCE WITH THE LAWS

Exel agrees that in the performance of the Services under this Agreement, it will comply with all applicable laws, rules, regulations of governmental authorities and, to the extent that there is a conflict between the compliance of such applicable laws, rules, regulations of governmental authorities with those of Applicable Procedures, Exel shall be permitted to comply with the applicable laws, rules, regulations of governmental authorities; provided, however, it shall notify Customer promptly of any such conflict. Customer shall currently and promptly keep Exel advised of any known applicable laws, rules and regulations of governmental authorities affecting or relating to the Product which Customer reasonably believes will affect the Services.

(S)20. NONDISCRIMINATION

Exel agrees to comply with all applicable nondiscrimination laws, rules, orders and regulations of governmental authority, including, but not limited to, Executive Order 11246, and the rules and regulations promulgated thereunder, the Rehabilitation Act of 1973, and the Vietnam Era Veterans Readjustment Act of 1974. Additionally, Exel shall comply with all applicable provisions of the Fair Labor Standards Act of 1938, as amended.

(S)21. RESERVATION OF RIGHTS

Customer's or Exel's waiver of any of its remedies afforded hereunder or by law is without prejudice and shall not operate to waive any other remedies which such parties shall have available to it, nor shall such waiver operate to waive such party's right to any remedies due to a future breach, whether of a like or different character; provided, however, except as otherwise may be specifically provided for in this Agreement, neither party shall be liable to the other for any consequential or indirect damages.

(S)22. SECTION HEADINGS

All headings of the Sections and subsections of this Agreement are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

(S)23. GOVERNING LAW

This Agreement shall be governed by and construed under the laws of the State in which the Facility is located and each party agrees that venue and jurisdiction will rest solely in such State and the courts located therein.

(S)24. SEVERABILITY

The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

(S)25. AUTHORITY

The parties represent that they have full corporate power and authority to enter into and perform this Agreement and the parties know of no contract, agreement, promise or undertaking which would prevent the full corporate execution and performance of this Agreement, and the persons executing this Agreement on behalf of the parties are duly authorized to do so and have the authority to bind such parties.

(S)26. NO THIRD PARTY BENEFICIARIES

This Agreement is entered into solely between, and may be enforced only by, Customer and Exel and their permitted successors and assigns and this Agreement shall not be deemed to create any rights in third parties, including without limitation, suppliers and customers of a party, or to create any obligations of a party to any such third parties.

(S)27. CONSTRUCTION

This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same.

(S)28. GOOD FAITH

Each party agrees that, in its respective dealings with the other party under or in connection with this Agreement, it shall act in good faith.

(S)29. TERMINATION OR EXPIRATION

Upon expiration of this Agreement or if there is an early termination of this Agreement prior to its stated term for any reason provided for or permitted by the provisions of this Agreement, the parties agree as follows:

(a) Dedicated Assets/Costs

(1) In order to provide the Services, Exel has either purchased or leased all or substantially all of the Exel Equipment necessary to provide the Services. For any Exel Equipment owned by Exel, the depreciation schedule for the same for the purposes of this Agreement are as set forth in Exhibit E. Such depreciation schedule shall be used to determine the "book value" of such owned Exel Equipment for the purposes of subparagraph (b) hereof, with the commencement of such depreciation beginning on the beginning date of the term of this Agreement.

(2) Exel has also committed time and resources and made other expenditures with respect to the start-up of the Services. The start-up costs and amortization for the same, as applicable, are set forth on Exhibit F.

(3) Exel has also specifically leased the Facility for the providing of the Services and as a result has incurred certain obligations for the period of the Agreement under its lease.

(b) Obligations With Respect to Dedicated Assets/Costs

In consideration of the matters set forth in paragraph (a), the parties agree that, upon the expiration of this Agreement or an early termination, the following shall apply:

(1) Exel Equipment. Customer, with respect to the Exel Equipment owned by Exel, shall either (i) purchase the Exel Equipment which is in functional operating condition, normal wear and tear excepted, at Exel's "book value" or (ii) request that Exel sell the same for the benefit of Customer. Any Exel Equipment that has a "book value" of zero shall be purchased by Customer for $1.00. In no event shall Customer have the right to purchase any of Exel's proprietary software. For Exel Equipment purchased by Customer, Exel shall provide Customer with a bill of sale free and clear of all liens and encumbrances. For the Exel Equipment sold on behalf of Customer, Customer shall be responsible for all necessary and direct out of pocket "selling costs" incurred by Exel (such as commissions, taxes and transportation and handling costs). If the Exel Equipment is sold for a price which is less than the "book value" of the Exel Equipment plus selling costs, Customer shall pay to Exel the difference between the "book value" plus the selling costs and the sale price. For the purpose of this (S)29, Exel's cost of selling the Exel Equipment shall include Exel's finance cost or carrying cost for such Equipment (other than depreciation) from the date of expiration or early termination to the date of such sale. If the selling price is greater than the "book value" plus the selling costs, Exel shall pay the difference to Customer. For the purposes of this (S)29, the "book value" shall be the depreciated value of the Exel Equipment as carried on Exel's books at the time of early termination or expiration. If any Exel Equipment is leased, Customer shall pay to Exel any lease termination fees or penalties or shall, subject to the lessor's approval, assume such leases. If Customer requests Exel to sell the Exel Equipment, Exel shall use all commercially reasonable efforts to sell the Equipment within 120 days of such request. If Exel is unable to sell the Exel Equipment within 120 days, Customer shall be obligated to purchase the Exel Equipment at the book value existing at the time of expiration or early termination. The amounts payable to Exel under this (S)29 for the initial purchase of the Exel Equipment by Customer shall be paid at the expiration or early termination of this Agreement by Customer shall be paid at the expiration or early termination of this Agreement (or for such Equipment which could not be sold in a timely manner, within 15 days of receipt of Exel's invoice for the same) and, for Exel Equipment which is sold on behalf of Customer, Exel or Customer, as applicable, shall pay any amounts due hereunder within 15 days after such sale upon Exel providing reasonably appropriate supporting documentation concerning such sale, and for any leased Exel Equipment, Customer shall either assume the leases at the expiration or early termination of this Agreement or pay any lease termination fees or penalties within 15 days of receipt of Exel's invoice for the same with reasonably appropriate supporting documentation. Exel shall use all reasonable commercial efforts to mitigate Customer's obligations hereunder by identifying if any of the Exel Equipment can be used in its other business operations, and if so, with respect to any such Exel Equipment which can be so used, Customers shall pay Exel for any transportation and related costs associated therewith.

(2) Account receivables and Start up Costs Customer shall pay to Exel (i) the balance, if any, of any account receivables owned by Customer to Exel which are due

and owing to Exel through the date of termination or expiration (unless any part of such receivable is in dispute, in which case Customer shall pay the undisputed portion and, once resolved, the disputed portion); and (ii) the balance, if any, of any unamortized start-up costs set forth on Exhibit F (or any other amortized costs or other expenditure subsequently agreed to by the parties), not theretofore fully amortized or paid or reimbursed by Customer to Exel. Such amounts shall be payable on or before the date of expiration or early termination.

(3) Facility. Unless the leases for the Facility (including leases for both the Temporary Space and the Permanent Space) terminate concurrently with such early termination (such as because of a damage or destruction of the Facility or a taking by eminent domain), then Exel shall assign and Customer shall assume such lease or leases (a copy of which has been provided to Customer by Exel on or prior to the date hereof or will be provided as soon as available) together with all of Exel's obligations thereunder from and after the effective date of such termination (which

effective date shall be the date of such early termination) together with any vendor contracts relating to the Facility (such has HVAC and fire protection maintenance contracts, trash removal, etc.). Prior to such assignment and assumption, Exel, Customer and the landlord shall conduct an inspection of the Facility and shall identify those items of damage, repair, deferred maintenance or other items including accrued rent and operating expenses that Exel shall be responsible for under such lease and prior to such assignment and assumption Exel shall either pay the agreed upon amount to perform the same or shall perform the same at Exel's cost. Such assignment and assumption shall provide that Exel indemnifies Customer from any of the lease obligations incurred prior to the assignment and assumption and that Customer indemnifies Exel from any of the lease obligations occurring subsequent to the assignment and assumption.

(c) Survival The provisions of this (S)29 shall, as applicable, survive the early termination or expiration of this Agreement and may be independently enforce as a contractual agreement independent of the other terms and conditions of this Agreement. If a party fails or breaches its obligations under the provisions of this (S)29, the other party shall have the right to exercise any and all remedies to it by law or equity. Each party shall timely make payments and/or execute and deliver any and all documentation reasonably necessary to fulfill the requirements of this (S) 29.

(S)30. INSPECTIONS

(a) Customer Inspections. All books and records maintained by Exel pursuant to this Agreement shall be made available to Customer upon reasonable notice for inspection and copying during Exel's business hours. During the term of this Agreement, Customer shall have the right to send one or more of its authorized employees, agents or customers to observe and inspect the Facility. The foregoing inspection rights are subject to the following conditions: (i) any employee or agent of Customer shall be accompanied at all times by an employee or agent of Exel; (ii) any such inspection shall not unreasonably disrupt the operations of the Facility or Exel's other

operations or business; (iii) access to Exel's internal cost allocations and pricing and/or management reports shall be limited to the extent Exel deems to be reasonably necessary to protect proprietary financial information or other information related to other Exel customers or operations; and (iv) any costs associated with copying or producing information shall borne by the Customer and is outside the Scope of Services. Customer shall be under no obligation to undertake any such inspections and whether or not Customer inspects the Facility shall not affect or release Exel from any of Exel's obligations under this Agreement.

(b) Government Inspections Exel shall notify Customer immediately of any inspection or audit performed by any federal, state or local agency or of any other information that indicates the presence of any agent, substance or condition which is or may be considered by health authorities as being indicative of either unsanitary practices or of public health concern. Exel shall immediately provide Customer with copies of the results or reports of all such inspections or audits and shall take all steps necessary to correct any items raised in such reports or of which Exel may otherwise become aware.

(S)31. SURVIVAL OF PROVISIONS

The expiration or termination of this Agreement shall not affect the provisions, and the rights and obligations set forth therein which either: (a) by their terms state or evidence the intent of the parties that the provisions survive the expiration or termination thereof, or (b) must survive to give effect to the provisions thereof.

(S)32. ENTIRETY

This Agreement, together with the attached Exhibits (which are incorporated herein as part of this Agreement), embodies the entire understanding between Customer and Exel with respect to the subject matters addressed herein and therein and there are no agreements, understandings, conditions, warranties or representations oral or written, expressed or implied, with reference to the subject matter hereof which are not merged herein. This Agreement shall take the place of and entirely supersedes any oral or written contracts or agreements that deal with the same subject matter as referenced herein. Except as otherwise specifically stated, no modification hereto shall be of any force or effect

unless reduced to writing and signed by both parties and expressly referred to as being modifications of this Agreement.

(S)33. AMENDMENT

This Agreement shall not be amended or modified except in writing by both parties.

(S)34. FACILITY LEASE

Exel shall not amend the lease for the Facility ("Lease"), without the prior written consent of the Customer, which consent shall not be unreasonably withheld or delayed. If the term of this Agreement is extended as provided in (S)2 hereof, Exel shall extend the term of the Lease. If the

term of this Agreement is not extended as provided in (S)2, hereof, Exel will, at Customer's request, either inform Landlord that Customer desires to renew the term, or, will deliver the Assignment and Assumption Agreement to the Landlord so that Customer will be the tenant under the Lease and can renew the Lease in its own name.

IN WITNESS WHEREOF, the parties have caused this Agreement to executed by their duly authorized representatives.

EXEL LOGISTICS, INC.	FAVORITE BRANDS INTERNATIONAL, INC.
By: [SIGNATURE ILLEGIBLE]	By: [SIGNATURE ILLEGIBLE]
Title: CEO	Title: Chief Financial Officer and Chief Operating Officer
Date: 7/16/98	Date: 7/16/98

LIST OF EXHIBITS/SCHEDULES

EXHIBIT "A"

PRODUCT DESCRIPTION

Candies
Marshmallows
Caramels
Other confectionery products

EXHIBIT "B"

SCOPE OF SERVICES

The Scope of Services that Exel will provide to Favorite Brands includes the following, and will be further defined by the Applicable Procedures (including certain minimum key performance indicators, to be refined and expanded in accordance with (S)3(g) of the Agreement) to be mutually agreed upon by both parties no later than September 1, 1998:

. Exel will provide to Customer temporary warehousing to allow Customer to conduct its business during the startup period (i.e., the period prior to the Permanent Space being ready and available to warehouse Product). The Temporary Space will be cooled to Customer specifications with portable cooling units. Exel will provide all necessary equipment and personnel to receive in merchandise for Customer. The Temporary Space will be used only until the Permanent Space is completed. The Temporary Space cost is projected to be similar to the Permanent Space cost. The primary purpose of the Temporary Space will be for storage of product only. If the Permanent Space is not completed by the time Customer requires shipping services, the Temporary Space will be utilized for shipments. At that time, all in scope services will apply to the Temporary Space with the exception of the data system, which will become operational in the Permanent Space. All costs associated with the Temporary Space will either be billed, as appropriate, as an operations cost pursuant to Exhibit C, or as an unamortized start-up expense pursuant to Exhibit F.

. Provision, management and operation of 160,799 square feet of temperature controlled space to be located at 3501 Sandshell Drive, Fort Worth, Texas (the "Facility"). The nominal temperature within the storage and working areas of the Facility will be 75 degrees Fahrenheit. Exel will provide all racking, material handling equipment, data processing equipment and furniture and fixtures necessary to manage the Facility and perform the operations (and shall be reimbursed for the same as provided in Exhibits C, E & F).

. Provision of all required permits and licenses to operate the Facility.

. Administration and management of the site and personnel, including maintenance and repairs of the Facility, sanitation, pest control and security.

. TOPEX Warehouse Management System (Non-RF) with no modifications or customization except as provided in Section "D" Operating Parameters (the parties acknowledge that Topex will not be available at the Temporary Space).

. Receiving of product into the Facility and entering into inventory.

. Inspection of inbound product of exterior product cartons for observable defects or damages plainly and readily visible to the human eye, comparison with Purchase Orders and Bills of Lading, and segregation as required in the Applicable Procedures.

. Put away into storage.

. Processing and picking of outbound orders.

. Staging and loading of outbound orders onto carriers.

. Product rotation according to FIFO and/or Lot Code requirements as specified in the Applicable Procedures.

. On-site inventory accounting and control, as further specified in the Applicable Procedures.

. Cycle counting of inventory, as further specified in the Applicable Procedures.

. Annual physical inventory (the parties acknowledge that the cost of the same will not be included in the cap on the variable rate set forth in Exhibit C, but will be subject to Exel's full margin as set forth therein).

. Handling of Product Recalls for inventory within the Facility.

. Scheduling outbound loads according to customer provided Routing Guide.

. Returns processing at normal levels (not to exceed 2% of shipments)

. Exel will cooperate with and assist Customer in obtaining any available incentives related to the Facility from governmental units

. Exel and Customer shall agree as to necessary reports regarding activities

at the Facility and performance of the Services (the costs of reports not agreed to by both parties shall be outside the Scope of Services)

The following activities are specially NOT within the basic Scope of Services. These would be performed at additional cost if required by Favorite Brands and agreed to by Exel. Exel will not perform any services outside the Scope of Services unless if first notifies Customer that such services are outside the Scope of Services, although Exel reserves the right to perform services outside the Scope of Services in order to maintain the Product or the Facility in the case of an emergency where prior notice is not reasonably feasible.

- Special services outside the normal shipping and receiving activity. When required, these will be performed and charged at the Hourly Labor Rates.

- Co-packing, packaging services or displays
- Fleet management, freight management, local cartage or shipment optimization
- Sales or sales support
- HANDLING OF RAIL CARS

- Drop lot service
- Sourcing or purchasing of raw materials
- Product recall for product outside the Facility
- CHEP pallet accounting
- Chep pallet transfers to or from GMA pallets
- Forecasting
- Inventory Management
- RECOUP OR REPACKAGE OF PRODUCT

- Product quarantine
-
- OVERTIME for special or rush services. Warehouseman will obtain Depositor's approval for overtime rush services and special requests.

HOURS OF OPERATION:

- Days of week: Monday through Friday
- Normal Operating Hours: 6:00 am to 9:00 pm
- Shifts: 1+
- On-Call: 24-hour availability
- Holidays: To be determined

OPERATIONAL INDICATORS

- Exel shall be prepared to ship Product, if available at the Facility, upon receiving written notice from Customer, by the end of the next normal business day (or within 24-hours, if such 24-hour period ends within such business day).
- Until replaced by specific Applicable Procedures and Key Performance Indicators, Exel will perform the Services in accordance with standard industry practices.

EXHIBIT "C"

COMPENSATION SCHEDULE AND DAMAGE
AND SHRINKAGE ALLOWANCE

Cost Plus Period

Beginning as of the effective date of the Agreement, Exel and Favorite Brands agree that the compensation structure will be Cost Plus a 16% margin until the end of the period ending two months after normal operations commence at the Facility. Normal operations are defined as the first month that all of the following exist inclusively at the Facility:

1. Topex is utilized as the warehouse management system.
2. All tenant improvements are completed.
3. Actual throughput and other operating parameters are within 15% of the amounts projected in Exhibit D (under the heading FBI/Farley) of this Agreement for three consecutive months.

In consideration for the Services to be provided by Exel under this Agreement during the Cost Plus Period, Exel shall be compensated on a cost plus basis calculated upon the actual cost and expenses incurred in providing the Services plus a 16% operating margin (Cost Plus 16%) before overhead (8% net when an overhead provision of 8% is considered). Margin (in $'s) is calculated by dividing the operating expenses by one minus the operating margin of 16% (the reciprocal of the margin) and then subtracting the operating expenses. An example of the margin calculation is included below:

Total operating expenses for the month	$175.000
One minus the 16% margin (the reciprocal of the margin)	84%
Total Cost to Favorite Brands with Exel's Margin included	$208,333
Total operating expenses for the month (from above)	$175,000
Total Margin at 16%	$ 33,333

The Cost Plus 16% margin will apply to any services performed directly by Exel, including those at either the Temporary Facility or Permanent Facility (including all costs of operating the Temporary Facility except for costs specifically set forth on Exhibit F as start-up costs), that may be outside the Scope of Services. Materials which are not used or provided by Exel in the normal course of operations, as described in the Scope of Services, which are purchased on behalf of Customer will be billed at the actual cost plus a margin of 12% (margin as defined above).

During the Cost Plus Period, but not until after the first 30-days of operations in the Permanent Space, if the variable cost per pallet (including the 16% margin), on a monthly basis, exceeds $9.79

per pallet, Exel shall forgo its 8% net margin on all costs above $9.79 per pallet, but shall be entitled to a margin of $.78 per pallet regardless of the total variable cost per pallet.

Exel will not bill Customer for any costs under Exhibit C that have been billed or are intended as part of the Start-up Costs on Exhibit F (although it is acknowledged that some cost categories on Exhibit F are costs that would be incurred in the normal course of operations and may, if incurred after the commencement of the Services in the Permanent Space, be appropriate to be billed under this Exhibit).

For invoicing purposes, costs and expenses will be separated as fixed or variable and treated as follows:

FIXED COSTS

Fixed Costs (at Cost Plus 16%) will be invoiced in advance on the first day of each month. Exel will provide Favorite Brands, at Favorite Brands request, documentation to support the amount of such Fixed Costs. Fixed Costs, to the extent that they are unknown at the beginning of the month, will be estimated by Exel. Fixed costs will be reconciled against actual Fixed Costs at the end of each month, or at the end of the month in which Exel receives confirmation of the actual cost, if later. Any adjustment shall be invoiced to Favorite Brands

or paid to Favorite Brands by Exel by the 15/th/ of the following month. Included in the fixed category are:

Real Estate Costs - These costs include all facility related expenses such as the base lease cost (including any tenant improvements included in the base lease cost), depreciation and associated interest on any Exel funded property improvements, real estate taxes, building insurance, common area maintenance, sanitation, utilities, facility maintenance and repair, and security.

Equipment Costs - This includes all material handling equipment depreciation, office equipment, and associated interest as defined in Exhibit E of this Agreement. A specific listing of this equipment is attached in Exhibit E of this Agreement. Changes to the equipment listed in Exhibit E may require an adjustment to the Fixed Costs.

Systems - These costs include amortization of systems hardware, amortization of implementation charges and testing (to the extent not included in the start-up costs), and software and hardware support costs. The software support costs are based on an allocation represented as the IT Allocation. The IT Allocation is based on the Non-storage revenue of the operation and is expected to represent the software maintenance of the Exel internally developed software system, TOPEX. The IT Allocation is currently $35,816 annually, however, this amount is reviewed annually based on the actual cost to support the TOPEX system and adjusted accordingly. Based on the current method of allocation to the sites on TOPEX, the IT Allocation would increase to $53,723 if the non-storage revenue of the operation increased to $2 million annually.

Site Management and Benefits - Site management wage and benefit costs for the site management team are included in the fixed costs. Specifically, the General Manager, and Warehouse Supervision are included.

Operational Administrative Expense - Includes telephone, office cleaning, uniforms, travel, uniforms, travel, associate relations, general liability insurance and other insurance required by this Agreement, cost of working capital, and miscellaneous administrative expenses. Including in the Operational Administrative Expenses is the allocation of the cost of a Director of Operations. The Director's allocation is based on the actual cost of the Operations Director's salary, benefits, and travel & expenses apportioned to the sites for which the Director has responsibility based on the total revenue of each operation.

Any interest or working capital costs included herein are currently computed based upon an eight percent (8%) interest rate. This interest rate is subject to adjustment and change, based upon Exel's internal operating procedures.

Neither the Fixed Costs nor Variable Costs contain any allocations of expenses other than those described above. All other allocated costs are considered part of the eight percent (8%) overhead cost included in the Cost Plus 16% amount (other than direct costs exclusively related to the operation of the Facility, such as health insurance and other insurance costs (for employees of the Facility or the Facility itself), which are charged directly to the Customer based upon actual cost, and are not therefore considered to be allocations).

VARIABLE COSTS

Variable Costs (at Cost Plus 16%) will be invoiced within five working days of the last day of the month. Variable Costs are those other costs not noted as Fixed Costs. Services outside the Scope of Services (as described in Exhibit B) will be billed as variable costs. Exel, at Favorite Brands written request, will provide Favorite Brands appropriate documentation to support the amount of such Variable Costs. Variable Costs include, but are not limited to, the following:

Hourly Labor and Benefit - Includes all wage and benefit costs associated with all hourly warehouse, sanitation and clerical labor.

Equipment Maintenance and Fuel - This includes all equipment maintenance and fuel expenses.

Operational Supplies - Includes shipping, warehouse, computer and office supplies.

Post Cost Plus Period

Thirty days prior to the to the end of the Cost Plus Period, Exel and Favorite Brands will agree to an alternative compensation arrangement. In the event the parties do not agree to an alternative compensation arrangement 30 days prior to the end of the second month of normal operations, the Cost Plus 16% compensation structure will continue until 30 days after agreement is reached by

both parties of an alternative compensation arrangement. If no such agreement is reached within 60 days (or such longer periods as the parties mutually agree) after the end of the second month of normal operations, either party shall have the right to terminate the Agreement in accordance with Section 5(b) of the Agreement, provided that Section 29 of the Agreement will apply to any such termination. Any agreed alternative compensation arrangement will be documented and executed by an amendment to this Exhibit C of the Agreement. Any such agreed alternative compensation arrangement will include a cap on increases in the variable rates of on more than five percent (5%) per year from the pervious year's variable costs; provided that if the actual costs increase more than five percent (5%) in one year and less than 5% in a later year, Exel may increase the variable price, up to 5%, in order to recover any actual loss from a prior year cause by the cap on increases.

DAMAGE AND SHRINKAGE ALLOWANCE

The parties agree upon the following annual damage and shrinkage allowance:

DAMAGE ALLOWANCE: An allowance of .5% in year 1, .25% in Year 2 and thereafter of the annual throughput of Product (Product received and shipped divided by 2).

SHRINKAGE ALLOWANCE: An allowance of .25% of annual throughput of Product (Product received and shipped divided by 2).

EXHIBIT "D"

OPERATING PARAMETERS

The following Operating Parameters represent the assumptions and expectations of Exel Logistics and Favorite Brands relative to the operation of the Facility. They form the basis for the sizing, staffing and costing of the operations.

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Favorite Brands Dallas

Description	Combined	FBI/Farley	Sathers
<S>	<C>	<C>	<C>
Year One Throughput Volume in Pounds	75mm	56.9mm	18.1mm
Annual Growth Rate	5%	5%	5%
Average Weight per Pallet			
Inbound	1026	1026	1026
Outbound	1026	1026	1026
Average Cases per Pallet	157	122	222

Pallet Height/Configuration	55	52.2	55.2
Average Pallets in Inventory		5310	
Total Number of Active SKU's	4500		
Average Number of SKU's on Hand in Inventory		510	
Percent of "A" SKU's by weighted average volume	45		
Percent of "B" SKU's by weighted average volume	16		
Percent of "C" SKU's by weighted average volume	39		
Number of Turns - "A" Products	12	12	12
Number of Turns - "B" Products	8	8	8
Number of Turns - "C" Products	26	26	26
% of Case Pick (by product line)		48%	70%
Average pounds per case (by product line)	15	17.9	11.6
Average pounds per truckload (inbound)	32.4k	32.4k	32.4k
Average pounds per truckload (outbound)	25k	25k	25k
Peak to average volume ratio	1.55	1.55	1.55
Average number of outbound orders per day			
Average number of line items per order		5.6	33.3
Average number of units per order			
Maximum throughput volume per day before overtime charge			
Lowest pick unit is a full case	Yes	Yes	Yes
All inbound product is recieved on pallets	Yes	Yes	Yes
Inbound pallets arrive with one item per pallet	Yes	Yes	Yes
Product is received in good condition & labeled accurately	Yes	Yes	Yes
All inbound is via truck	True	True	True
There are no hazardous materials	True	True	True
Favorite Brands will supply pallets for storage & shipment	Yes	Yes	Yes
Exel's warehouse management, inventory control, & order processing systems will be utilized within the Facility	Yes	Yes	Yes
Average Order Lead Time			
Make to Stock	7 days	7 days	7 days
Make to Order	21 days	21 days	21 days

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EXHIBIT "E"

EXEL EQUIPMENT

Exel will be required to purchase and/or lease equipment to support the start up and ongoing business requirements for Customer. This equipment can be separated into three distinct categories. They are as follows:

OPERATIONAL MATERIAL HANDLING EQUIPMENT

This equipment will be purchased and/or leased and utilized at the Facility to support the receiving storing and shipping of Favorite Brand Product. All leases

for equipment shall be with independent third parties unrelated to Exel. The acquisition cost of the equipment will be depreciated utilizing a straight line depreciation method in accordance with normal accounting standards for each equipment type as set forth below. The monthly depreciation and interest expense will be included, as applicable, as a Fixed Cost. Compensation for this expense will be invoiced as outlined in Exhibit C of this Agreement.

Item	Asset Life	Est. Cost
5-5000 lb. Sit down lift trucks	7 years	$107,460
7-Electric Double Pallet Jacks	7 years	49,518
1-Manual Pallet Jack	7 years	702
1-Electric Sweeper Scrubber	5 years	31,482
1-Cascade Pull-Pac	5 years	8,316
1-Battery Extractor	7 years	10,260
1-Strechwrapper	5 years	14,580
35-Batteries	5 years	78,975
18-Chargers	5 years	34,425
Total		$335,718

If the parties determine that it is necessary to install racking at the Facility or to use order pickers, this schedule shall be amended to reflect the cost and asset life of such racking and/or order pickers.

ADMINISTRATIVE EQUIPMENT

This equipment will be purchased and utilized in the office area for Favorite Brands and will support the administrative workflow process. As with the above, acquisition cost of the equipment will be depreciated over the normal asset life, utilizing a straight-line depreciation method in accordance with normally accepted accounting standards. All monthly depreciation and interest

expense will be included, as applicable, as a Fixed Cost and invoiced as outlined in Exhibit C of this agreement.

Item	Asset Life	Est. Cost
1-Office Copier and Fax	5 years	$ 10,500
Office Furniture	7 years	$ 15,750
5-Cubicals	7 years	$ 18,375
4-PC's and/or printers	3 years	$ 24,051
Phone System	5 years	$ 38,397
TOTAL		$107,073

WAREHOUSE MANAGEMENT SYSTEM HARDWARE AND NON-PROPRIETARY SOFTWARE

The following is a list of hardware and non-proprietary software required to support the Favorite Brands operation. As with the above, the acquisition cost of the equipment will be depreciated over the normal asset life, utilizing a straight-line depreciation method in accordance with normally accepted accounting standards. The equipment listed below is required to initially establish Customer on TOPEX. Monthly depreciation and interest expense will be included, as applicable, as a fixed cost. Compensation for this expense will be invoiced as outlined in Exhibit C of the Agreement. In no event shall Customer's payment of depreciation expenses with respect to hardware or software necessary to support Customer's use of TOPEX be considered a license or right for Customer's continued use of TOPEX after the termination of this Agreement.

Item	Asset Life	Est. Cost
1-AS/400 (1/2 cost in Dallas & LA)	5 years	$ 50,507
4-Personal Computers	3 years	12,084
30-Patch & Printer Cables	5 years	135
7-HP Jet Direct Cards	5 years	2,107
2-Nethoppers	5 years	3,604
2-Modems	5 years	371
3-4247 Printers	3 years	7,632
2-6400 Printers	3 years	12,296
2-HUBS	5 years	1,249
4-Transceivers	5 years	233
2-Terminators	5 years	28
4-PC Software	3 years	3,710
10-Client Access Software	3 years	2,523
Advantis Line Installation (56K)	3 years	$ 3,180

TOTAL	$100,379

THE FOLLOWING IS A LIST OF ASSETS WHICH ARE LOCATED IN THE FACILITY AND SUPPLIED BY FAVORITE BRANDS

Office Equipment and furniture for Customer's on-site representative

BPCS systems equipment

EXHIBIT "F"

START-UP COSTS

NON-CAPITALIZED START-UP COSTS

All start-up costs will be billed by Favorite Brands as incurred. Exel will invoice Favorite Brands by the 5th day of the month for the prior month's expenses, at a rate of Cost Plus 16% margin, calculated as described in Exhibit C of this Agreement.

An estimate of the start-up cost for the implementation of the information technology systems is included below with the appropriate margin included in the cost.

Facility Wiring and Set-up	$14,285
Implementation Staff Airfare	7,145
Implementation Staff Accommodations	34,185
Travel/Accommodations (Hardware PM)	1,895
Travel/Accommodations (Development)	1,895
Shipping/Misc.	595
TOTAL SYSTEM RELATED START-UP EXPENSE	$60,000

An estimate of the Non-system related start-up cost is included below with the appropriate margin included in the cost.

Temporary wall for cooling	5,000
Recruiting Costs	5,952
Warehouse Prep Temp Space	3,000
Warehouse Prep Permanent Space	10,000
Warehouse Security System Permanent	3,095
Product Transfer to Permanent Space (Handling)	8,200
Product Transfer to Permanent Space (Transportation)	35,000
Project Management	46,400
Security/Equipment Operations for Temporary Space	18,000
Personnel Training	10,574
Alternate site expense (lease expense after beneficial occupancy at Permanent Space ends)	65,000
Permits and licenses	1,500
TOTAL NON-SYSTEM RELATED	$211,721

The amounts included above are purely estimates and are not intended to be actual amounts charged to Favorite Brands, actual expenses (with the appropriate margin) will be billed to and paid by Favorite Brands.

CAPITALIZED START-UP COSTS

Included in the monthly fixed rate (as described in attachment C of this document) are start-up costs associated with the Software Development and

Implementation of the Warehouse Management system. These costs will be capitalized and amortized, and will include Exel's margin as calculated on Exhibit C. The estimated costs (without margin) are set forth below:

DEVELOPMENT

	Asset Life	Est. Cost
Creation of Bill of Lading	3 years	$10,224
IT Implementation (Rollout)	3 years	$ 7,200
Support User Acceptance Test	3 years	14,400
Post Implementation Support	3 years	19,200

IMPLEMENTATION

Hardware Project Manager	3 years	$ 8,200
Lead Project Implementation Mgr.	3 years	8,000
Secondary Project Implementation Mgr.	3 years	3,200
System Validation (MITC)	3 years	8,000
System Validation (on site)	3 years	3,200
TOPEX Implementation support (MITC)	3 years	16,000
TOPEX Implementation support (on site)	3 years	6,400
TOPEX Training (MITC)	3 years	12,000
TOPEX Training (on site)	3 years	4,800
Hardware Analysis, Testing, Impl.	3 years	15,290
TOTAL		$136,114

If the total Start-up Costs exceed those listed above, Exel shall forgo its 8% net margin on all costs above the total listed above, but shall be entitled to its full margin on the costs set forth above, regardless of the total start-up costs incurred.

EXHIBIT 10.2

EXEL LOGISTICS, INC.

OPERATING SERVICES AGREEMENT

WITH

FAVORITE BRANDS INTERNATIONAL, INC.

JULY 27, 1998

Los Angeles, California Operations

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OPERATING SERVICES AGREEMENT

This Agreement is made and entered into as of July 27, 1998, by and between FAVORITE BRANDS INTERNATIONAL, INC., a Delaware corporation ("Customer") and EXEL LOGISTICS, INC., a Massachusetts corporation ("Exel").

Exel provides warehouse and logistic services, including, among other services, certain warehouse services for the receipt, storage, handling and shipping of goods; and

Customer desires to use Exel's services with respect to certain of its products and Exel is willing to provide the same on the terms and conditions hereinafter set forth for the services; and

THEREFORE, in consideration of the premises and of the mutual covenants set forth herein, the parties agree as follows:

(S)1. DEFINITIONS

For the purposes of this Agreement the following definitions will apply:

"Applicable Procedures" mean those procedures with respect to the providing of the Services set forth in the Manual or, if there is no Manual, those procedures set forth in the Scope of Work attached hereto as Exhibit B (as the same may be amended from time to time in accordance with (S)3(a)).

"Equipment" means that equipment and related items which are dedicated, purchased or leased by Exel in order to provide the Services hereunder (including certain hardware and related equipment located at the Facility or used at the Facility which are necessary for the use of the inventory management systems in performing the Services) and which are identified on Exhibit E, as Exhibit E may be amended or modified by agreement of the parties to reflect substitutions, additions or deletions thereto which may be beneficial or necessary in order for Exel to provide the Services.

"Facility" shall mean that approximately 181,935 square feet of warehouse/office space leased by Exel of an approximately 253,000 square feet warehouse located at 10746 Commerce Way, Fontana, California 92335 at which the Services will be performed (the "Permanent Space"), or, as applicable, the approximately 73,000 square feet of warehouse/office space to be leased by Exel in the same building (the "Temporary Space"). The Temporary Space shall be utilized to provide the Services until the Permanent Space is available, and ready for the performance of the Services.

"Manual" means the dated and signed written procedures, if any, developed or to be developed by Customer and Exel for the receiving, storing, handling, shipping, transporting and disposing of the Product.

"Operating Parameters" means the Product Information Data, the type and mixture of Product, volume and other key operating assumptions set forth on Exhibit D which have been mutually developed and upon which, after the end of the Cost Plus period as set forth on Exhibit C, the compensation elements are partially based.

"Product" means those Customer goods identified on Exhibit A, which Exhibit, may be amended to include (or delete) other goods manufactured, sold or

distributed by Customer, provided however, that (i) if such goods are similar in nature to the goods currently listed on Exhibit A and providing or deleting the Services for such goods would not constitute a change in the Scope of Services and/or Operating Parameters then Customer shall give Exel at least 5 days written notice of such amendment, (ii) if such goods are similar in nature to the goods currently listed on Exhibit A and providing the Services for such goods (or deleting the services for such goods) would constitute a change in the Scope of Services and/or Operating Parameters then Customer must give Exel 30 days written notice of such amendment, and (iii) if such goods are dissimilar in nature to the goods currently listed on exhibit A, then Customer must give Exel at least 30 days written notice of such amendment and provided that in each case if handling such goods would constitute a material change in the Scope of Services or Operating Parameters, the compensation to be paid to Exel under this Agreement may be adjusted in accordance with (S)5(b). In no event, without Exel's prior written approval, shall Exhibit A be amended to include any hazardous materials, goods requiring temperature controls inconsistent with those available at the Facility, or any other goods inconsistent with the storage of food grade goods, that require any special containment or that would require any modification to the Facility.

"Product Information Data" means all pertinent information concerning any special characteristics of the Product, including, but not limited to Material Safety Data Sheets, safety and health data, toxicological information, applicable environmental data, Customer's hazard communication program procedures used to comply with labeling and transportation requirements and OSHA regulations, any governmental (state, local or federal) regulations, and such other information concerning the special characteristics of the Product and the procedures known to or developed by Customer that are associated with the receiving, storing, handling, shipping, transporting and disposing of the Product.

"Replacement Cost" means Customer's actual manufacturing cost (using full absorption costing in accordance with Generally Accepted Accounting Principles) plus shipping and handling costs for the Product, less salvage value, if any.

"Scope of Services" means those services and procedures identified in Exhibit B and the Manual, if any.

"Services" means, collectively, the providing of all services related to receiving, handling, storing, staging for shipment ("shipment"), tendering for outbound transportation ("transportation") and arranging for disposal of Products at the Facility in accordance with this Agreement, the Applicable Procedures, the Scope of Services and the Warehouse Services. The parties acknowledge and agree that Exel's performance of the Services at the Temporary Space May not be performed fully in accordance with the Scope of Work or the Applicable Procedures. Any shipping, transportation or freight management performed by Exel for Customer shall be governed by the terms and provisions of a separate contract or contracts.

"Start-up Costs" means the start-up costs identified on Exhibit F. Exhibit F sets forth the manner and timing of payment for the Start-up Costs and those Start-up Costs that are to be amortized and the amortization period for the same. If the parties agree, during the term of this Agreement, to any additional matters of a similar nature that will be beneficial to the performance of the Services, the parties shall agree upon the same in writing together with the costs thereof and the reimbursement for the same, including any amortization of such costs. If Exel does not actually incur all of the Start-up Costs identified on Exhibit F, then Exel shall notify Customer of the amount of expenses not incurred and Exhibit F shall be deemed amended to delete such costs.

"Warehouse Services" means the customary services for the warehousing of Product to be conducted at the Facility including, without limitation, the receiving, storing, handling, shipping, transporting and disposing of the Product.

(S)2. PERIOD OF AGREEMENT

This Agreement shall be for a term commencing on July 27, 1998 and terminating on September 30, 2003 unless earlier terminated as provided for in this Agreement. Upon mutually agreeable terms and conditions, this Agreement may be renewed. Any early termination of this Agreement shall be subject to the provisions of (S)29, below, and, subject to the terms and conditions of this Agreement, shall not relieve or release Customer or Exel from any rights, liabilities or obligations that may have accrued under law or the terms of this Agreement prior to the date of such termination. The parties acknowledge that the lease for the Permanent Space may be renewed for three periods of five years each, upon at least nine months prior written notice to the landlord thereunder. If Customer intends to renew this Agreement, it must give Exel at least a twelve-month notice before the expiration of the term, or any renewal term, of its desire to extend the term hereof.

(S)3. SERVICES

(a) General. Exel agrees to properly and economically perform the Services in accordance with the terms of this Agreement (including the Exhibits hereto) and in accordance with the American Institute of Baker's standards applied to food handling, storage and shipping. Exel shall provide sufficient, competent, knowledgeable and fit personnel and, except as specifically set forth in this Agreement, all equipment, machinery and other items, necessary to provide such Services. Customer shall be entitled to revise or modify any of the Applicable

Procedures provided that Customer shall timely provide the requested modifications to Exel and, if such modifications directly affect the cost of performing the Services or affect the Operating Parameters, either party shall have the right to request that the compensation payable to Exel for the Services be adjusted (up or down) pursuant to (S)5(b) to reflect the change in Exel's cost as a result of complying with the modification.

Customer agrees to timely inform Exel of and to provide Exel with the most current information required by the Product Information Data and to timely inform Exel of any Product (or any element thereof) which is, either in its undamaged or damaged state, a hazardous substance or material (as defined under applicable federal or state laws, rules or regulations) or if any Product has special characteristics (whether in its undamaged or damaged state) which may require special receiving, handling, storing, transporting, shipping or disposing procedures. Customer, at Customer's costs, shall cooperate with Exel in any training of Exel's personnel and compliance with governmental regulations relating to any Product with special characteristics that are not referred to on Exhibits A, B or D.

Each of the parties hereto agrees to notify the other of any significant change in the management personnel of the Facility or the operations pursuant to which the Services are rendered.

(b) Receipt and Storage. Exel shall receive and store, handle, stage for shipment, tender for outbound transportation or arrange for disposal of the Product in accordance with the Applicable Procedures and the other terms of this Agreement. All Product to be received and stored by Exel shall be delivered to the Facility during the Facility's normal business hours, properly marked and packaged for handling and storage and a manifest for the same shall be furnished to Exel identifying the Product and specifying, if inconsistent with the terms of this Agreement or any Exhibit hereto or the Applicable Procedures, the warehouse procedures or type of storage or other services to be performed. If Customer requires Exel to conform to any special receiving, handling, transporting, shipping, disposing or inventory procedures or other services not previously agreed to or identified in the Applicable Procedures, Customer shall timely provide Exel with prior notice thereof and Exel shall comply with such procedures or provide such services provided they are timely requested and reasonable. If such Services, are not within the Scope of the Services and directly affect the cost of providing the Services, either party shall have the right to request that the compensation payable to Exel for the Services be adjusted (up or down) pursuant to (S)5(b) to reflect the cost of complying with the same. Any extra charges or costs shall be reduced or eliminated if the changed procedures or special considerations no longer exist. Customer shall be responsible for notifying Exel in writing in advance of delivery of any Product that has special characteristics not previously disclosed to Exel which may affect the receiving, storing, handling, shipping, transporting or disposing of such Product or which may affect the Facility or other goods stored in the warehouse of which the Facility is a part. Unless otherwise expressly agreed or unless identified as part of or within the intended type of the Product set forth on Exhibit A, Exel may refuse, without liability of any kind, to accept any Product having special characteristics which might adversely affect the Facility, other goods in the warehouse, cause property damage or personal injury or (except those identified on or within

the type of Product identified on Exhibit A), that are classified as a hazardous material or substance, as defined by any applicable federal, state or local statute, law, rule or regulation, or which, pursuant to any applicable federal, state or local law, rule, regulation now or hereinafter enacted or which, pursuant to any lease for the Facility or any covenant, condition or restriction on or for the Facility, would make the same unlawful or impermissible. In any such event, Exel shall promptly notify Customer of its refusal to accept any such Product and the reasons for its refusal and shall return the same to its originating point.

(c) Receiving and Shipping Charges. Exel shall not be liable for receiving
or shipping charges of any kind, including without limitation, demurrage or detention charges, unless such charges are the result of Exel failing to comply with the terms of this Agreement or Exel's negligent acts or omissions. Customer shall pay and shall indemnify and hold Exel harmless from any and all such charges or costs, except for those resulting from Exel's negligence, for which Exel shall indemnify and hold Customer harmless. The provisions of this subparagraph shall survive the termination of this Agreement.

(d) Ownership of Products. Customer shall be the owner of the Product at
all times that the Product is in the custody of Exel and shall not ship or cause the Product to be shipped to Exel as named consignee. If Product is shipped with Exel as named consignee, Customer shall notify the carrier in writing (or by facsimile transmission) prior to shipment that the named consignee is a warehouseman and that Exel has no beneficial title or interest in the Product. If Customer fails to so notify the carrier, Exel may refuse to accept the Product, without liability of any kind for any loss, injury or damage to the Product so shipped, and the same shall be returned to its originating point or Exel may accept the same but Customer shall indemnify Exel from and against any and all costs associated therewith.

(e) Inbound Damage; Storage Conditions. Damaged Product received by Exel
shall be noted and handled in accordance with the Applicable Procedures. If, in the reasonable judgment of Exel, Product delivered to Exel or which is in Exel's custody may cause or is likely to cause infestation, contamination, or property damage or personal injury, Exel may refuse, without liability of any kind, to accept the Product or require Customer to remove the same, as applicable. If such condition requires Exel to act promptly, it may, upon written notice to Customer, remove the Product and ship the same to the originating point at Customer's cost and expense and Exel shall incur no liability to Customer for such removal.

(f) Shipment and Transfer. Instructions to Exel to load and ship Product on
outbound vehicles will not be effective until received by Exel in writing; provided, however, Customer may authorize and instruct Exel to rely on electronically transmitted instructions from Customer. Exel will not be liable for any loss or error in connection with the shipment of Product that results from instructions received by Customer which can be demonstrated by Exel to contain data transmission or other errors which affect the clarity of the instructions.

Within the times set forth in the Applicable Procedures, Exel will load and ship Product on outbound vehicles (common or contract carrier or Customer-owned vehicles) for delivery to Customer's consignees.

Exel shall ship all Product from the Facility on a FIFO basis, as provided for in the Applicable Procedures. If Exel's failure to follow the Applicable Procedures results in unsalable Product, Exel shall be liable to Customer, subject to the provisions of (S)8, for the cost of such unsalable Product at the Replacement Cost.

Priorities for shipment of Product are established by the Applicable Procedures. Customer shall provide Exel in writing with Customer's approved list of carriers to be utilized for the shipping of Product. Such approved list may be changed from time to time by timely written notice to Exel. Customer shall provide Exel with instructions to determine the priority utilization of the approved carriers and once the Product is signed for by the carrier, Exel shall have no responsibility for any loss or damage to Product thereafter occurring.

For any Product containing special characteristics that are hazardous substances or materials, Customer agrees to timely furnish Exel with all correct and proper information and instructions to permit Exel to prepare the same for shipment, including shipping papers and certifications, in a manner which conforms such shipments with all applicable governmental regulations. Customer appoints Exel as its agent for the purposes of preparing the shipments and signing the certifications and shipping papers covering the shipment. Customer shall indemnify Exel against all losses and other damages, including fines, penalties or charges, which Exel may incur (including reasonable legal expenses), resulting from Customer's failure to provide any such accurate and timely information.

(g) Key Performance Indicators. Contemporaneously with the revisions to
Exhibit C establishing a new rate structure after the end of the initial Cost Plus Period (as defined in Exhibit C), Exel and Customer agree in good faith to develop a set of key performance indicators and methodology for determining and measuring the indicators, together with default and remediation provisions to be used to measure performance standards for the Services performed on Product

warehoused at the Facility. If the parties are unable to agree as to such key performance indicators and related issues within such time period (or any extension thereof as the parties may mutually agree), then this Agreement may be terminated by either party upon 120 days prior written notice to the other. Such termination will be effective at the end of such notice period (during which period the parties will continue to perform their respective obligations at the rates then if effect or as otherwise agreed to).

(S)4. REMOVAL AND DISPOSAL OF PRODUCT

(a) Damaged or Unsalable Product. Damaged or unsalable Product is to be removed from the Facility within a reasonable time after occurrence or notification of the existence of such damaged or unsalable Product as may be provide for in the Applicable Procedures. If no

such Procedures exist, Exel shall notify Customer in writing of such damaged or unsalable, Product and shall request instructions on how to handle such Product. If Exel does not receive instructions 15 business days after Customer received such notice then Exel shall have the right, absent instructions by Customer to the contrary, to remove the damaged or unsalable Product by shipping to the originating point at Customer's cost without any liability to Exel. Notwithstanding the foregoing, Exel shall have the right to immediately remove and dispose of any Product that presents a health or sanitation hazard upon notice to Customer, at Customer's cost and without any liability to Exel.

(b) Waste Removal and Disposal. If non-hazardous waste is generated from the Product, Exel shall dispose of the same. Exel and Customer shall confer, if deemed necessary by Exel, to determine if such waste is hazardous. For any hazardous waste that is generated from the Product during Exel's performance of the Services, Customer shall be considered the waste generator and waste transporter. Exel's obligations with respect to such hazardous waste shall be limited to preparing such waste for pickup at the Facility in accordance with Customer's procedures for pick-up and disposal by a Customer-approved and licensed carrier or transporter for disposal at a permitted and licensed disposal site. Exel shall not liable or responsible for the actual disposal of such hazardous waste.

(S)5. COMPENSATION AND TERMS OF PAYMENT

(a) General. Customer agrees to compensate and pay Exel for the Services as provided for in the schedule of rates and compensation set forth in the attached Exhibit C. Customer shall pay the same in the time and manner provided for in Exhibit C. If Customer disputes any invoices (or any part thereof), Customer shall provide Exel with written notice of such dispute within 30 days of receipt of such invoice. Customer shall, however, pay that portion of the invoice not in dispute. Any such amount not in dispute and not paid within the time provided for in Exhibit C shall bear interest at the rate of one percent (1)% per month. Additionally, if any disputed portion of such invoice is later paid by Customer, or is determined subsequently to be due and owing to Exel, Customer shall also pay Exel interest on such amount from the original due date at the rate of one percent (1)% per month. The compensation set forth on Exhibit C is full compensation for all Services and other activities to be provided by Exel under this Agreement. Except as specifically set forth in this Agreement, Exel shall be responsible for paying all of the costs and expenses necessary to provide the Services and to otherwise comply with the terms of this Agreement.

(b) Operating Parameters or Scope of Service Changes. Notwithstanding the compensation provisions of Exhibit C, if (i) Customer requests a change to the Scope of Services or Applicable Procedures that directly affects the cost of providing the Services or (ii) during any year of this Agreement the Services or Operating Parameters materially vary from those set forth on Exhibit D to this Agreement, either party shall be entitled to notify the other party of the same and the parties shall endeavor in good faith to mutually agree upon a temporary or permanent adjustment to the compensation payable to Exel as promptly as possible. If such agreement is reached, it shall be evidenced by a writing signed and dated by the parties and the applicable

rates for the affected Services shall be adjusted to reflect the same. The parties acknowledge that, depending on the nature of the Operating Parameters or

Services variation and the estimated continuation of the same, no single variation or series of variations taken in the aggregate may justify a cost or rate adjustment but the parties also acknowledge that the contrary can be true and each party agrees to cooperate with the other and to exercise good faith in any such determination. If the parties cannot fully agree as to a temporary or permanent adjustment, then, either party may elect, upon 120 days prior written notice to the other, to terminate this Agreement effective upon the end of such notice (during which period the parties will continue to perform the respective obligations at the rates then in effect or as otherwise agreed to).

(c) Annual Compensation Review. The fees and rates set forth in Exhibit C, as may be amended from time to time, shall be reviewed and may be redetermined effective annually at the beginning of each contract year. Within 120 days prior to the beginning of each contract year, Customer shall submit to Exel projected volume forecasts of Product thru-put for the next succeeding contract year together with any anticipated and known changes to the Operating Parameters and/or Scope of Services. Exel, within 60 days after receipt of the same, shall submit to Customer the proposed schedule of rates and compensation for the next succeeding year, together with documentation supporting any requested rate adjustment. Exel and Customer shall endeavor in good faith to mutually agree as to the new schedule of rates and compensation to be used for the succeeding year within 30 days after Customer's receipt of the proposed schedule of rate and compensation. Such redetermined rates, even if agreed to after the beginning of the contract year, will become effective, unless otherwise agreed, as of the first day of such contract year. Any such redetermined rates shall be reflected upon a revised Exhibit C, dated and signed by the parties, which shall be attached to this Agreement. If the parties cannot agree in good faith to any adjusted schedule of rates and compensation within such 30 day period (or any extension thereof as the parties may agree), then, this Agreement may be terminated by either party upon 120 days prior written notice to the other. Such termination will be effective at the end of such notice period (during which period the parties will continue to perform their respective obligations at the rates then in effect or as otherwise agreed to).

(d) Performance Incentives. On or before the twelve-month anniversary of operations at the Permanent Space, Exel and Customer agree that they shall negotiate in good faith an addendum to this Agreement that will provide for a performance incentive program or gainsharing program based upon agreed assumptions and parameters. If the parties are unable to agree as to the terms and scope of such a program within such time period (or any extension thereof as the parties may mutually agree), then this Agreement may be terminated by either party upon 120 days prior written notice to the other. Such termination will be effective at the end of such notice period (during which period the parties will continue to perform their respective obligations at the rates then if effect or as otherwise agreed to).

(S)6. TAXES

Customer agrees to either pay directly or to reimburse Exel for all property taxes, licenses, charges and assessments imposed by any properly constituted governmental authority

upon Exel's Equipment, the Product or the Services. Such payment or reimbursement shall include any federal, state or local taxes, levies, imposts, duties, fees or other charges now or hereafter assessed which are levied or based on or related to any of the Services, supplies and/or materials provided or to be provided by Exel under this Agreement but shall not include any income taxes based solely on or measured by the income of Exel and Exel shall be responsible for paying directly any social security or withholding, unemployment or similar taxes. If, because of the nature of Exel's activities any of the Services, supplies and materials provided or to be provided or consumed hereunder or because of Customer's activities or status with such taxing authorities, there exists an exemption for any such taxes, levies, imposts, duties, fees or other charges to be paid or reimbursed hereunder, Customer and Exel shall cooperate in obtaining any such exemption.

(S)7. SAFETY AND HEALTH

Exel shall comply with health, safety, environmental and other practices that are required by applicable governmental laws, rules and regulations. Customer shall assist Exel in identifying those that may be necessary because of the nature of the Product. If Exel is required to alter or modify the Facility in any way, or Exel is required to obtain any special governmental permits or licenses or to provide special training to its employees, in order to comply with such laws, rules and regulations and such actions are necessary as a result of the nature of the Product that was not identified on or otherwise apparent

from the Scope of Services or the Applicable Procedures available at the time, then, Customer shall pay for the costs of the same. Customer acknowledges that Customer has the responsibility of informing Exel of any special characteristics of the Product and to keep the Product Information Data current.

(S)8. RESPONSIBILITY FOR DAMAGE TO OR LOSS OF PRODUCT: LIMITATION OF DAMAGES

(a) General. Exel in providing the Services shall exercise such care with respect to the Product under its custody as a reasonably careful man would exercise under like circumstances (including, as appropriate, those set forth in the Applicable Procedures) and shall not be liable for loss or damage which could not have been avoided by the exercise of such care and Exel shall not be liable for any such loss or damage to the extent caused or contributed to by the negligent acts or omissions of Customer (including, without limitation, Customer's failure to timely and fully inform Exel of any special characteristics with respect to the Product or to provide current and updated Product Information Data), or Exel's non-negligent performance of the Applicable Procedures or any deviations therefrom specifically requested or authorized by Customer. Exel shall not be liable for any loss or damage to Product occurring prior to or subsequent to its custody of the Product which shall commence when Exel accepts receipt of such Product for prompt unloading at the Facility and shall terminate when such Product is placed with a carrier for shipment unless such loss or damage results from Exel's improper care in loading the Product. Exel shall not be liable for any shipments dropped at the Facility which is not to be promptly unloaded at the Facility until such shipment is actually unloaded by Exel. Additionally, Exel shall only be liable for unsalable product or loss (i) caused by infestation or contamination that occurs at the Facility due to Exel's negligence, but not as a result of infested or contaminated Product delivered to the Facility, or (ii) caused by temperature failure resulting

from Exel's negligence in maintaining or monitoring the temperature control equipment and not as a result of temperature failure resulting from events outside of Exel's reasonable control.

(b) Maximum Liability Per Occurrence. In case of loss or damage to Product for which Exel is liable hereunder because of its failure to exercise such care, Exel's liability, subject to the damage and loss allowance provisions of the next succeeding paragraph, shall be limited to Customer's Replacement Cost for the Product lost (including mysterious disappearance or unaccounted for goods) or damaged and its liability shall be limited to $5,000,000 per occurrence.

(c) Damage/Shrinkage Allowance. Customer acknowledges that some damage or loss to Customer's Product at the Facility may occur during the performance of the Services. Customer, therefore, in consideration of the rates and compensation to be paid to Exel, agrees (i) that Exel shall be entitled to the damage allowance set forth on Exhibit C which must be exceeded prior to Exel being liable for any damaged Product, and (ii) Customer further recognizes that the results of a physical inventory or cycle counts may not account for all of Customer's Product which purportedly were received by Exel and that shortages or overages may exist due to accounting or other errors, and, therefore, agrees that Exel shall be entitled to the annual shrinkage allowance set forth on Exhibit C which must be exceeded prior to Exel being liable for any shortages of Product.

(d) Claims. Claims for lost or damaged Product must be made in writing no later than 120 days after the annual physical inventory provided for by the Applicable Procedures; provided, however, either party shall notify the other of any single occurrence of loss or damage in excess of $100,000 for which, subject to the damage and shrinkage allowance, a claim may be maintained. No action may be maintained by Customer for loss or damage to Product unless a timely written claim has been given as provided for above and unless such action is commenced within 12 months from the date of such written claim.

(e) Waiver and Release. Notwithstanding anything in this (S)8 to the contrary, Customer hereby waives and releases for itself and its insurers, any and all rights of recovery, claim, action or cause of action, against Exel, its agents, contractors, officers or employees for loss or damage to Product that is within the damage and loss allowance and/or in excess of $5,000,000 per occurrence and Customer covenants that no issuer shall hold any right of subrogation against Exel. The failure of Customer to secure an appropriate clause in or endorsement to its respective insurance coverage, which waives the right of subrogation as provided for above, shall not in any manner affect the intended waiver and release and, if Customer's insurance company seeks subrogation against Exel because of the absence of such a waiver and release,

Customer shall defend, indemnify and hold Exel harmless from and against such subrogation claim.

(S)9 INVENTORY

(a) Records. Exel shall maintain complete records of the Product received by it showing quantities received and shipped, inventory on hand, damaged or lost Product, plus any other information or records required by the Applicable Procedures. Exel shall also provide reports on the foregoing as provided for by the Applicable Procedures.

(b) Inventory Accounting. A physical inventory of all Product received by Exel and periodic cycle counting shall be conducted by Exel as provided for by the Applicable Procedures and at the termination of this Agreement. Exel will take physical inventories or cycle counts beyond those provided for therein as requested by Customer at Customer's expense. Customer's duly authorized representatives shall have the right to be present at any physical inventory and shall have the right to visit, observe and inspect the Facility, the Product and upon reasonable notice to inspect inventory records at any time during Exel's normal business hours.

(c) Access. Customer acknowledges that, if its employees or agents have access to the inventory management system with the ability to make inventory adjustments and other similar adjustments affecting the inventory status of the Product at the Facility, Customer agrees that its employees and agents shall not make any such adjustments without prior written notification to Exel. If such adjustments are inadvertently made without such prior notification, Customer, upon becoming aware of the same, shall cause written notification to be promptly given to Exel together with the reasons for such adjustments. If such access exists, Exel shall have 90 days to reconcile any inventory discrepancy and Customer shall cooperate with Exel in any such reconciliation. If Exel can reasonably demonstrate that any unaccounted for Product was attributable to any such adjustments, Exel shall not be responsible for the same.

(d) Reconciliation. Inventory shortages or overages from the physical inventories or cycle counts taken at the Facility shall be determined by netting shortages and overages across all commodity groupings of Product, either at the time of the annual physical inventory or as provided for in the Applicable Procedures. Net shortages or overages determined after the first annual physical inventory shall be carried over to the second annual physical inventory and shall be applied against net shortages or overages determined after the second annual physical inventory at which time there shall be a reconciliation of shortages and overages. If after the second annual physical inventory, there are net shortages for unaccounted Product for which Exel is liable, Exel shall be liable, subject to the provisions of (S)8, for the unaccounted for Product at the Replacement Cost. After the second annual physical inventory, shortages and overages from each succeeding year shall be carried over and reconciled as provided for in this (S)9(d).

(S)10. INSURANCE

(a) Exel. Exel shall maintain General Commercial Liability Insurance (written on an "occurrence" basis), including contractual liability coverage, with combined single limit of bodily injury and property damage in the amount of no less than $5,000,000; Automobile Liability Coverage (written on an "occurrence" basis), with a combined single limit for bodily

injury and property damage in the amount of $1,000,000; Warehouseman's Legal Liability coverage in the amount of $5,000,000 per occurrence, which amount shall be Exel's maximum liability for loss or damage to Product per occurrence, no matter how caused, property insurance in an amount equal to the replacement value of the Equipment (excluding Customer-owned equipment as provided on Exhibit E), subject to any deductible, and Worker's Compensation Insurance as required by the law of the State in which the Facility is located. Such insurance shall be carried with an insurance company licensed to do business in the state where the Facility is located and with a rating from AM Best of A7 or higher. Customer shall be named as an additional insured on all such

policies. At Customer's request, Exel shall provide to Customer certificates of insurance evidencing the insurance coverage set forth above.

(b) Customer. Since Warehousemen's Legal Liability insurance provides coverage with respect to the Product only when Exel is liable for the loss or damage to Product because of its failure to exercise the standard of care set forth in (S)8, above, Customer, at its option, shall be responsible to provide insurance for its Product at the Facility to cover loss or damage to the Product not caused by: (i) Exel's failure to exercise the standard of care set forth in (S)8, above, (ii) which is less than the damage and shrinkage allowances set forth on Exhibit C, and (iii) for loss or damage to Product caused by Exel's failure to exercise the standard of care set forth in (S)8, above, over the maximum amount per occurrence.

(S)11. INDEMNIFICATION

(a) Exel. Exel shall indemnify, defend and hold Customer harmless against liability, loss or expense resulting from or relating to (i) Exel's performance of the Services at the Facility or the operation of the Facility; (ii) the negligent acts or omissions or willful misconduct of Exel or its employees or agents in the performance of the Services, provided, however: (i) the provisions of this (S)11(a) shall not apply to loss or damage to Product, such loss or damage being governed by the provisions of (S)8; or (ii) the provisions of this subparagraph shall not apply to the extent such liability, loss and expense is caused or contributed to by the negligence or willful misconduct of Customer (including Customer's failure to timely and fully inform Exel of any special characteristics with respect to the Product or to provide Exel with current and updated Product Information Data).

(b) Customer. Customer shall indemnify, defend and hold Exel harmless from and against any liability, loss or expense resulting from or related to (i) Customer's acts, omissions or willful misconduct at the Facility; (ii) the negligent acts or omissions or willful misconduct of Customer or its employees or agents in the performance of its obligations under this Agreement; provided, however, this indemnity shall not apply to and Customer shall not be considered to be liable hereunder for any such liability, loss or damage or expense to the extent caused or contributed to by negligence or willful misconduct of Exel.

(c) Indemnified Claims. The liability, loss or expenses covered by the indemnities set forth above are with respect to claims, settlements, judgments, court costs, reasonable attorney's fees and other litigation expenses arising out of injury to or death of any person including

employees of Customer or Exel or damage to property (except, with respect to Exel, any loss or damage with respect to Product shall be governed by the provision set forth in (S)8, above). Each of the parties agrees that promptly after becoming aware of any exposure which the other party may have under these indemnification provisions, such party shall provide the other with written notice thereof, together with such other information as may be required to evaluate the other party's obligations and liabilities under this (S)11. Each party shall have the right to defend any such action by counsel reasonably acceptable to the other.

(d) No Consequential Damages. Notwithstanding any of the provisions of (S)8 and this (S)11 to the contrary, neither party in the performance of their obligations under this Agreement, except as specifically set forth in this Agreement, shall be liable to the other for any indirect or consequential damages (such as, but not limited to: loss of profits, loss of business, loss of customer goodwill or punitive or exemplary damages) even if the parties have been advised of the possibility of the same, and without regard to the nature of the claim or the underlying theory or cause of action (whether in contract, tort or otherwise).

(S)12. EXEL'S EQUIPMENT

Customer and Exel agree that in order for Exel to provide the Services, Exel shall dedicate, purchase or lease the Exel Equipment with respect to the Services. Upon expiration or early termination, Customer and Exel shall have those obligations and rights with respect to Exel's Equipment as provided for in (S)29.

Exel, with respect to the Exel's Equipment, shall be considered the owner or lessee for federal income tax and other purposes. Exel shall be responsible for maintaining and repairing such Equipment in accordance with industry standards. Exel's Equipment as listed on Exhibit E may be revised from time to

time by the mutual agreement of the parties. Upon any such revision, if the same requires an adjustment to Customer's reimbursement obligations, the same shall be evidenced in writing at the time that such Exhibit is revised.

(S)13. FORCE MAJEURE

(a) General. Neither party shall be liable to the other for failure to perform its obligations under this Agreement to the extent such performance is prevented by an act of God, strikes, fire, flood, explosion, civil disturbance, interference by civil or military authority, accident, labor disputes or shortages, or because the continuation of the Services at the Facility would be in violation of any future governmental laws, rules or regulations or would cause or create any material safety, health or environmental concerns or for other causes beyond the reasonable control of the party and not intentionally caused by such party ("Force Majeure"). Except that a Force Majeure event shall not include any performance prevented directly by a strike, labor dispute or shortage of Exel's employees at the Facility. Upon the occurrence of such an event, the party seeking to rely on this provision shall promptly give written notice to the other party of the nature and consequence of the cause. Each party shall use all reasonable efforts to minimize the effects of a Force Majeure event. If a Force Majeure event occurs with

respect to any of the services or obligations of the parties under this Agreement and such Force Majeure event is estimated to last beyond a period of time so that a parties' obligations or services are materially disrupted, the parties shall agree as to alternative temporary arrangements, the temporary cessation of services and/or obligations or the termination of this Agreement. During the period of any Force Majeure, services and the compensation for the same shall be equitably adjusted but, unless otherwise agreed to by Exel, nothing herein shall be construed to relieve Customer from paying any costs associated with the Facility or any unamortized costs for Exel's Equipment or start-up costs as the same are due and payable under the provisions of Exhibit C, except to the extent that such costs are reimbursed to Exel pursuant to any policy of insurance. The provisions hereof shall not apply to monetary amounts due or owing by either party to the other. If a Force Majeure event with respect to the Services is estimated to last longer than 60 days, either shall be entitled to terminate this Agreement upon written notice to the other.

(b) Facility. If any Force Majeure event with respect to the Facility occurs (such as partial or total destruction to the Facility by fire or other casualty), Customer shall not unreasonably withhold or delay its consent, unless the parties elect to terminate this Agreement by reason thereof, to move the Product to a temporary storage location at which the Services shall thereafter be provided until the Facility can once again be used for the providing of the Services. The cost and expense of transporting the Product to and from the Facility and to and from an alternate Facility and rent and other operating expenses associated with an alternate Facility shall be paid for by the Customer.

(S)14. DEFAULT

(a) Customer. If Customer fails to pay or compensate Exel for the Services within the time period set forth on Exhibit C, then within 30 days after notice thereof by Exel, Exel, upon 30 days prior written notice to Customer, shall have the right to terminate this Agreement and/or exercise its warehouseman's lien rights against Customer's Product, as provided for under applicable law, all without limitation (except as specifically set forth in this Agreement) to any and all other rights under law or equity which Exel may have against Customer. If Customer breaches any other of its obligations hereunder and the same is not corrected within 30 days after written notice thereof by Exel to Customer, Exel shall have the right to require immediate payment of all unpaid charges, costs and expenses owed it by Customer and, upon 30 days prior written notice to Customer, terminate this Agreement and exercise its warehouseman's lien rights against Customer, as provided for under applicable law, for any outstanding amounts owed by Customer to Exel. Additionally, Exel shall be permitted to take any other legal or equitable action (except as specifically limited in this

Agreement) against Customer that Exel deems appropriate or necessary.

(b) Exel. If Exel materially breaches any of its obligations hereunder, Customer shall give written notice thereof to Exel and if Exel does not substantially cure or correct the same within 30 days of such notice, Customer shall have the right to terminate this Agreement upon 30 days prior written notice to Exel given no later than 60 days after such 30 day period and

Customer shall be permitted to take any other legal or equitable action (except as specifically limited in this Agreement) against Exel as Customer deems appropriate or necessary. Customer, however, shall, prior to such termination and removal of Product, pay to Exel any and all amounts due Exel up to such termination. Customer shall not have the right to offset any amounts owed by Customer to Exel against any amounts due Customer by Exel.

(c) Bankruptcy. Notwithstanding anything to the contrary contained herein, either party may terminate this Agreement upon 30 days prior written notice to the other party in the event that such other party is adjudicated bankrupt, files a voluntary petition in bankruptcy, makes an assignment for the benefit of creditors or seeks protection against creditors under any applicable Federal or state laws, or if there is a commencement of any bankruptcy, insolvency, receivership, or other similar proceeding against the other party which is not dismissed within 120 days after such filing.

(d) Limitations. Notwithstanding anything to the contrary contained herein, neither party, except as specifically set forth in this Agreement, shall be (i) liable to the other for any consequential or indirect damages (including, but not limited to: loss of profits, loss of business opportunities, loss of customers or customer goodwill, or punitive or exemplary damages) resulting from a party's breach or default, even if the parties have been advised of the possibility of the same, and without regard to the nature of the claim or the underlying theory or cause of action (whether in tort, contract or otherwise), or (ii) responsible for any breach or default of their obligations to the extent caused by the acts or omissions of the other.

(e) Early Termination by Customer. In addition to Customer's rights to terminate this Agreement described elsewhere in this Agreement, Customer shall have the right to terminate this Agreement with or without cause, upon one-hundred eighty days written notice to Exel, subject to and upon the following terms and conditions:

(1) Customer may not give notice of termination of this Agreement without cause prior to the twenty-fourth month after the date hereof;

(2) Customer shall pay a termination fee (separate and apart from any obligations pursuant to (S)29 of this Agreement) ("Termination Fee") of an amount equal to the present value ("Present Value") of Exel's average monthly net profit for the six months prior to the notice of such termination multiplied by the number of months that would otherwise have remained in the term of this Agreement but for this early termination (not taking into account any renewal option). The Present Value shall be calculated using a discount rate of ten percent (10%).

(3) Customer shall pay all costs outlined in (S)29 of this Agreement.

(f) Early Termination by Exel. In addition to Exel's right to terminate this Agreement described elsewhere in this Agreement, Exel shall have the right to terminate the Agreement if Customer or its permitted successors or assigns (which includes any purchaser of

all or substantially all of the assets of the Customer as provided for in Section 15) fails to comply with the following:

(1) If Customer defaults under its payment obligation under its senior secured credit facility (as the same may be amended, replaced, or modified from time to time), defaults under any financial covenant therein, or the payment of the obligation thereunder is accelerated for any reason, Customer shall immediately notify Exel and, within 15 banking days thereof, Customer shall, without notice from Exel, provide Exel with an unconditional, irrevocable letter of credit from a financial institution reasonably acceptable to Exel and upon terms and conditions reasonably acceptable to Exel, in an amount equal to the unamortized start-up costs and unamortized equipment costs set forth on Exhibits F and E, respectively. Such letter of credit shall have a term equal to the lesser

of twelve months and the term of this Agreement. If a letter of credit with a term less than the remaining term hereof is obtained, Customer shall be responsible for renewing and providing to Excel such renewed letter of credit at least 30-days prior to the expiration of such letter of credit, to remain in compliance with the terms hereof. The face amount of the letter of credit may be reduced, on a quarterly basis, as the amount of the unamortized start-up and equipment costs decrease. If Customer is no longer in default (as described above) under its then existing senior secured credit facility, Customer, upon at least 15 days prior written notice to Exel, may discontinue its letter of credit. If at any time thereafter Customer breaches any of the above provision of its then existing senior credit facility, Customer shall obtain a letter of credit in compliance with the terms of this section.

(2) If Customer's credit rating on its most senior secured credit facility from Standard & Poor's rating service falls below B-, Exel may, at its sole option, deliver the Assignment and Assumption Agreement (defined in (S)15) to the Landlord of the Facility, and from that point forward, Customer shall be personally responsible for all costs covered by the lease for the Facility and Schedule C shall be adjusted to reflect such change. If Exel delivers the Assignment and Assumption Agreement, as described above, Customer shall have the right to terminate this Agreement upon 120 days written notice, subject to the provisions of (S)29.

(3) Customer shall provide Exel with its fiscal quarterly unaudited and fiscal year-end audited financial statements in a timely manner, and in any event, no later than the same must be delivered to the lender of the then existing senior secured credit facility.

(4) If Customer fails to maintain a senior credit facility at any time, the parties shall mutually agree upon a replacement for the provisions hereof. If such agreement can not be reached within 30 days, this Agreement may be terminated upon 60 days notice by either party.

(g) Cross Default. If Customer or its permitted successors or assigns, or
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Exel terminates any other agreement that each may have with the other pursuant to which Exel

manages a different facility and provides similar services thereat as the Services due to an uncured breach of such other agreement by the other, then the terminating party, at its option, may also terminate this Agreement by giving 180 days prior written notice to the other party.

(h) Termination. Termination of this Agreement by reason of default of
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the other party shall not relieve or release either party from any rights, liabilities or obligations which have accrued to it prior to the date of such termination, or any of the rights, liabilities or obligations set forth in (S)29.

(S)15. ASSIGNMENT

The rights and obligations under this Agreement are personal to each party and shall not be assignable by either party in whole or in part without the prior written consent of the other party; provided, however, (a) so long as such assigning party remains liable under this Agreement for the performance of all of its assignee's obligations under this Agreement and evidences the same in writing in a manner reasonably acceptable to the non-assigning party or if the assigning party provides a written guaranty reasonably acceptable to the non-assigning party from a guarantor reasonably acceptable to the non-assigning party, either party may assign its rights or obligations under this Agreement to an entity which it controls or which controls it or with which it is under common control and (b) Customer, upon written notice to Exel at least ten days prior to any such action becoming final (and subject to the penultimate sentence of this paragraph) may assign its rights and obligations under this Agreement without the consent of Exel to a purchaser of all or substantially all of the assets of Customer. Notwithstanding anything else contained in the Agreement or this (S)15 to the contrary, Customer shall not have the right to assign to any party or cause the assignment to any party (by operation of law or otherwise) that certain Assignment and Assumption of Lease for the Facility, attached hereto as Schedule 1, unless and until Customer obtains from the Landlord of the Facility is written consent to such assignment or assumption and such landlord's written and full release of Exel under the lease for the Facility from and after the effective date of such assignment or assumption. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

(S)16. CONFIDENTIALITY AND NONSOLICITATION

(a) Confidential Information. Customer acknowledges that material and information which Customer may acquire about Exel's inventory management software programs, staffing methods, financial or other accounting systems and Exel's other procedures and processes relating to the Services being provided hereunder are considered by Exel to be proprietary and confidential. Exel acknowledges that material and information which Exel may acquire about Customer's Product, volume, customers, pricing and procedures and processes are considered by Customer to be proprietary and confidential. Each party agrees that all such information acquired by the other hereunder shall be held in confidence during the term of this Agreement and for a period of three (3) years following the termination or expiration of this Agreement and, during such periods, each party shall not reveal or use any such information without the other party's prior written consent. Each party shall disclose such information only to those who have

reasonable need to know the same in connection with the performance of this Agreement. Neither party shall have any obligation, however, to preserve the confidentiality of any such information which: (i) is generally known in the industry or generally available to the industry; or (ii) was in the possession of or disclosed to the other prior to the date hereof, free of any obligation to keep the same confidential; or (iii) is lawfully acquired by the other from a third party under no obligation or confidence to the other party; or (iv) which a party is obligated under law or court order to disclose.

(b) Personnel. Customer and Exel acknowledge and agree that the personnel employed by each in the performance of or in connection with the activities of the parties contemplated by this Agreement are important assets of the respective companies. Therefore, except as described below, without the prior written consent of the other, neither Customer nor Exel shall solicit for employment the employees or the officers of the other (or of any of their subsidiaries or their affiliates) for employment by them or any affiliate or subsidiary of either of them. Such nonsolicitation shall be for the period of this Agreement and for a period of one year after the termination of this Agreement. Notwithstanding the foregoing, if this Agreement is terminated by Customer pursuant to (S)14(b), (S)14(e) or (S)14(f), then Customer shall have the right to solicit and hire the non-management employees of Exel who provide services under this Agreement.

(c) Remedies. Exel and Customer further agree and acknowledge that a monetary remedy for a breach of this (S)16 may be inadequate and that such breach would cause each of the companies irrevocable harm. In the event of a breach of the provisions of this Section, each of the parties will be entitled, without the posting of a bond, in addition to any monetary damage it may subsequently prove, to temporary and permanent injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions. The provisions of this section shall survive the termination of this Agreement.

(S)17. NOTICES

Any notice required or which may be given hereunder shall be in writing and shall be delivered personally, or sent by certified, registered or express mail, postage prepaid or shall be sent by facsimile transmission or by overnight courier (provided evidence of receipt can be verified). The addresses to which written communications shall be directed may depend upon the subject matter of such communication. The parties agree that, with respect to the following subject matters, notification shall be sent as follows:

With respect to invoices and communications of all types shall be sent to Exel at:

Exel Logistics, Inc,
957 Heinz Way
Grand Prairie, TX 75051
Attention: Jim Hofstra
Facsimile#: 972-623-0248

With respect to payments to be sent to Exel, the same shall be sent to: Exel Logistics, Inc., P.O. Box 8500, S-1070, Philadelphia, Pennsylvania 19178-1070.

and to Customer at:

Favorite Brands International, Inc.
25 Tri-State International
Lincolnshire, Illinois 60669

Attention: Charlie Mayer (with a copy to the General Counsel)
Facsimile#: (847)374-0952

Notice shall be deemed delivered when personally delivered, and shall be deemed delivered by certified, registered, or express mail or overnight courier when a receipt is signed, and by facsimile transmission one (1) business day after the facsimile transmission is sent.

(S)18. INDEPENDENT CONTRACTOR

It is understood that Exel's employees and the equipment and facilities used by Exel shall be under its direction and control. Exel's relationship to Customer shall be that of an independent contractor. Nothing in this Agreement shall be construed to constitute Exel, or any of its employees, as agents, employees or, partners of Customer; provided, however, Exel shall be considered as Customer's agent for the limited purpose of acting as a "shipper" or "receiver" of Product.

(S)19. COMPLIANCE WITH THE LAWS

Exel agrees that in the performance of the Services under this Agreement, it will comply with all applicable laws, rules, regulations of governmental authorities and, to the extent that there is a conflict between the compliance of such applicable laws, rules, regulations of governmental authorities with those of Applicable Procedures, Exel shall be permitted to comply with the applicable laws, rules, regulations of governmental authorities; provided, however, it shall notify Customer promptly of any such conflict. Customer shall currently and promptly keep Exel advised of any known applicable laws, rules and regulations of governmental authorities affecting or relating to the Product which Customer reasonably believes will affect the Services.

(S)20. NONDISCRIMINATION

Exel agrees to comply with all applicable nondiscrimination laws, rules, orders and regulations of governmental authority, including, but not limited to, Executive Order 11246, and the rules and regulations promulgated thereunder, the Rehabilitation Act of 1973, and the Vietnam Era Veterans Readjustment Act of 1974. Additionally, Exel shall comply with all applicable provisions of the Fair Labor Standards Act of 1938, as amended.

(S)21. RESERVATION OF RIGHTS

Customer's or Exel's waiver of any of its remedies afforded hereunder or by law is without prejudice and shall not operate to waive any other remedies which such parties shall have available to it, nor shall such waiver operate to waive such party's right to any remedies due to a future breach, whether of a like or different character; provided, however, except as otherwise may be specifically provided for in this Agreement, neither party shall be liable to the other for any consequential or indirect damages.

(S)22. SECTION HEADINGS

All headings of the Sections and subsections of this Agreement are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

(S)23. GOVERNING LAW

This Agreement shall be governed by and construed under the laws of the State in which the Facility is located and each party agrees that venue and jurisdiction will rest solely in such State and the courts located therein.

(S)24. SEVERABILITY

The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

(S)25. AUTHORITY

The parties represent that they have full corporate power and authority to

enter into and perform this Agreement and the parties know of no contract, agreement, promise or undertaking which would prevent the full corporate execution and performance of this Agreement, and the persons executing this Agreement on behalf of the parties are duly authorized to do so and have the authority to bind such parties.

(S)26. NO THIRD PARTY BENEFICIARIES

This Agreement is entered into solely between, and may be enforced only by, Customer and Exel and their permitted successors and assigns and this Agreement shall not be deemed to create any rights in third parties, including without limitation, suppliers and customers of a party, or to create any obligations of a party to any such third parties.

(S)27. CONSTRUCTION.

This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same.

(S)28. GOOD FAITH

Each party agrees that, in its respective dealings with the other party under or in connection with this Agreement, it shall act in good faith.

(S)29. TERMINATION OR EXPIRATION

Upon expiration of this Agreement or if there is an early termination of this Agreement prior to its stated term for any reason provided for or permitted by the provisions of this Agreement, the parties agree as follows:

(a) Dedicated Assets/Costs

(1) In order to provide the Services, Exel has either purchased or leased all or substantially all of the Exel Equipment necessary to provide the Services. For any Exel Equipment owned by Exel, the depreciation schedule for the same for the purposes of this Agreement are as set forth in Exhibit E. Such depreciation schedule shall be used to determine the "book value" of such owned Exel Equipment for the purposes of subparagraph (b) hereof, with the commencement of such depreciation beginning on the beginning date of the term of this Agreement.

(2) Exel has also committed time and resources and made other expenditures with respect to the start-up of the Services. The start-up costs and amortization for the same, as applicable, are set forth on Exhibit F.

(3) Exel has also specifically leased the Facility for the providing of the Services and as a result has incurred certain obligations for the period of the Agreement under its lease.

(b) Obligations With Respect to Dedicated Assets/Costs

In consideration of the matters set forth in paragraph (a), the parties agree that, upon the expiration of this Agreement or an early termination, the following shall apply:

(1) Exel Equipment. Customer, with respect to the Exel Equipment owned by Exel, shall either (i) purchase the Exel Equipment which is in functional operating condition, normal wear and tear excepted, at Exel's "book value" or (ii) request that Exel sell the same for the benefit of Customer. Any Exel Equipment that has a "book value" of zero shall be purchased by Customer for $1.00. In no event shall Customer have the right to purchase any of Exel's proprietary software. For Exel Equipment purchased by Customer, Exel shall provide Customer with a bill of sale free and clear of all liens and encumbrances. For the Exel Equipment sold on behalf of Customer, Customer shall be responsible for all necessary and direct out of pocket "selling costs" incurred by Exel (such as commissions, taxes and transportation and handling costs). If the Exel Equipment is sold for a price which is less than the "book value" of the Exel Equipment plus

selling costs, Customer shall pay to Exel the difference between the "book value" plus the selling costs and the sale price. For the purpose of this (S)29, Exel's cost of selling the Exel Equipment shall include Exel's finance cost or carrying cost for such Equipment (other than depreciation) from the date of expiration or early termination to the date of such sale. If the selling price is greater than the "book value" plus the selling costs, Exel shall pay the difference to Customer. For the purposes of this (S)29, the "book value" shall be the depreciated value of the Exel Equipment as carried on Exel's books at the time of early termination or expiration. If any Exel Equipment is leased, Customer shall pay to Exel any lease termination fees or penalties or shall, subject to the lessor's approval, assume such leases. If Customer requests Exel to sell the Exel Equipment, Exel shall use all commercially reasonable efforts to sell the Equipment within 120 days of such request. If Exel is unable to sell the Exel Equipment within the 120 days, Customer shall be obligated to purchase the Exel Equipment at the book value existing at the time of expiration or early termination. The amounts payable to Exel under this (S)29 for the initial purchase of the Exel Equipment by Customer shall be paid at the expiration or early termination of this Agreement (or for such Equipment which could not be sold in a timely manner, within 15 days of receipt of Exel's invoice for the same) and, for Exel Equipment which is sold on behalf of Customer, Exel or Customer, as applicable, shall pay any amounts due hereunder within 15 days after such sale upon Exel providing reasonably appropriate supporting documentation concerning such sale, and for any leased Exel Equipment, Customer shall either assume the leases at the expiration or early termination of this Agreement or pay any lease termination fees or penalties within 15 days of receipt of Exel's invoice for the same with reasonably appropriate supporting documentation. Exel shall use all reasonable commercial efforts to mitigate Customer's obligations hereunder by identifying if any of the Exel Equipment can be used in its other business operations, and if so, with respect to any such Exel Equipment which can be so used, Customers shall pay Exel for any transportation and related costs associated therewith.

(2) Account Receivables and Start up Costs. Customer shall pay to Exel
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(i) the balance, if any, of any account receivables owed by Customer to Exel which are due

and owing to Exel through the date of termination or expiration (unless any part of such receivable is in dispute, in which case Customer shall pay the undisputed portion and, once resolved, the disputed portion); and (ii) the valance, if any, of any unamortized start-up cost set forth on Exhibit F (or any other amortized costs or other expenditures subsequently agreed to by the parties), not theretofore fully amortized or paid or reimbursed by Customer to Exel. Such amounts shall be payable on or before the date of expiration or early termination.

(3) Facility. Unless the leases for the Facility (including
---
leases for both the Temporary Space and the Permanent Space) terminate concurrently with such early termination (such as because of a damage or destruction of the Facility or a taking by eminent domain), then Exel shall assign and Customer shall assume such lease or leases (a copy of which has been provided to Customer by Exel on or prior to the date hereof or will be provided as soon as available) together with all of Exel's obligations thereunder from and after the effective date of such termination (which effective date shall be the date of such early termination) together with any vendor contracts relating to the Facility (such has HVAC and fire protection maintenance contracts, trash removal, ets.). Prior to such assignment and assumption, Exel, Customer and the landlord shall conduct an inspection of the Facility and shall identify those items of damage, repair, deferred maintenance or other items including accrued rent and operating expenses that Exel shall be responsible for under such lease and prior to such assignment and assumption Exel shall either pay the agreed upon amount to perform the same or shall perform the same at Exel's cost. Such assignment and assumption shall provide that Exel indemnifies Customer from any of the lease obligations incurred prior to the assignment and assumption and that Customer indemnifies Exel from any of the lease obligations occurring subsequent to the assignment and assumption.

(c) Survival The provisions of this (S)29 shall, as applicable,
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survive the early termination or expiration of this Agreement and may be independently enforced as a contractual agreement independent of the other terms and conditions of this Agreement. If a party fails or breaches its obligation under the provision of this (S)29, the other party shall have the right to exercise any and all remedies available to it by law or equity, Each party shall timely make payments and/or execute and deliver any any and all documentation reasonably necessary to fulfill the requirements of this (S)29.

(S)30. INSPECTIONS

(a) Customer Inspections. All books and records maintained by Exel pursuant to this Agreement shall be made available to Customer upon reasonable notice for inspection and copying during Exel's business hours. During the term of this Agreement, Customer shall have the right to send one or more of its authorized employees, agents or customers to observe and inspect the Facility. The foregoing rights are subject to the following conditions: (i) any employee or agent of Customer shall be accompanied at all time by an employee or agent of Exel; (ii) any such inspection shall not unreasonably disrupt the operations of the Facility or Exel's other

operations or business; (iii) access to Exel's internal cost allocations and pricing and/or management reports shall be limited to the extent Exel deems to be reasonably necessary to protect proprietary financial information or other information related to other Exel customers or operations; and (iv) any costs associated with copying or producing information shall be borne by the Customer and is outside the Scope of Services. Customer shall be under no obligation to undertake any such inspections and whether or not Customer inspects the Facility shall not affect or release Exel from any of Exel's obligations under this Agreement.

(b) Government Inspections Exel shall notify Customer immediately of any inspection or audit performed by any federal, state or local agency or of any other information that indicates the presence of any agent, substance or condition which is or may be considered by health authorities as being indicative of either unsanitary practices or of public health concern. Exel shall immediately provide Customer with copies of the results or reports of all such inspections or audits and shall take all steps necessary to correct any items raised in such reports or of which Exel may otherwise become aware.

(S)31. SURVIVAL OF PROVISIONS

The expiration or termination of this Agreement shall not affect the provisions, and the rights and obligations set forth therin which either: (a) by their terms state or evidence the intent of the parties that the provisions survive the expiration or termination thereof, or (b) must survive to give effect to the provisions thereof.

(S)32. ENTIRETY

This Agreement, together with the attached Exhibits (which are incorporated herein as part of this Agreement), embodies the entire understanding between Customer and Exel with respect to the subject matters addressed herein and therein and there are no agreements, understandings, conditions, warranties or representations, oral or written, expressed or implied, with reference to the subject matter hereof which are not merged herein. This Agreement shall take the place of and entirely supersedes any oral or written contracts or agreements that deal with the same subject matter as referenced herein. Except as otherwise specifically stated, no modification hereto shall be of any force or effect unless reduced to writing and signed by both parties and expressly referred to as being modifications of this Agreement.

(S)33. AMENDMENT

This Agreement shall not be amended or modified except in writing by both parties.

(S)34. FACILITY LEASE

Exel shall not amend the lease for the Facility ("Lease"), without the prior written consent of the Customer, which consent shall not be unreasonably withheld or delayed. If the term of this Agreement is extended as provided in (S)2 hereof, Exel shall extend the term of the Lease. If the

term of this Agreement is not extended as provided in (S)2, hereof, Exel will, at Customer's request, either inform Landlord that Customer desires to renew the term, or, will deliver the Assignment and Assumption Agreement to the Landlord so that Customer will be the tenant under the Lease and can renew the Lease in its own name.

IN WITNESS WHEREOF, the parties have caused this Agreement to executed by their duly authorized representatives.

EXEL LOGISTICS, INC.	FAVORITE BRANDS INTERNATIONAL, INC.
By: /s/ [SIGNATURE ILLEGIBLE]	By: /s/ [SIGNATURE ILLEGIBLE]
Title: CEO	Title: Executive Vice President CFO & CCO
Date: 8/12/98	Date: 8/5/98

LIST OF EXHIBITS/SCHEDULES

EXHIBIT "A"

PRODUCT DESCRIPTION

Candies
Marshmallows
Caramels
Other confectionery products

EXHIBIT "B"

SCOPE OF SERVICES

The Scope of Services that Exel will provide to Favorite Brands includes the following, and will be further defined by the Applicable Procedures (including certain minimum key performance indicators, to be refined and expanded in accordance with (S)3(g) of the Agreement) to be mutually agreed upon by both parties no later than September 1, 1998:

. Exel will provide to Customer temporary warehousing to allow Customer to conduct its business during the startup period (i.e., the period prior to the Permanent Space being ready and available to warehouse Product). The Temporary Space will be cooled to Customer specifications with portable cooling units. Exel will provide all necessary equipment and personnel to receive in merchandise for Customer. The Temporary Space will be used only until the Permanent Space is completed. The Temporary Space cost is projected to be similar to the Permanent Space cost. The primary purpose of the Temporary Space will be for storage of product only. If the Permanent Space is not completed by the time Customer requires shipping services, the Temporary Space will be utilized for shipments. At that time, all in scope services will apply to the Temporary Space with the exception of the data system, which will become operational in the Permanent Space. All costs associated with the Temporary Space will either be billed, as appropriate, as an operations cost pursuant to Exhibit C, or as an unamortized start-up expense pursuant to Exhibit F.

. Provision, management and operation of 181,935 square feet of temperature controlled space to be located at 10746 Commerce Way, Fontana, California 92335 (the "Facility"). The nominal temperature within the storage and working

areas of the Facility will be 75 degrees Fahrenheit. Exel will provide all racking, material handling equipment, data processing equipment and furniture and fixtures necessary to manage the Facility and perform the operations (and shall be reimbursed for the same as provided in Exhibits C, E & F).

. Provision of all required permits and licenses to operate the Facility.

. Administration and management of the site and personnel, including maintenance and repairs of the Facility, sanitation, pest control and security.

. TOPEX Warehouse Management System (Non-RF) with no modifications or customization except as provided in Section "D" Operating Parameters (the parties acknowledge that Topex will not be available at the Temporary Space).

. Receiving of product into the Facility and entering into inventory.

. Inspection of inbound product of exterior product cartons for observable defects or damages plainly and readily visible to the human eye, comparison with Purchase Orders and Bills of Lading, and segregation as required in the Applicable Procedures.

. Put away into storage.

. Processing and picking of outbound orders.

. Staging and loading of outbound orders onto carriers.

. Product rotation according to FIFO and/or Lot Code requirements as specified in the Applicable Procedures.

. On-site inventory accounting and control, as further specified in the Applicable Procedures.

. Cycle counting of inventory, as further specified in the Applicable Procedures.

. Annual physical inventory (the parties acknowledge that the cost of the same will not be included in the cap on the variable rate set forth in Exhibit C, but will be subject to Exel's full margin as set forth therein).

. Handling of Product Recalls for inventory within the Facility.

. Scheduling outbound loads according to customer provided Routing Guide.

. Returns processing at normal levels (not to exceed 2% of shipments)

. Exel will cooperate with and assist Customer in obtaining any available incentives related to the Facility from governmental units.

. Exel and Customer shall agree as to necessary reports regarding activities at the Facility and performance of the Services (the costs of reports not agreed to by both parties shall be outside the Scope of Services)

The following activities are specifically NOT within the basic Scope of Services. These would be performed at additional cost if requested by Favorite Brands and agreed to be Exel. Exel will not perform any services outside the Scope of Services unless if first notifies Customer that such services are outside the Scope of Services, although Exel reserves the right to perform services outside the Scope of Services in order to maintain the Product or the Facility in the case of an emergency where prior notice is not reasonably feasible.

. Special services outside the normal shipping and receiving activity. When required, these will be performed and charged at the Hourly Labor Rates.

. Co-packing, packaging services or displays

. Fleet management, freight management, local cartage or shipment optimization

. Sales or sales support

. Handling of Rail Cars

. Drop lot service

. Sourcing or purchasing of raw materials

. Product recall for product outside the Facility

. CHEP pallet accounting

. Chep pallet transfers to or from GMA pallets

. Forecasting

. Inventory Management

. Recoup or Repackage of Product

. Product quarantine

. OVERTIME for special or rush services. Warehouseman will obtain Depositor's approval for overtime rush services and special requests.

HOURS OF OPERATION:

. Days of week:	Monday through Friday
. Normal Operating Hours:	6:00 am to 9:00 pm
. Shifts:	1+
. On-Call:	24-hour availability
. Holidays:	To be determined

OPERATIONAL INDICATORS

. Exel shall be prepared to ship Product, if available at the Facility, upon receiving written notice from Customer, by the end of the next normal business day (or within 24-hours, if such 24-hour period ends within such business day),

. Until replaced by specific Applicable Procedures and Key Performance Indicators, Exel will perform the Services in accordance with standard industry practices.

EXHIBIT "C"

COMPENSATION SCHEDULE AND DAMAGE AND SHRINKAGE ALLOWANCE

Cost Plus Period

Beginning as of the effective date of the Agreement, Exel and Favorite Brands agree that the compensation structure will be Cost Plus a 16% margin until the end of the period ending two months after normal operations commence at the Facility. Normal operations are defined as the first month that all of the following exist inclusively at the Facility:

1. Topex is utilized as the warehouse management system.
2. All tenant improvements are completed.
3. Actual throughput and other operating parameters are within 15% of the amounts projected in Exhibit D (under the heading FBI/Farley) of this Agreement for three consecutive months.

In consideration for the Services to be provided by Exel under this Agreement during the Cost Plus Period, Exel shall be compensated on a cost plus basis calculated upon the actual cost and expenses incurred in providing the Services plus a 16% operating margin (Cost Plus 16%) before overhead (8% net when an overhead provision of 8% is considered). Margin (in $'s) is calculated by dividing the operating expenses by one minus the operating margin of 16% (the reciprocal of the margin) and then subtracting the operating expenses. An example of the margin calculation is included below:

Total operating expenses for the month	$175,000
One minus the 16% margin (the reciprocal of the margin)	84%
Total Cost to Favorite Brands with Exel's Margin included	$208,333
Total operating expenses for the month (from above)	$175,000
Total Margin at 16%	$ 33,333

The Cost Plus 16% margin will apply to any services performed directly by Exel, including those at either the Temporary Facility or Permanent Facility (including all costs of operating the Temporary Facility except for costs specifically set forth on Exhibit F as start-up costs), that may be outside the Scope of Services. Materials which are not used or provided by Exel in the normal course of operations, as described in the Scope of Services, which are purchased on behalf of Customer will be billed at the actual cost plus a margin of 12% (margin as defined above).

During the Cost Plus Period, but not until after the first 30-days of operations in the Permanent Space, if the variable cost per pallet (including the 16% margin), on a monthly basis, exceeds $9.71

per pallet, Exel shall forgo its 8% net margin on all costs above $9.71 per pallet, but shall be entitled to a margin of $.78 per pallet regardless of the total variable cost per pallet.

Exel will not bill Customer for any costs under Exhibit C that have been billed or are intended as part of the Start-up Costs on Exhibit F (although it is acknowledged that some cost categories on Exhibit F are costs that would be incurred in the normal course of operations and may, if incurred after the commencement of the Services in the Permanent Space, be appropriate to be billed under this Exhibit).

For invoicing purposes, costs and expenses will be separated as fixed or variable and treated as follows:

FIXED COSTS

Fixed Costs (at Cost Plus 16%) will be invoiced in advance on the first day of each month. Exel will provide Favorite Brands, at Favorite Brands request, documentation to support the amount of such Fixed Costs. Fixed Costs, to the extent that they are unknown at the beginning of the month, will be estimated by Exel, Fixed costs will be reconciled against actual Fixed Costs at the end of each month, or at the end of the month in which Exel receives confirmation of the actual cost, if later. Any adjustment shall be invoiced to Favorite Brands or paid to Favorite Brands by Exel by the 15/th/ of the following month. Included in the fixed category are:

Real Estate Costs - These costs include all facility related expenses such as
the base lease cost (including any tenant improvements included in the base lease cost), depreciation and associated interest on any Exel funded property improvements, real estate taxes, building insurance, common area maintenance, sanitation, utilities, facility maintenance and repair, and security.

Equipment Costs - This includes all material handling equipment depreciation,
office equipment, and associated interest as defined in Exhibit E of this Agreement. A specific listing of this equipment is attached in Exhibit E of this Agreement. Changes to the equipment listed in Exhibit E may require an adjustment to the Fixed Costs.

Systems - These costs include amortization of systems hardware, amortization of
implementation charges and testing (to the extent not included in the start-up costs), and software and hardware support costs. The software support costs are based on an allocation represented as the IT Allocation. The IT Allocation is based on the Non-storage revenue of the operation and is expected to represent the software maintenance of the Exel internally developed software system, TOPEX. The IT Allocation is currently $35,816 annually, however, this amount is reviewed annually based on the actual cost to support the TOPEX system and adjusted accordingly. Based on the current method of allocation to the sites on TOPEX, the IT Allocation would increase to $53,723 if the non-storage revenue of the operation increased to $2 million annually.

Site Management and Benefits - Site management wage and benefit costs for the
site management team are included in the fixed costs. Specifically, the General Manager, and Warehouse Supervision are included.

Operational Administrative Expense - Includes telephone, office cleaning,
uniforms, travel, uniforms, travel, associate relations, general liability insurance and other insurance required by this Agreement, cost of working capital, and miscellaneous administrative expenses. Including in the Operational Administrative Expenses is the allocation of the cost of a Director of Operations. The Director's allocation is based on the actual cost of the Operations Director's salary, benefits, and travel & expenses apportioned to the

sites for which the Director has responsibility based on the total revenue of each operation.

Any interest or working capital costs included herein are currently computed based upon an eight percent (8%) interest rate. This interest rate is subject to adjustment and change, based upon Exel's internal operating procedures.

Neither the Fixed Costs nor Variable Costs contain any allocations of expenses other than those described above. All other allocated costs are considered part of the eight percent (8%) overhead cost included in the Cost Plus 16% amount (other than direct costs exclusively related to the operation of the Facility, such as health insurance and other insurance costs (for employees of the Facility or the Facility itself), which are charged directly to the Customer based upon actual cost, and are not therefore considered to be allocations).

VARIABLE COSTS

Variable Costs (at Cost Plus 16%) will be invoiced within five working days of the last day of the month. Variable Costs are those other costs not noted as Fixed Costs. Services outside the Scope of Services (as described in Exhibit B) will be billed as variable costs. Exel, at Favorite Brands written request, will provide Favorite Brands appropriate documentation to support the amount of such Variable Costs. Variable Costs include, but are not limited to, the following:

Hourly Labor and Benefit - Includes all wage and benefit costs associated with all hourly warehouse, sanitation and clerical labor.

Equipment Maintenance and Fuel - This includes all equipment maintenance and fuel expenses.

Operational Supplies - Includes shipping, warehouse, computer and office supplies.

Post Cost Plus Period

Thirty days prior to the end of the Cost Plus Period, Exel and Favorite Brands will agree to an alternative compensation arrangement. In the event the parties do not agree to an alternative compensation arrangement 30 days prior to the end of the second month of normal operations, the Cost Plus 16% compensation structure will continue until 30 days agreement is reached by

both parties of an alternative compensation arrangement. If no such agreement is reached within 60 days (or such longer period as the parties mutually agree) after the end of the second month of normal operations, either party shall have the right to terminate the Agreement in accordance with Section 5(b) of the Agreement, provided that Section 29 of the Agreement will apply to any such termination. Any agreed alternative compensation arrangement will be documented and executed by an amendment to this Exhibit C of the Agreement. Any such agreed alternative compensation arrangement will include a cap on increases in the variable rates of no more than five percent (5%) per year from the previous year's variable costs; provided that if the actual costs increase more than five percent (5%) in one year and less than 5% in a later year, Excel may increase the variable price, up to 5%, in order to recover any actual loss from a prior year cause by the cap on increases.

DAMAGE AND SHRINKAGE ALLOWANCE

The parties agree upon the following annual damage and shrinkage allowance:

DAMAGE ALLOWANCE: An allowance of .5% in Year 1, .25% in Year 2 and thereafter of the annual throughput of Product (Product received and shipped divided by 2).

SHRINKAGE ALLOWANCE: An allowance of .25% of annual throughput of Product (Product received and shipped divided by 2).

EXHIBIT "D"

OPERATING PARAMETERS

The following Operating Parameters represent the assumptions and expectations of Exel Logistics and Favorite Brands relative to the operation of the Facility.

They form the basis for the sizing, staffing and costing of the operations.

Favorite Brands Los Angeles

<TABLE>
<CAPTION>

Description	Combined	FBI/Farley	Sathers
<S>	<C>	<C>	<C>
Year One Throughput Volume in Pounds	103mm	88.6	14.4
Annual Growth Rate	5%	5%	5%
Average Weight per Pallet			
. Inbound	955	955	955
. Outbound	955	955	955
Average Cases per Pallet	157	122	222
Pallet Height/Configuration	55	52.2	55.2
Average Pallets in Inventory		6816	
Total Number of Active SKU's	4500		
Average Number of SKU's on Hand in Inventory		555	
Percent of "A" SKU's by weighted average volume	38		
Percent of "B" SKU's by weighted average volume	13		
Percent of "C" SKU's by weighted average volume	49		
Number of Turns -- "A" Products	12	12	12
Number of Turns -- "B" Products	8	8	8
Number of Turns -- "C" Products	26	26	26
% of Case Pick (by product line)		48%	70%
Average pounds per case (by product line)	15	17.9	11.6
Average pounds per truckload (inbound)	32.4k	32.4k	32.4k
Average pounds per truckload (outbound)	25k	25k	25k
Peak to average volume ratio	1.55	1.55	1.55
Average number of outbound orders per day			
Average number of line items per order		4.9	35
Average number of units per order			
Maximum throughput volume per day before overtime charge			
Lowest pick unit is a full case	Yes	Yes	Yes
All inbound product is received on pallets	Yes	Yes	Yes
Inbound pallets arrive with one item per pallet	Yes	Yes	Yes
Product is received in good condition & labeled accurately	Yes	Yes	Yes
All inbound is via truck	True	True	True
There are no hazardous materials	True	True	True
Favorite Brands will supply pallets for storage &	Yes	Yes	Yes

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>
shipment			
Exel's warehouse management, inventory control, & order processing systems will be utilized within the Facility	Yes	Yes	Yes
Average Order Lead Time			
. Make to Stock	7 days	7 days	7 days
. Make to Order	21 days	21 days	21 days

</TABLE>

EXHIBIT "E"

EXEL EQUIPMENT

Exel will be required to purchase and/or lease equipment to support the start up and ongoing business requirements for Customer. This equipment can be separated into three distinct categories. They are as follows:

OPERATIONAL MATERIAL HANDLING EQUIPMENT

This equipment will be purchased and/or leased and utilized at the Facility to support the receiving storing and shipping of Favorite Brand Product. All leases for equipment shall be with independent third parties unrelated to Exel. The acquisition cost of the equipment will be depreciated utilizing a straight line depreciation method in accordance with normal accounting standards for each equipment type as set forth below. The monthly depreciation and interest expense will be included, as applicable, as a Fixed Cost. Compensation for this expense will be invoiced as outlined in Exhibit C of this Agreement.

Item	Asset Life	Est. Cost
5-5000 lb. Sit down lift trucks	7 years	$ 107,460
8-Electric Double Pallet Jacks	7 years	56,592
1-Manual Pallet Jack	7 years	702
1-Electric Sweeper Scrubber	5 years	31,482
1-Cascade Pull-Pac	5 years	8,316
1-Battery Extractor	7 years	10,260
1-Strechwrapper	5 years	14,580
31-Batteries	5 years	82,485
16-Chargers	5 years	36,720
Total		$ 348,597

If the parties determine that it is necessary to install racking at the Facility or to use order pickers, this schedule shall be amended to reflect the cost and asset life of such racking and/or order pickers.

ADMINISTRATIVE EQUIPMENT

This equipment will be purchased and utilized in the office area for Favorite Brands and will support the administrative workflow process. As with the above, acquisition cost of the equipment will be depreciated over the normal asset life, utilizing a straight-line depreciation method in accordance with normally accepted accounting standards. All monthly depreciation and interest

expense will be included, as applicable, as a Fixed Cost and invoiced as outlined in Exhibit C of this agreement.

Item	Asset Life	Est. Cost
1-Office Copier and Fax	5 years	$ 10,500
Office Furniture	7 years	$ 15,750
5-Cubicals	7 years	$ 18,375
4-PC's and/or printers	3 years	$ 24,051
Phone System	5 years	$ 38,397
TOTAL		$107,073

WAREHOUSE MANAGEMENT SYSTEM HARDWARE AND NON-PROPRIETARY SOFTWARE

The following is a list of hardware and non-proprietary software required to support the Favorite Brands operation. As with the above, the acquisition cost of the equipment will be depreciated over the normal asset life, utilizing a straight-line depreciation method in accordance with normally accepted accounting standards. The equipment listed below is required to initially establish Customer on TOPEX. Monthly depreciation and interest expense will be included, as applicable, as a fixed cost. Compensation for this expense will be invoiced as outlined in Exhibit C of the Agreement. In no event shall Customer's payment of depreciation expenses with respect to hardware or software necessary to support Customer's use of TOPEX be considered a license or right for Customer's continued use of TOPEX after the termination of this Agreement.

Item	Asset Life	Est. Cost
1- AS/400 (1/2 cost in Dallas & LA)	5 years	$ 50,507
4- Personal Computers	3 years	12,084
30- Patch & Printer Cables	5 years	199
7-HP Jet Direct Cards	5 years	2,107
2- Nethoppers	5 years	3,604
2- Modems	5 years	371
3- 4247 Printers	3 years	7,632
2- 6400 Printers	3 years	12,296
2-HUBS	5 years	1,249
4- Transceivers	5 years	233
2- Terminators	5 years	28
4-PC Software	3 years	2,210
10-Client Access Software	3 years	2,523
Advantis Line Installation (56k)	3 years	$ 3,180

TOTAL	$98,223

THE FOLLOWING IS A LIST OF ASSETS WHICH ARE LOCATED IN THE FACILITY AND SUPPLIED BY FAVORITE BRANDS:

Office Equipment and furniture for Customer's on-site representative BPCS systems equipment

EXHIBIT "F"

START-UP COSTS

NON-CAPITALIZED START-UP COSTS

All start-up costs will be billed to Favorite Brands as incurred. Exel will invoice Favorite Brands by the 5/th/ day of the month for the prior month's expenses, at a rate of Cost Plus 16% margin, calculated as described in Exhibit C of this Agreement.

An estimate of the start-up cost for the implementation of the information technology systems is included below with the appropriate margin included in the cost.

Facility Wiring and Set-up	$ 14,285
Implementation Staff Airfare	7,145
Implementation Staff Accommodations	34,185
Travel/Accommodations (Hardware PM)	1,895
Travel/Accommodations (Development)	1,895
Shipping/Misc.	595
TOTAL SYSTEM RELATED START-UP EXPENSE	$ 60,000

An estimate of the Non-system related start-up cost is included below with the appropriate margin included in the cost.

Temporary wall for cooling	5,000
Recruiting Costs	8,952
Warehouse Prep Temp Space	3,000
Warehouse Prep Permanent Space	10,000
Warehouse Security System Permanent	3,095
Product Transfer to Permanent Space (Handling)	8,200

Project Management	46,400
Security/Equipment Operations for Temporary Space	18,000
Personnel Training	14,132
Permits and licenses	1,500
TOTAL NON-SYSTEM RELATED	$118,279

The amounts included above are purely estimates and are not intended to be actual amounts charged to Favorite Brands, actual expenses (with the appropriate margin) will be billed to and paid by Favorite Brands.

CAPITALIZED START-UP COSTS

Included in the monthly fixed rate (as described in attachment C of this document) are start-up costs associated with the Software Development and Implementation of the Warehouse Management system. These costs will be capitalized and amortized, and will include Exel's margin as calculated on Exhibit C. The estimated costs (without margin) are set forth below:

DEVELOPMENT

	Asset Life	Est. Cost
IT Implementation (Rollout)	3 years	$ 7,200
Support User Acceptance Test	3 years	14,400
Post Implementation Support	3 years	19,200
IMPLEMENTATION		
Hardware Project Manager	3 years	$ 8,200
Lead Project Implementation Mgr.	3 years	8,000
Secondary Project Implementation Mgr.	3 years	3,200
System Validation (MITC)	3 years	8,000
System Validation (on site)	3 years	3,200
TOPEX Implementation support (MITC)	3 years	16,000
TOPEX Implementation support (on site)	3 years	6,400
TOPEX Training (MITC)	3 years	12,000
TOPEX Training (on site)	3 years	4,800
Hardware Analysis, Testing, Impl.	3 years	15,290
TOTAL		$ 125,890

If the total Start-up Costs exceed those listed above, Exel shall forgo its 8% net margin on all costs above the total listed above, but shall be entitled to its full margin on the costs set forth above, regardless of the total start-up costs incurred.

EXHIBIT 10.3

==========

LEASE AGREEMENT

Between

FLLC, L.L.C
1941 N. Hawthorne St.
Melrose Park, IL 60160

_____

as Landlord

and

FARLEY CANDY COMPANY, d/b/a FARLEY FOODS, U.S.A.
2945 West 31st Street
Chicago, IL 60623

_____

as Tenant

Dated as of Sept. 26, 1994

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This instrument prepared by:

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ATTACHMENTS TO LEASE AGREEMENT:

Schedule A -- Description of the Premises
Schedule B -- Terms and Basic Rent Payments
Schedule C -- Payments Upon Purchase

LEASE AGREEMENT dated as of Sept. 26, 1994 (this "Lease"), between FLLC, L.L.C., a Delaware Limited Liability corporation (herein, together with any corporation succeeding thereto by consolidation, merger or acquisition of its assets substantially as an entirety, called "Landlord") having an address at 1941 N. Hawthorne St., Melrose Park, Illinois 60160, and Farley Candy Company, a Delaware corporation (herein, together with any corporation succeeding thereto by consolidation, merger or acquisition of its assets substantially as an entirety, called "Tenant"), having an address at 2945 West 31st St., Chicago, Illinois 60623.

Section 1. Lease of Premises; Title and Condition. (a) In consideration of the rents and covenants herein stipulated to be paid and performed by Tenant and upon the terms and conditions herein specified, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the premises (the "Premises") consisting of (i) the land (the "Land") described in Schedule A, (ii) all buildings and other improvements (including the attachments and other affixed property), now or hereafter located on the Land (the "Improvements"), and (iii) the respective easements, rights and appurtenances relating to the Land and the Improvements. The interests of Landlord in the Premises is herein called "Landlord's Estate". The Premises are leased to Tenant in their present condition without representation or warranty by Landlord and subject to the rights of parties in possession, to the existing state of title and to all applicable legal requirements now or hereafter in effect. Tenant has examined the Premises and title thereto, and has found all of the same satisfactory for all purposes.

(b) LANDLORD HAS NOT MADE AN INSPECTION OF THE PREMISES OR OF ANY PROPERTY

OR FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND TENANT EXPRESSLY AGREES TO LEASE THE PREMISES AND EACH PART THEREOF "AS IS" AND "WHERE IS". LANDLORD SHALL NOT BE DEEMED TO HAVE MADE, AND LANDLORD HEREBY DISCLAIMS, ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSES, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, OR AS TO LANDLORD'S TITLE THERETO OR OWNERSHIP THEREOF OR OTHERWISE, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY TENANT. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE PREMISES OR ANY PROPERTY OR FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, LANDLORD SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION 1(b) HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES BY LANDLORD, EXPRESS OR IMPLIED, WITH RESPECT TO THE PREMISES OR ANY PROPERTY OR FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANOTHER LAW NOW OR HEREAFTER IN EFFECT OR OTHERWISE.

Section 2. Use. Tenant will only use the Premises for a Distribution Center and Warehouse. Landlord agrees that without the prior consent of Tenant (which consent shall not be unreasonably withheld) it shall not seek any change in the zoning ordinances or land use category applicable to the Premises and Landlord agrees to cooperate with Tenant, at Tenant's expense, in any effort by Tenant to oppose any changes in the present zoning ordinances or land use category applicable to the Premises.

Section 3. Terms. The Premises are leased for (a) an initial term (the "Initial Term"), unless and until the term of this Lease shall expire or be terminated pursuant to any provision hereof. The Initial Term, Primary Term and each Extended Term shall commence and expire on the dates set forth in Schedule B. Tenant shall exercise its option to extend the term of this Lease for one or more Extended Terms by giving notice thereof to Landlord not less than six months prior to the expiration of the then existing term.

Section 4. Rent. (a) Tenant shall pay to Landlord in lawful money of the United States as fixed rent for the Premises, the amounts set forth in Schedule B (collectively, "Basic Rent") on the dates set forth therein (individually a "Payment Date" and collectively the "Payment Dates"), at Landlord's address as set forth above, or at such other address or to such other Person as Landlord from time to time may designate.

(b) All amounts which Tenant is required to pay pursuant to this Lease (other than Basic Rent, amounts payable upon purchase of the Landlord's Estate and amounts payable as liquidated damages pursuant to Section 18), together with every fine, penalty, interest and cost which may be added for non-payment or late payment thereof, shall constitute additional rent. If Tenant shall fail to pay any such additional rent when the same shall become due, Landlord shall have all rights, powers and remedies with respect thereto as are provided herein or by law in the case of nonpayment of Basic Rent and shall, except as expressly provided herein, have the right to pay the same on behalf of Tenant. Tenant

shall pay to Landlord interest at the rate of 5% per annum on all overdue Basic Rent from the due date thereof until paid, and on all overdue additional rent paid by Landlord on behalf of Tenant from the date of payment by Landlord until repaid by Tenant. Tenant shall perform all its obligations under this Lease at its sole cost and expense, and shall pay all Basic Rent and additional rent when due, without notice or demand.

Section 5. Net Lease. (a) This Lease is a net lease and any present or future law to the contrary notwithstanding, shall not terminate except as provided in Section 11(b), 13, 14 and 18(b), nor shall Tenant be entitled to any abatement or reduction (except as provided in Section 11(c)), set-off, counterclaim, defense or deduction with respect to any Basic Rent, additional rent or other sum payable hereunder, nor shall the obligations of Tenant hereunder be affected, by reason of: any damage to or destruction of the Premises; any taking of the Premises or any part thereof or of the Landlord's Estate by condemnation or otherwise; any prohibition, limitation, restriction or prevention of Tenant's use, occupancy or enjoyment of the Premises, or any interference with such use, occupancy or enjoyment by any Person; any eviction by paramount title or otherwise; any default by

Landlord hereunder or under any other agreement; the impossibility or illegality of performance by Landlord, Tenant or both; any action of any governmental authority; or any other cause whether similar or dissimilar to the foregoing. The parties intend that the obligations of Tenant hereunder shall be separate and independent covenants and agreements and shall continue unaffected unless such obligations shall have been modified or terminated pursuant to an express provision of this Lease.

(b) Tenant shall remain obligated under this Lease in accordance with its terms and shall not take any action to terminate, rescind or avoid this Lease, notwithstanding any bankruptcy, insolvency, reorganization, liquidation, dissolution or other proceeding affecting Landlord or any assignee of Landlord, or any action with respect to this Lease which may be taken by any trustee, receiver or liquidator or by any court. Except as otherwise expressly provided in this Lease, Tenant waives all rights now or hereafter confirmed by statute or otherwise to quit, to terminate or surrender this Lease, or to any abatement or deferment of Basic Rent, additional rent or other sums payable hereunder.

Section 6. Taxes and Assessments; Compliance with Law. (a) Tenant shall pay, promptly as and when due, and agrees to indemnify Landlord and its successors and assigns and hold Landlord and its successors and assigns harmless from and against all Impositions. The term "Impositions" shall mean all taxes, assessments, use, real estate, personal property, sales, ad valorem, value-added, lease use, stamp and occupancy taxes, sales taxes on rents, water and sewer charges, rates and rents, charges for utilities public and private, excises, levies, license and permit fees and other charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever, which shall or may during the term of this Lease be assessed, levied, charged, confirmed or imposed upon or become payable out of or become a lien upon (i) the Premises or Landlord's Estate or any part thereof or the

appurtenances thereto or the sidewalks or streets adjacent thereto, (ii) the rent and income received by or for the account of Tenant from any subtenants, (iii) the possession, use or occupancy of the Premises or Landlord's Estate, (iv) the sale, purchase, ownership, delivery, leasing, operation, return or other disposition of the Premises or Landlord's Estate, (v) such franchises, license and permits as may be appurtenant to the use of the Premises, or (vi) this Lease or the transactions hereunder or any document or documents related hereto to which Tenant is a party, or creating or transferring an interest or estate in the Premises or Landlord's Estate and shall mean all gross receipts or similar taxes imposed or levied upon, assessed against or measured by any Basic Rent, additional rent or other sum payable hereunder.

The term "Impositions" shall not include any municipal, state or Federal income taxes, assessed against Landlord, or any municipal, state or Federal capital levy, estate, succession, inheritance or transfer taxes of Landlord, or any franchise taxes imposed upon any corporate owner of the Premises, or any part thereof, or any income, profits or revenue tax, assessment or charge imposed upon the rent received as such by Landlord under this Lease, except for the gross receipts or similar taxes referred to above (the taxes enumerated in this sentence are collectively referred to as "Landlord's Taxes"). Notwithstanding the foregoing, if at any time during the term of this Lease, if any of the Landlord's Taxes are imposed, levied or assessed in substitution for any Imposition which Tenant is required to pay

pursuant tot his Section 6(a), then such Landlord's Taxes, to the extent that they are so substituted or imposed, shall be deemed to be included within the term "Impositions".

Tenant will furnish to Landlord, promptly after demand therefor, proof of payment of all Impositions. If any such Imposition may legally be paid in installments, Tenant may pay such Imposition in installments; in such event, Tenant shall be liable only for installments which become due and payable during the term hereof. Landlord shall, at the request of Tenant, execute such applications for conversion of Impositions to installment payments.

(b) Tenant shall at its sole expense comply with and cause the Premises to comply with (i) all laws and other governmental statutes, codes, ordinances, rules, orders, permits, licenses, authorizations, directions and determinations now or hereafter enacted, whether or not presently contemplated, including without limitation all Environmental Laws (as hereinafter defined) (collectively, "Legal Requirements"), applicable to the Premises or the use thereof, and (ii) all contracts, agreements, insurance policies, permits, licenses and restrictions applicable to the Premises or the ownership, occupancy or use thereof, including but not limited to all such Legal Requirements, contracts, insurance policies, agreements, permits, licenses and restrictions which (x) require structural, unforeseen or extraordinary changes or (y) relate to environmental protection or hazardous waste matters.

As used herein "Environmental Law" shall mean any applicable law, statute or ordinance relating to public health, safety or the environment, including,

without limitation, relating to release, discharges or emissions to air, water, land or groundwater, to the withdrawal or use of groundwater, to the use and handling of polychlorinated biphenyls or asbestos, to the disposal, transportation, treatment, storage or management of solid or hazardous wastes or to exposure to toxic or hazardous materials, to the handling, transportation, discharge or release of gaseous or liquid substances and any regulation, order, notice or demand issued pursuant to such law, statute or ordinance, in each case applicable to the Premises or Tenant or the operation, construction or modification of the Premises, including without limitation the following: the Clean Air Act, the Federal Water Pollution Control Act, the Safe Drinking Water Act, the Toxic Substances Control Act, the Comprehensive Environmental Response Compensation and Liability Act as amended by the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act as amended by the Solid and Hazardous Waste Amendments of 1984, the Occupational Safety and Health Act, the Emergency Planning and Community Right-to-Know Act of 1986, the Solid Waste Disposal Act, and any state statutes addressing similar matters, and any state statute providing for financial responsibility for cleanup or other actions with respect to the release or threatened release of hazardous substances and any state nuisance statute.

Section 7. Liens. Tenant will promptly remove and discharge any charge, lien, security interest or encumbrance upon the Premises or any Basic Rent, additional rent or other sum payable hereunder which arises for any reason (except as a result of an act of Landlord undertaken without the consent of Tenant) including all liens which arise out of the use, occupancy, construction, repair or rebuilding of the Premises or by reason of labor or

materials furnished or claimed to have been furnished to Tenant or for the Premises, but not including any mortgage, charge, lien, security interest or encumbrance created by Landlord without the consent of Tenant. Notice is hereby given that Landlord will not be liable for any labor, services or materials furnished or to be furnished to Tenant, or to anyone holding the Premises or any part thereof through or under Tenant, and that no mechanic's or other liens for any such labor, services or materials shall attach to or affect the interest of Landlord in and to the Premises.

Section 8. Indemnification. Tenant shall defend all actions against Landlord with respect to, and shall pay, protect, indemnify and save harmless Landlord and its successors and assigns and the Premises from and against, any and all liabilities (including, without limitation, strict liability in tort), losses, damages, costs, expenses (including reasonable attorneys' fees and expenses), causes of action, suits, claims, demands or judgments of any nature (a) to which Landlord or its successors and assigns are subject because of its respective estate in the Premises or (b) arising or alleged to arise from or in connection with (i) injury to or death of any Person, or damage to or loss of property, on or about the Premises or on adjoining property, sidewalks, streets or ways, or connected with the ownership, use, condition (including, without limitation, latent and other defects whether or not discoverable by Landlord), design, occupancy, lease, sublease, construction, maintenance, repair or rebuilding of any thereof, (ii) violation of any Legal Requirement whether with

respect to environmental protection or hazardous waste matters or otherwise, (iii) violation of the requirements of this Lease by Tenant, (iv) any nonpayment or delayed payment of any Basic Rent or any additional rent, (v) any act or omission of Tenant or its agents, contractors, licensees, sublessees or invitees, and (vi) any contest referred to in Section 17.

The obligations of Tenant under this Section 8 shall survive the expiration or other termination of this Lease and shall not be limited or affected by any other provision of this Lease requiring Tenant to carry liability insurance. Tenant's liability under this Section 8 shall be limited to actual or contingent liabilities arising prior to the termination of this Lease.

Section 9. Maintenance and Repair. (a) Tenant acknowledges that it has received the Premises in good order and repair. Tenant, at its own expense, will maintain all parts of the Premises, including any altered, rebuilt, additional or substituted buildings, structures and other improvements thereto and all sidewalks, curbs, landscaping, parking lots, vaults and vault space located on or adjacent to the Premises, in good repair and condition, except for ordinary wear and tear, and will take all action and will make all structural and nonstructural, foreseen and unforeseen and ordinary and extraordinary changes, replacements and repairs which may be required to keep all parts of the Premises in good repair and condition. All repairs, replacements and renewals shall be at least equal in quality to the original work. Landlord shall not be required to maintain, repair or rebuild

all or any part of the Premises. Tenant waives the right to (i) require Landlord to maintain, repair or rebuild all or any part of the Premises, or (ii) make repairs at the expense of Landlord pursuant to any Legal Requirement at any time in effect.

(b) In the event that all or any part of the Improvements shall encroach upon any property, street, or right-of-way adjoining or adjacent to the Premises, or shall violate the agreements or conditions now or hereafter affecting the Premises or any part thereof, or shall hinder or obstruct any easement or right-of-way to which the Premises are now or hereafter subject, then, promptly after written request of Landlord or any Person so affected, Tenant shall, at its expense, either (i) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting therefrom or (ii) make any changes, including alteration or removal, to the Improvements and take such other action as shall be necessary to remove or eliminate such encroachments, violations, hindrances, obstructions or impairments.

Section 10. Alterations. If no Event of Default, as defined in Section 18 hereof, shall exist under this Lease and no notice shall have been given to Tenant of a default hereunder which has not been corrected, Tenant may, at its expense, make additions to and alterations of the Improvements and construct additional Improvements and make substitutions and replacements for the Improvements, provided that (a) the fair market value of the Premises shall not be lessened thereby, (b) such work shall be expeditiously completed in a good and workmanlike manner and in compliance with all applicable Legal Requirements,

all insurance policies required to be maintained by Tenant hereunder, and all other agreements to which Tenant is a party or by which Tenant or the Premises may be bound, and (c) no Improvements shall be demolished unless (i) Tenant shall have first furnished Landlord with such surety bonds or other security acceptable to Landlord as shall be necessary to assure rebuilding of such Improvements and Landlord shall be deemed to have consented to such demolition unless Landlord shall deny such consent within 60 days after receipt of the request for such consent. All such additions and alterations, substitutions and replacements shall be and remain part of the realty and the property of Landlord and shall be subject to this Lease. Landlord agrees to execute such utility easements, building permit applications, zoning changes and other similar governmental applications as Tenant may deem necessary or requisite in connection with any such addition and/or alteration, subject however, to such limitations and conditions as may be imposed by the Note Purchaser.

Tenant may place upon the Premises any inventory, trade fixtures, machinery or equipment belonging to Tenant or third parties ("Tenant's Trade Property") and may remove the same at any time during the term of this Lease. Landlord agrees, at the request of Tenant, to execute a waiver or subordination of its statutory or contractual landlord's lien to any holder of a valid security interest in any of Tenant's Trade Property or to any bona fide lessor of Tenant's Trade Property provided that the holder of such security interest, or such lessor, agrees in writing to repair any damage which may be done to the Premises as a

result of a removal of any of Tenant's Trade Property. Tenant shall repair any damage to the Premises caused by its removal of any of Tenant's Trade Property.

Section 11. Condemnation and Casualty. (a) Except as otherwise herein provided, Tenant hereby irrevocably assigns to Landlord any award, compensation or insurance payment to which Tenant may become entitled by reason of Tenant's interest in the Premises (i) if the Premises are damaged or destroyed by fire or other casualty or (ii) if the use, occupancy or title of the Premises or any part thereof is taken, requisitioned or sold in, by or on account of any actual or threatened eminent domain proceeding or other action by any Person having the power of eminent domain. Landlord may, at Tenant's sole expense, appear in any such proceeding or action, to negotiate, prosecute and adjust any claim for any award, compensation or insurance payment on account of any such damage, destruction, taking, requisition or sale and Landlord shall collect, hold and apply any such award, compensation or insurance payment in conformity with the provisions of this Section 11. Tenant shall be entitled to participate in any such proceeding, action, negotiation, prosecution or adjustment. In addition, Tenant may, at its option, prosecute a separate claim against any taking authority, or, join with Landlord in its proceeding against any taking authority, for recovery of Tenant's relocation expenses and/or loss of trade fixtures, so long as any recovery by Tenant with respect thereto shall be separately stated and shall not diminish the award to Landlord. Landlord shall not be liable to Tenant for any recovery Landlord may obtain or recover from any taking authority.

All amounts paid in connection with any such damage, destruction, taking, requisition or sale shall be applied pursuant to this Section 11, and all such amounts (minus the expense of collecting such amounts) are herein called the Net Proceeds. The term Net Proceeds shall not include any award, compensation or other payment receivable by Tenant pursuant to the provisions of the foregoing paragraph with respect to relocation expenses or trade fixtures. Tenant shall pay all reasonable expenses in connection with each such proceeding, action, negotiation, prosecution and adjustment, including Landlord's costs therein, which expenses Tenant shall be subject to reimbursement out of any award, compensation or insurance payment received.

(b) If an occurrence of the character referred to in clauses (i) or (ii) of Section 11(a) involves a loss which equals or exceeds $_____ and Tenant concludes that such loss affects all or a material portion of the Land or Improvements and renders the Premises unsuitable for restoration and continued use and occupancy in Tenant's business, then Tenant shall, not later than 30 days after such occurrence, deliver to Landlord

(i) notice of its intention to terminate this Lease on the next Payment Date which occurs not less than 90 days after the delivery of such notice (the "Termination Date") and (ii) a certificate of Tenant describing the event giving rise to such termination and stating that its board of directors has in good faith determined that such event has rendered the Improvements unsuitable for restoration for continued use and occupancy in Tenant's business and that Tenant has discontinued use thereof and will not resume use of such Premises for at least five years thereafter. If the Termination Date occurs during the Initial Term or Primary Term, such notice to Landlord shall be accompanied by an irrevocable offer by Tenant (and Tenant hereby agrees to make the same) to purchase any remaining portion of Landlord's Estate with the Net Proceeds, if any, payable in connection with such occurrence (or the right to receive the same when made, if payment thereof has not yet been made) on the Termination Date, at a price determined in accordance with Schedule C. If the Termination Date occurs during an Extended Term, this Lease shall terminate on the Termination Date, except with respect to obligations and liabilities of Tenant hereunder, actual or contingent, which have arisen on or prior to the Termination Date, upon payment by Tenant of all Basic Rent, additional rent and other sums then due and payable hereunder to and including the Termination Date, and the Net Proceeds shall belong to Landlord. Landlord shall transfer and convey the entire Landlord's Estate to Tenant upon the terms and provisions set forth in Section 15 hereof against payment by Tenant of the purchase price therefor, together with all installments of Basic Rent, additional rent and other sums then due and payable hereunder to and including the Termination Date. If this Lease is so terminated as the result of an event of the character described in clauses (i) or (ii) of Section 11(a), the award, compensation or other payment payable with respect thereto shall be allocated pro-rata to Landlord to compensate it for its interests as owner of the Landlord's Estate and to Tenant to compensate it for its interests as Tenant of the Premises. Notwithstanding anything to the contrary stated herein, if Landlord's award, compensation or other payment is insufficient to pay in full the balance then due and owing under the Note Agreement and the Deed of Trust in respect of the

Premises and principal, premium, if any, and accrued and unpaid interest on the Notes outstanding thereunder issued to finance the Premises, the Tenant will promptly pay the difference between such award, compensation or other payment and the amount necessary to satisfy such obligations of the Landlord under the Note Agreement and the Deed of Trust and in respect of such Notes.

(c) If, after an occurrence of the character referred to in clauses (i) or (ii) of Section 11(a) which involves a loss of less than $750,000, or, if the amount of such loss equals or exceeds $750,000 but Tenant does not give notice of its intention to terminate this Lease, then this Lease shall continue in full effect, and Tenant shall, at its expense, promptly restore, replace and rebuild ("Restore") any damage to the Premises caused by such event in conformity with the requirements of Section 10 so as to restore the Premises (as nearly as practicable) to the condition and fair market value thereof immediately prior to such occurrence. For this purpose, Tenant shall be entitled to receive the Net Proceeds payable in connection with such occurrence if the amount of such Net Proceeds, together with such additional amounts, if any, theretofore expended by Tenant out of its own funds for such Restoration, are sufficient to pay the estimated cost of completing such Restoration, but only upon a written application of the Tenant showing in reasonable detail the nature of such Restoration, the estimated cost (which shall be verified by an

accompanying certificate of an engineer or architect not an employee of Tenant) to complete Restoration and stating that Tenant has not theretofore received payment for such work and that no Event of Default has occurred and is continuing under this Lease to the knowledge of Tenant. Any Net Proceeds remaining after final payment has been made for such work shall be retained by or for the account of Landlord. However, if such Net Proceeds so retained by or for the account of Landlord shall be more than $200,000, then (i) the Basic Amount set forth in Schedule C shall be reduced by an amount equal to such Net Proceeds so retained by Landlord and (ii) each installment of Basic Rent payable on and after the first Payment Date occurring three months or more after the final payment to Tenant for such work shall be reduced by a fraction of such installment, the numerator of which fraction shall be the amount so retained and the denominator of which shall be the Basic Amount prior to the reduction thereof referred to in clause (i) above. In the event of any temporary requisition, this Lease shall remain in full effect and Tenant, if no Event of Default shall exist under this Lease and no notice shall have been given to Tenant of a default hereunder which has not been corrected, shall be entitled to receive the Net Proceeds allocable to such temporary requisition; except that such portion of the Net Proceeds allocable to the period after the expiration or termination of the term of this Lease shall be paid to Landlord. If the cost of any repairs required to be made by Tenant pursuant to this Section 11(c) shall exceed the amount of such Net Proceeds, the deficiency shall be paid by Tenant. If an Event of Default shall exist under this Lease such Net Proceeds shall be payable to and held by Landlord.

Section 12. Insurance. (a) Tenant will maintain insurance on the Premises of the following character:

(i) Insurance, subject to an 80% co-insurance clause, against loss by fire, windstorm and explosion and with extended coverage and against such other risks of physical loss as are customarily insured against and in such amounts as are customarily carried, by companies owning property of a character similar to that of the Premises and engaged in a business similar to that engaged in by Tenant but in any event in amounts not less than 100% of the full replacement value of the Premises, exclusive of foundations and excavations, as evidenced by "Replacement Costs" or "Restoration" endorsements thereto. The term "full replacement value" as used herein means actual replacement value without deduction for physical depreciation, as determined upon request of Landlord at intervals not more than may be required by the company issuing such insurance to provide the required "Replacement Cost" or "Restoration" endorsements and at the expense of Tenant, by independent appraisals.

(ii) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Premises and adjoining streets and sidewalks, in the minimum amounts of $1,000,000 for bodily injury or death to any one Person, $1,000,000 for any one accident, and $2,000,000 for property damage.

(iii) Worker's compensation insurance to the extent required by the law of the state in which the Premises are located and to the extent necessary to protect Landlord and the Premises against worker's compensation claims; provided that if permitted

under the laws of such state in lieu of such worker's compensation insurance. Tenant may maintain a program of self-insurance complying with the rules and regulations and requirements from time to time in effect of the appropriate state agency of the state in which the Premises are located.

(iv) Explosion insurance in respect of any boilers and similar apparatus located on the Premises in the minimum amount of $150,000.

(v) Such other insurance, in such amounts and against such risks, as is commonly obtained in the case of property similar in use to the Premises and located in the state in which the Premises are located.

Such insurance shall be written by companies of recognized national standing authorized to do business in the state in which the Premises are located, and shall name as insured parties Landlord and Tenant as their interests may appear. Provided no Event of Default shall exist under this Lease and no notice shall have been given to Tenant of a default hereunder which has not been corrected, the loss, if any, under any policy pertaining to loss by reason of damage to or destruction of any portion of the Premises shall be adjusted with the insurance companies by Tenant, subject to the approval of Landlord and the Note Purchaser if the loss exceeds $750,000. The loss so adjusted shall be paid to the Note Purchaser pursuant to the loss payable clause hereinafter referred to, unless said loss is $750,000 or less in which case said

loss shall be paid directly to Tenant.

(b) Every such policy (other than any general public liability or worker's compensation policy) shall bear a first mortgage endorsement in favor of the Note Purchaser, as purchaser of the 8.25% Secured Notes due September 26, 2009 (the "Notes") of the Landlord issued pursuant to the Note Agreement dated as of September 26, 2009 (the "Note Agreement") between the Landlord and the Note Purchaser, a first mortgage lien on the Premises. Any loss under any such policy shall be payable solely to the Note Purchaser to be held and applied pursuant to Section 11. All public liability policies shall name as insured persons Landlord, Tenant and the Note Purchaser. Every policy referred to in Section 12(a) shall provide that (i) Landlord's and the Note Purchaser's interests shall be insured regardless of any breach or violation by Tenant of any warranties, declarations or conditions contained in such policies, (ii) such insurance as to the interests of Landlord and the Note Purchaser therein shall not be invalidated by the use or operation of the Premises for purposes which are not permitted by such policies or by any foreclosure or other proceedings relating to the Premises or by change in title to or ownership of the Premises, (iii) the insurers shall waive any right of subrogation of the insurers to any set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of Tenant, (iv) if any premium or installment is not paid when due, or if such insurance would lapse or be cancelled, terminated or materially changed for any reason whatsoever, the insurers will promptly notify Landlord and the Note Purchaser and any such lapse, cancellation, termination or change shall not be effective as to Landlord and the Note

Purchaser for 30 days after receipt of such notice, and (vi) appropriate certification shall be made to Landlord and the Note Purchaser by each insurer with respect thereto.

(c) Tenant shall deliver to Landlord and the Note Purchaser original or duplicate policies or certificate of insurers, satisfactory to Landlord and the Note Purchaser, evidencing the existence of all insurance which is required to be maintained by Tenant hereunder, such delivery to be made (i) promptly after the execution and delivery hereof and (ii) within 30 days prior to the expiration of any such insurance. Tenant shall not obtain or carry separate insurance concurrent in form or contributing in the event of loss with that required by this Section 12 unless Landlord and the Note Purchaser are named insureds therein, with loss payable as provided herein. Tenant shall immediately notify Landlord and the Note Purchaser whenever any such separate insurance is obtained and shall deliver to Landlord and the Note Purchaser the policies or certificates evidencing the same. Any insurance required hereunder may be provided under blanket policies of Tenant, provided that such blanket policies otherwise comply with the provisions of this Section 12. Any insurance which Tenant is obligated to carry under the terms of clauses (a)(i) and (a)(ii) of this Section 12 may be carried under a plan of self-insurance with respect to the first portion of any loss claimed under any such insurance by way of deductible provisions in insurance policies up to such amount as is customary for corporations of established reputation engaged in the same or a similar

business as Tenant and similarly situated and which maintain such insurance on property similar to the Premises, provided that any such self-insurance shall in no event exceed $100,000.

(d) The requirements of this Section 12 shall not be construed to negate or modify Tenant's obligations under Section 8 to fully indemnify Landlord and its successors and assigns from and against all liability in any way arising out of the Premises and Tenant's use, non-use, misuse, occupation or nonoccupation of the Premises.

Section 13. Assignment and Subletting. Tenant may sublet the Premises or assign its interests hereunder; provided, that (a) at the time of any such sublease or assignment no Event of Default or event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default has occurred and is continuing, (b) any such sublease or assignment shall by its terms be expressly made subject and subordinate to the terms of this Lease, (c) Tenant shall have given Landlord 60 days' prior written notice of any such sublease or assignment, and (d) any such sublease shall contain a section to read as follows:

> "Sublessee by its execution of this Sublease hereby unconditionally acknowledges and agrees as follows: (a) Sublessee has received a copy of the Lease Agreement dated as of _____, _____ (the "Primary Lease") between _____, as tenant, and _____, as landlord, (b) this Sublease represents a sublease of Sublessor's rights in and to the Premises and this Sublease and the rights of Sublessee hereunder are in all respects subject and subordinate to the Primary Lease."

No such assignment or sublease shall modify or limit any right or power of Landlord hereunder or affect or reduce any obligation of Tenant hereunder, and all such obligations shall continue in full effect as obligations of a principal and not of a guarantor or surety, as though no assignment or subletting had been made. Tenant shall, within 10 days after the execution of any such sublease or assignment, deliver a conformed copy thereof to Landlord and the Note Purchaser. Neither this Lease nor the term hereby demised shall be mortgaged, pledged or otherwise encumbered by Tenant nor shall Tenant mortgage, pledge or otherwise encumber the interest of Tenant in and to any sublease of the Premises or of the rentals payable thereunder. Any such mortgage, pledge, encumbrance, sublease or assignment made in violation of this Section 16 shall be void. Tenant shall not collect or accept payment, directly or indirectly, of any rent under any sublease more than one month in advance of the due date thereof.

Section 14. Permitted Contests. Tenant shall not be required to (a) comply with any Legal Requirement applicable to the Premises or the use thereof, (b) pay any Imposition or (c) obtain any waivers or settlements or make any changes or take any action with respect to any encroachment, hindrance, obstruction, violation or impairment referred to in Sections 7, 9 or 10 hereof, as long as Tenant shall contest the existence, applicability, amount or validity

thereof in good faith by appropriate proceedings which shall prevent the collection of, or other realization with respect to, the matter so contested, and which also shall prevent the sale, forfeiture or loss of the Premises, Landlord's Estate and any Basic Rent or additional rent and which shall otherwise not affect the payment of any Basic Rent or any additional rent; provided that in no event shall any such contest subject Landlord or its successors and assigns to the risk of any criminal liability or any civil liability. Tenant shall (i) immediately give written notice to Landlord and the Note Purchaser of any contest hereof, (ii) give such reasonable security as may be demanded by Landlord or the Note Purchaser to insure ultimate payment of such Imposition and compliance with such Legal Requirements and to prevent any sale or forfeiture of the Premises, Landlord's Estate, the Basic Rent or any additional rent by reason of such nonpayment or noncompliance and

(iii) indemnify and hold the Landlord and Note Purchaser harmless from any liability in connection with any such contest.

Landlord agrees to sign such tax returns, applications and other documents as may be necessary or requisite for Tenant to properly conduct any contest permitted hereunder, and Landlord further agrees that it shall hold in trust and forthwith pay Tenant the amount of any tax, or other refund received by Landlord as a result of any contest permitted hereunder.

Section 15. Conditional Limitations; Default Provisions. (a) Any of the following occurrences or acts shall constitute an Event of Default ("Event of Default") under this Lease:

(i) if Tenant shall fail to pay any Basic Rent, additional rent or other sum required to be paid by Tenant hereunder; or

(ii) if Tenant shall fail to observe or perform any other provision hereof and such failure shall continue unremedied for 30 days after the earlier of (1) written notice thereof from Landlord or, the Note Purchaser or any holder of the Notes to Tenant, (2) the first date on which an officer of Tenant shall have actual knowledge that a default has occurred and is continuing under this Section 18(a)(ii); or

(iii) if Tenant or any of its subsidiaries has entered against it or on its behalf an order for relief under the Federal bankruptcy laws, or any other applicable Federal or state bankruptcy, insolvency or other similar law, or becomes insolvent, or makes an assignment for the benefit of creditors, or fails to generally pay its debts as such debts become due, or Tenant or any such subsidiary applies for or consents to the appointment of a trustee or receiver or for the major part of its property; or

(iv) a custodian (including without limitation a trustee or receiver) is appointed for Tenant or any of its subsidiaries or for the major part of the property of either and is not discharged within 90 days after such appointment; or

(v) bankruptcy or insolvency proceedings, or other proceedings for relief under any bankruptcy or similar Federal or state law or laws for the relief of debtors, are instituted by or against Tenant or any of its subsidiaries and, if instituted against Tenant or any such subsidiary are consented to or are not dismissed within 90 days after such institution; or

(vi) if the Premises shall have been left abandoned for a period of 30 days; or

(vii) if Tenant shall fail to observe or perform any provision of the Assignment of Lease dated as of _____, _____ (the "Assignment") among Landlord, Tenant and the Note Purchaser relating to the Premises; of

(ix) if any representation or warranty made by Tenant herein or in the Assignment or made by Tenant in any statement or certificate furnished by Tenant pursuant to the Note Agreement proves untrue in any material respect as of the date of the issuance or making thereof.

(b) This Lease and the term and estate hereby granted are subject to the limitation that whenever an Event of Default shall have happened and be continuing Landlord shall have the right at its election at any time thereafter to exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedies but each and every remedy shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by stature:

(i) Landlord may take all steps to protect and enforce the rights of Landlord or obligations of Tenant hereunder, whether by action, suit or proceeding at law or in equity (for the specific performance of any covenant, condition or agreement contained in this Lease, or in aid of the execution of any power herein granted or for any foreclosure, or for the enforcement of any other appropriate legal or equitable remedy) or otherwise as landlord shall deem most advisable to protect and enforce any of its rights or the obligations of Tenant hereunder:

(ii) Landlord may terminate this Lease by giving a written termination notice to Tenant specifying a date not less than 15 days after the date of such notice on which the term of this Lease shall terminate and on such date the term of this Lease and the estate hereby granted shall expire and terminate by limitation and all rights of Tenant under this Lease shall cease on the Termination Date so specified;

(iii) Landlord, whether or not this Lease shall have been terminated pursuant to clause (ii) of this section 18(b), shall have the right to terminate Tenant's right to possession under this Lease and to re-enter and take possession of the Premises or any part thereof of giving a written notice to Tenant to quit and surrender possession on a date not less than 15 days after the date of such notice whereupon the right of Tenant to the possession of the Premises shall cease and terminate on such date, and

Landlord shall have the immediate and continuing right then and at any time and from time to time thereafter without further notice, to re-enter upon and take possession of the Premises or any part thereof with or without legal proceedings (summary or otherwise) and to remove all Persons and property therefrom as Landlord may elect to do. Should Landlord elect to re-enter as herein provided or should Landlord take possession pursuant to legal proceedings or pursuant to any notice provided for by law

or upon termination of this Lease pursuant to clause (ii) of this Section 18(b) or termination of Tenant's rights to possession pursuant to clause (iii) of this Section 18(b) or otherwise as permitted by law, Tenant shall peaceably quit and surrender the Premises to Landlord. In any such event, neither Tenant nor any Person claiming through or under Tenant, by virtue of any statute or of an order of any court, shall be entitled to possession or to remain in possession of the Premises, or any part thereof, but shall forthwith quit and surrender the Premises to Landlord;

(iv) In the event of any termination of this Lease pursuant to clause (ii) of this Section 18(b) or repossession pursuant to clause (iii) of this Section 18(b), Tenant will pay to Landlord Basic Rent and all additional rent and other sums required to be paid by Tenant up to the time of such termination or repossession, and from and after such termination or repossession until the end of what would have been the term of this Lease in the absence of such termination or repossession, Tenant shall be liable to Landlord for, and shall pay to Landlord the sums of money (herein called "Current Damages") which would have been payable by Tenant, as Basic Rent and all additional rent and other sums which would be payable under this Lease by Tenant in the absence of such termination or repossession, less the proceeds, if any, actually received by landlord as a result of such repossession and subsequent reletting or other disposition of the Premises, after deducting from such proceeds, the expenses, costs and payments of every kind of Landlord which in accordance with the terms of this Lease would have been borne by Tenant and all of Landlord's expenses in connection with such realization of proceeds, including without limiting the generality of the foregoing all unpaid expenses incurred in obtaining possession, and in altering, repairing and putting the Premises in good order and condition and in reletting the Premises or any part thereof including reasonable fees of attorneys, architects, and other experts and any other reasonable and legitimate expenses. Tenant will pay such Current Damages monthly on the days on which Basic Rent would have been payable under this Lease in the absence of such termination or repossession, and Landlord shall be entitled to recover the same Tenant on each such day. Tenant hereby agrees to be and remain liable for all sums otherwise payable by Tenant under this Lease including, but not limited to, the expenses of Landlord aforesaid, as well as for any deficiency aforesaid, and Landlord shall have the right from time to time to begin and maintain successive actions or other legal proceedings against Tenant for the recovery of such deficiency or damages or for a sum equal to any installments of Basic Rent or additional rent and any other sums payable hereunder and to recover the same upon the liability of Tenant herein provided, which liability it is

expressly covenanted shall survive the issuance of any action to secure possession of the Premises. Nothing herein contained shall be deemed to require Landlord to wait to begin any such action or other legal proceedings until the date when this Lease would have expired by limitation had there been no such Event of Default;

(v) At any time after any termination of this Lease pursuant to clause (ii) of this Section 18(b), or termination of possession pursuant to clause (iii) of this Section 18(b), whether or not Landlord shall have collected any Current Damages as aforesaid. Tenant will pay to Landlord, at Landlord's option and upon demand, as and

for liquidated and agreed final damages (herein called "Final Damages") for Tenant's default and in lieu of all Current Damages beyond the date of such demand, an amount equal to the sum of (A) the excess, if any, of Basic Rent and the sums which would be payable under this Lease from the date of such demand (or, if it be earlier, the date to which Tenant shall have satisfied in full its obligations under clause (iv) of this Section 18(b) to pay Current Damages) for what would be the then unexpired term of this Lease in the absence of such expiration or repossession, discounted at the rate of 7.8% per annum on the basis of a 360-day year of twelve consecutive 30-day months, over the fair rental value of the Premises at the time of such termination for the balance of such term, discounted at the same rate and in the same manner as above stated, plus (B) to the extent legally enforceable and in addition to all other amounts payable by Tenant pursuant to this Section 18(b), as damages suffered by the Landlord as the result of the occurrence of an Event of Default hereunder for the loss of a bargain and not as a penalty, an amount (the "Additional Final Damages") equal to the amount which the Landlord would be obligated to pay the premium, if any, specified in the Note Agreement on account of the occurrence of an Event of Default under the Note Agreement as defined therein. Nothing herein contained shall, however, limit or prejudice the right of Landlord, in any bankruptcy, reorganization or insolvency proceedings, to prove for and obtain as liquidated damages by reason of such termination, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved, whether or not such amount shall be greater than, equal to, or less than such Final Damages and/or Additional Final Damages.

Section 16. Additional Rights of Landlord. (a) No right or remedy hereunder shall be exclusive of any other right or remedy, but shall be cumulative and in addition to any other right or remedy hereunder or now or hereafter existing. Failure to insist upon the strict performance of any provision hereof or to exercise any option, right, power or remedy contained herein shall not constitute a waiver or relinquishment thereof for the future. Receipt by Landlord of any Basic Rent, additional rent or other sum payable hereunder with knowledge of the breach of any provision hereof shall not constitute waiver of such breach, and no waiver by Landlord of any provision hereof shall be deemed to have been made unless made in writing. Landlord shall be entitled to injunctive relief in case of the violation, or attempted or

threatened violation, of any of the provisions hereof, or to a decree compelling performance of any of the provisions hereof, or to any other remedy allowed to Landlord by law.

(b) Tenant hereby waives and surrenders for itself and all those claiming under it, including creditors of all kinds, (i) any right and privilege which it or any of them may have to redeem or re-enter the Premises or to have a continuance of this Lease after termination of Tenant's right of occupancy by order or judgment or any court or by any legal process or writ, or under the terms of this Lease, or after the termination of the term of this Lease as herein provided, (ii) any notice to quit or notice of re-entry or of the institution of legal proceedings to that end, and (iii) the benefits of any law which exempts property from liability for debt or for distress for rent.

(c) If Tenant shall be in default in the performance of any of its obligations hereunder, Tenant shall pay to Landlord, on demand, all expenses incurred by Landlord as a result thereof, including reasonable attorneys' fees and expenses. If Landlord shall be made a party to any litigation commenced against Tenant and Tenant shall fail to provide landlord with counsel approved by Landlord and pay the expenses thereof, Tenant shall pay, on demand, all costs and reasonable attorneys' fees and expenses incurred by Landlord in connection with such litigation.

Section 17. Notices, Demands and Other Instruments. All notices, requests, offers, consents and other instruments given pursuant to this lease shall be in writing and shall be validly given when mailed by prepaid registered or certified mail or by prepaid overnight air courier, (a) if to landlord, at its address set forth above Attention: Julie Laux, Administrator Member (b) if to Tenant, at its address set forth above Attention: Michael Gotkin, Senior Vice President, (c) if to the Note Purchaser _____, _____, _____, Attention: _____. Landlord, Tenant and the Note Purchaser each may from time to time specify, by giving 15 days' notice to the other parties, (i) any other address in the United States as its address for purposes of this Lease and (ii) any other Person or entity that is to receive copies of notices, offers, consents and other investments hereunder.

Section 18. Estoppel Certificates. Tenant agrees that from time to time, upon 20 days' prior request by Landlord or the Note Purchaser to execute, acknowledge and deliver to Landlord and the Note Purchaser a certificate stating that this Lease is unmodified and in full effect (or, if there have been modifications, that this Lease is in full effect as modified, and setting forth such modifications) and the dates to which Basic Rent, additional rent and other sums payable hereunder have been paid, and either stating that to the knowledge of the signer of such certificate no default exists hereunder or specifying each such default of which the signer has knowledge. Any such certificate executed by Tenant may be relied upon by any prospective mortgagee or purchasers of the Landlord's Estate.

Section 19. No Merger. There shall be no merger of this lease or of the leasehold estate hereby created with the fee estate in the Premises by reason of the fact that the same Person acquires or holds, directly or indirectly, this Lease or the leasehold estate as well as the fee estate in the Premises or any interest in such fee estate.

Section 20. Surrender. Upon the expiration or termination of the Primary Term, or if exercised, the last day of any Extended Term, Tenant shall surrender the Premises to Landlord in the condition in which the Premises were originally received from Landlord, except as repaired, rebuilt, restored, altered or added to as permitted or required hereby,

except for ordinary wear and tear, and except as otherwise provided in this Lease. Tenant shall remove from the Premises on or prior to such expiration or termination all property situated thereon which is not owned by Landlord, and shall repair any damage caused by such removal. Property not so removed shall become the property of Landlord, and Landlord may cause such property to be removed from the Premises and disposed of, but the cost of any such removal and disposition and of repairing any damage caused by such removal shall be borne by Tenant.

Section 21. Separability; Binding Effect. Each provision hereof shall be separate and independent and the breach of any such provision by Landlord shall not discharge or relieve Tenant from its obligations to perform each and every covenant to be performed by Tenant hereunder. If any provision hereof or the application thereof to any Person or circumstance shall to any extent be invalid or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and shall be enforceable to the extent permitted by law. All provisions contained in this Lease shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and assigns of Landlord and Tenant to the same extent as if each such successor and assign were named as a party hereto. This Lease may not be changed, modified or discharged except in writing signed by Landlord and Tenant and with the prior written consent of the Note Purchaser.

Section 22. Recording of Lease. This Lease, or a short form or memorandum thereof, shall be filed and/or recorded in the appropriate public office for publishing notice of the existence of leases by the Tenant, at its expense.

Section 23. Lessor's Right to Cure Lessee's Default. If Tenant shall fail to make any payment or perform any act required to be made or performed under this Lease, Landlord, after notice to and demand upon Tenant, and without waiving or releasing any obligation or default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Tenant, and may enter upon the Premises for such purpose and take all such action thereon as, in Landlord's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Tenant. All sums so paid by Landlord and all costs and expenses (including,

without limitation, attorneys' fees and expenses so incurred, together with interest thereon to the extent permitted by law) shall be paid by Tenant to Landlord on demand, together with interest thereon at the lesser of (a) the highest rate permitted by applicable law or (b) ___% per annum (computed on a 360-day year of twelve 30-day months), whichever is lower, for the period from and including the date on which such sums or expenses are paid or incurred by Landlord to but not including the date the same are paid.

Section 24. Expenses. If for any reason whatsoever Landlord does not pay any of the expenses referred to in Section ___ of the Note Agreement, Tenant shall immediately pay the same.

Section 25. Counterparts. This Lease may be executed in any number of counterparts, each counterpart constituting an original but altogether only one Lease.

Section 26. Headings. The headings which are used following the number of each Section are so used in and for evidence in locating various provisions of this Lease and shall not be deemed to affect the interpretation or structure of such provisions.

Section 27. Schedules. Schedules A, B and C referred to in this Lease are hereby incorporated by reference.

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

FLLC, L.L.C.

[SEAL]

By /s/ Julie Laux

Printed Name Julie Laux

Its Administrative Member President

ATTEST:

By_____

Printed Name _____

Its _____ Secretary

FARLEY CANDY COMPANY

[SEAL]

By /s/ Gary Ricco

Printed Name Gary Ricco

Its _____President

ATTEST:

By /s/ Michael S. Gotkin

Printed Name Michael S. Gotkin

Its _____Secretary

STATE OF _____)
) SS
COUNTY OF _____)

I, _____, a Notary Public in and for the County and State aforesaid, do hereby certify that _____ and _____, personally known to me to be the same persons whose names are respectively, as _____ and _____ of _____, a _____ corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

Given under by hand and notarial seal this _____ day of June, 19 ___.

_____
Notary Public
Printed Name: _____

[SEAL]

Commission expires:

STATE OF _____)
) SS
COUNTY OF _____)

I, _____, a Notary Public in and for the County and State aforesaid, do hereby certify that _____ and _____, personally known to me to be the same persons whose names are respectively, as _____ and _____ of _____, a

_____ corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

Given under by hand and notarial seal this _____ day of June, 19 ___.

_____
Notary Public
Printed Name: _____

[SEAL]

Commission expires:

DESCRIPTION OF THE PREMISES

Known as 2005 West 43rd Street, Chicago, IL 60609.

THE LAND REFERRED TO IN THIS COMMITMENT IS DESCRIBED AS FOLLOWS:

PARCEL 1:

ALL THAT PARCEL OF LAND SITUATED IN THE CITY OF CHICAGO, COUNTY OF COOK AND STATE OF ILLINOIS, BEING PART OF THE SOUTHEAST 3/4 OF THE NORTHWEST 1/4 OF SECTION 6, TOWNSHIP 38 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE NORTH LINE OF THE SOUTH 13.0 FEET OF THE NORTHWEST 1/4 OF SECTION 6, AFORESAID, AND THE WEST LINE OF THE EAST 895.0 FEET OF SAID NORTHWEST 1/4; THENCE NORTHERLY, ALONG SAID WEST LINE, 425.64 FEET TO A POINT IN A CURVED LINE BEING A SEGMENT OF A LINE DESCRIBED AS BEGINNING AT A POINT 337.10 FEET WEST OF THE EAST LINE OF SAID NORTHWEST 1/4 AND 516.10 FEET NORTH OF THE SOUTH LINE OF SAID NORTHWEST 1/4; THENCE WESTERLY 357.0 FEET TO A POINT 694.10 FEET WEST OF SAID EAST LINE AND 509.90 FEET NORTH OF SAID SOUTH LINE; THENCE SOUTHWESTERLY ALONG A CURVE, CONVEY NORTHWESTERLY, HAVING A RADIUS OF 480 FEET TO A POINT 2056.0 FEET WEST OF THE EAST LINE OF THE NORTHWEST 1/4, AFORESAID, AND 376.0 FEET NORTH OF THE SOUTH LINE OF THE NORTHWEST 1/4, AFORESAID, THENCE EASTERLY ALONG SAID CURVED LINE FOR AN ARC DISTANCE OF 307.90 FEET TO THE POINT HEREINBEFORE MENTIONED AS 694.10 FEET WEST OF SAID EAST LINE AND 505.9 FEET NORTH OF SAID SOUTH LINE; THENCE WESTERLY 239.90 FEET TO A POINT OF INTERSECTION WITH A CURVED LINE BEING A SEGMENT OF A LINE DESCRIBED AS BEGINNING AT A POINT ON THE EAST LINE OF SAID NORTHWEST 2/4 OF SAID SECTION 6. 574.15 FEET NORTH OF THE SOUTHEAST CORNER THEREOF; THENCE WESTWARDLY ON A STRAIGHT LINE A DISTANCE OF 581.96 FEET TO A POINT 572.63 FEET NORTH OF THE SOUTH LINE OF SAID NORTHWEST 1/4 OF SAID SECTION 6; THENCE BY A CURVE CONVEX TO THE NORTH AND WEST AND HAVING A RADIUS OF 528.7 FEET A DISTANCE OF 665.47 FEET

TO A POINT, THENCE ON A STRAIGHT LINE TANGENT TO THE AFORESAID CURVE A DISTANCE OF 180.76 FEET TO A POINT IN THE NORTH LINE OF 43RD STREET; THENCE SOUTH 33 FEET TO THE SOUTH LINE OF SAID SOUTH 1/2 OF SAID SOUTHEAST 1/4; THENCE SOUTHWESTERLY ALONG SAID CURVED LINE, AN ARC DISTANCE OF 362.61 FEET TO ITS INTERSECTION WITH A LINE PERPENDICULAR TO THE SOUTH LINE OF THE NORTHWEST 1/4 OF SECTION 6, AFORESAID, DRAWN THROUGH A POINT 280.0 FEET WEST OF THE POINT OF BEGINNING; THENCE SOUTH, ALONG SAID PERPENDICULAR LINE, 237.76 FEET TO THE NORTH LINE OF THE SOUTH 33.0 FEET OF THE NORTHWEST 1/4, AFORESAID; THENCE EAST, ALONG SAID NORTH LINE, 360.0 FEET TO THE POINT OF BEGINNING, IN COOK COUNTY, ILLINOIS.

PARCEL 2:

THAT PART OF THE WEST 360 FEET OF THE EAST 895 OF THE NORTHWEST 1/4 OF SECTION 6, TOWNSHIP 38 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING NORTH OF THE SOUTH 33.0 FEET THEREOF AND LYING SOUTH OF A LINE DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT 337.10 FEET WEST OF THE EAST LINE OF SAID NORTHWEST 1/4 AND 516.0 FEET NORTH OF THE SOUTH LINE OF SAID NORTHWEST 1/4; THENCE WESTERLY 257.0 FEET TO A POINT 694.10 FEET WEST OF SAID EAST LINE AND 509.90 FEET NORTH OF SAID SOUTH LINE; THENCE SOUTHWESTERLY ALONG A CURVE CONVEX NORTHWESTERLY HAVING A RADIUS OF 480.0 FEET, TO A POINT 1096.0 FEET WEST OF THE EAST LINE OF THE NORTHWEST 1/4 AFORESAID AND 278.0 FEET NORTH OF THE SOUTH LINE OF THE NORTHWEST

SCHEDULE A

1/4 AFORESAID, IN COOK COUNTY, ILLINOIS.

PARCEL 3:

A PARCEL OF LAND IN THE NORTHWEST 1/4 OF SECTION 6, TOWNSHIP 38 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTH LINE OF WEST 43RD STREET, BEING 33.0 FEET NORTH OF THE SOUTH LINE OF THE NORTHWEST 1/4 AND 360.0 FEET WEST OF THE EAST LINE OF THE NORTHWEST 1/4 OF SAID SECTION 6; THENCE NORTH PARALLEL TO THE EAST LINE OF THE NORTHWEST 1/4, 447.0 FEET; THENCE WEST PARALLEL TO THE SOUTH LINE OF THE NORTHWEST 1/4 175.0 FEET; THENCE SOUTH PARALLEL TO THE EAST LINE OF THE NORTHWEST 1/4 447.0 FEET TO THE NORTH LINE OF WEST 43RD STREET; THENCE EAST ON THE NORTH LINE OF WEST 43RD STREET, 175.0 FEET TO THE POINT OF BEGINNING, IN THE CITY OF CHICAGO, COOK COUNTY, ILLINOIS.

PARCEL 4:

THAT PART OF THE EAST 360.0 FEET OF THE NORTHWEST 1/4 OF SECTION 6, TOWNSHIP 38 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING SOUTH OF A LINE DRAWN FROM A POINT IN THE WEST LINE OF SAID EAST 360.0 FEET, 463.0 FEET NORTH OF THE SOUTH LINE OF THE NORTHWEST 1/4 OF SECTION 6, AFORESAID TO A POINT ON THE EAST LINE OF SAID NORTHWEST 1/4, 544.5 FEET NORTH OF THE SOUTHEAST CORNER OF THE

NORTHWEST 1/4 OF SECTION 6, AFORESAID, (EXCEPT THEREFROM THAT PART LYING EAST OF THE EASTERLY LINE OF THE SOUTH DAMEN AVENUE VIADUCT; AND EXCEPT THE SOUTH 33 FEET OF SAID NORTHWEST 1/4) IN COOK COUNTY, ILLINOIS.

PARCEL 5:

THE NORTH 250 FEET OF THE FOLLOWING DESCRIBED TRACT: THAT PART OF THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 6, TOWNSHIP 38 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS: BEGINNING AT A POINT 33 FEET SOUTH OF THE NORTH LINE AND 73 FEET WEST OF THE EAST LINE OF SAID NORTHEAST 1/4 OF THE SOUTHWEST 1/4; THENCE SOUTH ON A LINE AT RIGHT ANGLES TO THE NORTH LINE OF THE SAID NORTHEAST 1/4 OF THE SOUTHWEST 1/4, A DISTANCE OF 750 FEET; THENCE WEST ALONG A LINE PARALLEL TO AND 783 FEET SOUTH OF THE NORTH LINE OF SAID NORTHEAST 1/4 OF THE SOUTHWEST 1/4, A DISTANCE OF 120 FEET; THENCE NORTH AT RIGHT ANGLES TO SAID LAST DESCRIBED LINE, A DISTANCE OF 750 FEET; THENCE EAST 120 FEET TO THE POINT OF BEGINNING, IN COOK COUNTY, ILLINOIS.

PARCEL 6:

THE NORTH 250 FEET (AS MEASURED ON THE WEST LINE THEREOF) OF THE FOLLOWING DESCRIBED TRACT: THAT PART OF THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 6, TOWNSHIP 38 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EAST LINE OF SAID SOUTHWEST 1/4, 33 FEET SOUTH OF THE NORTHEAST CORNER THEREOF; THENCE WEST ON A LINE 33 FEET SOUTH OF AND PARALLEL TO THE NORTH LINE OF SAID SOUTHWEST 1/4, 73.0 FEET; THENCE SOUTH AT RIGHT ANGLES TO LAST DESCRIBED LINE 750.0 FEET TO A LINE 763.0 FEET SOUTH OF AND PARALLEL TO THE NORTH LINE OF SAID SOUTHWEST 1/4; THENCE EAST ALONG SAID PARALLEL LINE 77.80 FEET TO THE EAST LINE OF SAID SOUTHWEST 1/4 OF SECTION 6; THENCE NORTH ALONG SAID EAST LINE

750.02 FEET TO THE POINT OF BEGINNING, ALL IN COOK COUNTY, ILLINOIS.

PARCEL 7:

THAT PART OF THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 6, TOWNSHIP 38 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT 33 FEET SOUTH OF THE NORTH LINE AND 73 FEET WEST OF THE EAST LINE OF SAID NORTHEAST 1/4 OF THE SOUTHWEST 1/4; THENCE SOUTH ON A LINE AT RIGHT ANGLES TO THE NORTH LINE OF SAID NORTHEAST 1/4 OF THE SOUTHWEST 1/4 A DISTANCE OF 750 FEET; THENCE WEST ALONG A LINE PARALLEL TO AND 783 FEET SOUTH OF THE NORTH LINE OF SAID NORTHEAST 1/4 OF THE SOUTHWEST 1/4, A DISTANCE OF 120 FEET; THENCE NORTH AT RIGHT ANGLES TO SAID LAST DESCRIBED LINE A DISTANCE OF 750 FEET; THENCE EAST 120 FEET TO THE POINT OF BEGINNING (EXCEPTING THEREFROM THE NORTH 250 FEET THEREOF); ALL IN COOK COUNTY, ILLINOIS.

PARCEL 8:

THE SOUTH 285.0 FEET OF THE NORTH 525.0 FEET (AS MEASURED ON THE WEST LINE THEREOF) OF THE FOLLOWING DESCRIBED TRACT: THAT PART OF THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 6, TOWNSHIP 38 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EAST LINE OF SAID SOUTHWEST 1/4 33 FEET SOUTH OF THE NORTHEAST CORNER THEREOF; THENCE WEST ON A LINE 33 FEET SOUTH OF AND PARALLEL TO THE NORTH LINE OF SAID SOUTHWEST 1/4, 73.0 FEET; THENCE SOUTH AT RIGHT ANGLES TO LAST DESCRIBED LINE, 750.0 FEET TO A LINE 763.0 FEET SOUTH OF AND PARALLEL TO THE NORTH LINE OF SAID SOUTHWEST 1/4; THENCE EAST ALONG SAID PARALLEL LINE 77.80 FEET TO THE EAST LINE OF SAID SOUTHWEST 1/4 OF SECTION 6; THENCE NORTH ALONG SAID EAST LINE 750.02 FEET TO THE POINT OF BEGINNING; IN COOK COUNTY, ILLINOIS.

PARCEL 9:

THAT PART OF THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 6, TOWNSHIP 38 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EAST LINE OF SAID SOUTHWEST 1/4 33 FEET SOUTH OF THE NORTHEAST CORNER THEREOF; THENCE WEST ON A LINE 33 FEET SOUTH OF AND PARALLEL TO THE NORTH LINE OF SAID SOUTHWEST 1/4, 73.0 FEET; THENCE SOUTH AT RIGHT ANGLES TO LAST DESCRIBED LINE 750.0 FEET TO A LINE 783.0 FEET SOUTH OF AND PARALLEL TO THE NORTH LINE OF SAID SOUTHWEST 1/4; THENCE EAST ALONG SAID PARALLEL LINE 77.80 FEET TO THE EAST LINE OF SAID SOUTHWEST 1/4 OF SECTION 6; THENCE NORTH ALONG SAID EAST LINE 750.02 FEET TO THE POINT OF BEGINNING (EXCEPTING THEREFROM THE NORTH 535.0 FEET, AS MEASURED ON THE WEST LINE THEREOF); IN COOK COUNTY, ILLINOIS.

PARCEL 10:

THAT PART OF THE EAST 1/2 OF THE SOUTHWEST 1/4 OF SECTION 6, TOWNSHIP 38 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING ON THE EAST LINE OF THE SOUTHWEST 1/4 OF SAID SECTION 6, AT A POINT OF INTERSECTION WITH A LINE 783.00 FEET SOUTH FROM AND PARALLEL WITH THE NORTH LINE OF

SAID SOUTHWEST 1/4 OF SECTION 6 AND RUNNING THENCE SOUTH ALONG THE EAST LINE OF THE SOUTHWEST 1/4 FORWARD, A DISTANCE OF 160.40 FEET; THENCE SOUTHWESTWARDLY ALONG THE ARC OF A CIRCLE WHICH IS CONVEX TO THE SOUTHEAST AND HAS A RADIUS OF 439.28 FEET, A DISTANCE OF 177.54 FEET TO A POINT 103.71 FEET, MEASURED PERPENDICULARLY, WEST FROM THE EAST LINE OF SAID SOUTHWEST 1/4; THENCE SOUTHWESTWARDLY ALONG A STRAIGHT LINE, TANGENT TO THE LAST DESCRIBED COURSE, A DISTANCE OF 26.02 FEET TO A POINT 122.93 FEET, MEASURED PERPENDICULARLY, WEST

FROM THE EAST LINE OF SAID SOUTHWEST 1/4; THENCE SOUTHWESTWARDLY ALONG THE ARC OF A CIRCLE WHICH IS CONVEX TO THE SOUTHEAST, AND HAS A RADIUS OF 513.75 FEET AND IS TANGENT TO THE LAST DESCRIBED COURSE, A DISTANCE OF 61.73 FEET TO A POINT 170.91 FEET, MEASURED PERPENDICULARLY, WEST FROM THE EAST LINE OF SAID SOUTHWEST 1/4; THENCE SOUTHWESTWARDLY ALONG A STRAIGHT LINE, TANGENT TO THE LAST DESCRIBED COURSE, A DISTANCE OF 17.71 FEET TO A POINT ON THE EASTERLY LINE OF THE DAMEN AVENUE OVERPASS, WHICH POINT IS 185.32 FEET, MEASURED PERPENDICULARLY, WEST FROM THE EAST LINE OF SAID SOUTHWEST 1/4; THENCE NORTHWARDLY ALONG SAID EASTERLY LINE OF THE DAMEN AVENUE OVERPASS, BEING AN ARC OF A CIRCLE WHICH IS CONVEX TO THE WEST AND HAS A RADIUS OF 1966.50 FEET, A DISTANCE OF 271.32 FEET TO A POINT 226.30 FEET, MEASURED PERPENDICULARLY, WEST FROM THE EAST LINE OF SAID SOUTHWEST 1/4; THENCE NORTHEASTWARDLY ALONG THE ARC OF A CIRCLE WHICH IS CONVEX TO THE SOUTHEAST AND HAS A RADIUS OF 473.00 FEET, A DISTANCE OF 54.50 FEET TO A POINT 204.43 FEET, MEASURED PERPENDICULARLY, WEST FROM THE EAST LINE OF SAID SOUTHWEST 1/4; THENCE NORTHEASTWARDLY ALONG THE ARC OF A CIRCLE WHICH IS CONVEX TO THE SOUTHEAST, HAS A RADIUS OF 187.24 FEET AND IS TANGENT TO THE LAST DESCRIBED COURSE, A DISTANCE OF 54.44 FEET TO ITS INTERSECTION WITH THE AFORESAID LINE WHICH IS 783.00 FEET SOUTH FROM AND PARALLEL WITH THE NORTH LINE OF THE SOUTHWEST 1/4 OF SAID SECTION 6 AND THENCE EAST ALONG SAID PARALLEL LINE, A DISTANCE OF 193.10 FEET, TO THE POINT OF BEGINNING, IN COOK COUNTY, ILLINOIS.

PARCEL 11:

THAT PART OF THE WEST 233 FEET OF THE SOUTHEAST 1/4 OF SECTION 6, TOWNSHIP 38 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTH LINE OF SAID SOUTHEAST 1/4, 233 FEET EAST OF THE NORTHWEST CORNER THEREOF; THENCE SOUTH PARALLEL WITH THE WEST LINE OF SAID SOUTHEAST 1/4, 617 FEET; THENCE SOUTHWESTERLY ALONG A CURVE, CONVEX SOUTHEASTERLY, HAVING A RADIUS OF 521.67 FEET, A DISTANCE OF 435.24 FEET TO A POINT WHICH IS 8.50 FEET NORTHWESTERLY OF THE CENTER LINE OF TRACK, 999.21 FEET SOUTH OF THE NORTH LINE OF SAID SOUTHEAST 1/4 OF SECTION 6 AND 50 FEET EAST OF THE WEST LINE OF SAID SOUTHEAST 1/4 OF SECTION 6; THENCE NORTH ALONG A LINE 50 FEET EAST OF AND PARALLEL TO THE WEST OF THE SOUTHEAST 1/4 AFORESAID, 246.94 FEET TO A POINT 8.50 FEET SOUTHEASTERLY FROM CENTER LINE OF TRACK; THENCE NORTHEASTERLY ALONG A CURVED LINE, CONVEX EASTERLY HAVING A RADIUS OF 765 FEET, A DISTANCE OF 136.66 FEET TO A POINT 68.30 FEET EAST OF THE WEST LINE OF SAID SOUTHEAST 1/4, 8.50 FEET EAST OF THE CENTER LINE OF TRACK AND 617 FEET SOUTH OF THE NORTH LINE OF SAID SOUTHEAST 1/4; THENCE NORTH ALONG A LINE 8.50 FEET EAST OF AND PARALLEL WITH CENTER LINE OF TRACK, A DISTANCE OF 617 FEET TO THE NORTH LINE OF SAID SOUTHEAST 1/4 OF SECTION 6; THENCE EAST ALONG SAID NORTH LINE, 165.72 FEET TO THE POINT OF BEGINNING (EXCEPT THE NORTH 33 FEET THEREOF), IN COOK COUNTY, ILLINOIS.

TERMS AND BASIC RENT PAYMENTS

I. TERMS

(a) The Initial Term shall commence on Sept. 26, 1994 and shall end at midnight on Sept. 26, 2014.

(b) The Primary Term shall commence on the expiration of the Initial term and shall end at midnight on N/A,____.

II. BASIC RENT PAYMENTS:

(a) Fixed Rent payable for the Premises for the Initial Term of this Lease shall be $82,370 per month and shall be payable on October 1, 1994.

SCHEDULE B

Upon purchase of the Premises pursuant to Section 11(b), 13(b) or 14, the amount determined in accordance with Schedule C shall be the amount equal to the sum of $_____ (the Basic Amount), multiplied by the percentage set forth in Column 2 below opposite the period in which the date of purchase occurs.

COLUMN 1	COLUMN 2
Date of Purchase	Applicable Percentage

SCHEDULE C
(to Lease Agreement)

EXHIBIT 10.4

LEASE AGREEMENT

Dated as of December 23, 1996

between

DAVID E. BABIARZ, an individual

as Lessor,

and

D.J. Acquisition Corp., an Illinois corporation

as Lessee

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ARTICLE VIII

LEASE AGREEMENT

LEASE AGREEMENT, dated as of December 23, 1996 (this "Lease"), is made between DAVID E. BABIARZ, an individual (herein, together with his successors and assigns, called "Lessor"), and D.J. Acquisition Corp., an Illinois corporation (herein, together with its successors and permitted assigns, called "Lessee").

ARTICLE I

Section 1.1. Lease of Premises: Title and Condition. In consideration of the rents and covenants herein stipulated to be paid and performed by Lessee and upon the terms and conditions herein specified, Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the real property and fixtures located at 1665 E. Birchwood Avenue, Des Plaines, Illinois 60018 (the "Premises") more specifically consisting of:

(a) the land described in Schedule A attached hereto, together with all rights, easements and interests appurtenant thereto, including but not limited to any streets or other public ways adjacent to said land (collectively the "Land");

(b) all buildings, improvements structures, facilities, installations, amenities and fixtures now or hereafter located on the Land, and all plumbing, gas, electrical, ventilating, lighting and other utility systems, canopies, signs, air conditioning systems and all other building systems and fixtures attached to or comprising a part of the building (all collectively being referred to herein as the "Improvements"); and

(c) the personal property, if any, listed in Schedule B attached hereto (the "Personal Property").

The Premises are leased to Lessee in their present condition without

representation or warranty by Lessor except as provided in the Asset Purchase Agreement dated as of December 24, 1996 among Dae Julie, Inc., Lessor, and Favorite Brands International, Inc. (the "Purchase Agreement"), and subject to all applicable Legal Requirements (as defined in Subsection 5.2(b)) now or hereafter in effect and to the exceptions to title listed in Schedule C (the "Permitted Exceptions"). Lessee has examined the Premises and title to the Premises and has found all of the same satisfactory for Lessee's purposes. Lessee acknowledges and agrees that Lessor leases the Premises "AS IS" without warranty or representation either express or implied as to the fitness for any particular purpose or merchantability or design or quality of the Premises except as provided in the Purchase Agreement.

Section 1.2. Use. Lessee may use the Premises for office, warehouse and candy manufacturing purposes, provided that such use shall not constitute a public or private nuisance or waste to the Premises or any part thereof.

Section 1.3. Term. This Lease shall be for a term of ten (10) years, beginning on January 27, 1997 ("Commencement Date"), and ending at midnight on January 26, 2007 (the "Term").

Section 1.4. Intentionally omitted.

Section 1.5. Rent.

During the Term Lessee shall pay the amounts set forth in Schedule D to Lessor by check as basic rent for the Premises ("Basic Rent") at the location, or to the party designated by Lessor, or pursuant to such other instructions or to such other person or entity as Lessor from time to time may designate. Lessor shall give Lessee not less than fifteen (15) days' notice of any change in the instructions to which such payments are to be made. Such annual rentals shall be payable in equal monthly installments in advance on the first day of the Term, and on the first day of each calendar month any portion of which is within the Term. Any rental payment made in respect of a period which is less than one (1) month shall be prorated by multiplying the then-applicable monthly rental by a fraction the numerator of which is the number of days in such month with respect to which Basic Rent is being paid and the denominator of which is the total number of days in such month. Lessee shall perform all its obligations under this Lease at its sole cost and expense, and shall pay all Basic Rent, additional rent and any other sum due hereunder (collectively, "Rent") when due and payable, without notice or demand.

ARTICLE II

Section 2.1. Maintenance and Repair.

(a) Lessee acknowledges that it has received the Premises in good order and repair. Lessee, at its own expense, will maintain all parts of the Premises in good safe repair and condition, ordinary wear and tear excepted, and will take all action and will make all structural and nonstructural, foreseen and unforeseen and ordinary and extraordinary changes and repairs which may be required to keep all parts of the Premises in good safe repair and condition, ordinary wear and tear excepted, (including, but not limited to, all painting, glass, utilities, conduits, fixtures and equipment, foundation, roof, exterior walls, heating and air conditioning systems, wiring, plumbing, sprinkler systems and other utilities, and all paving, sidewalks, roads, parking areas, curbs and gutters, awnings and fences, but excluding the curing of any violation of Environmental Laws if such violation was not caused by Tenant, its agents, employees, contractors or invitees). Excepted as otherwise provided in this Lease or the Purchase Agreement, Lessor shall not be required to maintain, repair or rebuild all or part of the Premises under any circumstances. Excepted as otherwise provided in this Lease or the Purchase Agreement, Lessee waives the right to require Lessor to maintain, repair or rebuild all or any part of the Premises, or make repairs at the expense of Lessor pursuant to any Legal Requirement (defined below), agreement, covenant, condition or restrictions at any time.

(b) If all or any part of the Improvements as they exist on the date that possession of the Premises is delivered to Lessee shall encroach upon any property, street or right-of-way adjoining or adjacent to the Premises, or shall violate the agreements or conditions affecting the Premises or any part thereof, or shall hinder, obstruct or impair any easement or right-of-way to which the Premises is subject, then, promptly after written request of Lessee (unless such encroachment, violation, hindrance, obstruction or impairment is a Permitted Exception) or of any person or entity so affected, Lessor shall, at its expense, either (i) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting therefrom or (ii) if Lessee consents thereto (which approval shall not be unreasonably withheld), make such changes, including alterations to, or removal of, the Improvements and take such other actions as shall be necessary to remove or eliminate such encroachments, violations, hindrances, obstructions or impairments.

Section 2.2. Alterations, Replacements and Additions. Lessee may, at its expense, make additions to and alterations of the Improvements, and construct additional Improvements, provided that (a) the fair market value of the Premises shall not be lessened thereby, (b) such work shall be expeditiously completed, lien free, in a good, safe and workmanlike manner and in compliance with all applicable Legal Requirements and the requirements of all insurance policies required to be maintained by Lessee hereunder, (c) no Major Alterations (defined below) shall be made to the Improvements unless Lessee shall have first furnished Lessor with such surety bonds or other security acceptable to Lessor as shall be necessary in Lessor's opinion to assure rebuilding of such

Improvements, and (d) no Major Alterations (defined below) shall be made unless Lessor's prior written consent shall have been obtained, which consent shall not be unreasonably withheld or delayed. Lessee shall give Lessor no less than sixty (60) days prior written notice of any Major Alterations (defined below). Such notice shall include a description of the proposed work and estimated cost thereof. Lessee shall provide such further information with respect to such work as Lessor shall reasonably request. "Major Alterations" shall mean any addition, alteration or replacement, or any combination thereof, which (i) Lessee estimates in good faith will cost in excess of $50,000 and will alter any of the building mechanical systems, the load bearing structure of any of the Improvements or the roof or (ii) will alter the footprint of the Improvements. All additions and alterations of the Premises, without payment of any consideration by Lessor, shall be and remain part of the Premises and the property of Lessor and shall be subject to this Lease.

ARTICLE III

Section 3.1. Severable Property. Lessee may, at its expense, install, assemble or place on the Premises, and remove and substitute any items of machinery, equipment, furniture, furnishings and other personal property used or useful in Lessee's business which is not a fixture under the law of the State of Illinois (the "Severable Property"), and title to same shall remain in Lessee, but in connection therewith Lessee may not remove any material item of the building systems or fixtures except in compliance with Section 2.2 and unless replaced with items of equal or greater utility and value. Lessee's trade fixtures shall be deemed part of the Severable Property.

Section 3.2. Removal. Lessee shall remove the Severable Property at the expiration or prior termination of this Lease. Any of Lessee's Severable Property not removed by Lessee prior to the expiration of the Lease or thirty (30) days after an earlier termination shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without any obligation to account therefor to Lessee. Lessee will repair at its expense all damage to the Premises caused by the removal of Lessee's Severable Property, whether effected by Lessee or Lessor.

ARTICLE IV

Section 4.1. Lessee's Assignment: Subletting; Mortgaging. Lessee shall not assign this Lease or sublet all or any part of the Premises for all or any part of the Term without the consent of Landlord, which consent shall not be unreasonably withheld. Landlord shall have no obligation to consent to any assignment or sublease if a Default or Event of Default shall have occurred and

is continuing. Any guarantor of Lessee's obligations under this Lease (each, a "Guarantor") shall have confirmed in writing that its obligations, liabilities and duties under its guaranty of this Lease remain in full force and effect notwithstanding such assignment or sublease. Each such assignment or sublease shall expressly be made subject to the provisions of this Lease. No such assignment or sublease shall modify or limit any right or power of Lessor hereunder or affect or reduce any obligation of Lessee hereunder and all such obligations shall be those of Lessee and shall continue in full effect as obligations of a principal and not of a guarantor or surety, as though no subletting or assignment had been made such liability of the original Lessee named herein to continue notwithstanding any subsequent modifications or amendments of this Lease; provided, however, that (other than with respect to any modifications required by law or on account of bankruptcy or insolvency) if any modification or amendment is made without the consent of Lessee named herein (which consent shall not be unreasonably withheld or delayed), such modification or amendment shall be ineffective as against Lessee named herein to the extent, and only to the extent, that the same shall increase the rent or other charges payable by Lessee or materially increase the other obligations of Lessee, it being expressly agreed that (even if any such modification or amendment shall materially increase the likelihood of a default by Lessee under this Lease) the original Lessee named herein shall remain liable to the full extent of this Lease as if such modification had not been made. Except as provided in Section 4.2, this Lease shall not be mortgaged by Lessee, nor shall Lessee, without the prior written approval of Lessor, mortgage or pledge its interest in any sublease of the Premises or the rentals payable thereunder. Any such mortgage or pledge, any sublease made otherwise than as expressly permitted by this Section 4.1 shall, and (except as otherwise provided in Section 7.2) any assignment of Lessee's interest hereunder made otherwise than as expressly permitted by this Section 4.1 shall, at the option of Lessor, be null and void. Lessee shall, within twenty (20) days after the execution of any assignment or sublease, deliver a conformed copy thereof to Lessor and any Mortgagee (as defined in Subsection 6.3(b)). Lessee shall, at the written request of Lessor or any Mortgagee, deliver copies of any or all subleases and amendments to such requesting party. Lessee shall not, without the prior written

consent of Lessor (which Lessor may withhold in its absolute discretion), enter into any sublease for a term, or granting the sublessee an option to extend the term, beyond the then existing Term.

Section 4.2. Permitted Transfers. Notwithstanding any provision in this Lease to the contrary, Lessee may assign this Lease or sublet all or any portion of the Premises without Lessor's consent to any: (1) entity resulting from a consolidation, merger or reorganization by or with Lessee; (2) parent of, subsidiary of or entity under common control with of Lessee; (3) purchaser of all or substantially all of the assets constituting Lessee's business as a going

concern; or (4) purchaser of all or substantially all of the outstanding voting capital stock of Lessee; provided, in all events each Guarantor shall have confirmed in writing that its obligations, liabilities and duties under its guaranty of this Lease remain in full force and effect notwithstanding such assignment or sublease. Notwithstanding the foregoing, Lessee shall also have the right to mortgage, create a security interest in or collaterally assign this Lease to secure indebtedness and other obligations in favor of its lenders (or those of Guarantor) without Lessor's consent, provided that such mortgage, security interest or collateral assignment shall remain subordinate to the fee or other estate of Lessor in and to the Premises and provided in all events that each Guarantor shall have confirmed in writing that its obligations, liabilities and duties under its guaranty of this Lease remain in full force and effect notwithstanding such transactions or an actual assignment of Lessee's rights under this Lease to any such party or their designee (or assignee at a foreclosure) pursuant to such mortgage, security interest or collateral assignment. Lessor agrees to execute, acknowledge and deliver such waivers and consents with respect to the removal of the Severable Property as may be reasonably requested by Lessee's or Guarantor's lenders so long as such waivers or consents are in a form reasonably acceptable to Lessor and do not limit or decrease Lessor's rights under this Lease or increase its obligations or give such lender rights which Lessee does not have under this Lease (expect Lessor will allow such a lender a reasonable extension of the periods provided in this Lease for the curing of Lessee defaults if such lender notifies Lessor of its intention to try to effect a cure).

Section 4.3. Transfer or Pledge by Lessor. Lessor shall be free to
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transfer its fee interest in the Premises or any part thereof or interest therein, subject, however, to the terms of this Lease. Any such transfer shall relieve the transferor of all liability and obligation hereunder (to the extent of the interest transferred) accruing after the date of the transfer. Lessor shall be free to pledge or mortgage its interest in the Premises and this Lease after the commencement of the Term on the condition that either (a) this Lease shall be superior to such pledge or mortgage, or (b) if this Lease is to be subordinate to the mortgage of any lender of Lessor that Lessee receives a nondisturbance agreement reasonably acceptable to Lessee from the holder of such pledge or mortgage. Lessee agrees to attorn, at the request of any such lender, to such lender or other transferee upon a transfer title by reason of foreclosure or deed in lieu of foreclosure. No such transfer shall be effective as to Lessee until Lessee receives written notice thereof and a copy of the deed or other instrument evidencing such transfer. In connection with any proposed transfer, pledge or mortgage of Lessor's fee interest in the Premises or any portion of the equity interests of Lessor, Lessee shall, within ten (10) days after Lessor's written request therefor, provide Lessor

with confirmation in writing that Lessee shall recognize such transferee, pledgee or mortgagee as such in the event of the consummation of the transaction described in such notice.

Without limiting the generality of the foregoing, at the written direction of Lessor, Lessee shall, within ten (10) days thereafter, agree in writing for the benefit of a Mortgagee that (i) the Mortgagee is a collateral assignee of Lessor's interest under this Lease, (ii) that until otherwise notified in writing by such Mortgagee or said Mortgage has been released of record (and lessee has been provided with a copy of such release), all payments of Rent are to be made as set forth in said direction (and no subsequent direction by Lessor shall be honored by Lessee until said Mortgage has been released of record unless the Mortgagee consents to such subsequent direction in writing) and (iii) no modifications or amendments shall be made to this Lease and no waivers of Lessee's obligations under this Lease shall be given or effective until said Mortgage has been released of record (and Lessee has been provided with a copy of such release) unless the Mortgagee consents thereto in writing. Any Mortgagee which becomes an assignee of Lessor's interest in this Lease, whether by foreclosure of a Mortgage or pursuant to a deed in lieu thereof, or any successor to such assignee, shall not be obligated to perform any duty, covenant or condition required to be performed by Lessor under any of the terms hereof (except for obligations that arise on and after such time as the Mortgagee shall obtain title to the Premises following foreclosure or deed in lieu of foreclosure), but on the contrary, Lessee and Lessor, by their respective executions hereof each acknowledge and agree that notwithstanding any such assignment each and all of such duties, covenants or conditions required to be performed by Lessor shall survive any such assignment and shall be and remain the sole liability of Lessor. Subject to the prior sentence, any transferee of Lessor's interest which acquires such interest from a Mortgagee, and any purchaser of such interest at a foreclosure of a Mortgage (or transferee of a deed in lieu of such a foreclosure), shall not be obligated to any duty, covenant or condition required to be performed by Lessor under any of the terms hereof, which obligation arises prior to said transferee's or purchaser's acquisition of Lessor's interest under this Lease, and shall not otherwise be liable for the defaults of any prior Lessor hereunder.

Lessor shall cause the Mortgagee existing as of the date hereof to provide Lessee with a subordination, non-disturbance and attornment agreement in such Mortgagee's standard form; provided, however, if Lessee undertakes to negotiate changes to such form (none of which changes shall be the responsibility of Lessor to cause the Mortgagee to consent to, but Lessor will cooperate with Lessee in good faith in connection therewith), Lessee shall reimburse Lessor for any costs or expenses incurred by Lessor in connection therewith, including Mortgagee's legal fees and expenses charged to Lessor.

ARTICLE V

Section 5.1. Net lease.

This Lease is a net lease and, any present or future law to the contrary notwithstanding, shall not terminate except as otherwise expressly provided herein, nor shall

Lessee be entitled to any abatement or reduction, set-off, counterclaim, defense or deduction with respect to any Basic Rent, additional rent or other sums payable hereunder, except as expressly provided in this Lease. Lessor shall not be responsible for any action or for payment of any expense relating to the Premises or its use, unless such action or expense arose or accrued or otherwise related to the period prior to the Commencement Date of this Lease or unless otherwise provided in this Lease or in the Purchase Agreement. The parties intend that the obligations of Lessee hereunder shall be separate and independent covenants and agreements from the covenants and agreements of Lessor hereunder and shall continue unaffected unless such obligations shall have been modified or terminated pursuant to an express provision of this Lease.

Section 5.2. Taxes and Assessments; Compliance With Law.

(a) Lessee shall pay, prior to delinquency: (i) all taxes, assessments, levies, fees, water and sewer rents and charges, and all other governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, which are, during the Term hereof, imposed or levied upon or assessed against or which arise with respect to (A) the Premises, (B) any Basic Rent, additional rent or other sums payable hereunder, (C) the operation, possession or use of the Premises, (ii) all charges of utilities, communications and similar services serving the Premises; and (iii) all In-Lieu Taxes (as defined below). It is understood and agreed that books and records with respect to the items described in this Section 5.2(a)(i) through (iii) shall be kept, and Lessee's obligations with respect to the same shall arise, on an accrual basis. Lessee shall not be required to pay any of the items described in Section 5.2(a)(i) through (iii) above which arose or accrued during or otherwise relate to any time prior to the Commencement Date of this Lease. Lessee shall not be required to pay any franchise, estate, inheritance, transfer, net income, capital gains or similar tax of Lessor unless such tax is imposed, levied or assessed in substitution for any other tax, assessment, charge or levy which Lessee is required to pay pursuant to this Subsection 5.2(a) ("In-Lieu Taxes"). Lessee will furnish to Lessor, promptly after demand therefor, proof of payment of all items referred to above which are payable by Lessee. If any special assessment may legally be paid in installments, Lessee may pay such assessment in installments; in such event, Lessee shall be liable only for installments (including interest) which become due and payable with respect to any tax period occurring in whole or in part during the Term; provided, however, that all amounts referred to in this Subsection 5.2(a) for the fiscal or tax year in which the Term shall expire shall be apportioned so that Lessee shall pay those portions thereof which correspond with the portion of such year as are within the Term hereby demised. Lessee's obligations under this Section 5.2 shall survive the expiration or earlier termination of this Lease. Notwithstanding anything contained herein to the contrary, Lessor shall have the right, prior to the end of the Term, to send Lessee an estimated bill for all taxes and other charges which Lessee is obligated to pay pursuant to this Section 5.2(a) with

respect to the Term, the final amount of which shall not be determined until after the end of the Term. Lessee shall pay such estimated bill within thirty (30) days after receipt of such bill from Lessor. When the actual amount of such taxes and other charges is actually determined after the end of the Term, Lessor shall send Lessee a statement showing the actual amount due and either: (1) billing Lessee for any additional amount owing from Lessee, which

additional amount shall be paid by Lessee to Lessor within thirty (30) days after Lessee's receipt of Lessor's statement, or (2) enclosing any overpayment by Lessee.

(b) Lessee shall comply with and cause the Premises to comply with and shall assume all obligations and liabilities with respect to (i) all laws, ordinances and regulations, and other governmental rules, orders and determinations presently in effect or hereafter enacted, made or issued, whether or not presently contemplated (collectively, "Legal Requirements") applicable to the Premises or the ownership, operation, use or possession thereof and (ii) all contracts, insurance policies (including, without limitation, to the extent necessary to prevent cancellation thereof and to insure full payment of any claims made under such policies), agreements, covenants, conditions and restrictions now or hereafter applicable to the Premises or the ownership, operation, use or possession thereof including, but not limited to, all such Legal Requirements, contracts, agreements, covenants, conditions and restrictions which require structural, unforeseen or extraordinary changes; provided, however, that with respect to any of the obligations of Lessee in clause (ii) above which are not now in existence, Lessee shall not be required to so comply unless Lessee is either a party thereto or has given its written consent thereto, or unless the same is occasioned by Legal Requirements or Lessee's default (including any failure or omission by Lessee) under this Lease. Notwithstanding the foregoing provisions of this Subsection 5.2(b) to the contrary, if Lessee, in order to comply with General Legal Requirements (as defined below) applicable to the Premises, is required to construct a capital improvement to the Premises which costs in excess of $25,000, and the useful life of such capital improvement extends beyond the end of the Term, then Lessor shall reimburse Lessee for a portion of such excess costs above $25,000 incurred by Lessee, which portion shall equal the product of (i) the amount of such excess costs, multiplied by (ii) a fraction, the numerator of which is the remainder obtained by subtracting the remainder of the Term (expressed in months) at the time the capital improvement is completed, from the expected useful life of the capital improvement (expressed in months), and the denominator of which is the expected useful life of the capital improvement (expressed in months). Lessor shall make such reimbursement to Lessee upon the later of (i) ninety (90) days after Lessee notifies Lessor of the need for such capital improvement and Lessee's plans therefor, together with Lessee's then cost estimate with respect thereto, and (ii) thirty (30) days after Lessor has received copies of all paid bills, lien waivers and as-built plans (or if none are prepared for Lessee, marked record sets) with respect to such capital improvement. "General Legal Requirements" shall mean Legal Requirements which

are applicable to all buildings in the relevant jurisdiction which are similar to the Premises, and which Legal Requirements do not pertain or arise because of Lessee's particular use of the Premises (whether for candy manufacturing or as otherwise permitted under this Lease).

(c) So long as an Event of Default is continuing uncured, if Lessor or a Mortgagee so requires, then, upon written request of Lessor, Lessee shall (i) within ten (10) days following such written request, pay to Lessor an amount equal to (A) the product of one-twelfth(1/12th) of the amount (as reasonably estimated by Lessor based on the taxes paid for and during the previous year) of the annual taxes and assessments described in Subsection 5.2(a) hereof

assessed for the then-current calendar year times the number of calendar months or portions thereof which have elapsed since the due date of the most recent bill or bills for such taxes, plus (B) the product of one-twelfth (1/12th) of the annual premiums for insurance required under Section 6.3 hereof times the number of calendar months or portions thereof which have elapsed since the due date of the most recent annual insurance bill, and (ii) in addition to and concurrently with the payment of Basic Rent as required in Subsection 1.5(a) hereof, thereafter pay one-twelfth (1/12th) of the amount (as reasonably estimated by Lessor based on the taxes paid for and during the previous year) of the annual taxes and assessments described in Subsection 5.2(a) hereof assessed for the then current calendar year and the annual premiums for insurance required in Section 6.3 hereof next becoming due and payable with respect to the Premises. Lessee shall also pay to Lessor on demand therefor the amount by which the actual taxes and assessments and insurance premiums exceed the payment by Lessee required in this Subsection. If the amount held by Lessor with respect to any tax or insurance payment exceeds the amount due, Lessor shall appropriately adjust future deposits under this Subsection 5.2(c). Lessor shall not be considered a fiduciary with respect to any amounts paid to or received by it pursuant to the terms of this Subsection and shall not be liable for the payment of interest on all or part of such funds. Amounts paid to Lessor under this Subsection may be commingled with Lessor's other funds and need not be segregated.

Section 5.3 Liens. Lessee will promptly (and in all events before the
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same will constitute a default by Lessor under a Mortgage) remove and discharge any charge, lien, security interest or encumbrance upon the Premises or upon any Basic Rent, additional rent or other sums payable hereunder which arises for any reason, including, without limitation, all liens which arise out of the possession, use, occupancy, construction, repair or rebuilding of the Premises or by reason of labor or materials furnished or claimed to have been furnished to Lessee or for the Premises, but not including (i) the Permitted Exceptions, (ii) this Lease and any assignment hereof or any sublease permitted hereunder, and (iii) any mortgage, charge, lien, security interest or encumbrance created or caused by Lessor or its agents, employees or representatives without the consent of Lessee or caused or created by Lessee as permitted pursuant to

Section 4.2. Nothing contained in this Lease shall be construed as constituting the consent or request of Lessor, express or implied, to or for the performance by any contractor, laborer, materialman or vendor, of any labor or services or for the furnishing of any materials for any construction, alteration, addition, repair or demolition of or to the Premises or any part thereof. Notice is hereby given that Lessor will not be liable for any labor, services or materials furnished or to be furnished to Lessee, or to anyone holding an interest in the Premises or any part thereof through or under Lessee, and that no mechanic's, materialman's or other liens for any such labor, services or materials shall attach to or affect the interest of Lessor in and to the Premises.

Section 5.4 Indemnification. Lessee shall defend (with counsel reasonably acceptable to Lessor) all actions against Lessor, and any Mortgagee and their respective owners, agents and employees (collectively, "Indemnified Parties"), with respect to, and shall pay, protect, indemnify and save harmless Parties from and against, any and all liabilities,

losses, damages, costs, expenses (including, without limitation, reasonable attorney's fees and expenses), causes of action, suits, claims, demands or judgments of any nature (individually and collectively, "Claims") arising from or out of (i) this Lease and each of the other documents and instruments described herein or relating hereto to which Lessee is a party, (ii) the sublease, possession, use, operation, condition, maintenance, repair or reconstruction of the Premises, (iii) injury to or death of any person, or damage to or loss of property, on or about the Premises or any adjoining sidewalks, streets or ways, or connected with the use, condition or occupancy of any thereof, (iv) any violation of this Lease by Lessee or by anyone by, through or under Lessee, (v) any use, act or omission of Lessee or its agents, employees, contractors, assignees, licensees, sublessees or invites, and (vi) any contest referred to in Section 5.5 of this Lease. The indemnities and obligations of Lessee to defend contained in this Section 5.4 and elsewhere in this Lease (including without limitation, Section 5.5 and 5.6) shall survive the expiration or early termination of this Lease. Notwithstanding the foregoing, this Section 5.4 shall not apply to any Claims which arose or accrued during or otherwise relate to any time prior to the Commencement Date of this Lease or which result from the affirmative negligent acts of any Indemnified Parties or

their respective employees, contractors or agents.

An Indemnified Party shall give Lessee notice of the existence of any Claim with respect to which Lessee is responsible to indemnify and defend the Indemnified Party under this Lease (whether or not pursuant to this Section 5.4), promptly after such Claim is made upon the Indemnified Party; provided (i) notice of any Claim by any Indemnified Party shall serve as notice to Lessee with respect to such Claim from all Indemnified Parties, and (ii) failure to provide such notice shall not diminish in any way Lessee's obligations to indemnify or defend the Indemnified Parties, except as to the obligations to Indemnify the Indemnified Parties cited in such Claim, and then only to the extent Lessee is actually prejudiced thereby. In any event, all settlements of Claims must be subject to the reasonable approval of each affected Indemnified Party.

Section 5.5. Permitted Contests. Lessee, at its expense, may contest,
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by appropriate legal proceedings conducted in good faith and with due diligence, any Legal Requirement with which Lessee is required to comply pursuant to Subsection 5.2(b), or the amount or validity or application, in whole or in part, of any tax, assessment or charge which Lessee is obligated to pay or any lien, encumbrance or charge not permitted by Sections 2.1, 2.2, 5.3, and 6.2, provided that (a) the commencement of such proceedings shall suspend the enforcement or collection thereof against or from Lessor and against or from the Premises, (b) neither the Premises nor any rent therefrom nor any part thereof or interest therein would be in any danger of being sold, forfeited, attached or lost, (c) Lessee shall have furnished such security, if any, as may be required in the proceedings and as may be reasonably required by Lessor, and (d) if such contest be finally resolved against Lessee, Lessee shall promptly pay the amount required to be paid, together with all interest and penalties accrued thereon. Lessor, at Lessess's expense, shall execute and deliver to Lessee such authorizations and other documents as reasonably may be required in any such contest (and Lessee shall pay Lessor's reasonable legal fees and expenses incurred in reviewing any such authorizations and documents). Lessee shall indemnify and save

Lessor harmless against any cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom. Lessee shall not be in default hereunder in respect to the compliance with any Legal Requirement with which Lessee is obligated to comply pursuant to Subsection 5.2(b) or in respect of the payment of any tax, assessment or charge which Lessee is obligated to pay or any lien, encumbrance or charge not permitted by Section 2.1, 2.2, 5.3 and 6.2 which Lessee is in good faith contesting pursuant to the terms of this Section 5.5.

Section 5.6. Environmental Compliance.

(a) For purposes of this Lease,

(i) the term "Environmental Laws" shall mean any current or future statute, law, regulation, ordinance, order, consent decree, judgement, permit, license or other requirement or publication of any international, foreign, federal, state, regional, county, local or other governmental body which is applicable to or may affect the Premises and pertains to protection of the environment, health or safety of persons, natural resource use, conservation, wildlife, waste management, hazardous materials or pollution (including regulation of releases to air, Land, water and groundwater), and includes, without limitation, the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments of 1984, the Comprehensive Environmental Response, Compensation and Liability Act the Hazardous Materials Transportation Act, the Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Water Pollution Control Act, the Clean Air Act and any similar or implementing state law, and all current or future amendments, rules and regulations promulgated thereunder; and

(ii) the term "Regulated Substance" shall mean and include any, each and all substances or materials now or hereafter regulated pursuant to any Environmental Laws, including but not limited to any such substance or material now or hereafter defined as or deemed to be a "regulated substance," "pesticide," "hazardous substance" or hazardous waste," or included in any similar or like classification or categorization, thereunder.

(b) Lessee shall:

(i) not cause or permit any Regulated Substance to be placed, held, located, released, transported or disposed of on, under, at or from the Premises; provided, however, that the foregoing provisions shall not prohibit the transportation to and from, and use, storage, maintenance and handling within, the Premises of Regulated Substances customarily used in the business or activity expressly permitted to be undertaken in the Premises under Section 1.2, provided:

(a) such Regulated Substances shall be used and maintained only in such quantities as are reasonably necessary for such permitted use of the Premises, strictly in accordance with applicable Environmental Laws and the manufacturers' instructions therefor, (b) such substances shall not be

disposed of, released or discharged on the Premises, and shall be transported to and from the Premises in compliance with all applicable Environmental Laws, (c) if any applicable Environmental Law or Lessee's trash removal contractor requires that any such Regulated Substances be disposed of separately from ordinary trash, Lessee shall make arrangements at Lessee's expense for such disposal directly with a qualified and licensed disposal company at a lawful disposal site and shall ensure that disposal occurs frequently enough to prevent unnecessary storage of such Regulated Substances in or on the Premises, and (d) any such remaining Regulated Substances shall be completely, properly and lawfully removed from the Premises upon expiration or earlier termination of this Lease.

(ii) contain or remove from the Premises, or perform any other necessary or desirable remedial action regarding, any Regulated Substance in any way affecting the Premises if, as and when such containment, removal or other remedial action is required under any Legal Requirement and, shall perform any containment, removal or remediation of any kind involving any Regulated Substance in any way affecting the Premises in compliance with all Legal Requirements, (all of the foregoing to be at Lessee's sole cost and expense) and, if requested by Lessor in writing upon reasonable cause for the need therefor, shall arrange for or permit environmental inspections and tests to be conducted at the Premises (at Lessee's expense, unless the request therefor is not the result of Lessee's specific activities and is only being requested in connection with the potential sale or refinancing of the Premises by Lessor, in which case the same shall be at Lessor's expense) by qualified companies specializing in environmental matters and reasonably satisfactory to Lessor and Lessee in order to ascertain compliance with all Legal Requirements and the requirements of this Lease; provided that Lessee's containment or removal obligations under this Subsection 5.6(b)(ii) shall only apply to Regulated Substances brought unto or permitted on the Premises by Lessee or its employees, agents, contractors or invitees. Lessor shall contain or remove from the Premises, or perform any other necessary remedial action regarding any Regulated Substances existing on the Premises prior to the Commencement Date if, as and when such containment, removal or other remedial action is required under any Legal Requirements.

(iii) provide Lessor with written notice (and a copy as may be applicable) of any of the following within five (5) days thereof: (A) Lessee's obtaining knowledge or notice of any kind of the presence, or any actual or threatened release, of any Regulated Substance in any way affecting the Premises in

violation of Environmental Laws or; (B) Lessee's receipt or submission, or Lessee's obtaining knowledge or notice of any kind, of any report,

citation, notice or other communication from or to any federal, state or local governmental or quasi-governmental authority regarding any violation of Environmental Laws in any way affecting the Premises;

(iv) in addition to the requirements of Section 5.4 hereof, defend all actions against the Indemnified Parties and pay, protect, indemnify and save harmless the Indemnified Parties from and against any and all liabilities, losses, damages, costs, expenses, (including, without limitation, reasonable attorneys' fees and expenses), causes of action, suits, claims, demands or judgments of any nature relating to Lessee's violation of any Environmental Laws or Lessee's breach of this Lease as it pertains to Environmental Laws or Regulated Substances. The indemnity contained in this Section 5.6 shall survive the expiration or earlier termination of this Lease and shall relate to events occurring during the Term; and

(v) comply, and cause the Premises and Lessee's use thereof and Lessee's property thereon to comply, in all materials respects and at all times during the Term with all Environmental Laws including without limitation any provision of Environmental Laws which may require that notification be made to, or reports filed with, any governmental agency (it being understood that any failure to promptly comply in all material respects with any order or directive of any governmental agency having jurisdiction over the Premises shall constitute a material noncompliance unless Lessee is contesting in good faith the validity or applicability of such order or directive pursuant to Section 5.5) and Lessee shall diligently pursue a cure of all immaterial noncompliance with Environmental Laws of which Lessee has actual knowledge or of which Lessee has received notice.

(c) Notwithstanding anything contained herein to the contrary, Lessee shall not have any obligation or be required to incur any liability with respect to any acts or omissions relating to Environmental Laws and Regulated Substances by parties other than Lessee, Lessee's contractors, agents, customers and invitees, and their respective employees, agents and contractors.

Section 5.7. Maintain Licenses. Lessee shall maintain or cause to be maintained all licenses, permits, charters and registrations material to the operation of the Premises.

ARTICLE VI

Section 6.1. Intentionally Omitted.

Section 6.2. Condemnation and Casualty.

(a) General Provisions. Lessee hereby irrevocably assigns to Lessor any award, compensation or insurance payment to which Lessee may become entitled by reason of Lessee's interest in the Premises (i) if the use, occupancy or title of the Premises or any part thereof, is taken, requisitioned or sold in, by or on account of any actual or threatened eminent domain ("Condemnation") or (ii) if the Premises or any part thereof are damaged or destroyed by fire, flood or other casualty ("Casualty"). All awards, compensations and insurance payments on account of any Condemnation or Casualty are herein collectively called "Compensation." Lessor may appear in any such proceeding or action to negotiate, prosecute and adjust any claim for any Compensation, and Lessor shall collect any such Compensation. Notwithstanding anything to the contrary contained in this Section 6.2, if permissible under applicable law, any separate compensation available to Lessee for its moving and relocation expenses, anticipated loss of business profits, loss of goodwill or equipment and other Severable Property paid for by Lessee and which are not part of the Premises, shall be paid directly to and shall be retained by Lessee if and to the extent such separate compensation shall not reduce the Compensation otherwise payable to Lessor pursuant hereto; and such separate compensation available to Lessee shall not be included within the meaning of "Compensation" as used herein. All Compensation shall be applied pursuant to this Section 6.2, and all such Compensation (less the reasonable expense of collecting such Compensation) is herein called the "Net Proceeds."

(b) Substantial Condemnation or Casualty. If a Condemnation or Casualty shall, in Lessee's good faith judgment, affect all or a substantial portion of the Premises and shall render the Premises unsuitable for restoration for continued use and occupancy in Lessee's business, and in the case of a Casualty, the Premises cannot be restored within two hundred seventy (270) days after the date of the casualty, then Lessee may, not later than thirty (30) days after the date of such Casualty or Condemnation, deliver to Lessor (i) notice (a "Termination Notice") of its intention to terminate this Lease which termination shall be effective as of the date of the Casualty or on the date on which possession must be surrendered pursuant to a Condemnation (the "Termination Date"), (ii) a certificate of an authorized officer of Lessee describing the event giving rise to such termination and stating that Lessee has determined that such Condemnation or Casualty has rendered the Premises unsuitable for restoration for continued use and occupancy in Lessee's business, and (iii) in the case of a Casualty, the certificate of an architect licensed in the state of Illinois stating that the architect has determined, in its good faith judgment, that the Premises cannot be restored for continued use and occupancy in Lessee's business within two hundred seventy (270) days after the date of the Casualty, whereupon this Lease shall terminate on the Termination Date, except with respect to obligations and liabilities of Lessee hereunder, actual or contingent, which have arisen on or prior to the Termination Date, upon payment by Lessee of all Rent and other sums due and payable hereunder to and including the Termination Date.

(c) Less Than Substantial Condemnation or Casualty/Substantial Condemnation or Casualty Not Causing Termination. If, as a result of a Condemnation or Casualty, Lessee does not give or does not have the right to give notice of its intention to terminate this Lease as provided in Subsection 6.2(b), then this Lease shall continue in full force and effect and Lessor shall, at its expense, rebuild, replace or repair the Premises so as to restore the Premises (in the case of Condemnation, as nearly as practicable) to the condition and character thereof immediately prior to such Casualty or Condemnation. Lessor shall promptly and diligently pursue such restoration and shall in any event commence restoration within sixty (60) days after the date of the Casualty or Condemnation and complete the restoration within two hundred seventy (270) days of the date of the Casualty or Condemnation; provided, however, that Lessor shall not be obligated to expend any sums in excess of the Net Proceeds in connection with the repair or restoration of the Premises. If Lessor determines in good faith that it will receive insufficient Net Proceeds to pay for the required restoration work Lessor is to perform, and Lessor is not willing to fund such deficit from other sources, then Lessor shall promptly send Lessee a notice of such determination, and unless the parties thereafter agree to the contrary within thirty (30) days of Lessee's receipt of such notice, either Lessor or Lessee may terminate this Lease by giving notice thereof to the other party. If Lessor's restoration of the Premises is not substantially completed within said 270-day period, then Lessee may terminate this Lease by giving Lessor written notice thereof prior to the substantial completion of such restoration work. In no event shall Lessor be responsible for the repair, replacement or restoration of any Severable Property, all of which shall be Lessee's responsibility. Lessor shall be entitled to all Net Proceeds. In the event of any temporary Condemnation, this Lease shall remain in full effect and Lessee shall be entitled to receive the Net Proceeds allocable to such temporary Condemnation, except that any portion of the Net Proceeds allocable to the period after the expiration or termination of the Term shall be paid to Lessor.

(d) Unless the Casualty was caused by the acts of Lessee or its employees, contractors, invitees or agents, Basic Rent and additional rent pertaining to taxes shall abate until Lessor's restoration work has been substantially completed. In the event of a Condemnation not resulting in a termination of the Lease, Basic Rent shall be adjusted equitably based on the portion of the Premises so taken.

Section 6.3. Insurance.

(a) Lessee will maintain insurance on the Premises of the following character:

(i) Insurance against all risks of direct physical loss, including loss by fire, lightning and other risks which at the time are included under "extended coverage" endorsements, in amounts sufficient to prevent Lessor and lessee from becoming a coinsurer of any loss but in any

event in amounts not less than 100% of the actual replacement value of the Improvements, exclusive of foundations and excavations;

(ii) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Premises and adjoining streets and sidewalks, in the minimum amounts of $5,000,000 for bodily injury or death to any one person, $7,000,000 for any one accident and $500,000 or property damage to others, or in such greater amounts as are then customary for property similar in use to the Premises;

(iii) Workers' compensation insurance (including employers' liability insurance, if requested by Lessor) to the extent required by the law of the State of Illinois;

(iv) Explosion insurance in respect of any boilers and similar apparatus located on the Premises in the minimum amount of $1,000,000 or in such greater amounts as are then customary;

(v) During any period of construction on the Premises by Tenant, builder's risk insurance on a completed value, non-reporting basis for the total cost of such alterations or improvements, and workers' compensation insurance as required by applicable law; and

(vi) Such other insurance in such amounts and against such risks, as in the opinion of Lessor is commonly obtained in the case of property similar in use to the Premises and located in the State of Illinois, including, but not limited to, flood insurance (if the Premises is in a flood plain) and earthquake insurance.

Such insurance shall be written by companies of nationally recognized financial standing legally qualified to issue such insurance accorded a rating by A.M. Best Company, Inc. of A:X or higher (or in the case of foreign carriers, an equivalent rating by an equivalent rating agency) at the time of issuance of any such policy, and in the case of property damage policies, shall name Lessee and Lessor as insured parties and include each Mortgagee as additional insureds as their interests may appear, and in the case of public liability policies, shall name Lessor and each Mortgagee as additional named insureds. If the Premises or any part thereof shall be damaged or destroyed by Casualty, and if the estimated cost of rebuilding, replacing or repairing the same shall exceed $25,000, Lessee promptly shall notify Lessor thereof. All policies carried by Lessee may contain Lessee's standard deductibles (provided, without limiting Lessee's obligations under this Lease, Lessee shall be responsible for payment of expenses, claims and losses which would have been paid by such policies, but for the deductibles, up to the amount of such deductibles) and may be in one or more blanket, umbrella or excess liability policies covering other locations and activities of Lessee, provided that the Premises are specified therein.

(b) Every such casualty policy shall bear a mortgagee endorsement in

favor of the mortgagee or beneficiary (whether one or more, the "Mortgagee") under each mortgage, deed

of trust or similar security instrument creating a lien on the interest of Lessor in the Premises (whether one or more, the "Mortgage"), and any loss under any such policy shall be payable to the Mortgagee which has a first lien on such interest (if there is more than one first Mortgagee, then to the trustee for such Mortgagees) to be held and applied pursuant to Section 6.2. Every policy referred to in Subsection 6.3(a) shall provide that it will not be cancelled or amended except after thirty (30) days' written notice to Lessor and each Mortgagee and that it shall not be invalidated by any act or negligence of

Lessor, Lessee or any person or entity having an interest in the Premises, nor by occupancy or use of the Premises for purposes more hazardous than permitted by such policy, nor by any foreclosure or other proceedings relating to the Premises, nor by change in title to or ownership of the Premises, nor by any breach or violation by Lessee of any warranties, declarations or conditions contained in such policies. Every such policy shall also provide for the waiver by the insurer or insurers thereunder of any right of subrogation against Lessee, Lessor and any Mortgagee, and to any set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of Lessee, Lessor or any Mortgagee.

(c) Lessee shall deliver to Lessor and any Mortgagee originals of the applicable insurance policies or original or duplicate certificates of insurance, reasonably satisfactory to Lessor and any Mortgagee, evidencing the existence of all insurance which is required to be maintained by Lessee hereunder and payment of all premiums therefor, such delivery to be made (i) upon the execution and delivery hereof and (ii) at least thirty (30) days prior to the expiration of any such insurance. Lessee shall not obtain or carry separate insurance concurrent in form or contributing in the event of loss with that required by this Section 6.3 unless Lessor is named insured therein, and unless there is a mortgagee endorsement in favor of Mortgagee with loss payable as provided herein. Lessee shall immediately notify Lessor whenever any such separate insurance is obtained and shall deliver to Lessor and Mortgagee the policies or certificates evidencing the same.

(d) The requirements of this Section 6.3 shall not be construed to negate or modify Lessee's obligations under Section 5.4, 6.2 or Subsection 5.6(b)(iv), except to the extent of Lessor's recovery under any insurance policies required to be maintained hereunder which insurance proceeds are directly attributable to such obligations.

Section 6.4. Waiver of Subrogation.

Lessor and Lessee desire that to the extent any event is covered by insurance maintained by either party, any loss, cost, damage or expense related thereto, including, without limitation, expense of defense, be borne by the insurer or insurers without regard to the fault of the parties. Accordingly, and notwithstanding any other provision of this Lease to the contrary, Lessor and Lessee each hereby waive all rights of action against the other for loss or damage to the Premises or to property of Lessor and Lessee located on the Premises, which loss or damage is covered or required to be covered by insurance pursuant to this Lease, provided, however, that this waiver shall be effective only when the waiver shall not operate to diminish or invalidate the coverage provided under such insurance policies.

ARTICLE VII

Section 7.1 Conditional Limitations; Default Provisions.

(a) Any of the following occurrences or acts shall constitute an Event of Default under this Lease:

(i) If Lessee shall fail to pay any Basic Rent, additional rent or other sum, as and when required to be paid by Lessee hereunder and such failure shall continue for five (5) days following notice from Lessor of such failure;

(ii) If Lessee shall make or permit any assignment or transfer of this Lease in breach of this Lease or sublet the Premises or any portion thereof in breach of this Lease;

(iii) If Lessee shall fail to observe or perform any other provision hereof not specified in clauses (i) or (ii) and such failure shall continue for thirty (30) days after written notice to Lessee of such failure (provided, that in the case of any such failure which cannot be cured by the payment of money and cannot with diligence be cured within thirty (30) day period, if Lessee shall commence promptly to cure the same and thereafter prosecute the curing thereof with diligence, the time within which such failure may be cured shall be extended for such period not to exceed ninety (90) additional days as is necessary to complete the curing thereof with diligence);

(iv) If any representation or warranty of Lessee set forth herein or in any document, notice, certificate, demand or request executed by Lessee and delivered to Lessor, or if any representation or warranty of any Guarantor set forth in a guaranty or in any document, notice, certificate, demand or request delivered to Lessor, shall prove to be incorrect in any material adverse respect as of the time when the same shall have been made in a way adverse to Lessor;

(v) If Lessee or any Guarantor shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to any federal or state law, or shall be adjudicated a bankrupt or become insolvent or shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due, or if a petition proposing the adjudication of Lessee or any Guarantor as a bankrupt or its reorganization pursuant to any federal or state bankruptcy law or any similar federal or state law shall be filed in any court and Lessee or such Guarantor, as applicable, shall consent to or acquiesce in the filing thereof or such petition shall not be discharged or denied within ninety (90) days after the filing thereof;

(vi) If a receiver, trustee or liquidator of Lessee or any Guarantor, or of all or substantially all of the assets of Lessee or any

Guarantor, or of the Premises or Lessee's estate therein shall be appointed in any proceeding

brought by Lessee or any Guarantor, or if any such receiver, trustee or liquidator shall be appointed in any proceeding brought against Lessee or any Guarantor and shall not be discharged within ninety (90) days after such appointment, or if Lessee or any Guarantor shall consent to or acquiesce in such appointment;

(vii) If the Premises shall be abondoned and Lessee fails to pay the Rent or otherwise maintain and protect the Premises required by this Lease;

(viii) If any guaranty of this lease (a "Guaranty") shall cease to be in full force and effect for any reason whatsoever other than a termination of such Guaranty as expressly provided for in such Guaranty, but otherwise including, without limitation, a final determination by a governmental body or court that the Guaranty is invalid, void or unenforceable or the Guarantor thereunder shall contest or deny in writing the validity or enforceability of any of its obligations under its Guaranty; or

(ix) If a default occurs under any Guaranty which default continues beyond applicable grace periods, if any, for the cure of such default.

(b) If an Event of Default shall have occurred and be continuing, Lessor shall have the right to proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Lessee of the applicable covenants and terms of this Lease or to recover damages for the breach thereof or both.

(c) If an Event of Default shall have occurred and be continuing, Lessor shall have the right to give Lessee notice of Lessor's termination of the Term. Upon the giving of such notice, the Term and the estate hereby granted shall expire and terminate on such date as fully and completely and with the same effect as if such date were the date herein fixed for the expiration of the Term, and all rights of Lessee hereunder shall expire and terminate, but Lessee shall remain liable as hereinafter provided.

(d) If an Event of Default shall have occurred and be continuing, Lessor shall have the immediate right, whether or not the Term shall have been terminated pursuant to Subsection 7.1(c), to re-enter and repossess the Premises

and the right to remove all persons and property therefrom by summary proceedings, ejectment, any other legal action or in any lawful manner Lessor determines to be necessary or desirable. Lessor shall incur no liability by reason of any such re-entry, repossession or removal. No such re-entry, repossession or removal shall be construed as an election by Lessor to terminate the Term unless a notice of such termination is given to Lessee pursuant to Subsection 7.1(c).

(e) At any time or from time to time after a re-entry, repossession or removal pursuant to Subsection 7.1(d), whether or not the Term shall have been terminated pursuant to Subsection 7.1(c), Lessor may relet the Premises for the account of Lessee, in the name of Lessee or Lessor or otherwise, without notice to Lessee, for such term or terms and on such conditions and for such uses as Lessor, in its reasonable discretion, may determine. Lessor may collect any rents payable by reason of such reletting. Lessor shall not be liable for any failure to relet the

Premises or for any failure to collect any rent due upon any such reletting. Lessor shall use reasonable efforts to relet the Premises in an effort to mitigate its damages.

(f) No expiration or termination of the Term pursuant to Subsection 7.1(c), by operation of law or otherwise, and no re-entry, repossession or removal pursuant to Subsection 7.1(d) or otherwise, and no reletting of the Premises pursuant to Subsection 7.2(e) or otherwise, shall relieve Lessee of its liabilities and obligations hereunder, all of which shall survive such expiration, termination, re-entry, repossession, removal or reletting.

(g) In the event of any expiration or termination of the Term or re-entry or repossession of the Premises or removal of persons or property therefrom by reason of the occurrence of an Event of Default, Lessee shall pay to Lessor all Basic Rent, additional rent and other sums required under this Lease to be paid by Lessee, in each case to and including the date of such expiration, termination, re-entry, repossession or removal; and, thereafter, Lessee shall, until the end of what would have been the Term in the absence of such expiration, termination, re-entry, repossession or removal and whether or not the Premises shall have been relet, be liable to Lessor for, and shall pay to Lessor, as liquidated and agreed current damages: (i) all Basic Rent, all additional rent and other sums which would be payable under this Lease by Lessee in the absence of any such expiration, termination, re-entry, repossession or removal, together with all expenses of Lessor in connection with such reletting (including, without limitation, all repossession costs, brokerage commissions, reasonable attorneys' fees and expenses (including, without limitation, fees and expenses of appellate proceedings), employee's expenses, alteration costs and expenses of preparation for such reletting) less (ii) the net proceeds, if any, of any reletting effected for the account of Lessee pursuant to Subsection 7.1(e). Lessee shall pay such liquidated and agreed current damages on the dates on which Rent would be payable under this Lease in the absence of such

expiration, termination, re-entry, repossession or removal, and Lessor shall be entitled to recover the same from Lessee on each such date.

(h) At any time after any such expiration or termination of the Term or re-entry or repossession of the Premises or removal of persons or property therefrom by reason of the occurrence of an Event of Default, Lessor shall be entitled to recover from Lessee, and Lessee shall pay to Lessor on demand, as and for liquidated and agreed final damages for Lessee's default and in lieu of all liquidated and agreed current damages beyond the date of such demand (it being agreed that it would be impracticable or extremely difficult to fix the actual damages), an amount equal to the excess, if any, of (i) the aggregate of all unpaid Basic Rent, additional rent and other sums which would be payable under this Lease, in each case from the date of such demand (or, if it be earlier, the date to which Lessee shall have satisfied in full its obligations under subsection 7.1(g) to pay liquidated and agreed current damages) for what is or would have been in the absence of such expiration or termination, the then unexpired Term, discounted at the rate of 6% per annum over (ii) the then fair rental value of the Premises for the same period, discounted at the rate of 6% per annum. Nothing in subsection 7.1(g) or this 7.1(h) shall permit Lessor to double count any unpaid rent and collect such unpaid rent under both subsection 7.1(g) and this 7.1(h). If any applicable law shall limit the amount of liquidated final damages to less than the foregoing amount, Lessor shall be entitled to the maximum amount allowable under such law.

Section 7.2. Bankruptcy or Insolvency.

(a) If Lessee shall become a debtor in a case filed under Chapter 7 or Chapter 11 of the Bankruptcy Code and Lessee or Lessee's trustee shall fail to elect to assume this Lease within sixty (60) days after the filing of such petition to such additional time as provided by the court within such sixty (60) day period, this Lease shall be deemed to have been rejected. Immediately thereupon Lessor shall be entitled to possession of the Premises without further obligation to Lessee or Lessee's trustee and this Lease upon the election of Lessor shall terminate, but Lessor's right to be compensated for damages (including, without limitation, liquidated damages pursuant to any provision hereof) or the exercise of any other remedies in any such proceeding shall survive, whether or not this Lease shall be terminated.

(b) (i) If Lessee, Lessee's trustee or the debtor-in-possession has failed to perform all of Lessee's obligations under this Lease within the time period (excluding grace periods) required for such performance, no election by Lessee's trustee or the debtor-in-possession to assume this Lease, whether under Chapter 7 or Chapter 11, shall be permitted or effective unless each of the following conditions had been satisfied:

(A) Lessee's trustee or the debtor-in-possession has cured all defaults under this Lease, or has provided Lessor with Assurance (as

defined below) that it will cure all defaults susceptible of being cured by the payment of money within ten (10) days from the date of such assumption and that it will cure all other defaults under this Lease which are susceptible of being cured by the performance of any promptly after the date of such assumption.

(B) Lessee's trustee or the debtor-in-possession has compensated Lessor, or has provided Lessor with Assurance that within ten (10) days from the date of such assumption it will compensate Lessor, for any actual pecuniary loss incurred by Lessor arising from the default of Lessee, Lessee's trustee or the debtor-in-possession as indicated in any statements of actual pecuniary loss sent by Lessor to Lessee's trustee or the debtor-in-possession.

(C) Lessee's trustee or the debtor-in-possession has provided Lessor with Assurance of the future performance of each of the obligations of Lessee, Lessee's trustee or the debtor-in-possession under this Lease, and, if Lessee's trustee or the debt-in-possession shall also (i) deposit with Lessor, as security for the timely payment of rent hereunder, an amount equal to three (3) installments of Basis Rent (at the rate than payable) which shall be applied to installments of Basis Rent in the inverse order in which such installments shall become due provided all the terms and provisions of this Lease shall have been complied with, and (ii) pay in advance to Lessor

on the date each installment of Basis Rent is payable a pro rata share of Lessee's annual obligations for additional rent and other sums pursuant to this Lease, such that Lessor shall hold funds sufficient to satisfy all such obligations as they become due. The obligations imposed upon Lessee's trustee or the debtor-in-possession by this section shall continue with respect to Lessee or any assignee of this Lease after the completion of bankruptcy proceedings.

(D) Each of Lessee's obligations hereunder shall be considered an integral part of this Lease and the assumption of this Lease shall include the entirety of Lessee's obligations hereunder.

(ii) For purposes of this Section 7.2, Lessor and Lessee acknowledge that "Assurance" shall mean no less than: Lessee's trustee or debtor-in-possession has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Lessor that sufficient funds will be available to fulfill the obligations of Lessee under this Lease.

(c) If Lessee's trustee or the debtor-in-possession has assumed this

Lease pursuant to the terms and provisions of Subsection 7.2(a) or 7.2(b) for the purpose of assigning (or elects to assign) this Lease, this Lease may be so assigned only if the proposed assignee ("Assignee") has provided adequate assurance of future performance of all of the terms, covenants and conditions of this Lease to be performed by Lessee. Lessor shall be entitled to receive all cash proceeds of such assignment. As used herein, "adequate assurance of future performance" shall mean no less than each of the following conditions has been satisfied:

(i) The Assignee has furnished Lessor with either (i) (x) a copy of a credit rating of Assignee which Lessor reasonably determines to be sufficient to assure the future performance by Assignee of Lessee's obligations under this Lease and (y) a current financial statement of Assignee indicating a net worth and working capital in amounts which Lessor reasonably determines to be sufficient to assure the future performance by Assignee of Lessee's obligations under this Lease or (ii) a guarantee or guarantees, in form and substance satisfactory to Lessor, from one or more persons with a credit rating and net worth equal to or exceeding the credit rating and net worth of Lessee as of the date hereof.

(ii) The proposed assignment will not release or impair any guaranty of the obligations of Lessee (including the Assignee) under this Lease.

(d) When, pursuant to the Bankruptcy Code, Lessee's trustee or the debtor-in-possession shall be obligated to pay reasonable use and occupancy charges for the use of the

Premises, such charges shall not be less than the Basis Rent, additional rent and other sums payable by Lessee under this Lease.

(e) No acceptance by Lessor of rent or any other payments from any such trustee, receiver, assignee, person or other entity shall be deemed to constitute such consent by Lessor nor shall it be deemed a waiver of Lessor's right to terminate this Lease for any transfer of Lessee's interest under this Lease without such consent.

Section 7.3 Additional Rights of Lessor.

(a) No right or remedy hereunder shall be exclusive of any other right or remedy, but shall be cumulative and in addition to any other right or remedy hereunder or now or hereafter existing. Failure to insist upon the strict performance of any provision hereof or to exercise any option, right, power or remedy contained herein shall not constitute a waiver or relinquishment thereof

for the future. Receipt by Lessor of any Basic Rent, additional rent or other sums payable hereunder with knowledge of the breach of any provision hereof shall not constitute waiver of such breach, and no waiver by Lessor of any provision hereof shall be deemed to have been made unless made in writing. Lessor shall be entitled to injunctive relief in case of the violation, or attempted or threatened violation, of any of the provisions hereof, or to a decree compelling performance of any of the provisions hereof, or to any other remedy allowed to Lessor by law or equity.

(b) Lessee hereby waives and surrenders for itself and all those claiming under it, including creditors of all kinds, (i) any right and privilege which it or any of them may have to redeem the Premises or to have a continuance of this Lease after termination of Lessee's right of occupancy by order or judgement of any court or by any legal process or writ, or under the terms of this Lease, or after the termination of the Term as herein provided, and (ii) Lessee specifically waives any rights of redemption or reinstatement available by law, or any successor law.

(c) If Lessee shall be in default in the observance or performance of any term or covenant on Lessee's part to be observed or performed under any of the provisions of this Lease, then, without thereby waiving such default, Lessor may, but shall be under no obligation to, take all action, including, without limitation, entry upon the Premises, to perform the obligation of Lessee hereunder immediately and without notice in the case of any emergency and upon five (5) business days' notice to Lessee in other cases; provided, however, other than in the case of an emergency, Lessor will not take any such action until Lessee's default continues beyond the applicable cure period, if any, set forth in Section 7.1(a). All reasonable expenses incurred by Lessor in connection therewith, including, without limitation, attorneys' fees and expenses (including, without limitation, those incurred in connection with any appellate proceedings) shall constitute additional rent under this Lease and shall be paid by Lessee to Lessor upon demand.

(d) If Lessee shall be in default in the performance of any of its obligations hereunder, and provided Lessor prevails in any action against Lessee, Lessee shall pay to Lessor,

on demand, all expenses incurred by Lessor as a result thereof, including, without limitation, reasonable attorneys' fees and expenses (including, without limitation, those incurred in connection with any appellate proceedings). If Lessor shall be made a party to any litigation commenced against Lessee and Lessee shall fail to provide Lessor with counsel approved by Lessor and pay the expenses thereof, Lessee shall pay all costs and reasonable attorneys' fees and expenses in connection with such litigation (including, without limitation, fees and expenses incurred in connection with any appellate proceedings).

(e) If Lessee shall fail to pay when due any Basic Rent, additional rent or other sums required to be paid by Lessee hereunder, Lessor shall be

entitled to collect from Lessee as additional rent and Lessee shall pay to Lessor, in additiom to such Basic Rent, additional rent or other sum, interest on the past due payment from and including the date it was due until the date it is paid at the Late Rate. The Late Rate shall be the lesser of (i) that per annum rate of interest which exceeds by two (2) percentage points the base rate most recently announced by Citibank, N.A., New York, New York as its Base Rate or (ii) the maximum rate permitted by applicable law. If Citibank discontinues the announcement of a Base Rate or substantially alters the meaning thereof, Lessor may substitute a comparable "prime rate" of a major national bank by written notice to lessee. The Late Rate shall change as and when said Base Rate or prime rate changes. In addition, if Lessee shall fail to pay any Basic Rent, additional rent or other sum, as and when required to be paid by Lessee hereunder, and Lessor shall have given Lessee notice of such failure pursuant to Subsection 7.1(a)(i), Lessor shall be entitled to collect from Lessee, and Lessee shall pay to Lessor, as additional rent, an amount equal to 1% of the amount shown in such notice as unpaid; provided, Lessor shall not impose said 1% late charge unless Lessee has been late in the payment of rent more than twice in any twelve (12) month period.

ARTICLE VIII

Section 8.1 Notices and Other Instruments. All notices, offers, consents and other instruments given pursuant to this Lease shall be in writing and shall validly given when hand-delivered or sent by a courier or express service guarantying overnight delivery or by telecopy, with original being promptly sent as otherwise provided above, addressed as follows:

If to Lessor:
Mr. David E. Babiarz
1035 Glencrest Drive
Inverness, Illinois 60010

With a copy to:
Dennis B. Black
Goldberg, Kohn, Bell, Black,
Rosenbloom & Moritz, Ltd.
55 East MOnroe Street
Suite 3700
Chicago, Illinois 60603
Fax: (312) 332-2196

If to Lessee:
Favorite Brands International, Inc.
75 Tri-State International
Suite 222
Lincolnshire, IL 60069
Attention: Chief Financial Officer
Fax: (847) 374-0952

With a copy to:
Brooks B. Gruemmer

Vice President and General Counsel
Favorite Brands International, Inc.
75 Tri-State International
Suite 222
Lincolnshire, IL 60069
Fax: (847) 373-0952

Lessor and Lessee each may from time to time specify, by giving fifteen (15) days' notice to each other party (i) any other address in the United States as its address for purposes of this Lease, and (ii) any other person or entity in the United States that is to receive copies of notices, offers, consents and other instruments hereunder.

Section 8.2. Estoppel Certificate; Financial Information.

(a) Lessee will upon ten (10) days' written notice at the request of Lessor, execute, acknowledge and deliver to Lessor a certificate of Lessee stating that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect as modified, and setting forth such modifications); and stating the dates to which Basis Rent, additional rent and other sums payable hereunder have been paid; either stating that to the knowledge of Lessee no default exists hereunder or specifying each such default of which Lessee has knowledge and whether or not Lessee is still occupying and operating the Premises, and making factually correct statements as to such additional matters as Lessor may reasonably request. Any such certificate may be relied upon by any actual or prospective Mortgagee or purchaser of the Premises or of an equity interest in Lessor and the certificate shall so state. Further, if requested by Lessor, Lessee state in the certificate that Lessee shall acknowledge a proposed purchaser of Lessors' interest in the Premises as Lessor under this Lease

upon the consummation of such proposed sale. Lessee shall also deliver to Lessor, promptly upon request therefor, such affidavits, certificates and instruments as may be reasonably requested in order for Lessor to be able to obtain for prospective Mortgagees or purchasers of Lessor's interest hereunder or of an interest in Lessor, customary title insurance policies and endorsements provided that Lessee shall not be obligated to provided any indemnities in connection therewith. Lessor will, upon ten (10) days' written notice at the request of Lessee, execute, acknowledge and deliver to Lessee a certificate of Lessor stating that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect as modified, and setting forth such modifications) and the dates to which Basic Rent, additional rent and other sums payable hereunder have been paid, and either stating that to the knowledge of Lessor no default exists hereunder or specifying each such default of which Lessor has knowledge, and making factually correct statements as to such additional matters as Lessee may reasonably request. Any such certificate may be relied upon by Lessee or any actual or

prospective assignee or sublessee, or permitted leasehold mortgagee of the Premises.

(b) If from time to time Lessor notifies Lessee that Lessor intends to finance or refinance the Premises or to sell the Premises or an interest therein (or that it is contemplated that a material equity interest in an entity which is the Lessor will be issued or transferred), then within twenty (20) days after Lessee's receipt of such notice, Lessee shall deliver to Lessor a copy of Lessee's most recent annual audited financial statements, and if then available and later dated, Lessee's most recent quarterly unaudited financial statements; provided, however, Lessor shall not provide such financials to any proposed lender or purchaser (or recipient of an equity interest in Lessor) as described above unless said individual or entity has entered into a confidentiality agreement with respect thereto in a form reasonably acceptable to Lessee; provided, further, that such form of agreement shall be acceptable to Lessee if it is substantially similar to the provisions of Section 10.10 below. In addition, upon reasonable advance notice, Lessee shall make available an appropriate financial officer of Lessee to discuss such financial information with Lessor, any prospective purchaser of Lessor's interest hereunder or of an interest in Lessor, any Mortgagee or prospective Mortgagee. Such financial statements may consist of consolidated financial statements which include Lessee, in which event Lessee shall also provide Lessor, upon request, with consolidating financial statements.

(c) Lessor, any Mortgagee and their respective agents and designees may enter upon and examine the Premises at reasonable times and on reasonable notice and show the Premises to prospective Mortgagees and/or purchasers. Except in the case of emergency, Lessee may designate an employee to accompany Lessor, its agents and designees on such examinations. Other than in the event of an emergency, Lessor shall give Lessee reasonable prior notice of such entries by Lessor. In the exercise of its rights hereunder, Lessor shall use reasonable efforts to refrain from interfering with Lessee's business operations and to minimize any inconvenience, disturbance, loss of business, nuisance or other damage arising out of such entries, whether such entries are permitted pursuant to this Section 8.2(c) of the Lease or provided for elsewhere herein.

Lessor shall promptly reimburse Lessee for any physical property damage suffered on account of such entries, unless such entries show (or result from) a default by Lessee under this Lease.

ARTICLE IX

Section 9.1. Intentionally Omitted.

ARTICLE X

Section 10.1. No Merger. There shall be no merger of this Lease or

of the leasehold estate hereby created with the fee estate in the Premises by reason of the fact that the same person acquires or holds, directly or indirectly, this Lease or the leasehold estate hereby created or any interest herein or in such leasehold estate as well as the fee estate in the Premises or any interest in such fee estate.

Section 10.2. Surrender. Upon the expiration or earlier termination of this Lease, Lessee shall surrender the Premises to Lessor in a condition comparable to that existing on the date hereof, normal wear and tear, Casualty and Condemnation loss excepted. The provisions of this Section and Article III shall survive the expiration or earlier termination of this Lease.

Section 10.3. Separability; Binding Effect; Governing Law. Each provision hereof shall be separate and independent and the breach of any provision by Lessor shall not discharge or relieve Lessee from any of its obligations hereunder. Each provision hereof shall be valid and shall be enforceable to the extent not prohibited by law. If any provision hereof or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby. All provisions contained in this Lease shall be binding upon, inure to the benefit of, and be enforceable by, the permitted successors and assigns of the parties to the same extent as if each such successor and assign were named as a party hereto. This Lease shall be governed by and interpreted in accordance with the laws of the state of Illinois.

Section 10.4. Table of Contents and Headings; Internal References. The table of contents and the headings of the various paragraphs and schedules of this Lease have been inserted for reference only and shall not to any extent have the effect of modifying the express terms and provisions of this Lease. Unless stated to the contrary, any references to any section, subsection, schedule and the like contained herein are to the respective section, subsection, schedule and the like of this Lease.

Section 10.5. Counterparts. This Lease may be executed in two or more counterparts and shall be deemed to have become effective when and only when one or more of such counterparts shall have been executed by or on behalf of each of the parties hereto (although it shall not be necessary that any single counterpart be executed by or on behalf of each of the

parties hereto, and all such counterparts shall be deemed to constitute but one and the same instrument), and shall have been delivered by each of the parties

to the other.

Section 10.6. Lessor's Liability. Notwithstanding anything to the contrary provided in this Lease, it is specifically understood and agreed, such agreement being a primary consideration for the execution of this Lease by Lessor, that there shall be absolutely no personal liability on the part of Lessor or any partner, shareholder or member of Lessor, its successors or assigns with respect to any of the terms, covenants and conditions of this Lease, and any liability on the part of Lessor shall be limited solely to its interest in the Premises, such exculpation of liability to be absolute and without exception whatsoever.

Section 10.7. Amendments and Modifications. Except as expressly provided herein, this Lease may not be modified or terminated except by a writing signed by Lessor and Lessee.

Section 10.8. Additional Rent. All amounts other than Basic Rent which Lessee is required to pay or discharge pursuant to this Lease, including the interest and provided for by Subsection 7.3(g) hereof, shall constitute additional rent.

Section 10.9. Schedules. The Schedules attached hereto are hereby incorporated herein by this reference.

Section 10.10. Confidentiality. With respect to the financial statements and information delivered to Lessor pursuant to this Lease, and any other information obtained by Lessor as a result of any examination or discussion contemplated under this Lease, Lessor agrees that, to the extent that such information therein contained has not theretofore otherwise been disclosed in such a manner as to render such information available to the public and that such information has been clearly marked or labeled as being confidential information, Lessor will employ reasonable procedures reasonably designed to maintain the confidential nature of the information therein contained, provided, that anything herein contained to the contrary notwithstanding, Lessor may disclose or disseminate such information to: (a) its partners, members or shareholders and Lessor's and their employees, agents, brokers, consultants, attorneys and accountants who would ordinarily have access to such information in the normal course of the performance of their duties; provided, Lessor informs such recipient that such information is to be kept confidential under the terms of this Lease; (b) such third parties as Lessor may, in Lessor's reasonable discretion, deem reasonably necessary or desirable in connection with or in response to (i) compliance with any law, ordinance or governmental order, regulation, rule, policy, subpoena, investigation, regulatory, authority request or requests, or (ii) any order, decree, judgment,subpoena, notice of discovery or similar ruling or pleading issued, filed, served or purported on its face to

be issued, filed or served (x) by or under authority of any court, tribunal, arbitration board of any governmental or industry agency, commission, authority, board or similar entity or (y) in connection with any proceeding, case or matter pending (or on its face purported to be pending) before any court, tribunal, arbitration board or any governmental agency, commission, authority,

board or similar entity, provided that Lessor shall endeavor to notify Lessee in writing prior to making any such disclosure; (c) any prospective purchaser, assignee or transferee of Lessor's interest in this Lease or the Premises or any equity interest in Lessor, securities broker or dealer or investment banker in connection with the sale or proposed sale of Lessor's interest in this Lease or the Premises or any equity interest in Lessor, provided that Lessor obtains written confidentiality agreements consistent with the provisions of this Section from such persons; (d) any Mortgagee or any lender to Lessor or to any of Lessor's partners, members or shareholders who shall have requested to inspect such information in its capacity as a Mortgagee or as a lender, to Lessor or such partners or shareholders or to any such prospective Mortgagee or lender; provided, Lessor informs such recipient that such information is to be kept confidential under the terms of this Lease; and (e) any person or entity in order to enforce Lessor's or any Mortgagee's rights under this Lease; and, provided further, that Lessor shall not be liable to Lessee or any other person or entity for damages for any failure by Lessor to comply with the provisions of this Section 10.16, except in any case involving Lessor's negligence, willful misconduct or fraudulent misconduct.

Section 10.11. Memorandum of Lease. Lessor will execute and delivery
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to Lessee a memorandum of this Lease in recordable form (and in a form reasonably acceptable to Lessor and its counsel), and Lessee may record said memorandum (the "Memorandum") at its expense. Upon the expiration or earlier termination of this Lease, Lessee shall promptly execute and deliver to Lessor a memorandum of the termination of this Lease (the "Termination Memorandum") in recordable form, which Lessor may prepare and record at Lessee's expense. In the event Lessee fails to promptly execute and deliver to Lessor the Termination Memorandum (including any notarization required in connection therewith) after Lessee's receipt of a request therefor (provided, however, Lessor's request shall not be effective and Lessee need not respond thereto until this Lease has been terminated due to the lapse of time or otherwise, or if earlier, until Lessee's right to possession of the Premises has been terminated), Lessor may, and is hereby irrevocably granted a power of attorney by Lessee to, execute and deliver the Termination Memorandum, which power of attorney is coupled with an interest on the part of Lessor; further, such irrevocable grant of power of attorney by Lessee for said purpose is assignable by Lessor to any Mortgagee or any person or entity who may acquire Lessor's interest in the Premises or in this Lease, and to their respective successors and assigns. The obligations of Lessee under this Section 10.17 and the power of attorney granted by Lessee herein shall survive the expiration or earlier termination of this Lease.

Section 10.12. Inconsistent Actions. Lessee and Lessor each intend that Lessor is, and shall be treated as, the owner of the Premises for all purposes, and that Lessee's interest in the Premises is solely that of a lessee pursuant to this Lease. Lessee shall not take any action and shall cause Lessee's affiliates to take no action (including without limitation, the filing of any tax return) which would be inconsistent with the aforesaid.

ARTICLE XI

Section 11.1. Option to Purchase. So long as no Default or Event of Default shall have occurred and be continuing as of the date of Lessee's notice hereunder, Lessee may give Lessor a written notice (the "Purchase Notice") which shall include an irrevocable offer by Lessee to purchase the Premises on a date (the "Purchase Date") that is not less than six (6) months and not more than nine (9) months after the date Lessor receives the Purchase Notice, for a purchase price (the "Purchase Price") equal to the Fair Market Value (as hereinafter defined).

(a) "Fair Market Value" shall mean the amount a willing buyer would be willing to pay a willing seller for the Premises in a sale by a seller without a broker to a buyer without a broker, each being under no compulsion to buy or sell, assuming the Premises to be (A) in the condition in which it is required to be kept under this Lease, and (B) untenanted. Fair Market Value, if Lessor and Lessee are not able to agree on the same within thirty (30) days after Lessor's receipt of the Purchase Notice (the "Negotiation Period"), shall be determined pursuant to the procedure set forth in subsection (b) of this Section 11.1.

(b) Not more than twenty (20) days after the end of the Negotiation Period wherein Lessor and Lessee failed to agree as to the Fair Market Value of the Property, the parties shall attempt to agree upon an appraiser. If the parties agree upon an appraiser, the appraiser so selected shall determine the Fair Market Value of the Premises within thirty (30) days after selection. If the parties fail to so agree upon the selection of one such appraiser within twenty (20) days after the end of the Negotiation Period, Lessee and Lessor shall each designate, within five (5) business days from the end of such twenty (20) day period, one appraiser to determine such Fair Market Value. In the event either party fails to so select its own appraiser, the appraiser selected by the other party shall determine Fair Market Value. If two appraisers are so selected, then they shall independently determine the Fair Market Value of the Premises and complete and forward to Lessor and Lessee their separate appraisal reports within thirty (30) days after the expiration of such five (5) business day period. Any appraisal report not so forwarded within such time period shall be excluded. If only one such report is timely forwarded, then the appraisal set forth therein shall be the Fair Market Value. If both reports are timely

forwarded and the lower appraisal is not less then ninety percent (90%) of the higher appraisal, then the arithmetic mean of the two appraisals shall be the Fair Market Value. If the lower appraisal is less than ninety percent (90%) of the higher appraisal, then the two appraisers shall meet and select a third appraiser within ten (10) days after the expiration of such thirty (30) day period. In the event the two appraisers fail to so select a third appraiser, either party may obtain court appointment of such third appraiser. The third appraiser shall independently determine the Fair Market Value of the Premises and promptly complete and forward its report to Lessor and Lessee. The arithmetic mean of the two appraisals closest in amount shall be the Fair Market Value. All appraisers shall be members in good standing of the Appraisal Institute or any organization succeeding thereto and shall have had not less than ten (10) years experience with commercial real estate of the type of the Premises in the location where the Premises are located.

After determination of the Purchase Price as set forth above, Lessee shall purchase the Premises from Lessor on the Purchase Date and the provisions of Section 11.2 shall apply thereto.

Section 11.2. Procedure Upon Purchase. If Lessee shall purchase the Premises pursuant to this Article XI of this Lease, Lessor shall convey or cause to be conveyed title thereto by good and sufficient special warranty deed and any other necessary instruments of conveyance, with covenants only against Lessor's acts, and subject only to this Lease, the lien of any taxes, exceptions and encroachments set forth in the title insurance commitment delivered to Lessee upon execution of this Lease, which are listed in Schedule C attached hereto and made a part hereof (excluding the mortgages referred to therein), exceptions and encroachments created or consented to or existing by reason of any action or inaction by Lessee, and all Legal Requirements. Lessor shall provide an extended coverage endorsement over the standard printed exceptions.

Upon the Purchase Date, Lessee shall pay to Lessor in immediately available funds, subject to this Section, (i) the Purchase Price plus, (ii) all Basic Rent, additional rent and other sums then due and payable hereunder to and including Purchase Date, plus (iii) any prepayment fees or premiums which Lessor is required to pay to discharge the current Mortgage, if it is then encumbering the Property. In connection with such payment, Lessor shall cause to be discharged any then existing mortgages, lien or deeds of trust arising by, through or under Lessor.

There shall be no prorations or adjustments at the closing of a purchase pursuant to this Article 11, except that Basic Rent and all additional rent shall be prorated to the date of closing.

All charges incident to such purchase, including, without limitation, escrow fees, recording fees, title insurance premiums and all applicable transfer taxes (not including any income, capital gain or franchise taxes of

Lessor) which may be imposed by reason of such purchase and the delivery of said deed and other instruments shall be paid one-half by each of Lessee and Lessor. Upon the completion of the purchase of the Premises pursuant to this Article XI, but not prior thereto (whether or not any delay or failure in the completion of such purchase shall be the fault of Lessor), this Lease shall terminate, except with respect to obligations and liabilities of Lessee hereunder, actual or contingent, which have arisen on or prior to such completion of purchase. In addition to the deed, Lessor shall deliver an ALTA Statement, Non-Foreign Certificate, Plat Act Affidavit, if required, a Disclosure Document under the Illinois Responsible Property Transfer Act, if required, a Release from the Illinois Department of Revenue, if required, and transfer tax declarations in required form. The transaction shall be closed through a deed and money escrow in the customary form of escrow instructions then in use by the title insurer with changes as are required in order to conform to the terms of this Section 11.2.

Section 11.3. Right of First Offer. If, during the Term, Lessor intends to sell the Premises, Lessor shall give Lessee written notice thereof which shall include a proposed purchase price for the Premises (the "Sale Notice"). So long as no Default or Event of Default has occurred

and is continuing, Lessee shall have the right to purchase Lessor's entire interest in the Premises (but not less than such entire interest) upon the same terms and conditions as those set forth in the Sale Notice and this Section 11.3, which right shall be exercised, if at all, only by giving Lessor written notice thereof (the "Lessee's Purchase Notice") within ten (10) days after Lessee's receipt of the Sale Notice. Upon giving the Lessee Purchase Notice to Lessor, Lessee shall be obligated to purchase Lessor's interest in the premises at the price and on the terms and conditions set forth in the Sale Notice to the extent not inconsistent with this Section 11.3, such purchase to be consummated as soon as is reasonable but in any event within ninety (90) days after the Lessee Purchase Notice is received by Lessor. The provisions of Section 11.2 shall be applicable to such a purchase as if the purchase was occurring pursuant to Section 11.1, except that (i) the purchase price shall be as set forth in the Sale Notice and (ii) the expenses of sale shall be shared equally, other than attorneys' fees as respect to which each party shall pay its own counsel. The foregoing provisions of this Section 11.3 shall not apply to the sale by Lessor to any Affiliate (as defined in Schedule E to the Lease) of Lessor or any Affiliate of any partner, shareholder, member or beneficiary of Lessor, but any such Affiliate shall remain subject to the provisions of this Section 11.3. The foregoing provisions also shall not apply to any transfer by Lessor of his interest in the Premises for estate-planning purposes (including, without limitation, transfers to Lessor's immediate family members, his estate or any trust) or as a result of the death of Lessor provided that any transferee shall remain subject to the provisions of this Section 11.3. If Lessee fails to strictly comply with the provisions of this Section 11.3, including the time period for the giving of the Lessee's Purchase Notice, Lessor shall not be

obligated to sell its interest in the Premises to Lessee and Lessor, so long as it shall have strictly complied with the provisions hereof, shall be free to transfer its Interest in the Premises to any transferee so long as the purchase price of Lessor's interest in the Premises is not less than ninety percent (90%) of the purchase price set forth in the Sale Notice.

Section 11.4. Quiet Enjoyment. So long as Lessee has faithfully performed all of its obligations under this Lease, Lessor covenants that Lessee shall peaceably and quietly have, hold and enjoy the Premises during the Term, subject to the terms hereof.

Section 11.5 Brokers. Lessee and Lessor each represents and warrants to the other that it has not had any dealings with any real estate broker, finder or other person with respect to this Lease in any manner. Each party agrees to indemnify, defend and hold the other harmless from and against all claims for broker's commissions or finder's fees by any person claiming to have been retained by it in connection with this transaction or claiming by, through or under it to be the procuring cause of this transaction in breach of the foregoing representation and warranty.

Section 11.6 Force Majeure. Anything in this Lease to the contrary notwithstanding, neither party shall be deemed in default with respect to the performance of any obligation on its part to be performed under this Lease if such default shall be directly due to any strike, lockout, civil commotion, war-like operation, invasion, rebellion, hostilities, military or usurped power, sabotage, governmental regulation or controls, inability to obtain any material or

service, or through acts of God or other cause or causes whether similar or dissimilar to those enumerated beyond the control of said party, and the period for said party to perform such obligation shall be extended by a period equal to the period of delay caused by such reason.

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

LESSOR:

/s/ David E. Babiarz

DAVID E. BABIARZ, an individual

LESSEE:

D.J. ACQUISITION CORP., an Illinois corporation

By /s/ [SIGNATURE ILLEGIBLE]

Its CEO

SCHEDULE A

LEGAL DESCRIPTION

THAT PART OF THE WEST 1/2 OF SOUTHWEST 1/4 OF SECTION 28, TOWNSHIP 41 NORTH, RANGE 12, EAST OF THIRD PRINCIPAL MERIDIAN DESCRIBED AS FOLLOWS: COMMENCING AT THE NORTHEAST CORNER OF SAID WEST 1/2; THENCE SOUTH 1196.048 FEET ALONG THE EAST LINE OF SAID WEST 1/2; THENCE WEST ALONG A LINE PARALLEL WITH THE NORTH LINE OF SAID WEST 1/2 723.98 FEET TO THE POINT OF BEGINNING OF FOLLOWING TRACT OF LAND; THENCE CONTINUING WEST ALONG SAID PARALLEL LINE 450.0 FEET; THENCE NORTH PERPENDICULARLY TO SAID PARALLEL LINE TO A POINT ON A LINE 756.066 FEET SOUTH OF (AS MEASURED ALONG THE EAST LINE OF SAID WEST 1/2) AND PARALLEL WITH THE NORTH LINE OF SAID WEST 1/2; THENCE EAST ALONG THE LAST DESCRIBED PARALLEL LINE 450.0 FEET; THENCE SOUTH TO THE HEREIN DESCRIBED POINT OF BEGINNING, ALL IN COOK COUNTY, ILLINOIS. The Real Property or its address is commonly known as 1665 East Birchwood, Des Plaines, IL 60018. The Real Property tax identification number is 09-28-300-021-0000.

SCHECULE B

PERSONAL PROPERTY

None.

SCHEDULE C

PERMITTED EXCEPTIONS

1. Drainage ditches, feeders and laterals, and other drainage easements, if any.

2. Rights of the public, the municipality, and the State of Illinois in and to that part of the land taken and used for roads and highways, if any.

3. General Real Estate Taxes on the land for the year 1996 and subsequent years.

4. Mortgage dated February 26, 1993 and recorded March 4, 1993 as

Document Number 93164994, made by David Babiarz, a married person, to Park National Bank & Trust of Chicago, to secure an indebtedness of $2,000,000.00, subject to the terms of the Subordination, Non-Disturbance and Attornment Agreement among Lessor, Lessee and Park National Bank.

5. Assignment of Rents dated February 26, 1993 and recorded March 4, 1993 as Document Number 93164995, made by David Babiarz, a married person, to National Bank & Trust of Chicago, subject to the terms of the Subordination, Non-Disturbance and Attornment Agreement among Lessor, Lessee and Park National Bank.

6. Mortgage dated August 2, 1995 and recorded August 18, 1995 as Document Number 95548349, made by David Babiarz, a married man, to Park National Bank & Trust Company, to secure an indebtedness of $500,000.00, subject to the terms of the Subordination, Non-Disturbance and Attornment Agreement among Lessor, Lessee and Park National Bank.

7. Assignment of Rents dated August 2, 1995 and recorded August 18, 1995 as Document Number 95548350, made by David Babiarz, a married man, to Park National Bank & Trust Company, subject to the terms of the Subordination, Non-Disturbance and Attornment Agreement among Lessor, Lessee and Park National Bank.

8. Grant of easement recorded November 10, 1927 as Document Number 9837696 in favor of the Wisconsin Central Railway Company to occupy a strip, piece, belt or parcel of land sufficient in width for the construction, maintenance and operation of a spur track which location is disclosed by "Exhibit X."

Note: No "Exhibit X" was attached to the above described instrument.

9. Grant of easement recorded January 27, 1964 as Document Number 19031126 in favor of Commonwealth Edison Company and Middle States Telephone Company of Illinois for electrical and telephone purpose in, upon, under and along the property described in the instrument.

10. Reservation of utility easement over, under and upon the North 15 feet, the East 6 feet and the West 6 feet of the premises in question, as disclosed by Deed recorded March 26, 1965 as Document Number 19417709.

11. Reservation of easement for switch track and public utilities over, under and upon the South 20 feet of the premises in question, as disclosed by Deed recorded March 26, 1965 as Document Number 19417709.

12. Restriction as contained in Deed recorded March 26, 1965 as Document Number 19417709; regarding face brick, stone or modern building material on all exterior walls facing a street, and in no case shall concrete, brick or unfinished sheet metal be used on any exterior wall.

13. Building setback lines on the premises, 50 feet on the North, 25 feet on the West, 25 feet on the East and 25 feet on the South, and no parking on the North 50 feet, as contained in Deed recorded March 26, 1965 as Document Number 19417709.

SCHEDULE D

BASIC RENT

$38,854 per month commencing on the Commencement Date, subject to adjustment as follows: If the CPI (as defined below) on any Adjustment Date (as defined below) shall be greater than the CPI for the Commencement Date, monthly Basic Rent commencing on such Adjustment Date shall be adjusted by increasing the monthly Basic Rent originally due hereunder as of the Commencement Date by adding an amount (the "CPI Escalation Amount") equal to the product obtained by multiplying: (a) the monthly Basic Rent originally due hereunder as of the Commencement Date by (b) the percentage increase in the CPI from the Commencement Date through the Adjustment Date. In no event will the monthly Basic Rent decrease on any Adjustment Date from the amount of monthly Basic rent due immediately prior to such date. "Adjustment Date" shall mean each January 1 during the Term.

"CPI" shall mean the Consumer Price Index for All Urban Consumers, All Items (Base year 1982-1984 = 100) published by the United States Department of Labor, Bureau of Labor Statistics (or if a separate index is published by the Bureau of Labor Statistics for a metropolitan area within 100 miles of the Property, then such metropolitan index). If the Bureau of Labor Statistics substantially revises the manner in which the CPI is determined, an adjustment shall be made in the revised index which would produce results equivalent, as nearly as possible to those which would be obtained hereunder if the CPI were not so revised. If the 1982-1984 average shall no longer be used as an index of 100, such change shall constitute a substantial revision. If the CPI becomes unavailable to the public because publication is discontinued, or otherwise, Landlord shall substitute therefor a comparable index based upon changes in the cost of living or purchasing power of the consumer dollar published by a governmental agency, major bank, other financial institution, university or recognized financial publisher. If the CPI is available on a monthly (or alternating monthly) basis, the CPI for the months in which (or immediately preceding, as the case may be) the Commencement Date and Adjustment Date respectively occur shall be used.

EXHIBIT 10.6

TRANSITION AGREEMENT

THIS AGREEMENT is made and entered into this 1st day of April, 1997, by and among Mederer Corporation, a Delaware corporation (the "COMPANY"), Favorite Brands International, Inc., a Delaware corporation ("FAVORITE BRANDS") and Jose Minski (the "Employee").

WHEREAS, Favorite Brands is purchasing from the stockholders of the Company all of the issued and outstanding capital stock of the Company pursuant to a Stock Purchase Agreement dated February 24, 1997 by and among Favorite Brands, the Company and the Company's stockholders (the "STOCK PURCHASE AGREEMENT");

WHEREAS, the parties hereto are entering into this Agreement in connection with the Stock Purchase Agreement;

WHEREAS, the Company is engaged in the business of developing, manufacturing, selling, importing, exporting and distribution candy products (the "BUSINESS");

WHEREAS, the Employee has indicated his willingness to perform services for the Company in connection with the Business and such other services as agreed upon between the Company and Employee, and the Company wishes to engage the Employee to render such services; and

WHEREAS, the parties desire to set forth the terms and conditions under which the Employee is employed and the responsibilities of the Employee;

NOW, THEREFORE, in consideration of the premises and promises contained herein, the parties agree as follows:

ARTICLE I

1.1 POSITION. The Company hereby employs the Employee, and the Employee hereby accepts employment with the Company, as Chief Operating Officer of the Company to perform such duties and services as are consistent with (a) the duties and services currently provided by the Employee to the Company, and (b) the terms and conditions of this Agreement and the Stock Purchase Agreement including operating the Company substantially in accordance with the Company's operating and capital budgets (the "SERVICES"). The Employee shall report to the Chief Executive Officer of Favorite Brands.

Employment shall commence on the date hereof and shall continue until December 31, 1998 (the "Term") unless earlier terminated pursuant to this Agreement.

1.2 PERFORMANCE. The Employee agrees to devote substantially all of his working hours to the performance of his duties hereunder in Plantation, Florida (except for leaves of absence mutually agreed upon by the Company and Employee with respect to the family businesses of Employee). The Employee may be obliged, from time to time, and for reasonable periods of time, to travel in the performance of the Services consistent with the Employee's duties with the Company prior to this Agreement.

1.3 BASE SALARY. For all duties to be performed by the Employee hereunder, the Employee shall receive an annual base salary (the "BASE SALARY") of two Hundred Fifty Thousand Dollars ($250,000) in 1997 and $262,500 in 1998, payable in accordance with the Company's past payroll practices. The Base Salary shall be prorated for any partial years during the Term.

1.4 FRINGE BENEFITS. The Employee shall be entitled to receive the fringe benefits described below which the Employee has been receiving and such other benefits as are or may become available to other managerial employees of the Company:

(i) use of an automobile of a model and type similar or substantially equivalent to the automobile currently provided to the Employee;

(ii) continuation of life, health and medical, and disability insurance policies for the benefit of the Employee and his family providing benefits at least substantially equivalent to the insurance

policies currently in effect;

(iii) use of the Company's condominium in Creston, Iowa;

(iv) business class air travel or the cost of upgrading coach/ economy fares to business class air travel; and

(v) four (4) weeks vacation annually.

Notwithstanding the foregoing, it is agreed that the Employee shall have no right to participate in any bonus program or any separately negotiated employment arrangements of the Company.

1.5 EXPENSES. It is understood that the Employee will from time to time incur reasonable expenses in conjunction with his employment. The Employee is authorized to incur reasonable expenses in rendering Services hereunder and in the performance of his duties hereunder, including expenses for entertainment, travel arrangements and hotel accommodations and similar items. The Company will reimburse the Employee in a timely manner at least monthly for all such expenses upon presentation of an itemized written

accounting therefor (together with such vouchers and other verifications as the Company may require) within thirty (30) days after they have been incurred.

ARTICLE II

OPERATIONS

2.1 BUDGETS AND PROJECTIONS. (a) Attached hereto as Exhibit A are the following:

(i) a monthly capital expenditures budget for the Company for fiscal 1997 which capital expenditures budget shall not in the aggregate exceed $8,600,000;

(ii) a monthly operating budget for the Company for fiscal 1997 including a monthly income statement, balance sheet, statement of cash flows and a detailed monthly budget for each of the Company's departments; and

(iii) EBITDA (as defined in the Stock Purchase Agreement) projections (the "EBITDA Projections") on a month by month basis for fiscal 1997 which EBITDA Projections for fiscal 1997 shall be at least $18,864,000.

Each of the foregoing budgets, plans nd projections have been prepared and reviewed by the Employee and Mr. Mederer.

(b) At least 90 days prior to December 31, 1997, the Employee and Mr. Mederer shall prepare and deliver to the Chief Executive of Favorite Brands the following:

(i) a detailed monthly capital expenditures budget for the Company for fiscal 1998 which capital expenditures budget shall not in the aggregate exceed $8,400,000;

(ii) a detailed monthly operating for the Company for fiscal 1998 including a monthly income statement, balance sheet, statement of cash flows, a marketing plan and detailed monthly budgets for each of the Company's departments; and

(iii) EBITDA Projections on a month by month basis for fiscal 1998 which EBITDA Projections for fiscal 1998 shall be at least $27,258,000.

2.2 PRIOR APPROVAL. The prior written approval of the Chief Executive Officer of Favorite Brands is required with respect to each of the foregoing:

(a) any increase in the amount of the capital expenditures for fiscal 1997 or fiscal 1998, as the case may be, from the capital expenditures budget attached hereto as Exhibit A or the capital expenditures budget for fiscal 1998, as the case may be, or any material change in the types of capital expenditures outlined or described in such budgets;

(b) any material change in the operating budget of the Company for fiscal 1997 or fiscal 1998, as the case may be, from the operating budget attached hereto as Exhibit A or the operating budget for fiscal 1998, as the case may be;

(c) any change in the EBITDA Projections for fiscal year 1997 or fiscal 1998, as the case may be, from the EBITDA Projections attached hereto as Exhibit A of the EBITDA Projections for fiscal 1998, as the case may be;

(d) any material change in the marketing activities, pricing practices and strategies, slotting fees, approach or focus currently used by the Company and the Business;

(e) hiring any upper level managerial employees of the Company;

(f) entering into, amending or terminating any agreement, contract, lease or license (x) with terms extending beyond the term of this Agreement; (y) requiring annual payments by the Company in excess of $10,000 with Mederer GmbH, Allophane Corporation, Herbert Mederer or any of their Affiliates or any entity which is an Affiliate of the Employee; or (z) which is not in the ordinary course of business and consistent with the Company's past practices;

(g) any sale, lease, transfer or assignment of any of the Comapny's assets, tangible or intangible, to (x) any third party having a value in excess of 10,000, (y) any affiliate of the Employee, Mederer GmbH, Allophane Corporation or Herbert Mederer other than the sale of inventory in the ordinary course of business;

(h) any settlement or termination of any litigation; or

(i) any action which would breach or conflict with the covenants contained in Favorite Brands' credit facility.

2.3 EBITDA PROJECTIONS. If the Company (a) fails to meet or exceed 80% of the monthly EBITDA Projection for three consecutive months or three out of four consecutive months and (b) the Company is an aggregate of $2,500,000 or more below the EBITDA Projections (i) at any time during fiscal 1997, for the period beginning January 1,

1997 and (ii) at any time during fiscal 1998, for any twelve month period during which the conditions in (a) above has occured or exits, then the Company and Favorite Brands may unilaterally (w) modify the duties of Employee hereunder, (x) take operational control of the Company, (y) modify the capital expenditures budget, operating budgets and business plans of the Company and unilaterally determine the amount of capital expenditures to be spent or (z) terminate this Agreement pursuant to Section 4.6 (the "PERFORMANCE FAILURE").

ARTICLE III

CONFIDENTIAL INFORMATION

3.1 CONFIDENTIAL INFORMATION. The business of the Comapny and its affiliates is established, maintained and continued by providing dependable services by means of contact between the Employee and customers or suppliers. The Employee acknowledges that (i) he holds a senior management position with the Company, (ii) in connection with the Services being rendered under this Agreement, the Employee has confidential information and trade secrets of the Comany, Favorite Brands and their subsidiaries ("CONFIDENTIAL INFORMATION"), including, but not limited to, financial statements, product formulae, client lists, new products developments, project reports, informaiton system technologies and applications and documentations, software, internal memoranda, marketing programs, reports and other materials or records of a proprietary nature which are not generally known to the public, (iii) the Confidential Information constitutes a unique and valuable asset of the Company and Favorite Brands, (iv) maintenance of the proprietary character of such information, to the full extent feasible, is important to the Company and Favorite Brands, and (v) the Confidential Information is sufficiently secret as to derive economic value from not being generally known to others who could obtain economic value from its disclosure or use. Therefore, in order to protect the Confidential Information, the Employees agrees as follows:

(a) to hold the Confidential Information, and the Common Information (as defined below in the Designated Area, in strictest confidence and not to use or disclose such Confidential Information without the written authorization of the Company and Favorite Brands, except in connection with the Services being rendered under this Agreement, for so

long as any such Confidential Information may remain confidential, secret or otherwise wholly or partially protectable;

(b) to take all appropriate steps to safeguard any Confidental Information and to protect it against disclosure, misuse, espionage, loss and theft;

(c) to return to the Company upon termination of employment all materials relating to the Company, Favorite Brands and their subsidiaries or

the Business, including all Confidential Information, coming into the Employee's possession during the term of this Agreement or while employed by any predecessor to the Business;

(d) not to use or disclose, or knowingly allow others to use or disclose, the Common Information in the Designated Area (except pursuant to the terms of this Agreement); and

(e) not to disclose the Common Information to any person or entity that may reasonably be excepted to use the Common Information in the Designated Area.

Notwithstanding anything to the contrary in this Agreement or elsewhere, Confidential Information does not include information which (i) is or becomes generally available to the candy/confectionery industry (other than as a result of a disclosure of information described above by the Employee in breach of this Agreement), (ii) was developed by Mederer GmbH or Allophane Corporation or either of their respective affiliates for use by the Company and Mederer GmbH and Allophane Corporation or their affiliates (the "COMMON INFORMATION"), or (iii) becomes available to the Employee or its affiliates from a person other than the Company or Favorite Brands or any of their representatives who is not otherwise bound by a confidentiality agreement with the Company or Favorite Brands, or is not otherwise prohibited from transmitting the information to Employee.

3.2 REMEDIES. The Employee acknowledges that he has carefully read and considered the terms of this Agreement and knows them to be essential to induce the Company and Favorite Brands to enter into this Agreement and that any breach of the provisions contained herein will result in serious and irreparable injury to the Company and Favorite Brands. The Employee further acknowledges that the Company's and Favorite Brand's business interests protected hereby are substantial and legitimate. Therefore, in the event of a breach of any such provisions, the Company and Favorite Brands shall be entitled to equitable relief against the Employee by way of injunction (in addition to, but not in substitution for, any and all other relief to which the Company and Favorite Brands may be entitled at law or in equity) to restrain the Employee from such breach and to compel compliance by the Employee with his obligations hereunder. The Company and Favorite Brands shall also be entitled to seek a protective order to ensure the continued confidentiality of its Confidential Information and Common Information. The Employee hereby waives any requirement of proof that such breach will cause serious or irreparable injury to the Company or Favorite Brands, or that there is an adequate remedy at law. In any proceeding, either at law or in equity, between the parties hereto, it is hereby agreed that the Employee shall not raise as a defense (i) that any information relating to the Business or the business of Favorite Brands or its subsidiaries is not confidential or (ii) that this Agreement is in restraint of trade. Further, the existence of any claim or cause of action of the Employee against the Company or Favorite Brands or any of their affiliates, whether or not predicated on the terms of this Agreement, the Stock Purchase Agreement or the Transaction Documents (as

defined in the Stock Purchase Agreement), shall not constitute a defense to the enforcement of the Employee's obligations under this Agreement.

ARTICLE IV

TERMINATION

4.1 DEATH. In the event of the death of the Employee during the Term, this Agreement shall terminate at the end of the month in which the Employee dies. In addition to any benefits under any insurance, retirement or other plan of the Company for the Employee, the Company shall pay within thirty (30) days of the date of death of the Employee's legal representatives or, if the Employee shall have filed with the Company a designation of a person to receive such payment, such person, the sum of (i) any unpaid Base Salary through the date of

termination, (ii) accrued and unpaid vacation pay, and (iii) any unreimbursed expenses incurred by the Employee on the Company's behalf, items (i) through (iii) are hereinafter referred to as the "TERMINATION PAYMENTS".

4.2 DISABILITY. If, during the Term, the Employee comes under such illness, physical or mental disability or other capacity that the Board of Directors of the Company determines that he is unable to perform his duties under this Agreement for a period in excess of sixty (60) substantially consecutive days or nonconsecutive periods aggregating more than 120 days within any six-month period, exclusive of Saturdays, Sundays, holiday or days on which the Employee was on vacation, the Company may terminate this Agreement by giving notice to the Employee of its intention to terminate due to disability and this Agreement shall terminate at the end of the month following the month in which such notice was given. In the event of such termination, the Company shall pay (offset by any such amounts payable under the Company's benefit plans or insurance or social security payment) the Termination Payments to the Employee within thirty (30) days of such termination.

4.3 RESIGNATION. The Employee shall have the right to terminate his employment under this Agreement at any time upon sixty (60) days' prior written notice to the Company. At any time during such sixty-day notice period, the Company may terminate the Employee. In the event of such termination, the Company shall pay the Termination Payments to the Employee within thirty (30) days of such termination.

4.4 TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate this Agreement without cause at any time during the Term. In the event of such termination, the Company shall pay (a) the Termination Payments to the Employee within thirty (30) days of such termination, and (b) the amount equal to (i) the Base Salary Employee would have received had Employee remained in the employ of the Company until the end of the Term less (ii) the amount of any compensation Employee receives or earns which relates to services performed by Employee after termination hereunder and prior to the

end of the Term in connection with any future employment, consulting or similar arrangements other than any existing arrangements with family businesses of the Employee (the "Severance Payment"). Any Severance Payment shall be paid at the Company's option, either in a lump sum or in accordance with the Company's past payroll practices. A termination of this Agreement pursuant to Section 4.6 shall not be deemed to be a termination "WITHOUT CAUSE."

Employee agrees to promptly notify the Company of any employment, consulting or other similar arrangement entered into by the Employee after termination and to provide the Company with the information or documents that the Company reasonably requests to verify the amount of any compensation earned after such termination.

4.5 TERMINATION BY EMPLOYEE FOR GOOD REASON. The Employee may terminate this Agreement with thirty (30) days prior written notice thereof to Employer for good reason (as hereinafter defined), unless the Company cures to the reasonable satisfaction of Employee the circumstances or conditions constituting good reason within ten (10) business days after such notice is delivered by the Employee. For "GOOD REASON" means Employee's resignation as a direct result of (i) a substantial diminution of his responsibilities or duties as the Company's Chief Operating Officer other than pursuant to Section 2.3 as compared to his responsibilities, duties and authorities as of the date hereof (ii) relocation of the Employee from Plantation, Florida or (iii) a material breach by the Company of this Agreement. Upon termination under this Section 4.5, Employee shall be entitled to receive the Termination Payment within thirty (30) days of such termination and the Severance Payment.

4.6 TERMINATION BY THE COMPANY FOR PERFORMANCE FAILURE. The Company may terminate this Agreement at any time during the Term in the event of a Performance Failure. In the event of such termination, the Company shall pay the Termination Payments to the Employee within thirty (30) days of such termination.

4.7 TERMINATION FOR CAUSE. Notwithstanding any other provision hereof, the Company may terminate the Employee's employment under this Agreement without prior notice at any time for cause (as hereinafter defined). The termination shall be evidenced by written notice thereof to the Employee, specifying the cause for termination. For purposes hereof, the term "CAUSE" shall include, without limitation, dishonest, fraudulent or illegal conduct; misappropriation of Company funds; conviction of a felony; and a material breach of this Agreement. Upon such termination, the Company shall pay the Employee the Termination Payment within thirty (30) days of such termination.

4.8 EFFECT OF TERMINATION. Upon termination of this Agreement, all obligations of the Company and rights of the Employee under this Agreement shall cease, except as otherwise provided herein. Notwithstanding anything to the contrary contained herein, the provisions of Section 3.1 through 3.2 shall survive any termination of this Agreement of employment and shall remain in full force and effect.

ARTICLE V

MISCELLANEOUS

5.1 INDEMNITY. The Company shall, to the full extent permitted by the Delaware General Corporation Law as it may then be in effect, indemnify and hold the Employee harmless and provide advancement of expenses to the Employee as provided in the charter or by-laws of the Company or which may be otherwise provided to the Employee by agreement with the Company, if the Employee is a party, or is or was threatened to be made a party, to any threatened, pending or completed action, claim, litigation, suit or proceeding, whether civil, criminal, administrative or investigative, whether predicated on foreign, federal, state or local law, and whether formal or informal (each an "Action") by reason of the fact that the Employee is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of an Affiliate against expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such Action, if the Employee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. In any event the Employee shall be entitled to not less than any indemnification right and right to advancement of expenses provided to the officers and directors of the Company and Favorite Brands.

5.2 NOTICE. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given upon receipt if it is sent by facsimile or reputable express courier, and addressed or otherwise sent to the intended recipient as set forth below:

To the Employee:

Jose Minski
1710 Northeast 198th Terrace
North Miami, Florida 33179
Telephone No.: (305) 935-2734
Facsimile No.: (305) 936-8306

To the Company or Favorite Brands:

Al J. Bono
Favorite Brands International, Inc.
75 Tri-State International, Suite 222
Licolnshire, Illinois 60069
Facsimile: (847) 374-0952

Copies to:

Brooks B. Gruemmer
Favorite Brands International, Inc.
75 Tri-State International, Suite 222
Licolnshire, Illinois 60069
Facsimile: (847) 374-0952

and

McDermott, Will & Emery
227 West Monroe Street, Suite 5500
Chicago, Illinois 60606
Attention: Helen R. Friedli
Facsimile: (312) 984-3669

Any party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address or facsimile number set forth above by using any other means (including personal delivery, messenger service, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any party may change the address or facsimile number to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other party notice in the manner herein set forth.

5.3 SUCCESSORS AND ASSIGNS. If the Company shall at any time be merged or consolidated into or with any other corporation, or if substantially all of the assets of the Company are transferred to another corporation or party, the provisions of this Agreement shall be binding upon and inure to the benefit of the entity or successors resulting from such merger or consolidation or to which such assets shall be transferred; and this provision shall apply in such event. Employee may not transfer or assign its obligations, rights or interests under this Agreement without the Company's prior written consent.

5.4 APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Illinois without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any

jurisdiction other than the State of Illinois. The parties hereby irrevocably and unconditionally consent and submit to the in personam jurisdiction of Illinois courts over all matters relating to this Agreement. Each party agrees that service of process in any action or proceeding hereunder may be made upon such party by certified mail, return receipt requested to the address for notice set forth herein. Each party irrevocably waives any objection it may have to the venue of any action, suit or proceeding brought in such courts or to the convenience of the forum and each party irrevocably waives the right to proceed in any other jurisdiction. Final judgment in any such action, suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment, a certified or true copy of which shall be conclusive evidence of the fact and the amount of any indebtedness or liability of any party therein described.

5.5 APPOINTMENT OF AGENT. The Employee irrevocably appoints Corporation Trust Company, [ADDRESS], as its authorized agent in Chicago, Illinois upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to such Stockholder by the person serving the same to the address provided in this Section 5.5, shall be deemed in every respect effective service of process upon Employee in any such suit or proceeding. Employee further agrees to take any and all action as may be necessary to maintain such designation and appointment of such agent in full force and effect for a period of six years from the date of this Agreement.

5.6 HEADINGS. The heading in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

5.7 ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties in regard to the subject matter hereof and supersedes all prior discussions, agreements and understandings of every kind between the parties and may be changed only by a written document signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought. The waiver of any breach of any provision of this Agreement shall be effective only in the specific instance and for the specific purpose for which given and shall not operate or be construed as a waiver of any subsequent breach hereof.

5.8 SEVERABILITY. If any provision of this Agreement shall be prohibited by or invalid under applicable law, or otherwise determined to be unenforceable, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

5.9 DEFINITIONS. All capitalized terms not defined herein shall have the meanings ascribed to them in the Stock Purchase Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above.

FAVORITE BRANDS INTERNATIONAL, INC.

By: [SIGNATURE ILLEGIBLE]

Its: President and Chief Executive Officer

MEDERER CORPORATION

By: [SIGNATURE ILLEGIBLE]

Its: Vice President

Jose Mirski

Jose Mirski

<TABLE>
<CAPTION>

1997 CAPITAL BUDGET REQUEST AND FLOW

MEDERER

22 Jan 95 1997

Project # Description	Amount	Jan-97	Feb-97	Mar-97
<S>	<C>	<C>	<C>	<C>
x701 Automation	$3400,000.00	400,000.00	400,000.00	400,000.00
x702 xx Completion (xxxx Carryover)	3,484,874.00	xxx,000.00	1,201,965.00	837,831.00
x703 xxxxxx xxx xxxxxxx (xxxx Carryover)	18,449.00	19,4xx.00		
x704 xxxxxx xxx xxx Modification (xxx Carryover)	62,357.14	62,357.10		
x705 xxxxxxx xxxxx and Scale Uno 1	195,000.00	98,300.00	65,700.00	
x706 Fire Album System (Quote 6)	10,154.00			
x707 Rewards Station (Jose's Request)	40,000.00			40,000.00
x708 xxxxxxx xxxxx Testing Station (Quote 8)	28,000.00			13,000.00
x709 Sugar xxxx (Quote 9)	84,041.00			40,000.00
x710 2 Com Syrup xxxxx (Quote 10)	120,000.00		80,000.00	80,000.00
**** xxxxx xxx xxxxx to xxxx the				
purchase of these tarte *** They advise to				
use 140,000 per tank				
x711 Air Conditioning Loop (Quote 11)	250,000.00			100,000.00
**** includes hooking up and xxxxxx and also				
moving as air compressor to new room				
x712 Air Conditioning Repairs and Upgrade	154,000.00	12,833.33	12,833.33	12,833.33
**** xx,000 was moved to preventative xxx.				
x714 Rebuild Pump for xxxx x (Quote 14)	43,000.00			43,004.00
x715 xxxx Dryer Upgrade xxxx 2	150,000.00			
x716 New xxxxxxx xxxx 2	50,000.00			

x717 xxxxxx Tank (Quote 10)	60,000.00				
x718 Automatic Tray Washer	70,000.00				
x719 xxxxxxxxx xxxxxxxxx Plant (1996 Carryover)	149,770.00	50,000.00	50,000.00	60,000.00	
x720 xxxxxxxx for Warehouse (1996 Carryover)	15,000.00	15,000.00			
x722 Computer for Office (1996 Carryover)	10,000.00	10,000.00			
x723 Trays for xxxxx One. Starch AC	175,000.00	175,000.00			
TOTAL MEDERER 1997 CAPITAL BUDGET	$6,554,709.06	$1,820,577.38	$1,791,493.33	$1,3x8,537.33	
TROLLI					
XXXXXX AND XXXXX					
Uno Printer	2,500.00		2,500.00		
PC Systems (3)	4,500.00	1,500.00			
Notebooks (2)	8,000.00	?,000.00			
xxx Jet XXXXXXX (2)	700.00			350.00	
Lesser XXXXXXX (2)	1,200.00			800.00	
Asarte 10T xxx24	475.00	475.00			
DCSI CO ROM	290.00	290.00			
xxxxxx (2)	400.00	400.00			
Novel 3.12 (50 & Installation	3,900.00	3,900.00			
Windows xx (30)	3,000.00	3,000.00			
MS Office xx for xxxxx	425.00	425.00			
Office xxx xxxxx (30)	12,000.00	12,000.00			
xxxxxxx Plus 30 (30)	4,500.00	4,500.00			
xxxxxxx Tape xxxxxx (36)	800.00	800.00			
xxxxxxxx Pre Lan (35)	1,200.00	1,200.00			
Norton xxxxxxxx	150.00	150.00			
xx Access Developers xx	800.00	800.00			
TOTAL TROLLI 1997 CAPITAL BUDGET	$ 42,740.00	$ 38,340.00	$ 2,500.00	$ 950.00	
TOTAL MEDERER AND TROLLI BUDGET:	$x,xxx,449.00	$1,855,917.38	$1,793,994.33	$1,397,467.33	
1997					

<CAPTION>

22 Jan 95

Project # Description	Apr-97	May-97	Jun-97	Jul-97
<S>	<C>	<C>	<C>	<C>
x701 Automation	400,000.00	400,000.00	400,000.00	400,000.00
x702 xx Completion (xxxx Carryover)	837,838.00			
x703 xxxxxx xxx xxxxxxx (xxxx Carryover)				
x704 xxxxxx xxx xxx Modification (xxx Carryover)				
x705 xxxxxxx xxxxx and Scale Uno 1				
x706 Fire Album System (Quote 6)	10,158.00			
x707 Rewards Station (Jose's Request)				
x708 xxxxxxx xxxxx Testing Station (Quote 8)	13,000.00			

x709 Sugar xxxx (Quote 9)	44,041.00				
x710 2 Com Syrup xxxxx (Quote 10)					
**** xxxxx xxx xxxxx to xxxx the					
purchase of these tarte *** They advise to					
use 140,000 per tank					
x711 Air Conditioning Loop (Quote 11)	1?0,000.00				
**** includes hooking up and xxxxxx and also					
moving as air compressor to new room					
x712 Air Conditioning Repairs and Upgrade	12,833.33	12,833.33	12,833.33	12,833.33	
**** xx,000 was moved to preventative xxx.					
x714 Rebuild Pump for xxxx x (Quote 14)					
x715 xxxx Dryer Upgrade xxxx 2		150,000.00			
x716 New xxxxxxx xxxx 2			50,000.00		
x717 xxxxxx Tank (Quote 10)		60,000.00			
x718 Automatic Tray Washer			70,000.00		
x719 xxxxxxxxx xxxxxxxxx Plant (1996 Carryover)	39,770.00				
x720 xxxxxxxx for Warehouse (1996 Carryover)					
x722 Computer for Office (1996 Carryover)					
x723 Trays for xxxxx One. Starch AC					
TOTAL MEDERER 1997 CAPITAL BUDGET	$1,313,434.33	$ 822,433.33	$ 532.833.33	$ 412,833.33	
TROLLI					
XXXXXX AND XXXXX					
Uno Printer					
PC Systems (3)					
Notebooks (2)			1,??0.00		
xxx Jet XXXXXXX (2)			350.00		
Lesser XXXXXXX (2)					
Asarte 10T xxx24					
DCSI CO ROM					
xxxxxx (2)					
Novel 3.12 (50 & Installation					
Windows xx (30)					
MS Office xx for xxxxx					
Office xxx xxxxx (30)					
xxxxxxx Plus 30 (30)					
xxxxxxx Tape xxxxxx (36)					
xxxxxxxx Pre Lan (35)					
Norton xxxxxxxx					
xx Access Developers xx					
TOTAL TROLLI 1997 CAPITAL BUDGET	$ -	$ -	$ 1,850.00	$ -	
TOTAL MEDERER AND TROLLI BUDGET:	$1,313,434.33	$ 422,433.33	$ 534,443.33	$ 412,433.33	

	1997				
<CAPTION>					
22 Jan 95					
Project #	Description	Aug-97	Sep-97	Oct-97	Nov-97
<S>		<C>	<C>	<C>	<C>
x701	Automation	400,000.00	100,000.00	100,000.00	
x702	xx Completion (xxxx Carryover)				
x703	xxxxxx xxx xxxxxxx (xxxx Carryover)				
x704	xxxxxx xxx xxx Modification (xxx Carryover)				
x705	xxxxxxx xxxxx and Scale Uno 1				
x706	Fire Album System (Quote 6)				
x707	Rewards Station (Jose's Request)				
x708	xxxxxxx xxxxx Testing Station (Quote 8)				
x709	Sugar xxxx (Quote 9)				
x710	2 Com Syrup xxxxx (Quote 10)				
	**** xxxxx xxx xxxxx to xxxx the				
	purchase of these tarte *** They advise to				
	use 140,000 per tank				
x711	Air Conditioning Loop (Quote 11)				
	**** includes hooking up and xxxxxx and also				
	moving as air compressor to new room				
x712	Air Conditioning Repairs and Upgrade	12,833.33	12,833.33	12,833.33	12,833.33
	**** xx,000 was moved to preventative xxx.				
x714	Rebuild Pump for xxxx x (Quote 14)				
x715	xxxx Dryer Upgrade xxxx 2				
x716	New xxxxxxx xxxx 2				
x717	xxxxxx Tank (Quote 10)				
x718	Automatic Tray Washer				
x719	xxxxxxxxx xxxxxxxxx Plant (1996 Carryover)				
x720	xxxxxxxx for Warehouse (1996 Carryover)				
x722	Computer for Office (1996 Carryover)				
x723	Trays for xxxxx One. Starch AC				
	TOTAL MEDERER 1997 CAPITAL BUDGET	$ 412.833.33	$ 112.833.33	$ 112,833.33	$ 12,833.33
	TROLLI				
	XXXXXX AND XXXXX				
	Uno Printer				
	PC Systems (3)				
	Notebooks (2)		1,600.00		
	xxx Jet XXXXXXX (2)				
	Lesser XXXXXXX (2)				
	Asarte 10T xxx24		?00.00		
	DCSI CO ROM				

	xxxxxx (2)				
	Novel 3.12 (50 & Installation				
	Windows xx (30)				
	MS Office xx for xxxxx				
	Office xxx xxxxx (30)				
	xxxxxxx Plus 30 (30)				
	xxxxxxx Tape xxxxxx (36)				
	xxxxxxxx Pre Lan (35)				
	Norton xxxxxxxx				
	xx Access Developers xx				
	TOTAL TROLLI 1997 CAPITAL BUDGET	$ -	$ 2,100.00	$ -	$ -

TOTAL MEDERER AND TROLLI BUDGET:		$ 412,833.33	$ 114,8?3.3?	$ 112,833.33	$ 12,833.33
	1997				

<CAPTION>

22 Jan 95			1997 TOTAL
Project #	Description	DEC-97	
<S>		<C>	<C>
x701	Automation		3,400,000.00
x702	xx Completion (xxxx Carryover)		3,484,828.00
x703	xxxxxx xxx xxxxxxx (xxxx Carryover)		??,???.??
x704	xxxxxx xxx xxx Modification (xxx Carryover)		52,357.10
x705	xxxxxxx xxxxx and Scale Uno 1		1?5,000.00
x706	Fire Album System (Quote 6)		1x,1xx.00
x707	Rewards Station (Jose's Request)		40,000.00
x708	xxxxxxx xxxxx Testing Station (Quote 8)		24,000.00
x709	Sugar xxxx (Quote 9)		84,041.00
x710	2 Com Syrup xxxxx (Quote 10)		120,000.00
	**** xxxxx xxx xxxxx to xxxx the		
	purchase of these tarte *** They advise to		
	use 140,000 per tank		
x711	Air Conditioning Loop (Quote 11)		250,000.00
	**** includes hooking up and xxxxxx and also		
	moving as air compressor to new room		
x712	Air Conditioning Repairs and Upgrade	12,833.33	154,000.00
	**** xx,000 was moved to preventative xxx.		
x714	Rebuild Pump for xxxx x (Quote 14)		43,000.00
x715	xxxx Dryer Upgrade xxxx 2		150,000.00
x716	New xxxxxxx xxxx 2		50,000.00
x717	xxxxxx Tank (Quote 10)		60,000.00
x718	Automatic Tray Washer		70,000.00
x719	xxxxxxxxx xxxxxxxxx Plant (1996 Carryover)		1xx,770.00

x720 xxxxxxxx for Warehouse (1996 Carryover)	15,000.00
x722 Computer for Office (1996 Carryover)	10,000.00
x723 Trays for xxxxx One. Starch AC	175,000.00
TOTAL MEDERER 1997 CAPITAL BUDGET	$8,554,709.0x
TROLLI	
XXXXXX AND XXXXX	
Uno Printer	2,500.00
PC Systems (3)	4,500.00
Notebooks (2)	8,000.00
xxx Jet XXXXXXX (2)	700.00
Lesser XXXXXXX (2)	1,200.00
Asarte 10T xxx24	475.00
DCSI CO ROM	290.00
xxxxxx (2)	400.00
Novel 3.12 (50 & Installation	3,900.00
Windows xx (30)	3,000.00
MS Office xx for xxxxx	425.00
Office xxx xxxxx (30)	12,000.00
xxxxxxx Plus 30 (30)	4,500.00
xxxxxxx Tape xxxxxx (36)	800.00
xxxxxxxx Pre Lan (35)	1,200.00
Norton xxxxxxxx	150.00
xx Access Developers xx	800.00
TOTAL TROLLI 1997 CAPITAL BUDGET	$ 42,740.00
TOTAL MEDERER AND TROLLI BUDGET:	$x,xx7,44x.00
1997	

</TABLE>

[xx Copy Unclear]

Detailed Operating Budgets and Footnotes

Notes to Projected Consolidated Income Statement

(1) The draft unaudited projected consolidated income statement reflects the projected consolidated revenues, expenses and earnings of Mederer Corporation, Trolli, Inc. and Gelex International relating exclusively to the manufacture and sales of gummi products for the year ending December 31, 1997. The projected consolidated income statement does not include any revenues, expenses, or earnings/losses relating to the Excluded Business or the Excluded Business Disposition, both as defined in the Stock Purchase Agreement.

Notes to the Projected Consolidated Balance Sheet

(1) The draft unaudited projected balance sheet reflects the projected activities of Mederer Corporation, Trolli, Inc. and Gelex International relating exclusively to the manufacture and sales of gummi products for the year ending December 31, 1997, including capital expenditures as outlined in the Projected Capital Budget.

(2) Reflects receivables due to the Company from Herbert Mederer, payment of which was made on March 25, 1997, in conformity with the Stock Purchase Agreement.

(3) Does not include any inventory relating to the Excluded Business.

(4) Does not include any spares relating to the Excluded Business.

(5) Does not include any prepaid expenses relating to the Excluded Business.

(6) Includes the capitalized lease asset relating to the Mederer Associates Real Owned Property. The projections do not reflect the purchase of these assets by the Company from Mederer Associates as contemplated by the Stock Purchase Agreement.

(7) Comprised of investments in and advances to the Excluded Businesses, net of the long term Deutsch Mark-denominated debt obligation to Mederer Gmbh related to the recapitalization of Trolli Iberica, which obligation will be assumed by NEWCO as part of the Excluded Business Disposition.

MEDERER CORP./ TROLLI, INC.
PROJECTED CONSOLIDATED INCOME STATEMENT - NOTE 1
FOR THE YEAR ENDING DECEMBER 31, 1997

DRAFT - UNAUDITED

<TABLE>
<CAPTION>

	(ACTUAL) JAN	(ACTUAL) FEB	MAR	APR	MAY	JUN
<S>	<C>	<C>	<C>	<C>	<C>	<C>
SALES	7,621,083	9,431,598	10,949,527	11,108,906	11,802,336	12,098,490
Less: Intercompany Elimination	(2,883,305)	(3,075,354)	(3,750,889)	(3,786,482)	(4,007,171)	(4,183,006)
	4,757,758	8,358,244	7,196,638	7,322,424	7,795,165	7,915,484
COST OF GOODS SOLD	4,969,328	5,576,130	7,390,810	7,334,267	7,788,388	7,848,694
Less: Intercompany Elimination	(2,486,121)	(2,991,446)	(3,705,869)	(3,741,482)	(3,962,171)	(4,138,006)
	2,483,207	2,584,684	3,884,921	3,592,785	3,826,217	3,810,888
GROSS MARGIN	2,274,551	3,771,560	3,513,717	3,729,639	3,960,948	4,104,797
DIRECT SELLING EXPENSES	584,772	846,271	1,050,583	904,818	980,414	931,818
OPERATING EXPENSES	1,025,529	999,820	1,283,755	917,945	1,398,193	1,542,557
Less: Intercompany Elimination/Adjustment	28,717	(55,498)	(14,583)	(14,583)	(14,583)	(22,243)
	1,054,246	943,322	1,269,172	903,362	1,383,610	1,520,314
DEPRECIATION/AMORTIZATION	240,697	245,160	255,018	327,698	337,771	33?,557
TOTAL OPERATING INCOME	394,836	1,738,807	838,844	1,593,761	1,267,153	1,313,108
OTHER INCOME/EXPENSE						
Interest Income	14	23	0	0	0	0
Interest Expense	(107,352)	(92,602)	(109,414)	(143,789)	(143,324)	(142,850)
A/P Cash Discounts	4,621	1,169	7,500	7,500	7,500	7,500
Currency Each Gain (Loss)	25,498	(24,011)	(1,667)	(1,666)	(1,666)	(1,66?)
Warehouse Management Fee	15,993	15,993	15,993	15,993	15,993	15,993
Misc. Income (Expenses)	(25,810)	8,297	834	834	833	834
Less: Intercompany Elimination	(14,583)	(14,583)	(14,583)	(14,583)	(14,583)	(22,243)
	(101,619)	(105,714)	(101,337)	(135,711)	(135,247)	(142,438)
NET INCOME BEFORE TAXES	293,217	1,631,093	837,607	1,458,050	1,131,908	1,170,670
INCOME TAXES	279,455	562,695	349,253	510,462	395,935	406,120
Less: Intercompany Elimination	(173,100)	4,920	(16,200)	(16,200)	(16,200)	(16,200)
	108,355	567,615	333,053	484,282	379,735	389,920
TOTAL NET PROFIT/(LOSS)	186,862	1,063,478	504,554	963,767	752,171	780,750
EBITDA Calculation:						
Net Income Before Taxes	293,217	1,631,093	837,607	1,458,050	1,131,906	1,170,870

P. Interest Expense	107,352	92,602	109,414	143,789	143,324	142,856
L. Interest Income	(14)	(23)	0	0	0	0
P. Depreciation/Amortization	240,697	245,160	255,018	327,698	337,771	339,557
P. Royalties	76,275	95,477	119,378	0	0	0
EBITDA	717,527	2,064,309	1,321,417	1,929,537	1,613,001	1,653,083

<CAPTION>

	JUL	AUG	SEP	OCT	NOV	DEC
<S>	<C>	<C>	<C>	<C>	<C>	<C>
SALES	11,809,119	11,971,049	11,362,904	11,461,889	9,314,009	6,584,865
Less: Intercompany Elimination	(4,103,530)	(4,233,357)	(3,940,280)	(4,062,902)	(3,432,403)	(2,285,256)
	7,705,589	7,737,692	7,442,624	7,388,987	5,881,606	4,299,609
COST OF GOODS SOLD	7,760,008	7,839,872	7,472,364	7,492,503	6,138,779	4,364,637
Less: Intercompany Elimination	(4,058,530)	(4,188,357)	(3,895,280)	(4,017,902)	(3,387,403)	(2,241,308)
	3,701,479	3,651,515	3,577,084	3,474,601	2,751,376	2,123,331
GROSS MARGIN	4,004,110	4,086,177	3,865,540	3,924,387	3,130,230	2,176,277
DIRECT SELLING EXPENSES	982,286	972,170	881,127	869,423	680,296	501,349
OPERATING EXPENSES	1,388,217	1,061,778	1,028,818	1,070,532	886,419	856,401
Less: Intercompany Elimination/Adjustment	(14,583)	(14,583)	(14,583)	(14,583)	(14,583)	(14,583)
	1,373,834	1,047,193	1,014,233	1,055,949	871,836	841,818
DEPRECIATION/AMORTIZATION	343,755	343,755	348,517	347,914	352,875	352,675
TOTAL OPERATING INCOME	1,324,435	1,723,058	1,621,663	1,651,101	1,225,423	480,435
OTHER INCOME/EXPENSE						
Interest Income	0	0	0	0	0	0
Interest Expense	(142,385)	(141,911)	(141,433)	(140,952)	(140,488)	(139,980)
A/P Cash Discounts	7,500	7,500	7,500	7,500	7,500	7,500
Currency Each Gain (Loss)	(1,666)	(1,667)	(1,667)	(1,667)	(1,667)	(1,667)
Warehouse Management Fee	15,993	15,993	15,993	15,992	15,993	15,993
Misc. Income (Expenses)	833	833	833	834	833	833
Less: Intercompany Elimination	(14,583)	(14,583)	(14,583)	(14,583)	(14,583)	(14,583)
	(134,308)	(133,835)	(133,357)	(132,876)	(132,392)	(131,904)
NET INCOME BEFORE TAXES	1,190,127	1,589,224	1,488,306	1,518,225	1,093,031	348,531
INCOME TAXES	414,138	553,269	520,722	525,974	369,187	138,066
Less: Intercompany Elimination	(16,200)	(16,200)	(16,200)	(16,200)	(16,200)	(15,822)
	397,938	537,069	504,522	509,774	372,987	122,244
TOTAL NET PROFIT/(LOSS)	792,188	1,052,156	983,784	1,008,451	720,043	226,287
EBITDA Calculation:						
Net Income Before Taxes	1,180,127	1,589,224	1,488,306	1,518,225	1,093,031	348,531
P. Interest Expense	142,385	14?,911	141,433	140,952	140,488	139,980
L. Interest Income	0	0	0	0	0	0
P. Depreciation/Amortization	343,755	343,755	348,517	347,914	352,675	352,675
P. Royalties	0	0	0	0	0	0
EBITDA	1,676,267	2,074,890	1,978,256	2,007,091	1,586,174	841,186

<CAPTION>

	TOTALS
<S>	<C>
SALES	125,535,755
Less: Intercompany Elimination	(43,723,935)
	81,811,820
COST OF GOODS SOLD	82,075,781
Less: Intercompany Elimination	(42,813,893)

	39,261,888
GROSS MARGIN	42,549,932
DIRECT SELLING EXPENSES	10,165,327
OPERATING EXPENSES	13,459,960
Less: Intercompany Elimination/Adjustment	(181,271)
	13,278,689
DEPRECIATION/AMORTIZATION	3,835,192
TOTAL OPERATING INCOME	15,270,724
OTHER INCOME/EXPENSE	
Interest Income	37
Interest Expense	(1,585,466)
A/P Cash Discounts	80,790
Currency Each Gain (Loss)	(15,179)
Warehouse Management Fee	191,915
Misc. Income (Expenses)	(9,179)
Less: Intercompany Elimination	(182,656)
	(1,520,738)
NET INCOME BEFORE TAXES	13,749,986
INCOME TAXES	5,045,296
Less: Intercompany Elimination	(329,802)
	4,715,494
TOTAL NET PROFIT/(LOSS)	9,034,492
EBITDA Calculation:	
Net Income Before Taxes	13,749,886
P. Interest Expense	1,586,466
L. Interest Income	(37)
P. Depreciation/Amortization	3,835,192
P. Royalties	291,130
EBITDA	19,462,737

</TABLE>

MEDERER CORP./ TROLLI, INC.
PROJECTED CONSOLIDATED BALANCE SHEET - NOTE 1
FOR THE YEAR ENDING DECEMBER 31, 1997

<TABLE>
<CAPTION>

DRAFT - UNAUDITED	(Actual) JAN	(Actual) FEB	MAR	APR	MAY	JUN
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
CURRENT ASSETS						
Cash	438,997	453,136	724,250	349,983	1,132,748	(127,986)
Accounts Receivable						
Trade	4,500,049	5,769,738	6,217,819	6,519,357	6,824,769	7,183,489
Related Parties	6,987,426	6,706,003	6,460,?25	6,471,898	6,220,55?	6,799,148
Less: Intercompany Elimination	(6,779,046)	(6,495,500)	(6,327,892)	(6,339,285)	(6,087,923)	(6,666,515)
	188,380	210,503	132,633	132,633	132,633	132,633
Other	157,964	113,158	148,100	148,100	148,100	148,100
Short Term Loan - Note 2	87,374	120,774	0	0	0	0
Inventory - Note 3						
Raw Materials	3,892,473	3,953,797	3,796,586	3,726,566	3,858,566	3,586,566

Finished Goods	2,840,646	3,051,916	3,867,457	3,843,207	3,?68,957	4,289,707
Less: Intercompany Elimination	(377,164)	(461,092)	(507,477)	(552,477)	(597,477)	(642,477)
	2,463,462	2,590,824	3,359,980	3,390,730	3,371,480	3,627,230
Spares - Note 4	836,378	670,502	637,979	638,779	639,579	640,379
Prepaid Expenses - Note 5	143,722	144,039	95,061	92,461	89,861	77,281
TOTAL CURRENT ASSETS	12,508,799	14,028,471	15,112,386	14,996,609	15,895,738	15,267,672
PLANT, PROPERTY AND EQUIPMENT						
Building & Leasehold Improvements - Note 6	6,102,740	8,102,740	8,102,740	8,102,740	8,102,740	8,102,740
Equipment & Equipment Deposits	31,430,90?	31,5?0,?04	32,885,000	34,196,434	34,621,267	35,355,950
	39,533,649	39,693,644	40,987,740	42,301,174	42,924,007	43,458,690
Less: Accumulated Depreciation	(14,069,532)	(14,314,488)	(14,569,241)	(14,896,664)	(15,234,160)	(15,573,442)
TOTAL PLANT, PROPERTY AND EQUIPMENT	25,464,117	25,379,146	28,418,499	27,404,510	27,669,047	27,885,248
OTHER ASSETS						
Investment in and Advances to Excluded Business, net - Note 7	2,160,789	2,157,828	2,157,828	2,157,828	2,157,828	2,157,828
OTHER	73,650	73,650	73,650	73,650	73,650	73,650
Less: Accumulated Amortization	(1,165)	(1,359)	(1,634)	(1,909)	(2,184)	(2,459)
TOTAL OTHER ASSETS	2,233,274	2,230,119	2,229,844	2,229,569	2,229,294	2,229,019
TOTAL ASSETS	40,206,190	41,635,738	43,760,731	44,632,688	45,914,877	45,381,939

<CAPTION>
DRAFT - UNAUDITED

<S>	JUL <C>	AUG <C>	SEP <C>	OCT <C>	NOV <C>	DEC <C>
ASSETS						
CURRENT ASSETS						
Cash	389,286	1,127,958	(337,388)	864,361	1,682,118	990,919
Accounts Receivable						
Trade	7,284,848	7,433,205	7,152,462	7,088,484	6,743,216	5,191,106
Related Parties	6,934,745	7,030,997	7,332,117	7,208,157	6,593,251	7,227,179
Less: Intercompany Elimination	(6,802,112)	(6,698,364)	(7,199,464)	(7,075,524)	(6,460,618)	(7,084,546)
	132,633	132,633	132,633	132,633	132,633	132,633
Other	148,100	148,100	148,100	148,100	148,100	148,100
Short Term Loan - Note 2	0	0	0	0	0	0
Inventory - Note 3						
Raw Materials	3,516,586	3,446,566	3,376,566	3,308,566	3,236,566	3,156,000
Finished Goods	4,395,457	4,671,207	5,248,195	5,373,945	5,624,695	5,918,235
Less: Intercompany Elimination	(667,477)	(732,477)	(777,477)	(822,477)	(867,477)	(911,427)
	3,707,980	3,938,730	4,470,718	4,551,468	4,757,218	5,006,808
Spares - Note 4	641,179	641,979	642,779	643,579	644,379	645,400
Prepaid Expenses - Note 5	84,661	82,061	89,461	91,861	94,261	93,426
TOTAL CURRENT ASSETS	15,865,253	16,951,232	15,675,331	16,827,052	17,430,491	15,364,392
PLANT, PROPERTY AND EQUIPMENT						
Building & Leasehold Improvements - Note 6	8,102,740	8,102,740	8,102,740	8,102,740	8,102,740	8,102,740
Equipment & Equipment Deposits	35,788,783	36,161,616	38,298,549	36,409,302	36,422,215	36,435,046
	43,871,523	44,284,356	44,399,269	44,512,122	44,524,955	44,537,788
Less: Accumulated Depreciation	(15,916,922)	(16,260,402)	(16,608,644)	(16,956,282)	(17,308,662)	(17,661,062)

TOTAL PLANT, PROPERTY AND EQUIPMENT	27,954,601	28,023,954	27,790,645	27,555,840	27,218,273	26,876,706
OTHER ASSETS						
Investment in and Advances to Excluded Business, net - Note 7	2,157,828	2,157,828	2,157,828	2,157,828	2,157,828	2,157,828
OTHER	73,650	73,650	73,650	73,650	73,650	73,650
Less: Accumulated Amortization	(2,734)	(3,009)	(3,284)	(3,559)	(3,834)	(4,109)
TOTAL OTHER ASSETS	2,228,744	2,228,469	2,228,194	2,227,919	2,227,644	2,227,369
TOTAL ASSETS	46,048,598	47,203,855	45,694,170	46,601,811	46,882,408	44,468,467

</TABLE>

MEDERER CORP-TROLL, INC
PROJECTED CONSOLIDATED BALANCE SHEET-NOTE (1)
FOR THE YEAR ENDING DECEMBER 31, 1997

<TABLE>
<CAPTION>

DRAFT - UNAUDITED	(Actual) JAN	(Actual) FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Liabilities and Equity									
Current Liabilities									
Accounts Payable									
Trade	6,434,089	6,616,350	5,304,660	5,465,702	5,401,925	5,395,815	5,704,600	5,631,123	5,100,192
Related Parties	7,223,243	6,737,466	6,633,979	6,715,271	6,694,588	7,246,623	7,137,881	7,164,163	7,390,245
Less: Intercompany Elimination	(6,735,746)	(6,494,115)	(6,327,992)	(6,339,265)	(6,087,923)	(6,666,515)	(6,802,112)	(6,696,364)	(7,199,484)
	487,497	243,351	305,967	376,006	606,685	580,308	333,749	265,799	190,761
Accrued Expenses	6,209,784	4,524,952	4,670,671	4,669,690	4,640,626	4,244,504	3,969,864	4,149,248	3,701,896
Income Tax Payable	706,943	1,256,061	1,035,373	765,236	1,210,658	569,251	858,893	1,151,492	567,990
Less: Intercompany Elimination	(173,100)	(166,160)	(184,360)	(200,580)	(216,780)	(232,980)	(249,100)	(265,380)	(201,580)
	533,843	1,067,861	850,903	564,656	993,678	358,271	609,713	806,112	200,410
Current Portion of Long Term Debt									
Note Payable - Norwest	3,813,000	5,508,000	3,613,000	3,913,000	4,013,000	4,113,000	4,063,000	4,013,000	3,963,000
Note Payable - Cedar Bay	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000
Capital Leases	1,659,577	1,659,577	1,659,577	1,659,577	1,659,577	1,659,577	1,659,577	1,659,577	1,659,577
Total Current Liabilities	9,577,790	20,078,111	17,045,066	17,066,631	17,755,671	16,789,275	16,602,703	17,044,859	15,341,836
Long Term Liabilities									
Notes Payable									
Norwest	3,550,000	3,550,000	8,340,000	8,340,000	8,340,000	8,130,000	8,130,000	8,130,000	7,920,000
Cedar Bay	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	0
Capital Leases	3,626,706	3,694,452	3,557,916	3,422,562	3,265,541	3,148,250	3,009,293	2,870,038	2,729,792
Deferred Income Taxes	689,000	689,000	689,000	689,000	689,000	689,000	689,000	689,000	689,000
Total Long Term Liabilities	8,507,706	8,373,452	13,026,916	12,691,562	12,754,541	12,407,250	12,266,293	12,129,038	11,336,792
Total Liabilities	26,065,496	20,451,583	30,072,004	29,960,193	30,510,212	29,186,525	29,070,996	29,173,697	26,680,628
Stockholders Equity									
Common Stock	23,500	23,500	23,500	23,500	23,500	23,500	23,500	23,500	23,500
Less: Intercompany Elimination	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500
Additional Paid in Capital	3,226,500	3,226,500	3,226,500	3,226,500	3,226,500	3,226,500	3,226,500	3,226,500	3,226,500
Less: Intercompany Elimination	(2,499,000)	(2,499,000)	(2,499,000)	(2,499,000)	(2,499,000)	(2,499,000)	(2,499,000)	(2,499,000)	(2,499,000)

	727,500	727,500	727,500	727,500	727,500	727,500	727,500	727,500	727,500
Treasury Stock	(7,915,500)	(7,915,500)	(7,915,500)	(7,915,500)	(7,915,500)	(7,915,500)	(7,915,500)	(7,915,500)	(7,915,500)
Retained Earnings	19,099,333	19,099,333	19,099,333	19,099,333	19,099,333	19,099,333	19,099,333	19,099,333	19,099,333
Current Year's Earnings	434,245	1,544,637	2,077,991	3,070,559	3,851,529	4,681,070	5,462,066	6,563,022	7,575,606
Less: Intercompany Elimination	(247,384)	(294,297)	(323,097)	(351,897)	(360,697)	(409,497)	(436,297)	(467,097)	(495,697)
	186,861	1,250,340	1,754,894	2,718,662	3,470,832	4,251,581	5,043,769	6,095,925	7,079,709
Total Stockholders Equity	12,120,694	13,184,173	13,606,727	14,652,495	15,404,665	16,185,414	16,977,602	16,029,758	19,013,542
Total Liabilities and Equity	40,206,190	41,835,738	43,760,731	44,632,688	45,914,877	45,381,939	40,046,598	47,203,655	45,694,170

<CAPTION>

	OCT	NOV	DEC
<S>	<C>	<C>	<C>
Liabilities and Equity			
Current Liabilities			
Accounts Payable			
Trade	5,060,404	4,912,495	4,222,400
Related Parties	7,238,218	6,563,612	7,159,849
Less: Intercompany Elimination	(7,075,524)	(6,460,618)	(7,094,546)
	162,694	102,994	65,303
Accrued Expenses	3,615,360	3,456,796	2,593,083
Income Tax Payable	876,662	1,054,661	474,871
Less: Intercompany Elimination	(297,760)	(313,960)	(329,802)
	580,902	740,861	145,069
Current Portion of Long Term Debt			
Note Payable - Norwest	3,873,000	3,773,000	3,674,000
Note Payable - Cedar Bay	440,000	440,000	440,000
Capital Leases	1,659,577	1,659,577	1,659,577
Total Current Liabilities	15,391,937	15,085,743	12,799,432
Long Term Liabilities			
Notes Payable			
Norwest	7,920,000	7,920,000	7,710,000
Cedar Bay	0	0	0
Capital Leases	2,587,661	2,445,626	2,30?,710
Deferred Income Taxes	689,000	689,000	689,000
Total Long Term Liabilities	11,196,661	11,054,626	10,700,710
Total Liabilities	26,500,816	26,140,37?	23,500,142
Stockholders Equity			
Common Stock	23,500	23,500	23,500
Less: Intercompany Elimination	(1,000)	(1,000)	(1,000)
	22,500	22,500	22,500
Additional Paid in Capital	3,226,500	3,226,500	3,226,500
Less: Intercompany Elimination	(2,499,000)	(2,499,000)	(2,499,000)
	727,500	727,500	727,500
Treasury Stock	(7,915,500)	(7,915,500)	(7,915,500)
Retained Earnings	19,099,333	19,099,333	19,099,333

Current Year's Earnings	8,612,857	9,361,701	9,916,117
Less: Intercompany Elimination	(524,697)	(553,497)	(581,625)
	8,088,160	8,808,204	9,034,492
Total Stockholders Equity	20,021,993	20,742,037	20,966,325
Total Liabilities and Equity	46,610,811	46,662,408	44,468,467

</TABLE>

MEDERER CORP./ TROLLI, INC.
PROJECTED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING DECEMBER 31, 1997

<TABLE>
<CAPTION>

DRAFT - UNAUDITED	(Actual) JAN	(Actual) FEB	MAR	APR	MAY	JUN
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Income	188,862	1,063,478	504,554	963,767	752,171	780,750
Adjustments to reconcile net income to net cash provided by operating activities:						
Amortization of other assets	194	194	275	275	275	275
Depreciation	240,503	244,965	254,743	327,423	337,496	339,282
Deferred income taxes	0	0	0	0	0	0
Changes in Working Capital:						
Accounts Receivable	(462,076)	(1,280,406)	(284,379)	(301,537)	(305,412)	(358,720)
Inventories	(991,005)	(186,666)	(611,925)	39,250	89,250	(185,750)
Prepaid Expenses	(27,792)	(34,441)	81,501	1,800	1,800	11,800
Investment & advances to subsidiaries	(203,290)	2,663	0	0	0	0
Other assets	23,973	0	0	0	0	0
Accounts Payable	(256,422)	(61,885)	(1,249,054)	231,061	166,881	(32,668)
Accrued Expenses	4,651,997	(1,130,794)	(90,969)	(287,518)	400,158	(1,033,729)
Net cash from operating activities	3,162,944	(1,364,612)	(1,395,254)	974,521	1,442,619	(478,760)
Cash Flows from Investing Activities:						
Capital Expenditures	(3,593,307)	(159,995)	(1,294,096)	(1,313,434)	(622,833)	(534,663)
Net cash from Investing activities	(3,593,307)	(159,995)	(1,294,096)	(1,313,434)	(622,833)	(534,663)
Cash Flows from Financing Activities						
Proceeds from revolving line of credit	1,275,000	2,870,000	0	100,000	100,000	100,000
Proceeds from term loans	840,000	0	5,000,000	0	0	0
Proceeds from note payable - Cedar Bay	0	0	0	0	0	0
Proceeds from equipment lease	0	0	0	0	0	0
Repayments of revolving line of credit	(1,136,000)	(1,177,000)	(1,693,000)	0	0	0
Repayments of term loans	0	0	(210,000)	0	0	(210,000)
Repayments of note payable -Cedar Bay	0	0	0	0	0	0
Repayments of equipment lease	(266,977)	(134,254)	(136,538)	(135,354)	(137,021)	(137,291)
Change in checks written in excess of bank balance	0	0	0	0	0	127,966
Net cash from financing activities	712,023	1,558,746	2,960,464	(35,354)	(37,021)	(119,305)
Net change in cash	281,660	14,139	271,114	(374,267)	782,765	(1,132,748)
Cash: Beginning of period	157,337	438,997	453,136	724,250	349,983	1,132,748
Cash: End of period	438,997	453,136	724,250	349,983	1,132,748	0

<CAPTION>

	JUL	AUG	SEP	OCT	NOV	DEC
<S>	<C>	<C>	<C>	<C>	<C>	<C>

Net Income	792,189	1,052,156	983,784	1,008,451	720,043	226,267
Adjustments to reconcile net income to net cash provided by operating activities:						
Amortization of other assets	275	275	275	275	275	275
Depreciation	343,480	343,480	348,242	347,639	352,400	352,400
Deferred income taxes	0	0	0	0	0	0
Changes in Working Capital:						
Accounts Receivable	(81,359)	(168,357)	260,743	63,978	345,268	1,552,110
Inventories	(10,750)	(160,750)	(461,988)	(10,750)	(135,750)	(169,024)
Prepaid Expenses	(8,200)	1,800	(8,200)	(3,200)	(3,200)	(186)
Investment & advances to subsidiaries	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
Accounts Payable	64,625	(143,627)	(605,969)	(67,856)	(207,608)	(727,785)
Accrued Expenses	(1,198)	435,783	(1,047,054)	207,958	1,415	(1,459,525)
Net cash from operating activities	1,099,062	1,360,760	(510,167)	1,546,493	1,072,843	(225,448)
Cash Flows from Investing Activities:						
Capital Expenditures	(412,833)	(412,833)	(114,933)	(112,833)	(12,833)	(12,833)
Net cash from Investing activities	(412,833)	(412,833)	(114,933)	(112,833)	(12,833)	(12,833)
Cash Flows from Financing Activities						
Proceeds from revolving line of credit	0	0	0	0	0	0
Proceeds from term loans	0	0	0	0	0	0
Proceeds from note payable - Cedar Bay	0	0	0	0	0	0
Proceeds from equipment lease	0	0	0	0	0	0
Repayments of revolving line of credit	(50,000)	(50,000)	(50,000)	(90,000)	(100,000)	(99,000)
Repayments of term loans	0	0	(210,000)	0	0	(210,000)
Repayments of note payable -Cedar Bay	0	0	(440,000)	0	0	0
Repayments of equipment lease	(136,957)	(139,255)	(141,911)	(141,911)	(142,253)	(143,918)
Change in checks written in excess of bank balance	(127,966)	0	337,386	(337,388)	0	0
Net cash from financing activities	(316,943)	(169,255)	(502,858)	(569,299)	(242,253)	(452,918)
Net change in cash	369,286	756,672	(1,127,958)	864,361	817,757	(691,199)
Cash: Beginning of period	0	369,266	1,127,958	0	664,361	1,682,118
Cash: End of period	369,286	1,127,958	0	864,361	1,662,118	990,919

</TABLE>

MEDERER CORPORATION
PROJECTED INCOME STATEMENT
FOR THE YEAR ENDING 1997

DRAFT - UNAUDITED

<TABLE>
<CAPTION>

	(Actual) JAN	(Actual) FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALES:									
Trolli - Bulk	1,314,524	1,455,559	1,550,785	1,561,402	1,581,402	1,581,402	1,615,782	1,603,521	1,594,560
Trolli - Branded	1,201,549	1,068,664	1,438,229	1,465,993	1,638,851	1,638,851	1,520,776	1,532,594	1,536,891
Trolli Export - Bulk	137,206	223,690	348,146	348,146	386,829	386,829	386,829	386,829	386,829
Trolli Export - Branded	466,199	688,145	685,883	755,863	837,070	837,070	837,070	837,070	837,070
Private Label Sales	638,240	962,298	1,044,274	1,002,084	1,068,735	1,360,721	1,373,911	1,590,267	1,111,682
Other Sales	2,730	11,174	0	0	0	0	0	0	0
TOTAL SALES	3,760,448	4,399,530	5,067,277	5,153,488	5,512,886	5,804,872	5,734,368	5,950,281	5,467,032
COST OF GOODS SOLD									
Cost of Raw Materials	2,030,929	2,159,040	2,860,168	2,909,013	3,110,914	3,271,506	3,230,681	3,349,422	3,083,521
Labor	361,373	478,725	498,372	504,120	476,458	467,566	491,527	448,785	458,351
Direct Labor Applied	0	0	102,453	(48,427)	6,201	22,656	(7,656)	29,380	(3,862)
Outside Labor	1,415	4,554	2,869	3,156	3,012	3,012	3,156	3,012	3,012
USDA Sugar Rebate	(8,345)	(19,473)	(25,037)	(26,171)	(29,034)	(29,034)	(29,034)	(29,034)	(29,034)
Obsolete ???. Write-off	12,500	12,500	12,500	12,500)	12,500	12,500	12,500	12,500	12,500

TOTAL COST OF GOODS SOLD	2,420,871	2,635,348	3,451,325	3,354,191	3,580,051	3,748,206	3,701,174	3,814,065	3,524,48
GROSS MARGIN	1,339,577	1,764,184	1,615,952	1,799,297	1,932,835	2,056,666	2,033,194	2,136,216	1,842,544
DIRECT SELLING EXP.									
Royalty	16,317	24,085	24,005	0	0	0	0	0	0
Commissions	2,964	11,438	8,798	10,548	11,650	11,650	11,650	11,650	11,660
Customer Rebates	4,287	6,101	0	0	0	0	0	0	0
Billbacks	9,158	19,468	63,351	63,361	70,390	70,390	105,390	105,390	70,390
Foreign Out to Customer	0	0	0	0	0	0	0	0	0
Spoils, Shorts & Return	0	2,742	834	833	833	834	833	833	834
AUR Cash Discounts	7,638	7,793	3,230	3,229	3,229	3,230	3,229	3,229	3,230
TOTAL DIRECT SELLING EXP.	40,364	71,627	100,218	77,961	86,102	86,104	121,102	121,102	86,104
GROSS PROFIT	1,299,213	1,692,5?7	1,515,734	1,721,336	1,846,733	1,970,562	1,912,092	2,015,114	1,856,440
OPERATING EXPENSES									
Utilities	51,449	69,286	65,099	68,301	68,195	66,205	71,290	65,205	68,195
Telephone	8,338	11,590	5,748	8,498	6,054	6,907	6,791	4,991	7,122
Building Rent	4,290	6,114	3,757	2,757	2,757	2,757	2,757	2,757	2,757
Equipment Rental	3,243	2,399	3,241	3,242	3,241	3,242	3,241	3,242	3,241
Insurance Expense	16,392	5,367	9,038	9,007	9,038	9,037	9,038	9,037	9,038
Property Taxes	29,000	29,000	29,000	29,000	29,000	29,000	29,000	29,000	29,000
Repair & Maintenance	72,771	81,708	64,000	72,000	72,000	72,000	72,000	72,000	72,000
Building Repairs & Maint.	58	1,488	2,084	833	833	2,084	833	834	2,084
Prev. Maint. Contracts	858	0	7,437	7,437	7,437	7,436	7,437	7,436	7,437
Plant Supplies	36,084	37,66?	39,665	43,296	41,461	41,481	40,296	38,481	38,481
Safety Supplies	2,469	1,253	414	414	414	414	414	414	414
Miscellaneous Freight	2,700	2,896	3,450	5,407	3,230	3,220	2,484	4,409	5,600
Outside Services	10,223	21,926	8,559	8,846	8,702	8,703	8,846	8,702	6,703

<CAPTION>

<S>	OCT <C>	NOV <C>	DEC <C>	TOTALS <C>
BALES:				
Trolli - Bulk	1,597,846	1,568,462	889,314	17,934,538
Trolli - Branded	1,497,638	1,065,374	845,431	16,430,840
Trolli Export - Bulk	386,829	232,097	232,097	3,842,356
Trolli Export - Branded	837,070	497,242	497,243	8,612,975
Private Label Sales	1,377,689	1,148,764	785,952	13,464,617
Other Sales	0	0	0	13,904
TOTAL SALES	5,697,071	4,501,939	3,250,037	60,299,229
COST OF GOODS SOLD				
Cost of Raw Materials	3,209,162	2,540,294	1,829,986	33,587,636
Labor	479,186	409,529	368,576	5,462,568
Direct Labor Applied	(34,790)	(19,253)	(60,223)	(13,521)
Outside Labor	3,299	2,582	2,151	35,230
USDA Sugar Rebate	(29,034)	(17,339)	(17,339)	(287,909)
Obsolete ???. Write-off	12,500	12,500	12,500	150,000
TOTAL COST OF GOODS SOLD	3,640,323	2,928,313	2,135,651	38,934,004
GROSS MARGIN	2,056,748	1,573,626	1,114,386	21,365,225
DIRECT SELLING EXP.				
Royalty	0	0	0	64,407
Commissions	11,650	6,865	6,865	117,378
Customer Rebates	0	0	0	10,388
Billbacks	70,390	42,234	42,234	732,136
Foreign Out to Customer	0	0	0	0
Spoils, Shorts & Return	833	833	834	11,076
AUR Cash Discounts	3,229	3,229	3,230	47,725
TOTAL DIRECT SELLING EXP.	86,102	53,161	53,163	983,110
GROSS PROFIT	1,970,646	1,520,465	1,061,223	20,382,115
OPERATING EXPENSES				
Utilities	71,397	61,896	55,598	781,116
Telephone	6,738	8,027	6,909	87,713
Building Rent	2,757	2,757	2,757	38,974
Equipment Rental	3,242	3,241	3,242	38,057

Insurance Expense	9,037	9,038	9,037	112,134
Property Taxes	29,000	29,000	29,000	348,000
Repair & Maintenance	72,000	72,000	72,000	846,479
Building Repairs & Maint.	833	833	2,083	14,880
Prev. Maint. Contracts	7,436	7,437	7,436	75,224
Plant Supplies	42,112	34,387	30,589	464,022
Safety Supplies	414	414	414	7,862
Miscellaneous Freight	4,190	3,550	3,435	44,571
Outside Services	8,989	8,272	7,842	118,313

</TABLE>

MEDERER CORPORATION
PROJECTED INCOME STATEMENT
FOR THE YEAR ENDING 1997

<TABLE>
<CAPTION>
DRAFT - UNAUDITED

<S>	(Actual) JAN <C>	(Actual) FEB <C>	MAR <C>	APR <C>	MAY <C>	JUN <C>	JUL <C>	AUG <C>
Consulting Fees	15,295	(2,275)	25,350	25,650	21,450	21,450	21,450	21,450
Training Expenses	4,431	3,490	12,295	12,696	13,745	12,296	12,696	12,296
Legal Fees	11,794	2,574	3,000	3,000	3,000	3,000	3,000	3,000
Accounting Services	10,704	(19,961)	6,383	6,383	12,863	6,383	18,383	18,383
Administrative Fees	1,500	1,509	1,725	1,725	1,725	1,725	1,725	1,725
Board of Directors Fees	12,000	12,000	12,000	0	0	0	0	0
Salaries/Wages	150,878	123,003	139,568	152,289	152,789	146,630	161,037	148,335
Indirect Labor	101,205	108,810	127,331	127,241	127,359	121,750	133,859	122,470
Bonuses	12,206	18,500	17,414	17,413	17,414	17,413	17,414	17,413
Employment Tax & Benefits	144,665	106,316	117,062	118,144	116,075	114,493	118,357	112,494
Workers Compensation	30,054	29,289	32,500	32,501	32,501	32,500	32,501	32,501
Office Supplies	7,142	3,409	3,882	4,039	4,039	3,882	4,197	3,883
Computer Service & Maint.	161	3,042	253	254	254	253	254	254
Postage Expense	488	599	451	473	473	451	494	451
Bank Service Charge	4,247	2,045	1,528	4,528	1,605	1,605	4,605	1,605
Charitable Donations	1,000	250	1,084	1,803	1,083	1,804	1,083	1,084
Misc. Tax Expense	4,957	0	285	286	286	285	285	286
Travel Expenses	10,477	20,510	23,468	22,919	25,578	25,417	25,008	24,417
Vehicle Expenses	2,547	1,696	1,548	1,571	1,560	1,810	1,571	1,560
Advertising	844	751	833	834	833	833	834	833
Promotional Expenses	0	0	0	0	0	0	0	0
Moving Expenses	0	2,500	625	625	625	625	625	625
Membership/Subscriptions	1,235	481	304	303	358	303	304	359
Product Development	(190)	4,577	2,583	2,584	2,584	2,584	2,583	2,583
Samples Expenses	568	4,563	2,637	810	2,672	335	330	353
Fines & Penalties	0	0	0	0	0	0	0	0
Miscellaneous Expenses	1,650	1,708	1,875	1,875	1,876	1,876	1,876	1,876
Jobs Training Expenses	0	0	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)
Bad Debt Write - Off	0	0	2,500	2,500	2,500	2,500	2,500	2,500
Overhead Applied	0	0	256,153	(121,078)	15,504	56,846	(19,142)	73,456
TOTAL OPERATING EXPENSES	767,733	681,085	1,023,649	667,218	800,633	817,115	789,756	840,200
Depreciation Expenses	235,408	240,765	250,288	322,968	333,041	334,827	339,025	339,025
Amortization Expenses	194	194	275	275	275	275	275	275
TOTAL DEPRECIATION/AMORT.	235,602	240,959	250,563	323,243	333,316	335,102	339,300	339,300
TOTAL OPERATING INCOME	295,878	770,513	241,522	730,875	712,784	818,345	783,036	836,614
OTHER INCOME (EXPENSES)								
Interest Income	14	23	0	0	0	0	0	0
Interest Expenses	(107,352)	(92,602)	(109,414)	(143,789)	(143,324)	(142,856)	(142,385)	(141,911)
AP Cash Discounts	4,621	1,169	7,500	7,500	7,500	7,500	7,500	7,500
Currency Exch Gain (Loss)	25,498	(24,011)	(1,667)	(1,666)	(1,666)	(1,666)	(1,666)	(1,667)
Warehouse Management Fee	15,993	15,993	15,993	15,993	15,993	15,993	15,993	15,993
Misc. Income (Expenses)	(26,010)	13,442	0	0	0	0	0	0
TOTAL OTHER INC./EXP.	(87,236)	(85,966)	(87,588)	(121,962)	(121,497)	(121,029)	(120,558)	(120,085)
NET INC. BEFORE TAXES	208,642	684,527	153,934	608,913	591,287	697,316	662,478	715,529
INCOME TAXES	101,074	213,541	49,259	194,852	189,212	223,141	211,993	228,969

TOTAL NET PROFIT/(LOSS)	107,568	470,986	104,675	414,061	402,075	474,175	450,485	486,560

<CAPTION>

<S>	SEP <C>	OCT <C>	NOV <C>	DEC <C>	TOTALS <C>
Consulting Fees	21,450	21,450	18,400	18,400	229,520
Training Expenses	12,296	12,696	12,146	12,146	133,232
Legal Fees	3,000	3,000	3,000	3,000	44,368
Accounting Services	6,383	6,863	6,383	6,383	85,533
Administrative Fees	1,725	1,725	1,725	1,725	20,259
Board of Directors Fees	0	0	0	0	36,000
Salaries/Wages	155,599	162,579	142,899	163,004	1,798,610
Indirect Labor	128,585	134,679	117,338	119,237	1,470,864
Bonuses	17,414	17,413	17,414	17,413	204,841
Employment Tax & Benefits	113,927	115,995	108,039	106,385	1,391,962
Workers Compensation	32,500	32,501	32,501	32,501	384,350
Office Supplies	4,039	4,197	3,724	4,197	50,630
Computer Service & Maint.	253	254	254	254	5,740
Postage Expense	472	494	430	493	5,769
Bank Service Charge	1,605	4,605	1,297	1,297	30,572
Charitable Donations	1,804	1,803	1,803	1,803	12,084
Misc. Tax Expense	285	286	285	285	7,811
Travel Expenses	27,167	24,618	17,643	16,179	263,401
Vehicle Expenses	1,560	1,583	1,525	1,740	20,271
Advertising	833	833	834	833	9,928
Promotional Expenses	0	0	0	0	0
Moving Expenses	625	625	625	625	8,750
Membership/Subscriptions	303	12,804	359	304	17,417
Product Development	2,583	2,583	2,583	2,583	30,220
Samples Expenses	515	789	402	402	14,396
Fines & Penalties	0	0	0	0	0
Miscellaneous Expenses	1,874	1,875	1,874	1,875	22,110
Jobs Training Expenses	(12,500)	(12,500)	(12,500)	(12,500)	(125,000)
Bad Debt Write - Off	2,500	2,500	2,500	2,500	25,000
Overhead Applied	(9,655)	(66,982)	(48,135)	(150,573)	(33,805)
TOTAL OPERATING EXPENSES	770,494	726,693	675,479	582,113	9,142,168
Depreciation Expenses	343,787	341,378	346,140	346,140	3,772,792
Amortization Expenses	275	276	275	275	3,139
TOTAL DEPRECIATION/AMORT.	344,062	341,664	346,415	346,515	3,775,931
TOTAL OPERATING INCOME	741,884	902,299	498,571	132,695	7,464,016
OTHER INCOME (EXPENSES)					
Interest Income	0	0	0	0	37
Interest Expenses	(141,433)	(140,952)	(140,468)	(139,980)	(1,586,466)
AP Cash Discounts	7,500	7,500	7,500	7,500	80,790
Currency Exch Gain (Loss)	(1,667)	(1,667)	(1,667)	(1,667)	(15,179)
Warehouse Management Fee	15,993	15,992	15,993	15,993	191,915
Misc. Income (Expenses)	0	0	0	0	(12,568)
TOTAL OTHER INC./EXP.	(199,607)	(199,127)	(118,154)	(118,154)	(1,341,471)
NET INC. BEFORE TAXES	622,277	783,172	379,929	14,541	6,122,545
INCOME TAXES	199,129	250,615	121,577	4,653	1,988,015
TOTAL NET PROFIT/(LOSS)	423,148	532,557	258,352	9,888	4,134,530

</TABLE>

MEDERER CORPORATION
PROJECTED BALANCE SHEET
FOR THE YEAR ENDING 1997

<TABLE>
<CAPTION>

DRAFT - UNAUDITED	(Actual) JAN	(Actual) FEB	MAR	APR	MAY	JUN
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
CURRENT ASSETS						

Cash	204,950	258,982	870,943	129,465	476,541	(200,805)
Accounts Receivable						
Trade	1,333,565	1,372,449	1,888,970	2,061,140	2,159,538	2,482,739
Related Parties	149,963	190,864	390,849	390,849	400,158	400,158
Other	157,964	110,871	148,100	148,100	148,100	148,100
Short Term Loan	68,610	74,430	0	0	0	0
Inventory						
Raw Materials	3,892,473	3,953,797	3,796,566	3,726,568	3,656,566	3,586,566
Finished Goods	566,858	661,270	518,358	494,108	469,858	445,608
Spares	636,378	670,502	637,979	638,779	639,579	640,379
Prepaid Expenses	93,533	96,791	82,676	80,076	77,476	74,876
TOTAL CURRENT ASSETS	7,104,294	7,391,956	8,334,441	7,669,083	6,027,816	7,577,621
PLANT, PROPERTY AND EQUIPMENT						
Building & Leasehold Improvements	8,102,740	8,102,740	8,102,740	8,102,740	8,102,740	8,102,740
Equipment & Equipment Deposits	31,017,482	31,172,737	32,436,318	33,749,753	34,372,5?6	34,905,419
	39,120,222	39,275,477	40,539,059	41,852,4?3	42,475,326	43,008,15?
Less: Accumulated Depreciation	(13,920,095)	(14,160,660)	(14,411,148)	(14,734,116)	(15,067,157)	(15,401,984)
TOTAL PLANT, PROPERTY AND EQUIPMENT	25,200,127	25,114,617	26,127,911	27,118,377	27,408,169	27,606,175
OTHER ASSETS						
Investment In Subsidiary	3,996,212	3,982,524	3,982,524	3,982,524	3,982,524	3,982,524
Other	73,650	73,650	73,650	73,650	73,650	73,650
Less: Accumulated Amortization	(1,165)	(1,359)	(1,634)	(1,909)	(2,184)	(2,459)
TOTAL OTHER ASSETS	4,068,697	4,054,815	4,054,540	4,054,265	4,053,990	4,053,715
TOTAL ASSETS	36,373,118	36,561,388	38,516,892	38,841,725	39,489,975	39,237,511

<CAPTION>

<S>	JUL <C>	AUG <C>	SEP <C>	OCT <C>	NOV <C>	DEC <C>
ASSETS						
CURRENT ASSETS						
Cash	97,104	612,346	(533,828)	80,509	248,840	(571,233)
Accounts Receivable						
Trade	2,662,344	2,908,812	2,711,392	2,755,279	2,393,817	1,600,313
Related Parties	391,372	391,549	391,899	388,725	360,013	348,489
Other	148,100	148,100	148,100	148,100	148,100	148,000
Short Term Loan	0	0	0	0	0	0
Inventory						
Raw Materials	3,516,566	3,446,566	3,376,566	3,306,566	3,236,566	3,156,000
Finished Goods	421,358	397,108	372,858	348,608	324,358	300,000
Spares	641,179	641,979	642,779	643,579	644,379	645,400
Prepaid Expenses	72,276	69,676	67,076	64,476	61,876	59,600
TOTAL CURRENT ASSETS	7,970,299	8,616,136	7,176,842	7,735,842	7,417,949	5,886,669
PLANT, PROPERTY AND EQUIPMENT						
Building & Leasehold Improvements	8,102,740	8,102,740	8,102,740	8,102,740	8,102,740	8,102,740
Equipment & Equipment Deposits	35,318,252	35,731,085	35,843,918	35,958,751	35,969,584	35,982,417
	43,420,992	43,833,825	43,846,658	44,059,491	44,072,324	44,085,157
Less: Accumulated Depreciation	(15,741,009)	(16,080,034)	(16,423,821)	(16,765,199)	(17,111,339)	(17,457,479)
TOTAL PLANT, PROPERTY AND EQUIPMENT	27,679,983	27,753,791	27,522,837	27,294,292	26,960,985	26,627,678
OTHER ASSETS						
Investment In Subsidiary	3,982,524	3,982,524	3,982,524	3,982,524	3,982,524	3,982,524
Other	73,650	73,650	73,650	73,650	73,650	73,650
Less: Accumulated Amortization	(2,734)	(3,009)	(3,284)	(3,559)	(3,834)	(4,109)

TOTAL OTHER ASSETS	4,053,440	4,053,165	4,052,800	4,052,615	4,052,340	4,052,065
TOTAL ASSETS	39,703,722	40,423,092	38,752,569	39,082,749	38,431,274	36,586,412

</TABLE>

MEDERER CORPORATION
PROJECTED BALANCE SHEET
FOR THE YEAR ENDING 1997

<TABLE>
<CAPTION>

DRAFT - UNAUDITED	(Actual) JAN	(Actual) FEB	MAR	APR	MAY	JUN	JUL	AUG
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
LIABILITIES AND EQUITY								
CURRENT LIABILITIES								
Accounts Payable								
Trade	6,327,566	6,438,639	4,948,246	5,076,021	5,007,039	4,9??,097	5,267,031	5,195,241
Related Parties	6,917,147	6,158,244	6,375,763	6,457,055	6,427,063	6,979,2??	6,879,122	6,905,247
Accrued Expenses	5,471,396	3,741,710	3,630,678	3,619,497	3,585,433	3,15?,311	2,924,671	3,114,055
Income Tax Payable	(28,229)	507,845	782,11?	530,356	968,590	360,071	620,636	898,982
Current Portion of Long Term Debt								
Note Payable-Norwest	3,613,000	5,506,000	3,813,000	3,913,000	4,013,000	4,113,000	4,063,000	4,013,000
Note Payable-Cedar Bay	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000
Capital Leases	1,659,577	1,659,577	1,659,577	1,659,577	1,659,577	1,659,577	1,659,577	1,659,577
TOTAL CURRENT LIABILITIES	24,600,477	24,452,015	21,649,380	21,695,506	22,078,702	21,699,354	21,854,037	22,226,102
LONG TERM LIABILITIES								
Notes Payable								
Norwest	3,550,000	3,550,000	?,340,000	?,340,000	?,340,000	?,130,000	8,130,000	8,130,000
Cedar Bay	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000
Capital Leases	3,828,706	3,694,452	3,557,916	3,422,562	3,285,541	3,148,250	3,009,293	2,870,038
Deferred Income Taxes	767,400	767,400	767,400	767,400	767,400	767,400	767,400	767,400
TOTAL LONG TERM LIABILITIES	8,586,106	8,451,852	13,105,31?	12,969,962	12,832,941	12,485,650	12,346,693	12,207,438
TOTAL LIABILITIES	33,186,583	32,903,867	34,754,69?	34,665,468	34,911,643	34,185,004	34,200,730	34,433,540
STOCKHOLDERS EQUITY								
Common Stock	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500
Additional Paid in Capital	727,500	727,500	727,500	727,500	727,500	727,500	727,500	727,500
Treasury Stock	(7,915,500)	(7,915,500)	(7,915,500)	(7,915,500)	(7,915,500)	(7,915,500)	(7,915,500)	(7,915,500)
Retained Earnings	10,244,467	10,244,467	10,244,467	10,244,467	10,244,467	10,244,467	10,244,467	10,244,467
Current Year's Earnings	107,566	576,554	683,229	1,097,290	1,499,365	1,973,540	2,424,025	2,910,585
TOTAL STOCKHOLDERS EQUITY	3,186,535	3,657,521	3,762,196	4,176,257	4,578,332	5,052,507	5,502,992	5,989,552
TOTAL LIABILITIES AND EQUITY	36,373,118	36,561,3??	38,516,892	38,841,725	39.4??,975	39,237,511	39,703,722	40,423,092

<CAPTION>

DRAFT - UNAUDITED	SEP	OCT	NOV	DEC
<S>	<C>	<C>	<C>	<C>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts Payable				
Trade	4,689,537	4,655,663	4,568,100	3,910,581
Related Parties	7,130,979	6,982,126	6,336,232	6,943,993
Accrued Expenses	2,706,703	2,620,167	2,521,603	1,831,013
Income Tax Payable	332,881	631,678	796,125	114,641
Current Portion of Long Term Debt				
Note Payable-Norwest	3,963,000	3,873,000	3,773,000	3,674,000

Note Payable-Cedar Bay	440,000	440,000	440,000	440,000
Capital Leases	1,659,577	1,659,577	1,659,577	1,659,577
TOTAL CURRENT LIABILITIES	20,922,677	20,882,211	20,094,637	18,573,805
LONG TERM LIABILITIES				
Notes Payable				
Norwest	7,920,000	7,920,000	7,920,000	7,700,000
Cedar Bay	0	0	0	0
Capital Leases	2,729,792	2,587,881	2,445,628	2,301,710
Deferred Income Taxes	767,400	767,400	767,400	767,400
TOTAL LONG TERM LIABILITIES	11,417,192	11,275,281	11,133,028	10,779,110
TOTAL LIABILITIES	32,339,869	32,137,492	31,227,665	29,352,915
STOCKHOLDERS EQUITY				
Common Stock	22,500	22,500	22,500	22,500
Additional Paid in Capital	727,500	727,500	727,500	727,500
Treasury Stock	(7,915,500)	(7,915,500)	(7,915,500)	(7,915,500)
Retained Earnings	10,244,467	10,244,467	10,244,467	10,244,467
Current Year's Earnings	3,333,733	3,856,290	4,124,642	4,134,530
TOTAL STOCKHOLDERS EQUITY	6,412,700	?,945,257	7,203,609	7,213,497
TOTAL LIABILITIES AND EQUITY	38,752,569	39,082,749	38,431,274	36,586,412

</TABLE>

TROLLI, INC.
PROJECTED INCOME STATEMENT
FOR THE YEAR ENDING 1997

DRAFT - UNAUDITED

<TABLE>
<CAPTION>

<S>	(Actual) JAN <C>	(Actual) FEB <C>	MAR <C>	APR <C>	MAY <C>	JUN <C>	JUL <C>	AUG <C>	SEP <C>
SALES:									
Trolli - Bulk	1,823,351	2,607,878	2,617,132	2,617,132	2,617,132	2,617,132	2,678,516	2,656,194	2,639,453
Less: Promo	(155,792)	(288,828)	(272,182)	(272,182)	(272,182)	(272,182)	(278,585)	(276,244)	(274,503)
Trolli - Branded	1,856,657	2,301,808	3,004,355	3,004,355	3,297,574	3,297,574	3,020,893	3,026,406	3,037,431
Less: Promo	(143,580)	(262,034)	(279,405)	(279,405)	(306,674)	(306,674)	(280,943)	(281,456)	(282,481)
Private Label	474,823	670,647	804,000	873,018	939,000	939,018	914,000	875,018	784,000
Less: Promo	(25)	(37)	0	0	0	0	0	0	0
Hi-Lites	6,662	4,775	9,489	14,204	16,591	21,307	23,693	23,693	13,605
Less: Promo	(1,481)	(2,141)	(1,139)	(1,704)	(1,891)	(2,557)	(2,843)	(2,843)	(1,633)
TOTAL SALES	3,660,615	5,032,0??	5,882,250	5,955,418	8,289,450	6,293,618	6,074,751	6,020,768	5,915,872
COST OF GOOD SOLD									
Cost of Goods Sold	2,512,107	2,902,487	3,882,285	3,?30,576	4,151,037	4,153,788	4,009,335	3,973,707	3,904,476
Unsaleable Product	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Freight Into Warehouse	24,764	26,0?3	42,800	36,100	42,800	33,700	36,100	38,400	39,900
Warehouse Receiving Changes	4,066	4,714	6,900	5,800	7,000	5,500	5,900	6,200	5,000
TOTAL COSTS OF GOODS SOLD	2,548,457	2,940,784	3,939,485	3,980,076	4,208,337	4,200,488	4,058,835	4,025,807	3,947,876
GROSS MARGIN	1,312,158	2,091,284	1,942,765	1,975,342	2,081,113	2,093,130	2,015,915	1,994,961	1,967,997
DIRECT SELLING EXP.									
Commissions	16?,936	280,469	246,174	249,101	262,462	262,629	253,674	251,715	247,519
Billbacks	18,508	33,335	60,?37	61,368	64,709	64,750	62,562	62,022	59,159
Customer Rebates	13,706	11,889	6,605	6,690	7,077	7,082	6,830	8,766	6,644
Special Promo Exchange	15,214	22,108	58,889	59,099	60,513	60,330	62,406	63,67?	?3,232
Freight Out	200,569	266,743	347,059	315,335	355,272	30?,357	317,742	329,653	285,537
Spoils, Shorts & Returns	10,677	11,451	23,529	23,822	25,158	25,174	24,299	24,083	23,663
Misc Distribution Expense	1,401	1,730	3,100	2,600	3,100	2,400	2,600	2,000	2,200
Warehouse Storage Charge	3,941	3,582	9,000	7,600	9,100	7,000	7,600	8,000	6,500

Royalty	59,958	71,392	95,373	0	0	0	0	0	0
A/R Cash Discounts	51,498	69,965	?9,898	101,242	106,921	106,992	103,271	102,353	100,569
TOTAL DIRECT SELLING EXP.	544,408	774,644	950,385	826,857	894,312	845,714	841,184	651,068	795,023
GROSS PROFIT	67,750	1,316,640	992,400	1,148,485	1,186,801	1,247,416	1,174,731	1,143,893	1,172,974
OPERATING EXPENSES									
Telephone	5,357	8,265	6,?03	6,816	6,955	6,285	7,011	6,804	6,899
Utilities	528	584	875	875	875	875	875	875	875
Office Rent	6,180	6,180	6,180	6,180	6,179	6,179	6,180	6,180	6,179
Equipment Rental	1,991	2,083	4,333	3,445	3,445	3,446	3,446	3,445	3,445
Auto Leases	1,694	1,728	1,670	1,670	1,670	1,670	1,670	1,670	1,670
Repairs & Maintenance	47	1,316	1,104	1,103	1,104	1,103	1,104	1,104	1,103

<CAPTION>

<S>	OCT <C>	NOV <C>	DEC <C>	TOTALS <C>
SALES:				
Trolli - Bulk	2,645,033	2,601,172	1,453,962	29,574,067
Less: Promo	(275,083)	(270,522)	(151,212)	(3,059,477)
Trolli - Branded	2,937,431	2,032,988	1,669,967	32,487,439
Less: Promo	(273,181)	(1?9,068)	(155,307)	(3,040,208)
Private Label	716,018	625,000	507,018	9,121,560
Less: Promo	0	0	0	(62)
Hi-Lites	16,591	14,205	11,818	176,633
Less: Promo	(1,991)	(1,705)	(1,418)	(23,446)
TOTAL SALES	5,764,818	4,812,070	3,334,828	65,236,528
COST OF GOOD SOLD				
Cost of Goods Sold	3,804,780	3,175,968	2,200,988	42,601,530
Unsaleable Product	7,500	7,500	7,500	90,000
Freight Into Warehouse	34,400	23,300	17,800	387,147
Warehouse Receiving Changes	5,500	3,700	2,700	63,100
TOTAL COSTS OF GOODS SOLD	3,852,180	3,210,466	2,228,966	43,141,777
GROSS MARGIN	1,912,638	1,601,604	1,105,842	22,094,749
DIRECT SELLING EXP.				
Commissions	236,035	195,748	135,026	2,789,688
Billbacks	58,555	48,665	33,620	627,890
Customer Rebates	6,574	5,512	3,832	89,207
Special Promo Exchange	52,862	48,983	38,644	607,156
Freight Out	298,434	220,574	160,733	3,409,000
Spoils, Shorts & Returns	23,059	19,248	13,339	247,502
Misc Distribution Expense	2,600	1,700	1,300	27,531
Warehouse Storage Charge	7,200	4,900	3,800	78,203
Royalty	0	0	0	226,723
A/R Cash Discount	98,002	81,805	56,692	1,079,30?
TOTAL DIRECT SELLING EXP.	783,321	627,135	448,1??	9,182,217
GROSS PROFIT	1,128,317	974,469	657,656	12,912,532
OPERATING EXPENSES				
Telephone	6,816	6,548	6,548	79,007
Utilities	875	875	875	9,882
Office Rent	6,180	6,479	6,479	74,755
Equipment Rental	3,445	3,44?	3,445	39,3?5
Auto Leases	1,670	1,670	1,670	20,122
Repairs & Maintenance	1,104	1,104	1,104	12,400

</TABLE>

TROLLI, INC.
PROJECTED INCOME STATEMENT
FOR THE YEAR ENDING 1997

DRAFT - UNAUDITED

<TABLE>
<CAPTION>

(ACTUAL) (ACTUAL)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Insurance Expense	2,574	2,574	2,574	2,573	2,574	2,574	2,574	2,573	2,574	2,574
Property Taxes	24	0	0	0	0	0	0	0	0	0
Outside Labor	158	0	842	300	300	842	300	300	843	300
Consulting Fees	0	1,000	0	0	2,500	3,000	3,500	3,500	3,500	3,000
Training Fees	1,733	52	2,600	4,250	4,000	2,600	2,600	4,000	2,600	2,600
Legal Fees	0	280	2,083	2,084	2,083	2,083	2,083	2,083	2,083	2,083
Accounting Fees	17,184	18,585	208	9,209	1,208	1,208	208	3,209	208	1,709
Administrative Fees	14,583	14,583	14,583	14,583	14,583	22,243	14,583	14,583	14,583	14,583
Office Salaries	37,672	33,420	41,673	48,672	48,672	48,673	48,822	48,822	52,094	52,093
Marketing Salaries	13,598	11,835	12,497	12,497	12,747	12,747	12,747	12,747	12,747	12,747
Sales Salaries	39,812	26,537	30,832	30,919	31,253	31,253	31,253	31,253	31,255	31,255
Bonus Expenses	0	0	0	0	0	0	0	0	0	0
Employment Taxes/Benefits	22,725	20,318	17,823	17,823	17,823	17,823	17,823	17,823	17,823	17,823
Employment Expense	571	(423)	500	10,500	500	500	500	500	12,500	500
Office Supplies	2,665	1,911	4,250	3,950	3,970	3,950	3,930	4,150	4,130	4,130
Computer Expense	595	828	2,613	2,613	2,613	2,613	2,613	2,613	2,613	2,613
Travel Expenses	28,568	21,627	26,334	21,822	20,159	27,016	22,182	21,930	18,860	21,666
Moving Expense	0	0	0	0	0	0	0	0	10,000	0
Postage Expense	3,339	4,388	2,503	2,503	2,502	2,502	2,502	2,502	2,502	2,502
Bank Service Charges	1,718	22	40	940	40	40	940	40	40	940
Charitable Contributions	18,000	0	100	100	100	100	100	100	100	100
Convention Expense	3,778	77,?11	0	0	0	50,350	0	0	0	16,500
Sales Meetings	0	0	0	3,155	0	0	8,250	0	0	82,970
Advertising	27,597	42,733	27,475	29,175	381,835	449,720	387,770	20,900	24,900	38,410
Market Research	0	4,850	10,000	5,000	20,000	0	5,000	0	0	5,000
Dues & Subscriptions	487	1,062	6,485	735	635	885	6?0	635	635	635
Sample Expense	5,543	19,835	18,711	7,035	7,035	8,817	7,035	7,035	7,038	8,816
Misc Licenses & Taxes	1,458	4,706	1,825	0	0	1,825	0	0	1,825	0
Miscellaneous Expense	(2,401)	(8,115)	200	200	200	200	200	200	200	200
Bad Debt Expense	0	0	12,500	0	0	12,500	0	0	12,500	0
TOTAL OPERATING EXPENSES	257,796	318,735	260,106	250,727	597,560	725,442	598,461	221,576	258,322	343,839
Depreciation Expense	5,095	4,201	4,455	4,455	4,455	4,455	4,455	4,455	4,455	6,260
TOTAL OPERATING INCOME	504,859	993,704	727,839	893,303	584,786	517,519	571,815	917,862	910,197	779,218
OTHER INCOME/(EXPENSE)										
Interest Expense	0	0	0	0	0	0	0	0	0	0
Interest Income	0	0	0	0	0	0	0	0	0	0
Misc Income/ (Expense)	200	(5,145)	834	834	833	834	833	833	833	834
TOTAL OTHER INC./EXP.	200	(5,145)	834	834	833	834	833	833	833	834
NET INC. BEFORE TAXES	505,059	988,559	728,673	894,137	585,619	518,353	572,648	?18,695	911,030	780,052
INCOME TAXES	178,381	349,154	299,9?4	315,630	206,724	182,979	202,145	324,29?	321,593	275,358
TOTAL NET PROFIT/(LOSS)	326,678	639,405	426,679	578,507	378,895	335,374	370,503	594,396	589,436	504,694

<CAPTION>

	NOV	DEC	TOTALS
<S>	<C>	<C>	<C>
Insurance Expense	2,574	2,574	30,888
Property Taxes	2,500	0	2,524
Outside Labor	300	843	5,328
Consulting Fees	3,000	3,000	28,000
Training Fees	2,600	2,600	32,235
Legal Fees	2,084	2,084	21,093
Accounting Fees	208	208	53,352
Administrative Fees	14,583	14,583	182,656
Office Salaries	52,367	52,722	565,702
Marketing Salaries	12,747	12,747	152,403
Sales Salaries	31,255	31,255	378,132
Bonus Expenses	0	0	0
Employment Taxes/Benefits	17,822	17,822	221,271
Employment Expenses	500	500	27,148
Office Supplies	4,150	4,130	45,338
Computer Expense	2,613	2,613	27,653
Travel Expenses	18,815	22,558	271,537
Moving Expense	0	0	10,000
Postage Expense	2,502	2,506	32,753
Bank Service Charges	40	40	4,838
Charitable Contributions	100	100	19,000
Convention Expense	0	0	148,539
Sales Meetings	0	0	94,375
Advertising	10,900	57,900	1,497,315

Market Research	0	0	49,850
Dues & Subscriptions	735	635	14,034
Sample Expenses	8,223	8,222	113,343
Misc Licenses & Taxes	0	1,825	13,484
Miscellaneous Expense	200	200	(8,516)
Bad Debt Expense	0	12,500	50,000
TOTAL OPERATING EXPENSES	210,940	274,288	4,317,792
Depreciation Expense	6,260	6,260	59,261
TOTAL OPERATING INCOME	757,269	377,108	8,535,479
OTHER INCOME/(EXPENSE)			
Interest Expense	0	0	0
Interest Income	0	0	0
Misc Income/ (Expense)	833	833	3,389
TOTAL OTHER INC./EXP.	833	833	3,389
NET INC. BEFORE TAXES	758,102	377,941	8,538,868
INCOME TAXES	267,610	133,413	3,057,281
TOTAL NET PROFIT/(LOSS)	490,492	244,528	5,481,587

</TABLE>

TROLLI, INC.
PROJECTED BALANCE SHEET
FOR THE YEAR ENDING 1997

<TABLE>
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DRAFT - UNAUDITED	(Actual)	(Actual)					
	JAN	FEB	MAR	APR	MAY	JUN	JUL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS							
CURRENT ASSETS							
Cash	234,047	194,154	(146,683)	220,518	656,207	72,619	272,182
Accounts Receivable							
Trade	3,166,484	4,397,289	4,328,849	4,458,217	4,665,231	4,700,750	4,502,504
Related Parties	6,817,483	6,515,139	6,069,776	6,081,049	5,820,398	6,398,990	6,543,373
Other	0	2,287	0	0	0	0	0
Short Term Loan	18,764	46,344	0	0	0	0	0
Inventory							
Raw Materials	0	0	0	0	0	0	0
Finished Goods	2,273,788	2,390,646	3,349,099	3,449,099	3,499,099	3,824,099	3,974,099
Spares	0	0	0	0	0	0	0
Prepaid Expenses	50,189	45,248	12,385	12,385	12,385	2,385	12,385
TOTAL CURRENT ASSETS	12,580,735	13,591,107	13,613,416	14,221,268	14,653,320	14,999,043	15,384,543
PLANT, PROPERTY AND EQUIPMENT							
Building & leasehold Improvements	0	0	0	0	0	0	0
Equipment & Equipment Deposits	413,427	416,167	448,681	448,681	448,681	450,531	450,531
	413,427	418,167	448,681	448,681	448,681	450,531	450,531
Less: Accumulated Depreciation	(149,437)	(153,638)	(158,093)	(162,548)	(167,003)	(171,458)	(175,913)
TOTAL PLANT, PROPERTY AND EQUIPMENT	263,990	264,528	290,588	266,133	281,678	279,073	274,618
OTHER ASSETS							
Investment in Subsidiary	1,034,263	1,044,990	1,044,990	1,044,990	1,044,990	1,044,990	1,044,990
Other	0	0	0	0	0	0	0
Less: Accumulated Amortization	0	0	0	0	0	0	0

TOTAL OTHER ASSETS	1,034,263	1,044,990	1,044,990	1,044,990	1,044,990	1,044,990	1,044,990
TOTAL ASSETS	13,858,988	14,900,626	14,948,994	15,552,391	15,979,988	16,323,106	16,704,151

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	AUG	SEP	OCT	NOV	DEC
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
CURRENT ASSETS					
Cash	515,612	196,440	783,852	1,433,278	1,562,152
Accounts Receivable					
Trade	4,524,393	4,441,070	4,333,205	4,349,399	3,390,793
Related Parties	6,639,448	6,940,218	6,819,432	6,233,238	6,676,690
Other	0	0	0	0	0
Short Term Loan	0	0	0	0	0
Inventory					
Raw Materials	0	0	0	0	0
Finished Goods	4,274,099	4,875,337	5,025,337	5,300,337	5,618,235
Spares	0	0	0	0	0
Prepaid Expenses	12,385	22,385	27,385	32,385	33,826
TOTAL CURRENT ASSETS	15,965,937	16,475,450	16,989,211	17,348,637	17,483,686
PLANT, PROPERTY AND EQUIPMENT					
Building & leasehold Improvements	0	0	0	0	0
Equipment & Equipment Deposits	450,531	452,631	452,631	452,631	452,631
	450,531	452,631	452,631	452,631	452,631
Less: Accumulated Depreciation	(180,366)	(184,823)	(191,083)	(107,343)	(203,603)
TOTAL PLANT, PROPERTY AND EQUIPMENT	270,163	267,808	261,548	255,288	249,028
OTHER ASSETS					
Investment in Subsidiary	1,044,990	1,044,990	1,044,990	1,044,990	1,044,990
Other	0	0	0	0	0
Less: Accumulated Amortization	0	0	0	0	0
TOTAL OTHER ASSETS	1,044,990	1,044,990	1,044,990	1,044,990	1,044,990
TOTAL ASSETS	17,281,090	17,788,248	18,295,749	18,648,915	18,777,714

</TABLE>

TROLLI, INC.
PROJECTED BALANCE SHEET
FOR THE YEAR ENDING 1997

<TABLE>
<CAPTION>

DRAFT - UNAUDITED	(Actual) JAN	(Actual) FEB	MAR	APR	MAY	JUN
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Liabilities and Equity						
Current Liabilities						
Accounts Payable						
Trade	106,503	177,711	356,414	389,681	394,866	407,518
Related Parties	306,096	579,222	258,216	258,216	267,525	267,525
Accrued Expenses	738,388	783,242	1,040,193	1,050,193	1,075,193	1,065,193
Income Tax Payable	735,172	748,216	253,257	234,860	244,068	229,160
Current Portion of Long Term Debt						
Note Payable - Norwest	0	0	0	0	0	0
Note Payable - Cedar Bay	0	0	0	0	0	0
Capital Leases	0	0	0	0	0	0

Total Current Liabilities	1,886,159	2,288,391	1,908,080	1,932,970	1,981,672	1,989,416
Long Term Liabilities						
Notes Payable						
Norwest	0	0	0	0	0	0
Cedar Bay	0	0	0	0	0	0
Capital Leases	0	0	0	0	0	0
Deferred Income Taxes	(78,400)	(78,400)	(78,400)	(78,400)	(78,400)	(78,400)
Total Long Term Liabilities	(78,400)	(78,400)	(78,400)	(78,400)	(78,400)	(78,400)
Total Liabilities	1,807,759	2,208,991	1,629,680	1,854,570	1,903,272	1,911,016
Stockholders Equity						
Common Stock	1,000	1,000	1,000	1,000	1,000	1,000
Additional Paid in Capital	2,499,000	2,499,000	2,499,000	2,499,000	2,499,000	2,499,000
Treasury Stock	0	0	0	0	0	0
Retained Earnings	9,224,552	9,224,552	9,224,552	9,224,552	9,224,552	9,224,552
Current Year's Earnings	326,677	966,063	1,394,762	1,973,269	2,352,164	2,667,538
Total Stockholders Equity	12,051,229	12,690,635	13,119,314	13,697,621	14,076,716	14,412,090
Total Liabilities and Equity	13,658,988	14,900,626	14,848,994	15,552,391	15,979,988	16,323,106

<CAPTION>

<S>	JUL <C>	AUG <C>	SEP <C>	OCT <C>	NOV <C>	DEC <C>
Liabilities and Equity						
Current Liabilities						
Accounts Payable						
Trade	437,769	435,882	410,655	404,741	344,395	311,819
Related Parties	258,739	258,916	259,266	256,092	227,380	215,856
Accrued Expenses	1,065,193	1,035,193	995,193	995,193	935,193	762,070
Income Tax Payable	238,257	252,510	235,109	247,004	258,736	360,230
Current Portion of Long Term Debt						
Note Payable - Norwest	0	0	0	0	0	0
Note Payable - Cedar Bay	0	0	0	0	0	0
Capital Leases	0	0	0	0	0	0
Total Current Liabilities	1,999,958	1,982,501	1,900,223	1,903,030	1,765,704	1,649,975
Long Term Liabilities						
Notes Payable						
Norwest	0	0	0	0	0	0
Cedar Bay	0	0	0	0	0	0
Capital Leases	0	0	0	0	0	0
Deferred Income Taxes	(78,400)	(78,400)	(78,400)	(78,400)	(78,400)	(78,400)
Total Long Term Liabilities	(78,400)	(78,400)	(78,400)	(78,400)	(78,400)	(78,400)
Total Liabilities	1,921,558	1,904,101	1,621,823	1,824,630	1,667,304	1,571,575
Stockholders Equity						
Common Stock	1,000	1,000	1,000	1,000	1,000	1,000
Additional Paid in Capital	2,499,000	2,499,000	2,499,000	2,499,000	2,499,000	2,499,000
Treasury Stock	0	0	0	0	0	0
Retained Earnings	9,224,552	9,224,552	9,224,552	9,224,552	9,224,552	9,224,552
Current Year's Earnings	3,058,041	3,652,437	4,241,873	4,746,567	5,237,059	5,481,587
Total Stockholders Equity	14,782,593	15,376,989	15,966,425	16,471,119	16,961,611	17,206,139
Total Liabilities and Equity	16,704,151	17,261,090	17,788,246	18,295,749	18,648,915	18,777,714

</TABLE>

EXHIBIT 10.7

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The Merrill Lynch Special Non-Qualified Deferred Compensation Plan

ARTICLE 1--INTRODUCTION

1.1 Purpose of Plan

The Employer has adopted the Plan set forth herein to provide a means by which certain employees may elect to defer receipt of designated percentages or amounts of their Compensation and to provide a means for certain other deferrals of Compensation.

1.2 Status of Plan

The Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of Sections 201(2) and 301(a)(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), and shall be interpreted and administered to the extent possible in a manner consistent with that intent.

ARTICLE 2--DEFINITIONS

Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

2.1 Account means, for each Participant, the account established for his or her benefit under Section 5.1.

2.2 Adoption Agreement means the Merrill Lynch Special Non-Qualified Deferred Compensation Plan for Select Employees Adoption Agreement signed by the Employer to establish the Plan and containing all the options selected by the Employer, as the same may be amended from time to time.

2.3 Change of Control means (a) the purchase or other acquisition in one or more transactions other than from the Employer, by any individual, entity or group of persons, within the meaning of section 13(d)(3) or 14(d) of the Securities Exchange Act of 1934 or any comparable successor provisions, of beneficial ownership (within the meaning of Rule 13d-3 of Securities Exchange Act of 1934) of 30 percent or more of either the outstanding shares of common stock or the combined voting power of the Employer's then outstanding voting securities entitled to vote generally, or (b) the approval by the stockholders of the Employer of a reorganization, merger, or consolidation, in each case, with respect to which persons who were stockholders of the Employer immediately

prior to such reorganization, merger or consolidation do not immediately thereafter own more than 50 percent of the combined voting power of the reorganized, merged or consolidated Employer's then outstanding securities that are entitled to vote generally in the election of directors or (c) the sale of substantially all of the Employer's assets.

2.4 Code means the Internal Revenue Code of 1986, as amended from time to time. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation which amends, supplements or replaces such section or subsection.

2.5 Compensation has the meaning elected by the Employer in the Adoption Agreement.

2.6 Effective Date means the date chosen in the Adoption Agreement as of which the Plan first becomes effective.

2.7 Election Form means the participation election form as approved and prescribed by the Plan Administrator.

2.8 Elective Deferral means the portion of Compensation which is deferred by a Participant under Section 4.1.

2.9 Eligible Employee means, on the Effective Date or on any Entry Date thereafter, each employee of the Employer who satisfies the criteria established in the Adoption Agreement.

2.10 Employer means the corporation referred to in the Adoption Agreement, any successor to all or a major portion of the Employer's assets or business which assumes the obligations of the Employer, and each other entity that is affiliated with the Employer which adopts the Plan with the consent of the Employer, provided that the Employer that signs the Adoption Agreement shall have the sole power to amend this Plan and shall be the Plan Administrator if no other person or entity is so serving at any time.

2.11 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time. Reference to any section or subsection of ERISA includes reference to any comparable or succeeding provisions of any legislation which amends, supplements or replaces such section or subsection.

2.12 Incentive Contribution means a discretionary additional contribution made by the Employer as described in Section 4.3.

2.13 Insolvent means either (i) the Employer is unable to pay its debts as they become due, or (ii) the Employer is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

2.14 Matching Deferral means a deferral for the benefit of a Participant as described in Section 4.2.

2.15 Participant means any individual who participates in the Plan in accordance with Article 3.

2.16 Plan means the Employer's plan in the form of the Merrill Lynch Special Non-Qualified Deferred Compensation Plan for Select Employees and the Adoption Agreement and all amendments thereto.

2.17 Plan Administrator means the person, persons or entity designated by the Employer in the Adoption Agreement to administer the Plan and to serve as the agent for "Company" with respect to the Trust as contemplated by the agreement establishing the Trust. If no such person or entity is so serving at any time, the Employer shall be the Plan Administrator.

2.18 Plan Year means the 12-month period chosen in the Adoption Agreement.

2.19 Total and Permanent Disability means the inability of a Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, and the permanence and degree of which shall be supported by medial evidence satisfactory to the Plan Administrator.

2.20 Trust means the trust established by the Employer that identifies the Plan as a plan with respect to which assets are to be held by the Trustee.

2.21 Trustee means the trustee or trustees under the Trust.

2.22 Year of Service means the computation period and service requirement elected in the Adoption Agreement.

ARTICLE 3--PARTICIPATION

3.1 Commencement of Participation

Any individual who elects to defer part of his or her Compensation in accordance with Section 4.1 shall become a Participant in the Plan as of the date such deferrals commence in accordance with Section 4.1.

Any individual who is not already a Participant and whose Account is credited with the Incentive Contribution shall become a Participant as of the date such amount is credited.

3.2 Continued Participation

A Participant in the Plan shall continue to be a Participant so long as any amount remains credited to his or her Account.

ARTICLE 4--ELECTIVE AND MATCHING DEFERRALS

4.1 Elective Deferrals

An individual who is an Eligible Employee on the Effective Date may, by

completing an Election Form and filing it with the Plan Administrator within 30 days following the Effective Date, elect to defer a percentage or dollar amount of one or more payments of Compensation, on such terms as the Plan Administrator may permit, which are payable to the Participant after the date on which the individual files the Election Form. Any individual who becomes an Eligible Employee after the Effective Date may, by completing an Election Form and filing it with the Plan Administrator within 30 days following the date on which the Plan Administrator gives such individual written notice that the individual is an Eligible Employee, elect to defer a percentage or dollar amount of one or more payments of Compensation, on such terms as the Plan Administrator may permit, which are payable to the Participant after the date on which the individual files the Election Form. Any Eligible Employee who has not otherwise initially elected to defer Compensation in accordance with this paragraph 4.1 may elect to defer a percentage or dollar amount of one or more payments of Compensation, on such terms as the Plan Administrator may permit, commencing with Compensation paid in the next succeeding Plan Year by completing an Election Form prior to the first day of such succeeding Plan Year. In addition, a Participant may defer all or part of the amount of any elective deferral or matching contribution made on his or her behalf to the Employer's 401(k) plan for the prior Plan Year but treated as an excess deferral, an excess contribution or otherwise limited by the application of the limitations of sections 401(k), 401(m), 415 or 402(q) of the Code, so long as the Participant so indicates on an Election Form. A Participant's Compensation shall be reduced in accordance with the Participant's election hereunder and amounts deferred hereunder shall be paid by the Employer to the Trust as soon as administratively feasible and credited to the Participant's Account as of the date the amounts are received by the Trustee.

An election to defer a percentage or dollar amount of Compensation for any Plan Year shall apply for subsequent Plan Years unless changed or revoked. A Participant may change or revoke his or her deferral election as of the first day of any Plan Year by giving written notice to the Plan Administrator before such first day (or any such earlier date as the Plan Administrator may prescribe).

4.2 Matching Deferrals

After each payroll period, monthly, quarterly, or annually, at the Employer's discretion, the Employer shall contribute to the Trust Matching Deferrals equal to the rate of Matching Contribution selected by the Employer and multiplied by the amount of the Elective Deferrals credited to the Participants' Accounts for such period under Section 4.1. Each Matching Deferral will be credited, as of the later of the date it is received by the Trustee or the date the Trustee receives from the Plan Administrator such instructions as the Trustee may reasonably require to allocate the amount received among the asset accounts maintained by the Trustee, to the Participants' Accounts pro rata in accordance with the amount of Elective Deferrals of each Participant which are taken into account in calculating the Matching Deferral.

4.3 Incentive Contributions

In addition to other contributions provided for under the Plan, the Employer

may, in its sole discretion, select one or more Eligible Employees to receive an Incentive Contribution to his or her Account on such terms as the Employer shall specify at the time it makes the contribution. For example, the Employer may contribute an amount to a Participant's Account and condition the payment of that amount and accrued earnings thereon upon the Participant remaining employed by the Employer for an additional specified period of time. The terms specified by the Employer shall supersede any other provision of this Plan as regards Incentive Contributions and earnings with respect thereto, provided that if the Employer does not specify a method of distribution, the Incentive Contribution shall be distributed in a manner consistent with the election last made by the particular Participant prior to the year in which the Incentive Contribution is made. The Employer, in its discretion, may permit the Participant to designate a distribution schedule for a particular Incentive Contribution provided that such designation is made prior to the time that the Employer finally determines that the Participant will receive the Incentive Contribution.

ARTICLE 5--ACCOUNTS

5.1 Accounts

The Plan Administrator shall establish an Account for each Participant reflecting Elective Deferrals, Matching Deferrals and Incentive Contributions made for the Participant's benefit together with any adjustments for income, gain or loss and any payments from the Account. The Plan Administrator may cause the Trustee to maintain and invest separate asset accounts corresponding to each Participant's Account. The Plan Administrator shall establish sub-accounts for each Participant that has more than one election in effect under Section 7.1 and such other sub-accounts as are necessary for the proper administration of the Plan. As of the last business day of each calendar quarter, the Plan Administrator shall provide the Participant with a statement of his or her Account reflecting the income, gains and losses (realized and unrealized), amounts of deferrals, and distributions of such Account since the prior statement.

5.2 Investments

The assets of the Trust shall be invested in such investments as the Trustee shall determine. The Trustee may (but is not required to) consider the Employer's or a Participant's investment preferences when investing the assets attributable to a Participant's Account.

ARTICLE 6--VESTING

6.1 General

A Participant shall be immediately vested in, i.e., shall have a nonforfeitable right to, all Elective Deferrals, and all income and gain attributable thereto, credited to his or her Account. A Participant shall become vested in the portion of his or her Account attributable to Matching Deferrals and income and gain attributable thereto in accordance with the schedule selected by the Employer in the Adoption Agreement, subject to earlier vesting in accordance with Sections 6.3, 6.4, and 6.5.

6.2 Vesting Service

For purposes of applying the vesting schedule in the Adoption Agreement, a Participant shall be considered to have completed a Year of Service for each complete year of full-time service with the Employer or an Affiliate, measured from the Participant's first date of such employment, unless the Employer also maintains a 401(k) plan that is qualified under section 401(a) of the Internal Revenue Code in which the Participant participates, in which case the rules governing vesting service under that plan shall also be controlling under this Plan.

6.3 Change of Control

A Participant shall become fully vested in his or her Account immediately prior to a Change of Control of the Employer.

6.4 Death or Disability

A Participant shall become fully vested in his or her Account immediately prior to termination of the Participant's employment by reason of the Participant's death or Total and Permanent Disability. Whether a Participant's termination of employment is by reason of the Participant's Total and Permanent Disability shall be determined by the Plan Administrator in its sole discretion.

6.5 Insolvency

A Participant shall become fully vested in his or her Account immediately prior to the Employer becoming Insolvent, in which case the Participant will have the same rights

as a general creditor of the Employer with respect to his or her Account balance.

ARTICLE 7--PAYMENTS

7.1. Election as to Time and Form of Payment

A Participant shall elect (on the Election form used to elect to defer Compensation under Section 4.1) the date at which the Elective Deferrals and vested Matching Deferrals (including any earnings attributable thereto) will commence to be paid to he Participant. The Participant shall also elect thereon for payments to be paid in either:

a. single lump-sum payment; or

b. annual installments over a period elected by the Participant up to 10 years, the amount of each installment to equal the balance of his or her Account immediately prior to the installment divided by the number of installments remaining to be paid.

Each such election will be effective for the Plan Year for which it is made and succeeding Plan Years, unless changed by the Participant. Any change will be effective only for Elective Deferrals and Matching Deferrals made for the first Plan Year beginning after the date on which the Election Form containing the change is filed with the Plan Administrator. Except as provided in Sections 7.2, 7.3, 7.4, or 7.5, payment of a Participant's Account shall be made in accordance with the Participant's Elections under this Section 7.1.

7.2 Change of Control

As soon as possible following a Change of Control of the Employer, each Participant shall be paid his or her entire Account balance (including any amount vested pursuant to Section 6.3) in a single lump sum.

7.3 Termination of Employment

Upon termination of a Participant's employment for any reason other than death and prior to the attainment of the Retirement Age specified in the Adoption Agreement, the vested portion of the Participant's Account (including any portion vested pursuant to Section 6.4 as a consequence of the Participant's Total and Permanent Disability) shall be paid to the Participant in a single lump sum as soon as practicable following the date of such termination; provided, however, that the Plan Administrator, in its sole discretion, may pay out a Participant's Account balance in annual installments if the Participant's employment terminates by reason of the Participant's Total and Permanent Disability.

7.4 Death

If a Participant dies prior to the complete distribution of his or her Account, the balance of the Account shall be paid as soon as practicable to the Participant's designated beneficiary or beneficiaries, in the form elected by the Participant under either of the following options:

a. a single lump-sum payment; or

b. annual installments over a period elected by the Participant up to 10 years, the amount of each installment to equal the balance of the Account immediately prior to the installment divided by the number of installments remaining to be paid.

Any designation of beneficiary and form of payment to such beneficiary shall be made by the Participant on an Election Form filed with the Plan Administrator and may be changed by the Participant at any time by filing another Election Form containing the revised instructions. If no beneficiary is designated or no designated beneficiary survives the Participant, payment shall be made to the Participant's surviving spouse, or, if none, to his or her issue per stirpes, in a single payment. If no spouse or issue survives the Participant, payment shall be made in a single lump sum to the Participant's estate.

7.5 Unforeseen Emergency

If a Participant suffers an unforeseen emergency, as defined herein, the Plan Administrator, in its sole discretion, may pay to the Participant only that portion, if any, of the vested portion of his or her Account which the Plan Administrator determines is necessary to satisfy the emergency need, including any amounts necessary to pay any federal, state or local income taxes reasonably anticipated to result from the distribution. A Participant requesting an emergency payment shall apply for the payment in writing in a form approved by the Plan Administrator and shall provide such additional information as the Plan Administrator may require. For purposes of this paragraph, "unforeseen emergency" means an immediate and heavy financial need resulting from any of the following:

a. expenses which are not covered by insurance and which the Participant or his or her spouse or dependent has incurred as a result of, or is required to incur in order to receive, medical care;

b. the need to prevent eviction of a Participant from his or her principal residence or foreclosure on the mortgage of the Participant's principal residence; or

c. any other circumstance that is determined by the Plan Administrator in its sole discretion to constitute an unforeseen emergency which is not covered by insurance and which cannot reasonably be relieved by the liquidation of the Participant's assets.

7.6 Forfeiture of Non-vested Amounts

To the extent that any amounts credited to a Participant's Account are not vested at the time such amounts are otherwise payable under Sections 7.1 or 7.3, such amounts shall be forfeited and shall be used to satisfy the Employer's obligation to make contributions to the Trust under the Plan.

7.7 Taxes

All federal, state or local taxes that the Plan Administrator determines are required to be withheld from any payments made pursuant to this Article 7 shall be withheld.

ARTICLE 8--PLAN ADMINISTRATOR

8.1 Plan Administration and Interpretation

The Plan Administrator shall oversee the administration of the Plan. The Plan Administrator shall have complete control and authority to determine the rights and benefits and all claims, demands and actions arising out of the provisions of the Plan of any Participant, beneficiary, deceased Participant, or other person having or claiming to have any interest under the Plan. The Plan Administrator shall have complete discretion to interpret the Plan and to decide all matters under the Plan. Such interpretation and decision shall be final, conclusive and binding on all Participants and any person claiming under or through any Participant, in the absence of clear and convincing evidence that

the Plan Administrator acted arbitrarily and capriciously. Any individual(s) serving as Plan Administrator who is a Participant will not vote or act on any matter relating solely to himself or herself. When making a determination or calculation, the Plan Administrator shall be entitled to rely on information furnished by a Participant, a beneficiary, the Employer or the Trustee. The Plan Administrator shall have the responsibility for complying with any reporting and disclosure requirements of ERISA.

8.2 Powers, Duties, Procedures, Etc.

The Plan Administrator shall have such powers and duties, may adopt such rules and tables, may act in accordance with such procedures, may appoint such officers or agents, may delegate such powers and duties, may receive such reimbursements and compensation, and shall follow such claims and appeal procedures with respect to the Plan as it may establish.

8.3 Information

To enable the Plan Administrator to perform its functions, the Employer shall supply full and timely information to the Plan Administrator on all matters relating to the compensation of Participants, their employment, retirement, death, termination of employment, and such other pertinent facts as the Plan Administrator may require.

8.4 Indemnification of Plan Administrator

The Employer agrees to indemnify and to defend to the fullest extent permitted by law any officer(s) or employee(s) who serve

as Plan Administrator (including any such individual who formerly served as Plan Administrator) against all liabilities, damages, costs and expenses (including attorneys' fees and amounts paid in settlement of any claims approved by the Employer) occasioned by any act or omission to act in connection with the Plan, if such act or omission is in good faith.

ARTICLE 9--AMENDMENT AND TERMINATION

9.1 Amendments

The Employer shall have the right to amend the Plan from time to time, subject to Section 9.3, by an instrument in writing which has been executed on the Employer's behalf by its duly authorized officer.

9.2 Termination of Plan

This Plan is strictly a voluntary undertaking on the part of the Employer and shall not be deemed to constitute a contract between the Employer and any Eligible Employee (or any other employee) or a consideration for, or an inducement or condition of employment for, the performance of the services by any Eligible Employee (or other employee). The Employer reserves the right to

terminate the Plan at any time, subject to Section 9.3, by an instrument in writing which has been executed on the Employer's behalf by its duly authorized officer. Upon termination, the Employer may (a) elect to continue to maintain the Trust to pay benefits hereunder as they become due as if the Plan had not terminated or (b) direct the Trustee to pay promptly to Participants (or their beneficiaries) the vested balance of their Accounts. For purposes of the preceding sentence, in the event the Employer chooses to implement clause (b), the Account balances of all Participants who are in the employ of the Employer at the time the Trustee is directed to pay such balances shall become fully vested and nonforfeitable. After Participants and their beneficiaries are paid all Plan benefits to which hey are entitled, all remaining assets of the Trust attributable to Participants who terminated employment with the Employer prior to termination of the Plan and who were not fully vested in their Accounts under Article 6 at that time shall be returned to the Employer.

9.3 Existing Rights

No amendment or termination of the Plan shall adversely affect the rights of any Participant with respect to amounts that have been credited to his or her Account prior to the date of such amendment or termination.

ARTICLE 10--MISCELLANEOUS

10.1 No Funding

The Plan constitutes a mere promise by the Employer to make payments in accordance with the terms of the Plan and Participants and beneficiaries shall have the status of general unsecured creditors of the Employer. Nothing in the Plan will be construed to give any employee or any other person rights to any specific assets of the Employer or of any other person. In all events, it is the intent of the Employer that the Plan be treated as unfunded for tax purposes and for purposes of Title I of ERISA.

10.2 Non-assignability

None of the benefits, payments, proceeds or claims of any Participant or beneficiary shall be subject to any claim of any creditor of any Participant or beneficiary and, in particular, the same shall not be subject to attachment or garnishment or other legal process by any creditor of such Participant or beneficiary, nor shall any Participant or beneficiary have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments or proceeds which he or she may expect to receive, contingently or otherwise, under the Plan.

10.3 Limitation of Participants' Rights

Nothing contained in the Plan shall confer upon any person a right to be employed or to continue in the employ of the Employer, or interfere in any way with the right of the Employer to terminate the employment of a Participant in the Plan at any time, with or without cause.

10.4 Participants Bound

Any action with respect to the Plan taken by the Plan Administrator or the Employer or the Trustee or any action authorized by or taken at the direction of the Plan Administrator, the Employer or the Trustee shall be conclusive upon all Participants and beneficiaries entitled to benefits under the Plan.

10.5 Receipt and Release

Any payment to any Participant or beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Employer, the Plan Administrator and the Trustee under the Plan, and the Plan Administrator may require such Participant or beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect. If any Participant or beneficiary is determined by the Plan Administrator to be incompetent by reason of physical or mental disability (including minority) to give a valid receipt and release, the Plan Administrator may cause the payment or payments becoming due to such person to be made to another person for his or her benefit without responsibility on the part of the Plan Administrator, the Employer or the Trustee to follow the application of such funds.

10.6 Governing Law

The Plan shall be construed, administered, and governed in all respects under and by the laws of the state in which the Employer maintains its primary place of business. If any provision shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

10.7 Headings and Subheadings

Headings and subheadings in this Plan are inserted for convenience only and are not to be considered in the construction of the provisions hereof.

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The Merrill Lynch Special Non-Qualified
Deferred Compensation Plan Adoption Agreement

Please complete the information requested in the Adoption Agreement to establish the specific provisions of your plan. You do not have to provide a copy to your Financial Consultant. (Only the Merrill Lynch account opening agreements and an original executed copy of the associated Trust Agreement need to be returned to Merrill Lynch at the address printed on those forms.) This document and the Merrill Lynch Special Non-Qualified Deferred Compensation Plan for Select Employees govern the rights of plan participants and should, therefore, be disclosed to participants and retained as part of your permanent records.

1. EMPLOYER INFORMATION

A. Name of Plan: Favorite Brands International Non-Qualified Deferred Compensation Plan.

B. Name and Address of employer sponsoring the Plan. Please provide employer's business name.

Favorite Brands International

Business Name

75 Tri State International, Suite 222

Address

Lincolnshire

City

IL 60069

State Zip Code

C. Provide employer's primary contact for the Plan and telephone and FAX numbers. Also include the employer's Tax Identification Number.

Charles E. Stanley

Primary Contact

Vice President Human Resources

Title

(847) 374-0900

Telephone

(847) 374-0952

FAX

75-2608980

Employer Tax Identification Number

D. Give the first day of the 12-month period for which the employer pays taxes: 7/1.

2. PLAN INFORMATION

A. What is the effective date of the Plan?

January 1, 1997

B. Plan Year Ends. Your "Plan Year" is the 12-consecutive-month period for which you credit elective and matching deferrals and keep Plan records. Enter the last day of your Plan Year. For example, if you use the calendar year as your plan year, enter "December 31." If you use a different 12-month period -- for instance if your business is on a fiscal year -- enter the last day of your fiscal year, e.g., "July 31."

December 31

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3. ELIGIBLE EMPLOYEES

The following persons or classes of persons shall be Participants (enter the names or positions of individuals eligible to participate or the criteria used to identify Participants, e.g., "Those key employees of the Company selected by the Compensation Committee of the Board of Directors").

See Schedule A

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4. COMPENSATION

Compensation is used to determine the amount of Elective Deferrals a Participant can elect, Compensation under the Plan is defined as (select one):

[_] the Participant's wages, salaries, fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer or an Affiliate to the extent that the amounts are includable in gross income, including but not limited to commissions paid to salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, reimbursements, and expense allowances, but not including those items excludable from the definition of compensation under Treas. Reg. section 1.415-2(d)(3).

[_] the regular or base salary payable to the individual by the Employer or an Affiliate, excluding commissions and bonuses.

[X] the cash compensation payable to the individual by the Employer or an Affiliate, including any commissions and bonuses.

[_] the cash bonuses payable to the individual by the Employer or an Affiliate. For purposes of the Plan, Compensation will be determined before giving effect to Elective Deferrals and other salary reduction amounts which are not included in the Participant's gross income under Code section 125, 401(k), 402(h) or 403(b).

5. CONTRIBUTIONS

A. Elective Deferrals. Participants may elect to reduce their Compensation and to have Elective Deferrals credited to their Accounts by making an election under the Plan (which may be changed each year for later Plan Years as described in the plan), but no Participant may defer more than 20% (1%-100%) of his or her Compensation for a Plan Year.

B. Matching Deferrals. If the Employer elects to match Elective Deferrals, specify the matching rate and indicate the amount of the Participant's Elective Deferrals that will be matched. You may also elect to decide each year whether Matching Deferrals will be made and, if so, what that year's matching rate will be.

For example, the Employer may decide to credit a Matching Deferral of, for example, 50 cents for each dollar of a Participant's Elective Deferrals, but limit the match to the first 5% of Compensation deferred by the Participant. If you want to set a maximum dollar amount on the amount of Elective Deferrals that will be matched, insert the dollar amount and interval over which that amount is to be measured. For example, you could say that you will not match Elective Deferrals in excess of $1,000 per month. Matching Deferrals can be made after each payroll period, monthly, quarterly, or annually, at the Employer's discretion. Matching Deferrals will be subject to the vesting schedule selected in Item 6A (select one):

[_] No Matching Deferrals will be credited.

[X] The Employer will credit Matching Deferrals for each Participant equal to 50% of the first 6% of the Participant's Compensation which is elected as an Elective Deferral, but no Matching Deferral will be made on Elective Deferrals in excess of $_____ per (specify time period if applicable).

[_] The Employer will decide from year to year whether Matching Deferrals will be made and will notify Participants annually of the manner in which Matching Deferrals will be calculated for the subsequent year.

C. Discretionary Incentive Contributions. The Employer may make Discretionary Incentive Contributions in any amounts the employer selects. These contributions will be subject to the vesting schedule selected in Item 6C.

The Employer will make Discretionary Incentive Contributions under the Plan.

[X] yes [_] no

6. VESTING OF MATCHING DEFERRALS AND DISCRETIONARY INCENTIVE CONTRIBUTIONS

A. Vesting Schedule for Matching Deferrals.

Indicate how the portion of a Participant's Account attributable to Matching Deferrals is to vest.

Matching Deferrals vest in accordance with the following schedule (select one):

[X] 100% immediate.

[_] 100% after _____ years of service.

[_] 20% after _____ years of service and an additional 20% for each year thereafter.

[_] Other vesting schedule (specify):

_____

_____

B. Vesting Service.

Indicate whether you will give credit for vesting service for time spent with a predecessor employer, and if so, specify the maximum number of years and the type of predecessor service for which credit will be given. For vesting purposes (select one):

[_] Service with a predecessor employer will not be considered.

[_] Service (up to a maximum of _____ years) with the following employer(s) will be considered:

_____

_____

_____

C. Vesting Schedule for Discretionary Incentive Contributions.

Indicate how the portion of a Participant's Account attributable to Discretionary Incentive Contributions is to vest.

Unless otherwise specified by the Employer at the time a Discretionary Incentive Contribution is made, Discretionary Incentive Contributions vest in accordance with the following schedule (select one):

[X] 100% immediate.

[_] 100% after _____ years of service.

[_] 20% after ___ years of service and an additional 20% for each year thereafter.

[_] Other vesting schedule (specify):

_____

_____

7. ACCOUNTS

The Trustee can either invest each Participant's Account balance as a separate account (in which case the Trustee, could, but would not be required to, take into consideration the investment preferences of the Participants) or invest the Account balances of all Participants as a single fund (in which case the Trustee could, but would not be required to, take into consideration the investment preference of the Employer) (select one):

[X] Account balances are to be invested separately.

[_] Account balances are to be invested as a single fund.

8. RETIREMENT AGE

The Retirement Age under the Plan is age 65. A Participant terminating employment before Retirement Age for reasons other than death or Total and Permanent Disability will not be entitled to receive any installment payments elected on the Election Form.

9. WITHDRAWALS WHILE WORKING

Withdrawals for Unforeseen Emergency. If you check the first box, Participants may make withdrawals while working in the event they encounter an unforeseen emergency. They generally can withdraw the vested portion of their Accounts.

NOTE: Withdrawals are strictly limited as described in Plan Section 7.5. It is the Plan Administrator's responsibility to ensure that the limits are being followed. Excess withdrawals may result in loss of the tax deferral on all amounts credited under the Plan for the benefit of all Participants.

Withdrawals of the vested portion of a Participant's Account for unforeseen emergencies (select one):

[X] Are permitted to the full extent allowable under the plan.

[_] Are not permitted.

10. ADMINISTRATION

Plan Administrator. The Plan Administrator is legally responsible for the operation of the Plan, including:

. Keeping track of which employees are eligible to participate in the Plan and the date each employee becomes eligible to participate.

. Maintaining Participants' Accounts, including all sub-accounts required for different contribution types and payment elections, and keeping track of all elections made by Participants under the Plan and any other relevant information.

. Transmitting important communications to the Participants, and obtaining relevant information from Participants such as changes in investment selections.

. Filing important reports required to be submitted to governmental agencies.

The Plan Administrator will be the person or persons identified below:

Charles E. Stanley

Name

Vice President Human Resources

Title

Name

Title

Name

Title

11. SIGNATURES

After reviewing the Adoption Agreement, enter the current date and the name of the Employer. The signature of the Employer or the person signing for the Employer must be witnessed. Note that the person signing for the Employer must be authorized to do so, such as by a resolution of the Employer's board of directors or governing by-laws.

While the Merrill Lynch Special Non-Qualified Deferred Compensation Plan for Select Employees, including this Adoption Agreement, has been designed in a manner to permit Participants to defer federal income tax on amounts credited to their accounts until the amounts are actually paid, neither Merrill Lynch, Pierce, Fenner & Smith Incorporated, the sponsor of this document, nor any of its affiliates ("Merrill Lynch") provide any assurances of that result in the Employer's particular situation or assume any responsibility in this regard. Please consult your tax advisor regarding the tax consequences of this Plan to you and your employees and the advisability of submitting this document to the Internal Revenue Service to obtain a ruling concerning those consequences. In addition, please consult your independent legal counsel with respect to securities law issues. By signing this Adoption Agreement the Employer acknowledges that no representations or warranties as to the tax consequences to

the Employer and Participants of the operation of this Plan have been made by Merrill Lynch.

Favorite Brands International

Name of Employer (Print or Type)

By: /s/ Robert A. Davies

Authorized Signature

Robert A. Davies

Print Name and Title

Senior Vice President

Date: 12/2/96

WITNESS:

/S/ SIGNATURE ILLEGIBLE

Signature

FAVORITE BRANDS INTERNATIONAL
NON-QUALIFIED DEFERRED COMPENSATION PLAN

ADOPTION AGREEMENT

SCHEDULE A
Part 3

ELIGIBLE EMPLOYEES

1. Alfonse J. Bono
2. William Bradfield
3. Robert A. Davies
4. Edward B. Fickers
5. James E. Jeffries
6. Patrick S. McEvoy
7. Dennis J. Nemeth
8. Steven Spiegel
9. Charles E. Stanley
10. Michael T. Westhusing
11. Brooks B. Gruemmer

[LOGO]

The Merrill Lynch Non-Qualified Deferred Compensation Plan Trust Agreement

(Areas highlighted in grey will be completed by Merrill Lynch Trust Companies.)

TRUST UNDER:
Favorite Brands International
Non-Qualified
DEFERRED COMPENSATION PLAN /1/

This Agreement made this day of _____ / _____ 19 ____, by and between Favorite Brands International (Company) and Merrill Lynch Trust Company of _____, a _____ corporation (Trustee);

WHEREAS, Company has adopted the Non-Qualified Deferred Compensation Plan identified above and such other Plan(s) as are listed in Appendix A.

WHEREAS, Company has incurred or expects to incur liability under the terms of such Plan(s) with respect to the individuals participating in such Plan(s).

WHEREAS, Company wishes to establish a trust (the Trust") and to contribute to the Trust assets that shall be held therein, subject to the claims of Company's creditors in the event of the Company's insolvency, as herein defined, until paid to Plan participants and their beneficiaries in such manner and at such times as specified in the Plan(s);

WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Plan(s) as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purpose of Title I of the Employee Retirement Income Security Act of 1974.

WHEREAS, it is the intention of Company to make contributions to the Trust to provide itself with a source of funds to assist it in the meeting of its liabilities under the Plan(s);

NOW, THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

SECTION 1. ESTABLISHMENT OF TRUST.

(a) Company hereby deposits with Trustee in trust such cash and/or marketable securities, if any, listed in Appendix B, which shall become the principal of the Trust to be held, administered and disposed of by Trustee as provided in this Trust Agreement.

(b) The Trust hereby established shall be irrevocable.

(c) The Trust is intended to be a grantor trust, of which Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

(d) The principal of the Trust, and any earnings thereon, shall be held separate and apart from other funds of Company and shall be used exclusively for the uses and purposes of Plan participants and general creditors as herein set forth. Plan participants and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Plan(s) and this Trust Agreement shall be mere unsecured contractual rights of Plan participants and their beneficiaries against Company. Any assets held by the Trust will be subject to the claims of Company's general creditors under federal and state law in the event of insolvency, as defined in Section 3(a) herein.

(e) Company, in its sole discretion, may at arty time, or from time to time, make additional deposits of cash or other property in trust with Trustee to augment the principal to be held, administered and disposed of by Trustee as provided in this Trust Agreement. Neither Trustee nor any Plan participant or beneficiary shall have any right to compel such additional deposits.

(f) Trustee shall not be obligated to receive such cash and/or property unless prior thereto Trustee has agreed that such cash and/or property is acceptable to Trustee and Trustee has received such reconciliation, allocation, investment or other information concerning, or representation with respect to, the cash and/or property as Trustee may require. Trustee shall have no duty or authority to (a) require any deposits to be made under the Plan or to Trustee; (b) compute any amount to be deposited under the Plan to Trustee; or (c) determine whether amounts received by Trustee comply with the Plan. Assets of the Trust may, in Trustee's discretion, be held in an account with an affiliate of Trustee.

SECTION 2. PAYMENTS TO PLAN PARTICIPANTS AND THEIR BENEFICIARIES.

(a) With respect to each Plan participant, Company shall deliver to Trustee a schedule (the "Payment Schedule") that indicates the amounts payable in respect of the participant (and his or her beneficiaries), that provides a formula or other instructions acceptable to Trustee for determining the amounts so payable, the form in which such amount is to be paid (as provided for or available under the Plan(s)), and the time of commencement for payment of such amounts. The Payment Schedule shall be delivered to Trustee not more than [30] business days nor fewer than [15] business days prior to the first date on which a payment is to be made to the Plan participant. Any change to a Payment Schedule shall be delivered to Trustee not more than [30] days nor fewer than [15] days prior to the date on which the first payment is to be made in accordance with the changed Payment Schedule. Except as otherwise provided herein, Trustee shall make payments to Plan participants and their beneficiaries in accordance with

such Payment Schedule. The Trustee shall make provisions for the reporting and withholding of any federal, state or local taxes that

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/1/ This trust is intended to comply with the model grantor trust requirement of Revenue Procedure 92-64. While Merrill Lynch believes that this Trust Agreement compiles with the Revenue Procedure, it provides no assurance that modifications to the additional terms contained herein would not be required by the Internal Revenue Service during the review process in the event the Company were to apply for a ruling as to the tax consequences of its plan and this trust. If the Company desires to obtain such a ruling from the Internal Revenue Service, a copy of this Trust Agreement with all substituted or additional language underlined as required by the Revenue Procedure is available through your Merrill Lynch Financial Consultant.

may be required to be withheld with respect to the payment of benefits pursuant to the terms of the Plan(s) and shall pay amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld and paid by Company, it being understood among the parties hereto that (1) Company shall on a timely basis provide Trustee specific information as to the amount of taxes to be withheld and (2) Company shall be obligated to receive such withheld taxes from Trustee and properly pay and report such amounts to the appropriate taxing authorities.

(b) The entitlement of a Plan participant or his or her beneficiaries to benefits under the Plan(s) shall be determined by Company or such party as it shall designate under the Plan(s), and any claim for such benefits shall be considered and reviewed under the procedures set out in the Plan(s).

(c) Company may make payment of benefits directly to Plan participants or their beneficiaries as they become due under the terms of the Plan(s). Company shall notify Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to participants or their beneficiaries. In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Plan(s), Company shall make the balance of each payment as it falls due. Trustee shall notify Company where principal and earnings are not sufficient.

(d) Trustee shall have no responsibility to determine whether the Trust is sufficient to meet the liabilities under the Plan(s), and shall not be liable for payments or Plan(s) liabilities in excess of the value of the Trust's assets.

SECTION 3. TRUSTEE RESPONSIBILITY REGARDING PAYMENTS TO TRUST BENEFICIARY WHEN COMPANY IS INSOLVENT.

(a) Trustee shall cease payment of benefits to Plan participants and their beneficiaries if the Company is insolvent, Company shall be considered "insolvent" for purposes of this Trust Agreement if (i) Company is unable

to pay its debts as they become due, or (ii) Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(b) At all times during the continuance of this Trust, as provided in Section 1(d) hereof, the principal and income of the Trust shall be subject to claims of general creditors of Company under federal and state law as set forth below.

(1) The Board of Directors and the Chief Executive Officer of Company (or, if there is no Chief Executive Officer, the highest ranking officer) shall have the duty to inform Trustee in writing of Company's insolvency. If a person claiming to be a creditor of Company alleges in writing to Trustee that Company has become insolvent, Trustee shall determine whether Company is insolvent and, pending such determination, Trustee shall discontinue payment of benefits to Plan participants or their beneficiaries.

(2) Unless Trustee has actual knowledge of Company's insolvency, or has received notice from Company or a person claiming to be a creditor alleging that Company is insolvent, Trustee shall have no duty to inquire whether Company is insolvent. Trustee may in all events rely on such evidence concerning Company's solvency as may be furnished to Trustee and that provides Trustee with a reasonable basis for making a determination concerning Company's solvency.

(3) If at any time Trustee has determined that Company is insolvent, Trustee shall discontinue payments to Plan participants or their beneficiaries and shall hold the assets of the Trust for the benefit of Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of Plan participants or their beneficiaries to pursue their rights as general creditors of Company with respect to benefits due under the Plan(s) or otherwise.

(4) Trustee shall resume the payment of benefits to Plan participants or their beneficiaries in accordance with Section 2 of this Trust Agreement only after Trustee has determined that Company is not insolvent (or is no longer insolvent).

(c) Provided that there are sufficient assets, if Trustee discontinues the payment of benefits from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to Plan participants or their beneficiaries under the terms of the Plan(s) for the period of such discontinuance, less the aggregate amount of any payments made to Plan participants provided for hereunder during any such period of discontinuance; provided that Company has given Trustee the information with respect to such payments made during the period of discontinuance prior to resumption of payments by Trustee.

SECTION 4. PAYMENTS TO COMPANY.

Except as provided in Section 3 hereof, since the Trust is irrevocable in accordance with Section 1(b) hereof, Company shall have no right or power to direct Trustee to return to Company or to divert to others any of the Trust

assets before all payment of benefits have been made to Plan participants and their beneficiaries pursuant to the terms of the Plan(s).

SECTION 5. INVESTMENT AUTHORITY.

(a) Trustee may invest in securities (including stock or rights to acquire stock) or obligations issued by Company. All rights associated with assets of the Trust shall be exercised by Trustee or the person designated by Trustee, and shall in no event be exercised by or rest with Plan participants, except that voting rights with respect to Trust assets will be exercised by Company unless an investment adviser has been appointed pursuant to Section 5(c) and voting authority has been delegated to such investment adviser.

(b) Company shall have the right at any time, and from time to time in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust. This right is exercised by Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity.

(c) Trustee may appoint one or more investment advisers who are registered as investment advisers under the Investment Advisers Act of 1940, who may be affiliates of Trustee, to provide investment advice on a discretionary or nondiscretionary basis with respect to all or a specified portion of the assets of the Trust.

(d) Trustee, or Trustee's designee, is authorized and empowered:

(1) To invest and reinvest Trust assets, together with the income therefrom, in common stock, preferred stock, convertible preferred stock, bonds, debentures, convertible debentures and bonds, mortgages, notes, commercial paper and other evidences of indebtedness (including those issued by Trustee), shares of mutual funds (which funds may be sponsored, managed or offered by an affiliate of Trustee), guaranteed investment contracts, bank investment contracts, other securities, policies of life insurance, annuity contracts, options, options to buy or sell securities or other assets, and all other property of any type (personal, real or mixed, and tangible or intangible);

(2) To deposit or invest all or any part of the assets of the Trust in savings accounts or certificates of deposit or other deposits in a bank or savings and loan association or other depository institution, including Trustee or any of its affiliates, provided with respect to such deposits with Trustee or an affiliate the deposits bear a reasonable interest rate;

(3) To hold, manage, improve, repair and control all property, real or personal, forming part of the Trust; to sell, convey, transfer, exchange, partition, lease for any term, even extending beyond the duration of this Trust, and otherwise dispose of the same from time to time;

(4) To hold in cash, without liability for interest, such portion of the Trust as is pending investments, or payment of expenses, or the distribution of

benefits;

(5) To take such actions as may be necessary or desirable to protect the Trust from loss due to the default on mortgages held in the Trust including the appointment of agents or trustees in such other jurisdictions as may seem desirable, to transfer property to such agents or trustees, to grant to such agents such powers as are necessary or desirable to protect the Trust, to direct such agent or trustee, or to delegate such power to direct, and to remove such agent or trustee;

(6) To settle, compromise or abandon all claims and demands in favor of or against the Trust;

(7) To exercise all of the further rights, powers, options and privileges granted, provided for, or vested in trustees generally under the laws of the state in which Trustee is incorporated as set forth above, so that the powers conferred upon Trustee herein shall not be in limitation of any authority conferred by law, but shall be in addition thereto;

(8) To borrow money from any source and to execute promissory notes, mortgages or other obligations and to pledge or mortgage any trust assets as security; and

(9) To maintain accounts at, execute transactions through, and lend on an adequately secured basis stocks, bonds or other securities to, any brokerage or other firm, including any firm which is an affiliate of Trustee.

SECTION 6. ADDITIONAL POWERS OF TRUSTEE.

To the extent necessary or which it deems appropriate to implement its powers under Section 5 or otherwise to fulfill any of its duties and responsibilities as Trustee of the Trust, Trustee shall have the following additional powers and authority:

(a) To register securities, or any other property, in its name or in the name of any nominee, including the name of any affiliate or the nominee name designated by any affiliate, with or without indication of the capacity in which property shall be held, or to hold securities in bearer form and to deposit any securities or other property in a depository or clearing corporation;

(b) To designate and engage the services of, and to delegate powers and responsibilities to, such agents, representatives, advisers, counsel and accountants as Trustee considers necessary or appropriate, any of whom may be an affiliate of Trustee or a person who renders services to such an affiliate, and, as a part of its expenses under this Trust Agreement, to pay their reasonable expenses and compensation;

(c) To make, execute and deliver, as Trustee, any and all deeds, leases, mortgages, conveyances, waivers, releases or other instruments in writing necessary or appropriate for the accomplishment of any of the powers listed in this Trust Agreement; and

(d) Generally to do all other acts which Trustee deems necessary or appropriate for the protection of the Trust.

SECTION 7. DISPOSITION OF INCOME.

(a) During the term of this Trust, all income received by the Trust, net of expenses and taxes, shall be accumulated and reinvested.

SECTION 8. ACCOUNTING BY TRUSTEE.

(a) Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between Company and Trustee. Within 90 days following the close of each calendar year and within 90 days after removal or resignation of Trustee, Trustee shall deliver to Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be. Trustee may satisfy its obligation under this Section 8 by rendering to Company monthly statements setting forth the information required by this Section separately for the month covered by the statement.

SECTION 9. RESPONSIBILITY AND INDEMNITY OF TRUSTEE.

(a) Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, provided, however, that Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by Company which is contemplated by, and in conformity with, the terms of the Plan(s) and this Trust and is given in writing by Company. Trustee shall also incur no liability to any person for any failure to act in the absence of direction, request or approval from Company which is contemplated by, and in conformity with, the terms of this Trust. In the event of a dispute between Company and a party, Trustee may apply to a court of competent jurisdiction to resolve the dispute.

(b) Company hereby indemnifies Trustee and each of its affiliates (collectively, the "Indemnified Parties") against, and shall hold them harmless from, any and all loss, claims, liability, and expense, including reasonable attorneys' fees, imposed upon or incurred by any Indemnified Party as a result of any acts taken, or any failure to act, in accordance with the directions from Company or any designee of Company, or by reason of the Indemnified Party's good faith execution of its duties with respect

to the Trust, including, but not limited to, its holding of assets of the Trust, Company's obligations in the foregoing regard to be satisfied promptly by Company, provided that in the event the loss, claim, liability or expense involved is determined by a no longer appealable final judgment entered in a lawsuit or proceeding to have resulted from the gross negligence or willful misconduct of Trustee, Trustee shall promptly on request thereafter return to Company any amount previously received by Trustee under this Section with respect to such loss, claim, liability or expense. If Company does not pay such costs, expenses and liabilities in a reasonably timely manner, Trustee may obtain payment from the Trust without direction from Company.

(c) Trustee may consult with legal counsel (who may also be counsel for Company generally) with respect to any of its duties or obligations hereunder.

(d) Trustee may hire agents, accountants, actuaries, investment advisers, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder.

(e) Trustee shall have, without exclusion, all powers conferred on Trustee by applicable law, unless expressly provided otherwise herein, provided, however, that if an insurance policy is held as an asset of the Trust, Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against such policy.

(f) However, notwithstanding the provisions of Section 9(e) above, Trustee may loan to Company the proceeds of any borrowing against an insurance policy held as an asset of the Trust.

(g) Notwithstanding any powers to Trustee pursuant to this Trust Agreement or to applicable law, Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

SECTION 10. COMPENSATION AND EXPENSES OF TRUSTEE.

Trustee is authorized, unless otherwise agreed by Trustee, to withdraw from the Trust without direction from Company the amount of its fees in accordance with the fee schedule agreed to by Company and Trustee. Company shall pay all administrative expenses, but if not so paid, the expenses shall be paid from the Trust.

SECTION 11. RESIGNATION AND REMOVAL OF TRUSTEE.

(a) Trustee may resign at any time by written notice to Company, which shall be effective 30 days after receipt of such notice unless Company and Trustee agree otherwise.

(b) Trustee may be removed by Company on 30 days notice or upon shorter notice accepted by Trustee.

(c) Upon resignation or removal of Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed within 60 days after receipt of notice of resignation, removal or transfer, unless Company extends the time limit, provided that Trustee is provided assurance by Company satisfactory to Trustee that all fees and expenses reasonably anticipated will be paid.

(d) If Trustee resigns or is removed, a successor shall be appointed, in accordance with Section 12 hereof, by the effective date of resignation or removal under paragraph(s) (a) or (b) of this section. If no such appointment has been made, Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

(e) Upon settlement of the account and transfer of the Trust assets to the successor Trustee, all rights and privileges under this Trust Agreement shall vest in the successor Trustee and all responsibility and liability of Trustee with respect to the Trust and assets thereof shall terminate subject only to the requirement that Trustee execute all necessary documents to transfer the Trust assets to the successor Trustee.

SECTION 12. APPOINTMENT OF SUCCESSOR.

(a) If Trustee resigns or is removed in accordance with Section 11(a) or (b) hereof, Company may appoint any third party, such as a bank trust department or other party that may be granted corporate trustee powers under state law, as a successor to replace Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new Trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by Company or the successor Trustee to evidence the transfer.

(b) The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing Trust assets, subject to Sections 7 and 8 hereof. The successor Trustee shall not be responsible for and Company shall indemnify and defend the successor Trustee from any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes successor Trustee.

SECTION 13. AMENDMENT OR TERMINATION.

(a) This Trust Agreement may be amended by a written instrument executed by Trustee and Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Plan(s) or shall make the Trust revocable since the Trust is irrevocable in accordance with Section 1(b)

hereof.

(b) The Trust shall not terminate until the date on which Plan participants and their beneficiaries are no longer entitled to benefits pursuant to the terms of the Plan(s). Upon termination of the Trust any assets remaining in the Trust shall be returned to Company.

(c) Upon written approval of participants or beneficiaries entitled to payment of benefits pursuant to the terms of the Plan(s), Company may terminate this Trust prior to the time all benefit payments under the Plan(s) have been made. All assets in the Trust at termination shall be returned to Company.

SECTION 14. MISCELLANEOUS.

(a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

(b) Benefits payable to Plan participants and their beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

(c) This Trust Agreement shall be governed by and construed in accordance with the laws of the state in which Trustee is incorporated as set forth above.

(d) The provisions of Sections 2(d), 3(b)(3), 9(b) and 15 of this Agreement shall survive termination of this Agreement.

(e) The rights, duties, responsibilities, obligations and liabilities of Trustee are as set forth in this Trust Agreement, and no provision of the Plan(s) or any other documents shall affect such rights, responsibilities, obligations and liabilities. If there is a conflict between provisions of the Plan(s) and this Trust Agreement with respect to any subject involving Trustee, including but not limited to the responsibility, authority or powers of Trustee, the provisions of this Trust Agreement shall be controlling.

(f) For purposes of this Trust, Change of Control shall mean: The purchase or other acquisition by any person, entity or group of persons, within the meaning of section 13(d) or 14(d) of the Securities Exchange Act of 1934 ("Act"), or any comparable successor provisions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 30 percent or more of either the outstanding shares of common stock or the combined voting power of Company's then outstanding voting securities entitled to vote generally, or the approval by the stockholders of Company of a reorganization, merger, or consolidation, in each case, with respect to which persons who were stockholders of Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50 percent of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or

consolidated Company's then outstanding securities, or a liquidation or dissolution of Company or of the sale of all or substantially all of Company's assets.

SECTION 15. ARBITRATION.

Arbitration is final and binding on the parties.

. The parties waive their right to seek remedies in court, including the right to jury trial.

. Pre-arbitration discovery is generally more limited than and different from court proceedings.

. The arbitrators' award is not required to include factual findings or level reasoning and any party's right to appeal or seek modification of rulings by the arbitrators is strictly limited.

. The panel of arbitrators will typically Include a minority of arbitrators who were or are affiliated with the securities industry.

Company agrees that all controversies which may arise between Company and either or both the Trustee and its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") in connection with the Trust, including, but not limited to, those involving any transactions, or the construction, performance, or breach of this or any other agreement between Company and either or both the Trustee and MLPF&S, whether entered into prior, on, or subsequent to the date hereof, shall be determined by arbitration. Any arbitration under this agreement shall be conducted only before the New York Stock Exchange, Inc., the American Stock Exchange, Inc., or arbitration facility provided by any other exchange of which MLPF&S is a member, the National Association of Securities Dealers, Inc., or the Municipal Securities Rulemaking Board, and in accordance with its arbitration rules then in force. Company may elect in the first instance whether arbitration shall be conducted before the New York Stock Exchange, Inc., the American Stock Exchange, Inc., other exchange of which MLPF&S is a member, the National Association of Securities Dealers, Inc., or the Municipal Securities Rulemaking Board, but if Company fails to make such election, by registered letter or telegram addressed to Merrill Lynch Trust Companies, Employee Benefit Trust Operations, P.O. Box 30532, New Brunswick, New Jersey 08989-0532, before the expiration of five days after receipt of a written request from MLPF&S and/or the Trustee to make such election, then MLPF&S and/or the Trustee may make such election. Judgment upon the award of arbitrators may be entered in any court, state or federal, having jurisdiction. No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; who is a member of putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until:

(i) the class certification is denied;

(ii) the class is decertified; or

(iii) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.

SECTION 16. EFFECTIVE DATE.

The effective date of this Trust Agreement shall be Jan. 1, 1997.

IN WITNESS WHEREOF, Company and the Trustee have executed this Trust Agreement each by action of a duly authorized person.

By signing this Agreement, the undersigned Company acknowledges (1) that, in accordance with Section 15 of this Agreement, Company is agreeing in advance to arbitrate any controversies which may arise with either or both the Trustee or MLPF&S and (2) receipt of a copy of this Agreement.

FAVORITE BRANDS INTERNATIONAL
(Company)

By: /s/ Robert A. Davies
(Signature)

Name/Title: Robert A. Davies

Senior Vice President

Add second signature if required:

By:_____
(Signature)

Name/Title:_____

_____

_____
(Trustee)

By:_____
(Signature)

Name/Title:_____

_____

Appendix A

Name of Non-Qualified Deferred Compensation Plan(s):

_____Plan
_____Plan

Appendix B

Deposit of cash and/or marketable securities to the Trust:

Cash: $_____

Marketable Securities:_____

_____

_____

_____

_____

_____

. The parties waive their right to seek remedies in court, including the right to jury trial.

. Pre-arbitration discovery is generally more limited than and different from court proceedings.

. The arbitrators' award is not required to include factual findings or level reasoning and any party's right to appeal or seek modification of rulings by the arbitrators is strictly limited.

. The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.

Company agrees that all controversies which may arise between Company and either or both the Trustee and its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") in connection with the Trust, including, but not limited to, those involving any transactions, or the construction, performance, or breach of this or any other agreement between Company and either or both the Trustee and MLPF&S, whether entered into prior, on, or subsequent to the date hereof, shall be determined by arbitration. Any arbitration under this agreement shall be conducted only before the New York Stock Exchange, Inc., the American Stock Exchange, Inc., or arbitration facility provided by any other

exchange of which MLPF&S is a member, the National Association of Securities Dealers, Inc., or the Municipal Securities Rulemaking Board, and in accordance with its arbitration rules then in force. Company may elect in the first instance whether arbitration shall be conducted before the New York Stock Exchange, Inc., the American Stock Exchange, Inc., other exchange of which MLPF&S is a member, the National Association of Securities Dealers, Inc., or the Municipal Securities Rulemaking Board, but if Company fails to make such election, by registered letter or telegram addressed to Merrill Lynch Trust Companies, Employee Benefit Trust Operations, P.O. Box 30532, New Brunswick, New Jersey 08989-0532, before the expiration of five days after receipt of a written request from MLPF&S and/or the Trustee to make such election, then MLPF&S and/or the Trustee may make such election. Judgment upon the award of arbitrators may be entered in any court, state or federal, having jurisdiction. No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until:

(i) the class certification is denied;

(ii) the class is decertified; or

(iii) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.

SECTION 16. EFFECTIVE DATE.

The effective date of this Trust Agreement shall be _____, 19__.

IN WITNESS WHEREOF, Company and the Trustee have executed this Trust Agreement each by action of a duly authorized person.

By signing this Agreement, the undersigned Company acknowledges (1) that, in accordance with Section 15 of this Agreement, Company is agreeing in advance to arbitrate any controversies which may arise with either or both the Trustee or MLPF&S and (2) receipt of a copy of this Agreement.

FAVORITE BRANDS INTERNATIONAL
(Company)

By: /s/ Robert A. Davies

(Signature)

Name/Title: Robert A. Davies

Senior Vice President

Add second signature if required:

By:_____
(Signature)

Name/Title:_____

_____

_____
(Trustee)

By:_____
(Signature)

Name/Title:_____

_____

Appendix A

Name of Non-Qualified Deferred Compensation Plan(s):

_____Plan
_____Plan

Appendix B

Deposit of cash and/or marketable securities to the Trust:

Cash: $_____

Marketable Securities:_____

_____

_____

_____

_____

_____

BOARD OF DIRECTORS RESOLUTION

OF
FAVORITE BRANDS INTERNATIONAL

Favorite Brands International (the "Corporation") held at Lincolnshire, Illinois on October 19, 1996, in the afternoon.

There were present:

William Price presided as Chairman of the meeting and Robert Davies acted as Secretary or Witness of the meeting. It was stated that the purpose of the Resolution was to consider and discuss the adoption of the attached Favorite Brands International Non-Qualified Deferred Compensation Plan (the "Plan") and the Trust Agreement containing the terms and conditions governing the relationship between Merrill Lynch Trust Company and Favorite Brands International with respect to the appointment of Merrill Lynch Trust Company as Trustee of said Trust by the Corporation* effective January 1, 1997, and the discussion of the proposed adoption and appointment was in order.

Following a discussion thereof, upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the attached Plan and Trust Agreement is adopted and that Merrill Lynch Trust Company shall be appointed as Trustee of the trust established under the Plan which was adopted by resolution of the Board on October 19, 1996, effective as of January 1, 1997; and

RESOLVED FURTHER that the proper officers of the Corporation are, and each of them is, hereby authorized and directed, in the name of and on behalf of the Corporation, to execute and deliver the Trust Agreement, and to do all other things, including the execution of all other documents and the designation of other individuals to represent the Corporation in matters pertaining to the Trust, which they deem necessary or appropriate to implement the foregoing resolution, or such other matters pertaining to the Trust. There being no further business before the meeting, the same was on motion duly made, seconded and carried, duly adjourned.

Witness:

/s/ Robert A. Davies

Robert A. Davies
Authorized Officer or Principal

/s/ Charles E. Stanley

Charles E. Stanley
Secretary or Witness

---

* In connection with its adoption of a Non-Qualified Deferred Compensation Plan.

EXHIBIT 10.8

FAVORITE BRANDS INTERNATIONAL HOLDING CORP.
STOCK OPTION PLAN

Nonqualified Stock Option Agreement

STOCK OPTION AGREEMENT (the "Agreement"), dated as of August 31, 1996, (the "Effective Date") between FAVORITE BRANDS INTERNATIONAL HOLDING CORP., a Delaware corporation (the "Company"), and Alexander M. Seaver (the "Grantee").

All words and phrases not otherwise expressly defined herein shall have the same meanings as are ascribed to such words and phrases in the Plan document.

The Board has determined that the objectives of the Plan will be furthered by granting to the Grantee an option pursuant to the Plan.

In consideration of the foregoing and of the mutual undertakings set forth in this Agreement, the Company and the Grantee agree as follows:

SECTION 1. Grant of Option. The Company hereby grants to the Grantee an option (the "Option") to purchase 13,517.5 shares of Common Stock at a purchase price of $89.57 per share (which has been determined by the Board to be not less than Fair Market Value).

SECTION 2. Exercisability. Subject to the terms of this Agreement,

(i) the option is 100% vested and exercisable.

(ii) the Option shall remain 100% exercisable through the day prior to the tenth anniversary of the Effective Date, after which the option shall terminate and cease to be exercisable.

SECTION 3. Method of Option Exercise.

(a) The Option or any part thereof may be exercised in accordance with Section 2 of this Agreement by (a) filing a written notice of exercise with the Company, on a form to be provided for that purpose (b) executing a signature page to the Stockholders Agreement, a copy of which is attached hereto as Exhibit A (the "Stockholder's Agreement"), and (c) payment of the full purchase price for the number of shares purchased.

(b) Payment of the purchase price shall be made in any combination of the following:

(i) by certified or official bank check payable to the Company (or the equivalent acceptable to the Board);

(ii) with the consent of the Board in its sole discretion, by personal check (subject to collection), which may in the Board's discretion be deemed conditional;

(iii) by delivery of previously acquired shares of Common Stock owned by the Grantee for at least six months having a Fair Market Value (determined as of the "option exercise date") equal to the portion of the Option exercise price being paid thereby, provided that the Board may require the Grantee to furnish an opinion of counsel acceptable to the Board to the effect that such delivery does not require any Consent;

(iv) with the consent of the Board in its sole discretion, by the Grantee's promissory note and agreement providing for payment with interest on the unpaid balance accruing at a rate not less than that needed to avoid the imputation of income under Code section 7872 and upon such terms and conditions (including such security, if any, therefor) as the Board may determine; and/or

(v) by delivery to the Company of an assignment of a sufficient amount of the proceeds from the sale of Common Stock acquired upon exercise to pay for all of the Common Stock acquired upon exercise and an authorization to the broker or selling agent to pay that amount to the Company, which sale shall be made at the Grantee's direction at the time of exercise, provided that the Grantee shall be liable for any portion of the exercise price not covered by such assignment of proceeds of sale.

(c) As soon as practicable after receipt of full payment, subject to Section 3.2 of the Plan (relating to Consents), the Company shall deliver to the Grantee one or more certificates for the shares of Common Stock purchased, which certificates may bear such legends as the Company may deem appropriate.

SECTION 4. [Reserved]

SECTION 5. Withholding Tax Requirements. Whenever shares of Common Stock are to be delivered pursuant to the

Option, the Board may require as a condition of delivery that the Grantee remit an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto. Whenever cash is to be paid pursuant to the option, the Company may, as a condition of its payment, deduct therefrom, or from any salary or other payments due to the Grantee, an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto. Without limiting the generality of the foregoing, (i) a Grantee may elect to satisfy all or part of the foregoing withholding requirements by delivery of unrestricted shares of Common Stock owned by-the Grantee for at least six months having a Fair Market Value (determined as of the date of such delivery) equal to all or part of the amount to be so withheld, and (ii) the Board may permit any such delivery to be made by withholding shares of Common Stock from the shares otherwise issuable pursuant to the option (in which event the date of delivery shall be deemed the option exercise date).

SECTION 6. Plan Provisions to Prevail. This Agreement shall be subject to all of the terms and provisions of the Plan, which are incorporated hereby and made a part hereof, including, without limitation, the provisions of section 3.2 of the Plan (generally relating to consents required by securities and other laws) and Section 3.5 of the Plan (generally relating to adjustments upon changes in capitalizations) and Section 3.11 of reorganizations and other extraordinary transactions). If there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern. If there is any inconsistency between the provisions of this Agreement and any employment (or similar) agreement entered into by the Grantee and the Company or any Affiliate, the provisions of the employment (or similar) agreement shall govern.

SECTION 7. [Reserved]

SECTION 8. Grantee's Acknowledgements. By entering into this Agreement, the Grantee agrees and acknowledges that (a) he has received and read a copy of the Plan, (including Section 3.8(c) (relating to waivers of claims, and damages) and accepts this option upon all of the terms thereof, and (b) no member of the Board shall be liable for any action or determination made in good faith with respect to the Plan, any award thereunder or under this Agreement.

SECTION 9. Nontransferability. The Option shall not be assignable or transferable by the Grantee (whether by operation of law or otherwise and whether voluntarily or involuntarily).

All rights granted to the Grantee under the Plan or under this Agreement shall be exercisable only by the Grantee.

SECTION 10. No Stockholder Rights. Neither the Grantee nor any person succeeding to the Grantee's rights hereunder shall have any rights as a stockholder with respect to any shares subject to the Option until a stock certificate is issued to him for such shares. Except for adjustments made pursuant to Section 3.5 of the Plan, no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate is issued.

SECTION 11. Execution of Agreement. Notwithstanding anything contained in this Agreement to the contrary, no Option may be exercised until the Grantee has returned an executed copy of this Agreement to the Company.

SECTION 12. Notices. Any notice to be given to the Company hereunder shall be in writing and shall be addressed to the Company, Tristate International Office Center, Suite 227, Building 75, Lincolnshire, Illinois 60069, or such other address as the Company may hereafter designate to the Grantee by notice as provided herein. Any notice to be given to the Grantee hereunder shall be addressed to the Grantee at the address set forth below or- such other address as the Grantee may hereafter designate to the Company by notice as provided herein. Notices hereunder shall be deemed to have been duly given when received by personal delivery or by registered or certified mail to the party entitled to receive the same.

SECTION 13. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and, to the extent set forth in the Plan, the heirs and personal representatives of the Grantee.

SECTION 14. Governing Law. This Agreement shall be governed by the laws of the State of Illinois applicable to agreements made and to be performed entirely within such State.

SECTION 15. Modifications to Agreement. This Agreement may not be altered, modified, changed or discharged, except by a writing signed by or on behalf of both the Company and the Grantee.

IN WITNESS WHEREOF, the parties hereto have executed this option agreement as of the date and year first above written.

FAVORITE BRANDS INTERNATIONAL
HOLDING CORP.

By: /s/ [SIGNATURE ILLEGIBLE]

Name:
Title:

/s/ Alexander M. Seaver

Alexander M. Seaver

Amendment No. 1
to Stock Option Agreement

This Amendment No.1 (the "Amendment") is entered into this _____ day of June, 1997, by and between Alexander M. Seaver ("Grantee") and Favorite Brands International Holding Corp. (the "Company").

WHEREAS, the Company and Grantee are parties to a Nonqualified Stock Option Agreement (the "Agreement") dated August 31, 1996.

WHEREAS, the Company and Grantee desire to amend the Agreement.

NOW THEREFORE, the parties agree that the Agreement shall be amended by inserting a new Section 3(d) which shall read as follows:

"(d) In the event of Grantee's death, the Option shall be exercisable by the Grantee's surviving spouse, and if Grantee is not survived by a spouse, by the duly appointed personal representative of the Grantee's estate, at any time until the date on which the Option terminates or expires in accordance with the provisions of the Plan and this Agreement."

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

FAVORITE BRANDS INTERNATIONAL HOLDING CORP.

/s/ Brooks B. Gruemmer

Brooks B. Gruemmer
Vice President

/s/ Alexander M. Seaver

Alexander M. Seaver

FAVORITE BRANDS INTERNATIONAL HOLDING CORP.
STOCK OPTION PLAN

Nonqualified Stock Option Agreement

STOCK OPTION AGREEMENT (the "Agreement"), dated as of April 15, 1997, (the "Effective Date") between FAVORITE BRANDS INTERNATIONAL HOLDING CORP., a Delaware corporation (the "Company"), and Alexander M. Seaver (the "Grantee").

All words and phrases not otherwise expressly defined herein shall have the same meanings as are ascribed to such words and phrases in the Plan document.

The Board has determined that the objectives of the Plan will be furthered by granting to the Grantee an option pursuant to the Plan.

In consideration of the foregoing and of the mutual undertakings set forth in this Agreement, the Company and the Grantee agree as follows:

SECTION 1. Grant of Option. The Company hereby grants to the Grantee an option (the "Option") to purchase 6,440 shares of Common Stock at a purchase price of $105.00 per share (which has been determined by the Board to be not less than Fair Market Value).

SECTION 2. Exercisability. Subject to the terms of this Agreement,

(i) the option is 100% vested and exercisable.

(ii) the Option shall remain 100% exercisable through the day prior to the tenth anniversary of the Effective Date, after which the option shall terminate and cease to be exercisable.

SECTION 3. Method of Option Exercise.

(a) The Option or any part thereof may be exercised in accordance with Section 2 of this Agreement by (a) filing a written notice of exercise with the Company, on a form to be provided for that purpose (b) executing a signature page to the Stockholders Agreement, a copy of which is attached hereto as Exhibit A (the "Stockholders Agreement"), and (c) payment of the full purchase price for the number of shares purchased.

(b) Payment of the purchase price shall be made in any

combination of the following:

(i) by certified or official bank check payable to the Company (or the equivalent acceptable to the Board);

(ii) with the consent of the Board in its sole discretion, by personal check (subject to collection), which may in the Board's discretion be deemed conditional;

(iii) by delivery of previously acquired shares of Common Stock owned by the Grantee for at least six months having a Fair Market Value (determined as of the "option exercise date") equal to the portion of the Option exercise price being paid thereby, provided that the Board may require the Grantee to furnish an opinion of counsel acceptable to the Board to the effect that such delivery does not require any Consent;

(iv) with the consent of the Board in its sole discretion, by the Grantee's promissory note and agreement providing for payment with interest on the unpaid balance accruing at a rate not less than that needed to avoid the imputation of income under Code section 7872 and upon such terms and conditions (including such security, if any, therefor) as the Board may determine; and/or

(v) by delivery to the Company of an assignment of a sufficient amount of the proceeds from the sale of Common Stock acquired upon exercise to pay for all of the Common Stock acquired upon exercise and an authorization to the broker or selling agent to pay that amount to the Company, which sale shall be made at the Grantee's direction at the time of exercise, provided that the Grantee shall be liable for any portion of the exercise price not covered by such assignment of proceeds of sale.

(c) As soon as practicable after receipt of full payment, subject to Section 3.2 of the Plan (relating to Consents), the Company shall deliver to the Grantee one or more certificates for the shares of Common Stock purchased, which certificates may bear such legends as the Company may deem appropriate.

(d) In the event of Grantee's death the Option shall be exercisable by the Grantee's surviving spouse, and if Grantee is not survived by a spouse, by the duly appointed personal representative of Grantee's estate, at any time until

the date on which the Option terminates or expires in accordance with the provisions of the Plan and this Agreement.

SECTION 4. [Reserved]

SECTION 5. Withholding Tax Requirements. Whenever shares of Common Stock are to be delivered pursuant to the Option, the Board may require as a condition of delivery that the Grantee remit an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto. Whenever cash is to be paid pursuant to the option, the Company may, as a condition of its payment, deduct therefrom, or from any salary or other payments due to the Grantee, an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto. Without limiting the generality of the foregoing, (i) a Grantee may elect to satisfy all or part of the foregoing withholding requirements by delivery of unrestricted shares of Common Stock owned by-the Grantee for at least six months having a Fair Market Value (determined as of the date of such delivery) equal to all or part of the amount to be so withheld, and (ii) the Board may permit any such delivery to be made by withholding shares of Common Stock from the shares otherwise issuable pursuant to the option (in which event the date of delivery shall be deemed the option exercise date).

SECTION 6. Plan Provisions to Prevail. This Agreement shall be subject to all of the terms and provisions of the Plan, which are incorporated hereby and made a part hereof, including, without limitation, the provisions of section 3.2 of the Plan (generally relating to consents required by securities and other laws) and Section 3.5 of the Plan (generally relating to adjustments upon changes in capitalizations) and Section 3.11 of the Plan (generally relating to the effects of certain reorganizations and other extraordinary transactions). If there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern. If there is any inconsistency between the provisions of this Agreement and any employment (or similar) agreement entered into by the Grantee and the Company or any Affiliate, the provisions of the employment (or similar) agreement shall govern.

SECTION 7. [Reserved]

SECTION 8. Grantee's Acknowledgments. By entering into this Agreement, the Grantee agrees and acknowledges that (a) he has received and read a copy of the Plan, (including Section 3.8(c) (relating to waivers of claims, and damages) and accepts this option upon all of the terms thereof, and (b) no member of

the Board shall be liable for any action or determination made in good faith with respect to the Plan, any award thereunder or under this Agreement.

SECTION 9. Nontransferability. The Option shall not be assignable or

transferable by the Grantee (whether by operation of law or otherwise and whether voluntarily or involuntarily). All rights granted to the Grantee under the Plan or under this Agreement shall be exercisable only by the Grantee.

SECTION 10. No Stockholder Rights. Neither the Grantee nor any person succeeding to the Grantee's rights hereunder shall have any rights as a stockholder with respect to any shares subject to the Option until a stock certificate is issued to him for such shares. Except for adjustments made pursuant to Section 3.5 of the Plan, no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate is issued.

SECTION 11. Execution of Agreement. Notwithstanding anything contained in this Agreement to the contrary, no Option may be exercised until the Guarantee has returned an executed copy of this Agreement to the Company.

SECTION 12. Notices. Any notice to be given to the Company hereunder shall be in writing and shall be addressed to the Company, Tristate International Office Center, Suite 227, Building 75, Lincolnshire, Illinois 60069, or such other address as the Company may hereafter designate to the Grantee by notice as provided herein. Any notice to be given to the Grantee hereunder shall be addressed to the Grantee at the address set forth below or-such other address as the Grantee may hereafter designate to the Company by notice as provided herein. Notices hereunder shall be deemed to have been duly given when received by personal delivery or by registered or certified mail to the party entitled to receive the same.

SECTION 13. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and, to the extent set forth in the Plan, the heirs and personal representatives of the Grantee.

SECTION 14. Governing Law. This Agreement shall be governed by the laws of the State of Illinois applicable to agreements made and to be performed entirely within such State.

SECTION 15. Modifications to Agreement. This Agreement may not be altered, modified, changed or discharged, except by a writing signed by or on behalf of both the company and the Grantee.

IN WITNESS WHEREOF, the parties hereto have executed this option agreement as of the date and year first above written.

FAVORITE BRANDS INTERNATIONAL HOLDING CORP.

By: /s/ Brooks Gruemmer

Name: Brooks Gruemmer
Title: Vice President

/s/ Alexander M. Seaver

Alexander M. Seaver

EXHIBIT 10.9

FAVORITE BRANDS INTERNATIONAL HOLDING CORP.
STOCK OPTION PLAN

ARTICLE 1

GENERAL

1.1 Purpose. The purpose of the Favorite Brands International Holding Corp. Stock Option Plan (the "Plan") is to provide for certain officers, directors and key personnel, as defined in Section 1.3, of Favorite Brands International Holding Corp. (the "Company") or its subsidiaries or other affiliated companies ("Affiliate") stock options ("Options") as an equity based incentive to maintain and enhance the performance and profitability of the Company and its Affiliate.

1.2 Administration. The Plan shall be administered by the Board of Directors of the Company (the "Board"). The Board shall have the authority (i) to exercise all of the powers granted to it under the Plan, (ii) to construe, interpret and implement the Plan and any Option Agreements executed pursuant to the Plan, (iii) to prescribe, amend and rescind rules relating to the Plan, (iv) to make any determination necessary or advisable in administering the Plan, and (v) to correct any defect, supply any omission and reconcile any inconsistency in the Plan. The determination of the Board on all matters relating to the Plan or any Option Agreement shall be conclusive. No member of the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Option hereunder.

The Board may delegate all or any of its authority under this Plan to a committee consisting of two or more directors.

1.3 Persons Eligible for Options. Options under the Plan may be made to such officers, directors and executive, managerial or professional employees (or, in the case of nonqualified stock options, consultants) ("key personnel") of the Company or its Affiliate as the Board shall from time to time in its sole discretion select.

1.4 Types of Options Under Plan. Options granted under the Plan shall be either (i) "nonqualified" stock options subject to the provisions of Internal Revenue Code of 1986, as amended ("Code") section 83 or (ii) Options intended to qualify for incentive stock option treatment described in Code

section 422. All Options when granted are intended to be nonqualified stock options, unless the

applicable Option Agreement explicitly states that the Option is intended to be an incentive stock option. If an Option is intended to be an incentive stock option, and if for any reason such Option (or any portion thereof) shall not qualify as an incentive stock option, then, to the extent of such nonqualification, such Option (or portion) shall be regarded as a nonqualified stock option appropriately granted under the Plan provided that such Option (or portion) otherwise meets the Plan's requirements relating to nonqualified stock options.

1.5 Shares Available for Options.

(a) Subject to Section 3.5 (relating to adjustments upon changes in capitalization), as of any date the aggregate number of shares of Common Stock with respect to which Options may be granted under the Plan, shall be 763.

(b) Shares of Common Stock that shall be subject to issuance pursuant to the Plan shall be authorized and unissued or treasury shares of Common Stock.

(c) Without limiting the generality of the foregoing, the Board may, with the grantee's consent, cancel any Option under the Plan and issue a new Option in substitution therefor upon such terms as the Board may in its sole discretion determine, provided that the substituted Option shall satisfy all applicable Plan requirements as of the date such new Option is made.

1.6 Definitions of Common Stock and Fair Market Value.

(a) The term "Common Stock" as used herein means the shares of common stock of the Company as constituted on the effective date of the Plan, and any other shares into which such common stock shall thereafter be changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of shares or the like.

(b) Except as otherwise determined by the Board in its sole discretion, the "Fair Market Value" as of any determination date and in respect of any share of Common Stock shall be the mean between the high and low sales prices of a share of Common Stock as reported on the stock exchange on which shares of the Common Stock are principally trading on such determination date if shares of Common Stock are then trading upon a stock exchange, or if not, then the Fair Market Value of the stock as determined by the Board in its sole discretion. In no event shall the Fair Market Value of any share be less than its par value.

1.7 Option Agreements and Exercise Price. Options granted under the Plan shall be evidenced by written agreements ("Option Agreements"). Any such Option Agreements shall contain such provisions not inconsistent with the terms of the Plan as the Board may in its sole discretion deem necessary or desirable. Each Option Agreement shall set forth the number of shares of Common Stock subject to the Options granted thereby. Each Option Agreement shall set forth the amount (the "exercise price") payable by the grantee to the Company in connection with the exercise of the Option evidenced thereby. In the case of incentive stock options, the exercise price per share shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted.

ARTICLE 2

TERMS OF STOCK OPTIONS

2.1 Grant of Stock Options. The Board may grant Options to purchase shares of Common Stock in such amounts and subject to such terms and conditions as the Board shall from time to time in its sole discretion determine, subject to the terms of the Plan.

2.2 Exercisability of Options. Subject to the other provisions of the Plan:

(a) Exercisability Determined by Option Agreement. Each Option Agreement shall set forth the period during which, and the conditions subject to which, the Option evidenced thereby shall be exercisable, as determined by the Board in its discretion, and the terms, if any, upon which the Option will become fully exercisable upon a change in control of the Company or its Affiliate.

(b) Partial Exercise Permitted. Unless the applicable Option Agreement otherwise provides, an Option granted under the Plan may be exercised from time to time as to all or part of the full number of shares as to which such Option shall then be exercisable.

(c) Notice of Exercise. An Option shall be exercisable by the filing of a written notice of exercise with the Company, on such form and in such manner as the Board shall in its sole discretion prescribe, and by payment in accordance with the Option Agreement.

2.3 Limitation on Exercise. Notwithstanding any other provision of

the Plan, no Option Agreement shall permit an incentive stock option to be exercisable more than ten years after the date of grant.

2.4 Payment of Option Price. The permissible manners of payment and other terms relating to the issuance of shares shall be set forth in the individual Option Agreements.

2.5 Termination of Employment. Rules regarding exercisability and/or termination of Options upon termination from employment, leave of absence, disability or death shall be set forth in the individual Option Agreements.

2.6 Special ISO Requirements. In order for a grantee to receive Special tax treatment with respect to stock acquired under an Option intended to be an incentive stock option, the grantee of such Option must be, at all times during the period beginning on the date of grant and ending on the day three months before the date of exercise of such Option, an employee of the Company or any of the Company's parent or subsidiary corporations (within the meaning of Code section 424), or of a corporation or a parent or subsidiary corporation of such corporation issuing or assuming a stock option in a transaction to which Code section 424(a) applies. In addition, the exercise price per share shall be no less than 100% of the Fair Market Value of the Common Stock on the date of such grant. The Option shall not be exercisable after the expiration of ten years after the date such Option is granted. If an Option granted under the Plan is intended to be an incentive stock option, and if the grantee, at the time of grant, owns stock possessing 10% or more of the total combined voting power of all classes of stock of the grantee's employer corporation or of its parent or subsidiary corporation, then (i) the exercise price per share shall in no event be less than 110% of the Fair Market Value of the Common Stock on the date of such grant and (ii) such Option shall not be exercisable after the expiration of five years after the date such Option is granted.

It is intended that the aggregate Fair Market Value (determined as of the date of grant) of shares of Common Stock subject to options granted to the grantee that are intended to qualify for special incentive stock option tax treatment, whether granted under the Plan or under any other plan of the grantee's employer or its parent or subsidiary corporations (within the meaning of Code section 424), which become exercisable by the grantee for the first time during any calendar year shall not exceed $100,000. To the extent that such aggregate Fair Market Value is exceeded, then certain of such Options which may or may not include the option granted under this Plan, shall be treated as options which do not qualify for special tax treatment, in accordance with the provisions of Code section 422 and the regulations thereunder.

ARTICLE 3

MISCELLANEOUS

3.1 Amendment of the Plan; Modification of Options.

(a) Plan Amendments. The Board may, without stockholder approval, at any time and from time to time suspend, discontinue or amend the Plan in any respect whatsoever, except that no such amendment shall impair any rights under any Option theretofore made under the Plan without the consent of the grantee of such Option. Furthermore, except as and to the extent otherwise permitted by Section 3.5 or 3.11, no such amendment shall, without stockholder approval: (i) materially increase the benefits accruing to grantees under the Plan; (ii) materially increase, beyond the amounts set forth in Section 1.5, the number of shares of Common Stock in respect of which Options may be issued under the Plan; (iii) materially modify the designation in Section 1.3 of the class of persons eligible to receive Options under the Plan; (iv) provide for the grant of Options having an exercise price per share of Common Stock less than 100% of the Fair Market Value of a share of Common Stock on the date of grant; (v) permit an Option to be exercisable more than ten years after the date of grant; or (vi) extend the term of the Plan beyond the period set forth in Section 3.13.

(b) Option Modifications. With the consent of the grantee and subject to the terms and conditions of the Plan (including Section 3.1(a)), the Board may amend outstanding Option Agreements with such grantee, including, without limitation, any amendment which would (i) accelerate the time or times at which an Option may vest or become exercisable and/or (ii) extend the scheduled termination or expiration date of the Option.

3.2 Restrictions.

(a) Consent Requirements. If the Board shall at any time determine that any Consent (as hereinafter defined) is necessary or desirable as a condition of, or in connection with, the granting of any Option under the Plan, the acquisition, issuance or purchase of shares or other rights hereunder or the taking of any other action hereunder (each such action being hereinafter referred to as a "Plan Action"), then such Plan Action shall not be taken, in whole or in part, unless and until such Consent shall have been effected or obtained to the full satisfaction of the Board. Without limiting the generality of the foregoing, the Board shall be entitled to determine not to make any payment.

whatsoever until Consent has been given if (i) the Board may make any payment under the Plan in cash, Common Stock or both, and (ii) the Board determines that Consent is necessary or desirable as a condition of, or in connection with, payment in any one or more of such forms.

(b) Consent Defined. The term "Consent" as used herein with

respect to any Plan Action means (i) any and all listings, registrations or qualifications in respect thereof upon any securities exchange or other self-regulatory organization or under any federal, state, local or foreign law, rule or regulation, (ii) the expiration, elimination or satisfaction of any prohibitions, restrictions or limitations under any federal, state or local law, rule or regulation or the rules of any securities exchange or other self-regulatory organization, (iii) any and all written agreements and representations by the grantee with respect to the disposition of shares, or with respect to any other matter, which the Board shall deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made, and (iv) any and all consents, clearances and approvals in respect of a Plan Action by any governmental or other regulatory bodies or any parties to any loan agreements or other contractual obligations of the Company or any Affiliate.

3.3 Nontransferability. No Option granted to any grantee under the Plan or under any Option Agreement shall be assignable or transferable by the grantee other than by will or by the laws of descent and distribution. During the lifetime of the grantee, all rights with respect to any Option granted to the grantee under the Plan or under any Option Agreement shall be exercisable only by him.

3.4 Withholding Taxes. Whenever under the Plan shares of Common Stock are to be delivered pursuant to an Option, the Board may require as a condition of delivery that the grantee remit an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto. Whenever cash is to be paid under the Plan the Company (or its Affiliate where applicable) may, as a condition of its payment, deduct therefrom, or from any salary or other payments due to the grantee, an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto or to the delivery of any shares of Common Stock under the Plan.

3.5 Adjustments Upon Changes in Capitalization. If and to the extent specified by the Board, the number of shares of Common Stock which may be issued pursuant to

Options under the Plan, the number of shares of Common Stock subject to Options, the exercise price of Options theretofore granted under the Plan, and the amount payable by a grantee in respect of an Option, shall be appropriately adjusted (as the Board my determine) for any change in the number of issued shares of Common Stock resulting from the subdivision or combination of shares of Common Stock or other capital adjustments, or the payment of a stock dividend after the effective date of the Plan, or other change in such shares of Common Stock effected without receipt of consideration by the Company; provided that any Options covering fractional shares of Common Stock resulting from any such

adjustment shall be eliminated and provided further, that each incentive stock option granted under the Plan shall not be adjusted in a manner that causes such Option to fail to continue to qualify as an "incentive stock option" within the meaning of Code section 422. Adjustments under this Section shall be made by the Board, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

3.6 Right of Discharge Reserved. Nothing in the Plan or in any Option Agreement shall confer upon any person the right to continue in the employment of the Company or an Affiliate or affect any right which the Company or an Affiliate may have to terminate the employment of such person.

3.7 No Rights as a Stockholder. No grantee or other person shall have any of the rights of a stockholder of the Company or of an Affiliate with respect to shares subject to an Option until the issuance of a stock certificate (including any restricted stock certificate, unless otherwise provided in an applicable Option Agreement) to him for such shares. Except as otherwise provided in Section 3.5, no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate is issued.

3.8 Nature of Options.

(a) Any and all Options hereunder shall be granted, issued, delivered or paid, as the case may be, in consideration of services performed for the Company or its Affiliate by the grantee.

(b) All such Options shall be considered special incentive payments to the grantee and shall not, unless otherwise determined by the Board, be taken into account in computing the grantee's salary or compensation for the purposes of determining any benefits under (i) any

pension, retirement, life insurance or other benefit plan of the Company or any Affiliate or (ii) any agreement between the Company or any Affiliate and the grantee.

(c) By accepting an Option under the Plan, the grantee shall thereby waive any claim to continued exercise or vesting of an Option or to damages or severance entitlement related to non-continuation of the Option beyond the period provided herein or in the applicable Option Agreement, notwithstanding any contrary provision in any written employment contract with the grantee, whether any such contract is executed before or after the grant date of the Option.

3.9 Non-Uniform Determinations. The Board's determinations under the

Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, Options under the Plan (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Board shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Option Agreements, as to (a) the persons to receive Options under the Plan, (b) the terms and provisions of Options under the Plan, and (c) the treatment of leaves of absence under the Option Agreements.

3.10 Other Payments or Options. Nothing contained in the Plan shall be deemed in any way to limit or restrict the Company, any Affiliate or the Board from making any Option or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

3.11 Reorganization. In the event that the Company is merged or consolidated with another corporation and, whether or not the Company shall be the surviving corporation, there shall be any change in the shares of Common Stock by reason of such merger or consolidation, or in the event that all or substantially all of the assets of the Company are acquired by another person, or in the event of a reorganization or liquidation of the Company (each such event being hereinafter referred to as a "Reorganization Event") or in the event that the Board shall propose that the Company enter into a Reorganization Event, then the Board may in its discretion, by written notice to a grantee, provide that the grantee's Options will be terminated unless exercised within 30 days (or such longer period as the Board shall determine in its sole discretion) after the date of such notice; provided that if the Board takes such action the Board also shall accelerate the dates upon which all outstanding Options of such grantee shall be exercisable. The Board also may in its discretion by written notice to a grantee provide that all or some of the restrictions on any of his other Options may lapse in the event of a Reorganization Event upon such terms and conditions as the Board may determine. Whenever deemed appropriate by the Board, the actions referred to in this paragraph may be made conditional upon the consummation of the applicable Reorganization Event.

3.12 Section Headings. The section headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of said sections.

3.13 Effective Date and Term of Plan.

(a) The Plan shall be deemed adopted and become effective upon the approval thereof by the Board or such other date as the Board shall determine; provided that, notwithstanding any other provision of the Plan, no Option made under the Plan shall be exercisable unless the Plan is approved,

directly or indirectly, by (i) the express consent of stockholders holding at least a majority of the Company's voting stock voting in person or by proxy at a duly held stockholders' meeting, or (ii) the unanimous written consent of the stockholders of the Company, within 12 months before or after the date the Plan is adopted.

(b) The Plan shall terminate ten years after the earlier of the date on which it becomes effective or is approved by stockholders, and no Options shall thereafter be made under the Plan. Notwithstanding the foregoing, all Options made under the Plan prior to such termination date shall remain in effect until such Options have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable Option Agreement.

3.14 Governing Law. The Plan shall be governed by the laws of the State of Illinois applicable to agreements made and to be performed entirely within such state.

ANNEX A

AMENDMENT NO. 2 TO

STOCK OPTION PLAN

This Amendment No. 2 to the Stock Option Plan (the "Plan") of Favorite Brands International Holding Corp., is made this ____ day of September, 1997. All capitalized terms used herein shall have the meanings ascribed to them in the Plan.

Whereas, the Board of Directors desires to modify certain provisions of the Plan pursuant to Section 3.2 thereof to increase the total amount of shares of Common Stock with respect to which options may be granted under the Plan to 250,000;

Now, Therefore, paragraph (a) of Section 1.5 is amended to read as follows:

"(a) Subject to Section 3.5 (relating to adjustments upon changes in capitalization), as of any date the aggregate number of shares of Common Stock with respect to which Options may be granted under the Plan, shall be 250,000."

Except as modified by this Amendment No. 2, all provisions of the Plan remain in full force and effect.

FAVORITE BRANDS INTERNATIONAL HOLDING CORP.

By: /s/ [SIGNATURE ILLEGIBLE]

Title: CHAIRMAN

EXHIBIT A

ANNEX A

AMENDMENT NO. 1 TO

STOCK OPTION PLAN

This Amendment No. 1 to the Stock Option Plan (the "Plan") of Favorite Brands International Holding Corp., is made this ____ day of October, 1996. All capitalized terms used herein shall have the meanings ascribed to them in the Plan.

Whereas, the Board of Directors desires to modify certain provisions of the Plan pursuant to Section 3.2 thereof to increase the total amount of shares of Common Stock with respect to which options may be granted under the Plan to 200,000;

Now, Therefore, paragraph (9) of Section 1.5 is amended to read as follows:

"(a) Subject to Section 3.5 (relating to adjustments upon changes in capitalization), as of any date the aggregate number of shares of Common Stock with respect to which Options may be granted under the Plan, shall be 200,000."

Except as modified by this Amendment No. 1, all provisions of the Plan remain in full force and effect.

FAVORITE BRANDS INTERNATIONAL
HOLDING CORP.

_____
By:_____
Title:_____

EXHIBIT C

AMENDMENT NO. 2 TO

STOCK OPTION PLAN

This Amendment No.2 to the Stock Option Plan (the "Plan") of Favorite Brands International Holding Corp., is made this 10 day of September, 1997. All capitalized terms used herein shall have the meanings ascribed to them in the Plan.

Whereas, the Board of Directors desires to modify certain provisions of the Plan pursuant to Section 3.2 thereof to increase the total amount of shares of Common Stock with respect to which options may be granted under the Plan to 250,000;

Now, Therefore, paragraph (a) of Section 1.5 is amended to read as follows:

"(a) Subject to Section 3.5 (relating to adjustments upon changes in capitalization), as of any date the aggregate number of shares of Common Stock with respect to which Options may be granted under the Plan, shall be 250,000."

Except as modified by this Amendment No.2, all provisions of the Plan remain in full force and effect.

FAVORITE BRANDS INTERNATIONAL HOLDING CORP.

By: /s/[SIGNATURE ILLEGIBLE]

Title: Vice President

EXHIBIT 10.10

[LETTERHEAD OF FAVORITE BRANDS APPEARS HERE]

May 5, 1997

PERSONAL AND CONFIDENTIAL

Mr. Al Multari
1531 East Breaburn Road
Altadena, California 91001

Dear Al:

This letter is intended to confirm the terms of your employment with Favorite Brands International, Inc., a Delaware corporation (the "Company").

1. You will serve in a full-time capacity as the Vice President of Marketing for the Company reporting to me.

2. Your monthly salary will be $15,000.00 ($180,000 annualized), payable in accordance with the Company's standard payroll schedule (subject to all applicable withholdings required by law.) Your salary for each subsequent year of employment by the Company will be determined based on a performance review of your employment.

3. You will be eligible for bonuses pursuant to the annual executive management incentive plan presented by the Company's management for each prospective fiscal year and approved by the Company's Board of Directors. Your bonus target will be Thirty Percent (30%) of annual salary.

4. During the period of your employment, you will be provided with a company car and cellular telephone in accordance with Company policy.

5. As an employee of the Company, you will be eligible to participate in the Company-sponsored health and other benefits that are available generally to other officers of the Company, including a deferred compensation program whereby you may defer tax on up to twenty percent (20%) of your compensation and the Company will match the first three percent (3%) of your compensation. The plan also allows for a discretionary profit sharing contribution, if declared by the Company. You will be entitled to the benefit of the indemnification provisions contained in the Certificate of Incorporation and By-laws of the Company applicable to its

officers and directors and you will also be a party to any standard indemnification agreement for Company executive officers and directors that may be adopted by the Company.

6. During the period of your employment, you will be reimbursed for reasonable and necessary expenses incurred on behalf of the Company in accordance with the Company's expense reimbursement policy.

7. You will also be granted an incentive stock option (the "Option") to purchase Six Thousand (6,000) shares, par value $.01 per share, of Common Stock (the "Option Shares") of Favorite Brands International Holding Corp. (the "Holding Company") at an exercise price equal to $105.00 per share. The Option, which will be in the form attached hereto as Exhibit A, will vest over four years of service to the Company. In the event of a Liquidity Event (as such term is defined below), the Option's vesting shall accelerate and the Option will become fully exercisable. For purposes of this paragraph, a "Liquidity Event" will consist of either (a) a sale of all or substantially all of the assets of the Holding Company and (b) any merger or consolidation of the Holding Company or a sale of outstanding capital stock of the Holding Company subsequent to the consummation of which the holders of the Holding Company's voting stock prior to such transaction hold less than fifty percent (50%) of the outstanding voting stock of such surviving entity following such transaction.

8. Your employment with the Company is not for a specific term and can be terminated by either you or the Company at any time, with or without cause, without further obligation hereunder. However, in the event that the Company terminates your employment "without cause" (as defined below), or you terminate your employment with "good reason" (as defined below) you will be entitled to receive your regular monthly compensation until the earlier of (a) six (6) months following the effective date of such termination or (b) your commencing full-time employment with another employer.

For purposes of this letter: (i) termination "Without cause," shall mean termination for reasons other than: (a) financial dishonesty, including, without limitation, misappropriation of funds or property of the Company, or any attempt by you to secure any personal profit related to the business and the business

opportunities of the Company without the informed approval of the Board of Directors of the Company; (b) a repeated refusal to comply with reasonable directives of the President and Chief Executive Officer of the Company, or the recklessness or willful misconduct in the performance of duties assigned to you by the such officer; or (c) the conviction of any felony or any misdemeanor involving moral turpitude or fraud and (ii) termination with "good reason" shall mean the termination of your employment with the Company by written notice, effective on or after the date of delivery of such notice as specified therein, from you to the Company, upon the occurrence of any of the following: (a) a material diminution in your title or office, or in the nature or scope of your authority, duties, responsibility or status, or in your reporting responsibilities, employee benefits or perquisites; or (b) a written notice delivered to you at the direction of the Board of Directors of the Company instructing you to change your principal place of business or principal residence; provided, however, that no changes referred to

in the preceding clauses (a) and (b) shall be deemed to constitute a good reason if you agree to remain an employee of the Company.

9. During the course of your employment, you will have produced and/or have access to confidential information of the Company, including, without limitation, records, notebooks, data, formulae, specifications, recipes, trade secrets, customer and supplier lists and secret inventions and processes of the Company. Therefore, during and subsequent to your employment by the Company you agree to hold in confidence and not directly or indirectly disclose or use any such information (except in the course of performing your duties for the Company), except to the extent authorized by the Company in writing. These obligations with respect to confidential information shall not apply to information that you can establish is (i) publicly available from other sources, (ii) already known to you prior to your commencement of employment with the Company or (iii) provided to you by another person or entity not subject to any limitations on its disclosure. You agree that the Company will suffer irreparable harm if any provision of this Section 9 is not performed in accordance with its terms or is otherwise breached by you. Accordingly, you agree that the Company will be entitled to injunctive relief to prevent any breach or threatened breach of this Section 9, and to specific enforcement of the terms set forth herein, in addition to any other remedies at law or in equity that may be available.

10. To assist you with relocation, we will reimburse you for your reasonable costs incurred in connection with the following: (a) selling your current home (including real estate commissions (not to exceed 6%), attorneys fees, transfer taxes and other closing expenses and costs traditionally paid by

sellers of homes in your area), (b) moving household goods from your primary residence, (c) closing expenses and costs related to the purchase of a new home and traditionally paid by buyers (provided that this would not include loan origination fees or "points"). In addition, the Company will pay the federal and state income taxes payable by you as a result of the payments described above. All of these activities should be coordinated through Charles Stanley, our Vice President of Human Resources.

This letter contains all of the terms of your employment with the Company and supersedes any other understandings, oral or written, between you and the Company. Any additions or modifications of these terms will only be effective if they are in writing and signed by you and a representative of the Company authorized by the Company's Board of Directors to sign any such addition or modification.

If this letter accurately reflects all of the terms of your employment with the Company, please sign and return to me the enclosed copy of this letter.

We would be extremely pleased to have you as a part of our team, and look forward to working with you to build a very successful and rewarding business.

Sincerely yours,

FAVORITE BRANDS INTERNATIONAL, INC.

By: /s/ Al Bono

Al Bono

CEO and President

ACKNOWLEDGED AND AGREED:

/s/ Alfred Multari

Printed Name: ALFRED MULTARI

Dated: 5/18/97

[LETTERHEAD OF FAVORITE BRANDS APPEARS HERE]

May 15, 1997

PERSONAL AND CONFIDENTIAL

Mr. Al Multari
1531 East Breaburn Road
Altadena, California 91001

Dear Al:

This is a follow up to the offer of employment from Al Bono dated May 5, 1997. The points below will serve as either additions and/or modifications to Al's letter.

. VACATION - You will qualify for three weeks of vacation, rather than having to qualify under our existing vacation schedule.

. COBRA COVERAGE - Since there is a waiting period to qualify for our health coverage, we will reimburse you the full cost of continuing the health coverage you currently have. By law, your employer must offer this coverage to you, at the actual monthly rate, under COBRA.

. SEVERANCE - As noted in point eight of your letter, if you are terminated "without cause" or you terminate your employment with "good reason," your regular monthly compensation will continue for the earlier of a) twelve (12) months from the date of termination or b) your commencing full-time employment with another employer.

. SIGN-ON BONUS - A signing bonus of $18,000 (Eighteen Thousand Dollars) is being provided to offset the approximate amount of bonus lost by changing positions. This will be paid after your report to work with appropriate taxes withheld.

. RELOCATION - To further assist you in a quick and timely transition to your new position with Favorite Brands International, the Company has agreed to provide the following:

a) Temporary Living Expenses - So that you are not faced with dual living

costs, the Company will provide you with up to six months of living expenses in the Chicago area for you and/or your family or until you no longer have a mortgage payment on your

existing home in California, which ever is less. Should you decide to relocate your family immediately, we will cover the cost of either the monthly mortgage on your California home or your new home here, whichever is less and not to exceed the six months of total temporary living expenses.

If you require an apartment before your family relocates, we can arrange this for you as part of the relocation package described above.

b) Househunting Trips - If your family remains behind, we will provide two more househunting trips for your family. We can assist you with arrangements as necessary.

c) Bridge Loan - We will provide you with an interest free bridge loan of $100,000 to expedite your relocation to the Chicago area. This will be secured by a Promissory Note we will prepare for your signature.

To further assist you, we are prepared to cover the loss you may incur in selling your California home, not to exceed $100,000. Based on your estimate of $470,000 as reflecting the purchase price and improvements to your home ($410,000 purchase price and $60,000 in improvements), we will assist you with any loss on the sale of your home below $470,000, not to exceed $100,000.

Our assistance with any loss you may incur will be forgiven equally over three (3) years on the employment anniversary dates of years one, two and three. Should you leave our employment before reaching the third anniversary date, any obligation on our part ceases.

Any tax consequences of the interest-free loan or the forgiveness of any loss against the bridge loan will be "grossed up" by the Company.

Al, I believe this reflects all of the material changes we have added and/or changed to our original offer letter of May 5, 1997. If you agree, please sign both the original letter of employment as well as this letter. Please return one signed agreement to my attention. The other is your copy.

If you have any questions, please do not hesitate to call me.

Sincerely yours,

FAVORITE BRANDS INTERNATIONAL, INC.

By: /s/ Charles E. Stanley

Charles E. Stanley
Vice President Human Resources

Mr. Al Multari May 15, 1997

ACKNOWLEDGED AND AGREED:

/s/ Alfred Multari

Printed Name: ALFRED MULTARI

Dated: 5/18/97

EXHIBIT 10.11

[LETTERHEAD OF FAVORITE BRANDS APPEARS HERE]

August 15, 1996

Dennis J. Nemeth
5450 Fairmont
Libertyville, IL 60048

Dear Denny:

Welcome to the Favorite Brands' team. I can't tell you how excited we all are about you joining our team. This is a great time for FBI and a time that will be remembered for years to come.

So that you have it in writing, the following is what you and I agreed to regarding your position.

Title:	Sr. VP - Operations
Reports to:	Al Bono
Direct Reports:	FBI Plants - Kendallville, Henderson/Ligonier (Kidd) Logistics Customer Service
Dotted Lines:	To all senior operations officer of Farley, Sathers and additional companies we may acquire in the future.
Salary:	$180,000.00
Shares:	5,000 shares with estimated value of $89.58 per share based on FBI Stock Option Plan
Bonus:	Sliding Scale- 20% - 40% based on financial and personal objectives.
Company Car/ Allowance:	$500.00 monthly
Vacation:	4 weeks paid per year
Signing Bonus:	$85,000.00

Severance:	6 months of salary if terminated
Location:	Lincolnshire
Formal Start Date:	Monday, August 26, 1996

As you know it's going to be busy and our plates will certainly be full; but what a great opportunity to build a dynamic organization the way we believe it should be built.

Your first priority will be to hire a plant manager for Kendallville. This plant needs a strong manager capable of handling all aspects of the operation. One area of experience must in systems, with a management style that can bring the long-time employees together with the newly-hired ones. I'm confident you will find the right individual to fit our needs.

The next order of business will be your comments on Epstein's findings and recommendations. The next session with Epstein will be 10:00 AM on Friday, August 23, 1996 at the Lincolnshire offices. Attending from FBI will be Pat, Bob, Mike and me.

I truly believe we are on the verge of creating a world class confections business, and with you on board our chances of achieving this goal improved 100%.

See you on the 23rd.

Very truly yours,

/s/ Al J. Bono
Al J. Bono
President & CEO

/jf

EXHIBIT 10.12

FORM OF CHANGE OF CONTROL AGREEMENT

This Agreement (the "Agreement") is made this __ day of October, 1998 by and between Favorite Brands International, Inc., a Delaware corporation ("FBI") and _____ ("Employee").

WHEREAS, FBI desires to retain Employee as a key managerial employee.

WHEREAS, in order to induce Employee to remain employed by FBI, FBI is willing to offer Employee the benefits set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing, the continued employment of Employee and for other good and valuable consideration the sufficiency of which is acknowledged, the parties agree as follows:

1. Definitions. The following terms shall have the following meanings:

(a) Without Cause. Termination "Without Cause" shall mean termination for reasons other than: (i) financial dishonesty including, without limitation, misappropriation of funds or property of FBI, or any attempt by Employee to secure any personal profit related to the business or the business opportunities of FBI without the informed approval of the Board of Directors of FBI; (ii) a repeated refusal to comply with reasonable directives of Employee's direct supervisor or the Chief Executive Officer of FBI, or the recklessness or willful misconduct in the performance of duties assigned to Employee by the such officer; or (iii) the conviction of any felony or any misdemeanor involving moral turpitude or fraud.

(b) Good Reason. Termination with "Good Reason" shall mean the termination of Employee's employment with FBI by written notice, effective on or after the date of delivery of such notice, from Employee to FBI, upon the occurrence of any of the following; (i) a material diminution in Employee's title or office, or in the nature or scope of Employee's authority, duties, responsibility or status, or in Employee's reporting responsibilities, compensation, employee benefits or perquisites; or (ii) a written notice delivered to Employee instructing Employee to change Employee's principal place of business or principal residence to a location that is more than 30 miles from Employee's current place of business; provided, however, that no changes referred to in the preceding clauses (i) and (ii) shall be deemed to constitute a good reason if you agree to remain an employee of FBI or its successors.

(c) Change of Control. A "Change of Control" means the occurrence of any of the following: (i) a sale of all or substantially all of the assets of FBI or Favorite Brands International Holding Corp. ("Holdings"), (ii) any merger or consolidation of FBI or a sale of outstanding capital stock of FBI subsequent

to the consummation of which the holders of FBI's voting stock prior to such transaction hold less than fifty percent (50%) of the outstanding voting stock of such surviving entity following such transaction or (iii) any merger or consolidation of Holdings or a sale of outstanding capital stock of Holdings subsequent to the consummation of

which the holders of Holdings' voting stock prior to such transaction hold less than fifty percent (50%) of the outstanding voting stock of such surviving entity following such transaction.

(d) Employee Base Salary. "Employee Base Salary" shall mean the annual base salary being paid by FBI to Employee on the date that the Change of Control occurs.

(e) Employee Bonus. "Employee Bonus" shall mean the most recent annual performance bonus actually paid to Employee by FBI for the most recent complete fiscal year preceding the Change of Control provided that if Employee did not receive a bonus for such fiscal year or received a partial bonus for such fiscal year, in either case as a result of Employee only being employed by FBI for a portion of such fiscal year, then the term "Employee Bonus" shall mean such Employee's target bonus.

2. Change of Control Payments.

(a) Change of Control Bonus. If Employee is employed by FBI on the date that a Change of Control occurs and in connection with such Change of Control TPG Partners L.L.P. ("TPG") achieves an internal rate of return or the equity sold by TPG in connection with such Change of Control equal to or greater than 8%, then:

(i) within 10 business days of such Change of Control FBI shall pay Employee a bonus equal to the sum of Employee's Base Salary plus Employee's Bonus; and

(ii) If (I) Employee is employed by FBI or its successor on the first anniversary of the Change of Control, or (II) Employee is terminated by FBI or its successor Without Cause prior to the first anniversary of the Change of Control, or (III) Employee terminates his employment with FBI or its successor for Good Reason prior to the first anniversary of the Change of Control, then upon the earliest to occur of such events FBI shall pay to Employee an additional bonus equal to the sum of Employee's Base Salary plus Employee's Bonus.

(b) Supplemental Change of Control Bonus. If Employee is employed by FBI on the date that a Change of Control occurs and in connection with such Change of Control TPG achieves an internal rate of return on the equity sold by TPG in connection with such Change of Control that is less than 8%, then:

(i) within 10 business days of such Change of Control FBI shall pay Employee a bonus equal to Employee's Base Salary; and

(ii) If (I) Employee is employed by FBI or its successor on the first anniversary of the Change of Control, or (II) Employee is terminated by FBI or its successor Without Cause prior to the first anniversary of the Change of Control, or (III) Employee terminates his employment with FBI or its successor for Good Reason prior to the first anniversary of the Change of Control, then upon the earliest to occur of such events FBI shall pay to Employee an additional bonus equal to Employee's Base Salary.

(c) TPG Rate of Return. For purposes of this Agreement, TPG's internal rate of return shall be calculated in the same manner that TPG calculates and reports such return to its Limited Partners. TPG's determination of such rate of return shall be binding upon FBI and Employee.

3. Payment Limitation Provision. Notwithstanding the provisions of Section 2 above, in the event that in the opinion of tax counsel selected and compensated by FBI ("Tax Counsel"), any portion of the benefits payable under Section 2 of this Agreement, together with any other payments or benefits under any other agreement with, or plan of FBI to or for the benefit of the Employee (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 2806 of the Internal Revenue Code of 1986, as amended (the "Code"), and subject in all events to the last sentence of this Section 3, then the payments under Section 2 hereof shall be reduced or eliminated until no portion of the Total Payments are subject to the excise tax under Section 4999 of the Code, or until the payment under Section 2 hereof is reduced to zero. For purposes of this limitation (i) no portion of the Total Payments the receipt or enjoyment of which Employee shall have waived in writing prior to the date of payment thereof shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which in the opinion of Tax Counsel does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code, (iii) the payments under Section 2 hereof shall be reduced only to the extent necessary so that such payment in its entirety constitutes reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code or is otherwise not subject to excise tax under Section 4999 of the Code, in the opinion of Tax Counsel and (iv) the value of any non-cash benefit and all deferred payments and benefits included in the Total Payments shall be determined by the mutual agreement of FBI and Employee in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. Notwithstanding anything to the contrary in this Section 3 whether express or implied, the payments under Section 2 hereof shall not be reduced if, after taking into account any income and excise taxes imposed on the Total Payments, the Employee's net after-tax benefit of receiving the Total Payments without reduction under this Section 3 exceeds Employee's net after-tax benefit from receiving the Total Payments after the reduction described in the first sentence hereof.

4. Miscellaneous.

(a) Withholding. All payments to be made to Employee hereunder shall be subject to any required withholding for Federal, state or local taxes.

(b) Payments Cumulative. The payments to be made to Employee pursuant to this Agreement are in addition to any payments Employee may be entitled to under any other agreement, plan or program, including any other severance or bonus plan or agreement.

(c) No Obligation. This Agreement shall not create any obligation on the part of FBI to continue any other existing compensation plans or policies or to establish or continue any other compensation programs, plans or policies of any kind. Nothing in this Agreement shall confer upon the Employee the right to continue in the service of FBI or any other company or

affect any right which FBI or way other company may have to terminate the service of Employee.

(d) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of FBI, whether by way of a merger, purchase, consolidation or otherwise.

(e) Governing Law. This Agreement shall be governed by the laws of the State of Illinois applicable to agreements made and to be performed entirely within such State.

(f) Amendments. This Agreement may not be altered, modified, changed or discharged, except by a writing signed by or on behalf of both FBI and the Employee.

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

FAVORITE BRANDS INTERNATIONAL, INC.

By: _____
Name: Richard Harshman
Title: Chief Executive Officer

By: _____
Name:

EXHIBIT 12.1

FAVORITE BRANDS INTERNATIONAL, INC

CALCULATION OF RATIO OF EARNINGS
TO FIXED CHARGES

<TABLE>
<CAPTION>

	40 WEEKS ENDED JUNE 29, 1996	52 WEEKS ENDED JUNE 28, 1997	52 WEEKS ENDED JUNE 27, 1998	13 WEEKS ENDED SEPTEMBER 26, 1998
		(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>	<C>
Fixed Charges:				
Interest expense	$8,589	$33,463	$ 54,581	$ 14,577
Implicit interest in rent	67	2,100	2,200	685
Deferred financing fee amortization	41	1,414	1,900	636
Total Fixed Charges	$8,697	$36,977	$ 58,681	$ 15,898
Earnings before provision for income taxes	$ (813)	$ (678)	$(74,261)	$(14,500)
Fixed charges	8,697	36,977	58,681	15,898
Earnings, as defined	$7,884	$36,299	$(15,580)	1,398
Ratio of earnings to fixed charges	--	--	--	--
Deficiency of earnings to fixed charges	$ 813	$ 678	$ 74,261	$ 14,500

</TABLE>

Exhibit 21.1

Subsidiaries of Favorite Brands International, Inc.

Name	State of Incorporation
Trolli Inc.	Delaware
Sather Trucking Corp.	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-4 of Favorite Brands International, Inc. of our reports dated August 21, 1998 and April 22, 1998 relating to the consolidated financial statements of Favorite Brands International, Inc. and to the financial statements of Farley Candy Company, respectively, which appear in such Prospectus. We also consent to the application of our report dated August 21, 1998 relating to the consolidated financial statements of Favorite Brands International, Inc. to the financial statement schedule included as Schedule I to this Registration Statement when such schedule is read in conjunction with the financial statements referred to in our report. The audits referred to in such report also included this schedule. We also consent to the references to us under the headings "Experts" and "Selected Consolidated Historical Financial Data" in such Prospectus. However, it should be noted that PricewaterhouseCoopers LLP has not prepared or certified such "Selected Consolidated Historical Financial Data."

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois
November 10, 1998

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in the Form S-4 Registration Statement for Favorite Brands International, Inc. of our report dated March 16, 1996 on our audit of the combined financial statements of Sathers, Inc. and Related Entities as of and for the fifty-two weeks ended December 30, 1995.

We also consent to the reference to our firm under the caption "Experts" in the Prospectus.

/s/ Friedman Eisenstein Raemer and Schwartz, LLP

Chicago, Illinois
November 12, 1998

EXHIBIT 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-4 of our report, dated January 25, 1996, relating to the financial statements of Kidd & Company, Inc. We also consent to the reference to our Firm under the caption "Experts" in the Prospectus.

/s/ McGladrey & Pullen LLP

Goshen, Indiana
November 10, 1998

CONSENT OF INDEPENDENT ACCOUNTANTS

EXHIBIT 23.4

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-4 of our reports dated April 11, 1997 and February 16, 1996 relating to the financial statements of Dae-Julie, Inc., and our report dated February 21, 1995 relating to the financial statements of Candyland Candies, Inc., which appear in such Prospectus. We also consent to the references to us under the heading "Experts" in such Prospectus.

/s/ Wolf, Grieco & Co.

Chicago, Illinois
November 10, 1998

EXHIBIT 23.5

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of Favorite Brands International, Inc. on Form S-4 of our report dated March 3, 1997 (relating to the combined component financial statements of Mederer Corporation's U.S. Confectionary Operations as of December 31, 1996 and 1995, and for the years then ended), appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Deloitte & Touche LLP

Des Moines, Iowa
November 10, 1998

EXHIBIT 25.1

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM T-1

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

LASALLE NATIONAL BANK
(Exact name of trustee as specified in its charter)

36-0884183
(I.R.S. Employer
Identification No.)

135 South LaSalle Street, Chicago, Illinois 60603
(Address of principal executive offices) (Zip Code)

M. ROBERT K. QUINN
Group Senior Vice President
General Counsel and Secretary
Telephone: (312) 904-2010
135 South LaSalle Street
Chicago, Illinois 60603
(Name, address and telephone number of agent for service)

FAVORITE BRANDS INTERNATIONAL, INC.
(Exact name of obligor as specified in its charter)

Delaware	
(State or other jurisdiction incorporation or organization)	(I.R.S. Employer Identification No.)
25 Tri-State International Suite 400 Lincolnshire, Illinois	60069
(Address of Principal Executive Offices)	(Zip Code)

Senior Subordinated Notes Due 2008

(Title of the indenture securities)

ITEM 1. GENERAL INFORMATION

Furnish the following information as to the trustee:

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

1. Comptroller of the Currency, Washington D.C.

2. Federal Deposit Insurance Corporation, Washington, D.C.

3. The Board of Governors of the Federal Reserve Systems, Washington, D.C.

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

Yes.

ITEM 2. AFFILIATIONS WITH OBLIGOR AND UNDERWRITERS.

If the obligor or any underwriter for the obligor is an affiliate of the trustee, describe each such affiliation.

Neither the obligor nor any underwriter for the obligor is an affiliate of the trustee.

ITEM 3. VOTING SECURITIES OF THE TRUSTEE.

Furnish the following information as to each class of voting securities of the trustee:

Not applicable

ITEM 4. TRUSTEESHIPS UNDER OTHER INDENTURES.

If the trustee is a trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the obligor are outstanding, furnish the following information:

(a) Title of the securities outstanding under each other indenture.

Not applicable

(b) A brief statement of the facts relied upon as a basis for the claim that no conflicting interest within the meaning of Section 310(b)(1) of the Act arises as a result of the trusteeship under such other indenture, including a statement as to how the indenture securities will rank as compared with the securities issued under such other indenture.

Not applicable

ITEM 5. INTERLOCKING DIRECTORATES AND SIMILAR RELATIONSHIPS WITH THE OBLIGOR OR UNDERWRITERS.

If the trustee or any of the directors or executive officers of the trustee is a director, officer, partner, employee, appointee, or representative of the obligor or of any underwriter for the obligor, identify each such person having any such connection and state the nature of each such connection.

Not applicable

ITEM 6. VOTING SECURITIES OF THE TRUSTEE OWNED BY THE OBLIGOR OR ITS OFFICIALS.

Furnish the following information as to the voting securities of the trustee owned beneficially by the obligor and each director, partner and executive officer of the obligor.

Not applicable

ITEM 7. VOTING SECURITIES OF THE TRUSTEE OWNED BY UNDERWRITERS OR THEIR OFFICIALS.

Furnish the following information as to the voting securities of the trustee owned beneficially by each underwriter for the obligor and each director, partner, and executive officer of each such underwriter.

Not applicable

ITEM 8. SECURITIES OF THE OBLIGOR OWNED OR HELD BY THE TRUSTEE.

Furnish the following information as to securities of the obligor owned beneficially or held as collateral security for obligations in default by the trustee:

Not applicable

ITEM 9. SECURITIES OF THE UNDERWRITER OWNED OR HELD BY THE TRUSTEE.

If the trustee owns beneficially or holds as collateral security for obligations in default any securities of an underwriter for the obligor, furnish the following information as to each class of securities of such underwriter any of which are so owned or held by the trustee.

Not applicable

ITEM 10. OWNERSHIP OR HOLDINGS BY THE TRUSTEE OF VOTING SECURITIES OF CERTAIN AFFILIATES OR SECURITY HOLDERS OF THE OBLIGOR.

If the trustee owns beneficially or holds as collateral security for obligations in default voting securities of a person who, to the knowledge of the trustee (1) owns 10 percent or more of the voting securities of the obligor or (2) is an affiliate, other than a subsidiary, of the obligor, furnish the following information as to the voting securities of such person.

Not applicable

ITEM 11. OWNERSHIP OR HOLDINGS BY THE TRUSTEE OF ANY SECURITIES OF A PERSON OWNING 50 PERCENT OR MORE OF THE VOTING SECURITIES OF THE OBLIGOR.

If the trustee owns beneficially or holds as collateral security for obligations in default any securities of a person who, to the knowledge of the trustee, owns 50 percent or more of the voting securities of the obligor, furnish the following information as to each class of securities of such person any of which are so owned or held by the trustee.

Not applicable

ITEM 12. INDEBTEDNESS OF THE OBLIGOR TO THE TRUSTEE.

If the obligor is indebted to the trustee, furnish the following information.

Not applicable

ITEM 13. DEFAULTS BY THE OBLIGOR.

a) State whether there is or has been a default with respect to the securities under this indenture. Explain the nature of any such default.

Not applicable

b) If the trustee is a trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the obligor are outstanding, or is trustee for more than one outstanding series of securities under the indenture, state whether there has been a default under any such indenture or series, identify the indenture or series affected, and explain the nature of any such default.

Not applicable

ITEM 14. AFFILIATIONS WITH THE UNDERWRITERS.

If any underwriter is an affiliate of the trustee, describe each such affiliation.

Not applicable

ITEM 15. FOREIGN TRUSTEE.

Identify the order or rule pursuant to which the foreign trustee is authorized to act as sole trustee under indentures qualified or to be qualified.

Not applicable

ITEM 16. LIST OF EXHIBITS.

List below all exhibits filed as part of this statement of eligibility and qualification.

1. A copy of the Articles of Association of LaSalle National Bank now in effect.

2. A copy of the certificate of authority to commence business.

3. A copy of the authorization to exercise corporate trust powers.

4. A copy of the existing By-Laws of LaSalle National Bank.

5. Not applicable.

6. The consent of the trustee required by Section 321(b) of the Trust Indenture Act of 1939.

7. A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.

8. Not applicable.

9. Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the trustee, LaSalle National Bank, a corporation organized and existing under the laws of the United States of America, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Chicago, State of Illinois, on the 21st day of April, 1997.

LASALLE NATIONAL BANK

By: /s/ Sarah H. Webb

Sarah H. Webb
First Vice President

EXHIBIT 1

ARTICLES OF ASSOCIATION

ARTICLES
OF
ASSOCIATION

LA SALLE NATIONAL BANK (LOGO)

LA SALLE NATIONAL BANK
CHICAGO, ILLINOIS

(LOGO)
LaSalle National Bank

ARTICLES OF ASSOCIATION

FIRST. The title of this association, which shall carry on the business of banking under the laws of the United States shall be "LaSalle National Bank."

SECOND. The place where the main banking house or office of this association shall be located, its operations of discount and deposit carried on, and its general business conducted, shall be Chicago, County of Cook, State of Illinois.

THIRD. The Board of Directors of this association shall consist of such number of its shareholders, not less than five nor more than twenty-five, as from time to time shall be determined by a majority of the votes to which all of its shareholders are at the time entitled. A majority of the Board of Directors shall be necessary to constitute a quorum for the transaction of business. The Board of Directors, by vote of a majority of the full board, may, between annual meetings of shareholders increase the membership of the Board where the number of directors last elected by shareholders was 15 or less, by not more than two members, and where the number of directors last elected by shareholders was 16 or more, by not more than four members and by a like vote appoint qualified persons to fill the vacancies created thereby; provided that the number of Directors shall at no time exceed twenty-five.

FOURTH. The regular annual meeting of the shareholders of this association shall be held at its main banking house, or other convenient place duly authorized by the board of directors on such day of each year as is specified therefor in the bylaws.

FIFTH. The amount of capital stock which this association is authorized to issue shall be Twenty Million Dollars ($20,000,000.00) divided into 2,000,000 shares of common capital stock of the par value of $10.00 each; but said capital stock may be increased or decreased from time to time, in accordance with the provisions of the laws of the United States.

If the capital stock is increased by the sale of additional shares thereof, other than to key officers and employees of the association upon the exercise of options granted pursuant to the terms of a stock option plan then in effect, as to which sales all pre-emptive rights are waived, each shareholder shall be entitled to subscribe for such additional shares in proportion to the number of shares of said capital stock owned by him at the time the increase is authorized by the shareholders, unless another time subsequent to the date of the shareholders' meeting is specified in a resolution adopted by the shareholders at the time the increase is authorized. The board of directors shall have the power to prescribe a reasonable period of time within which the pre-emptive rights to subscribe to the new shares of capital stock may be exercised.

The association, at any time and from time to time, may authorize and issue debt obligations, whether or not subordinated, without the approval of the shareholders.

SIXTH. The board of directors shall appoint one of its members president of this association, who shall be chairman of the board, but the board of directors may appoint a director in lieu of the president to be chairman of the board, who shall perform such duties as may be designated by the board of directors. The board of directors shall have the power to appoint one or more vice presidents, a cashier and such other officers as may be required to transact the business of

this association; to fix the salaries to be paid to all officers of this association; and to dismiss such officers, or any of them.

The board of directors shall have the power to define the duties of officers and employees of this association, to require bonds from them, and to fix the penalty thereof; to regulate the manner in which

directors shall be elected or appointed, and to appoint judges of the election; to make all bylaws that it may be lawful for them to make for the general regulation of the business of this association and the management of its affairs; and generally to do and perform all acts that it may be lawful for a board of directors to do and perform.

SEVENTH. This association shall have succession from the date of its organization certificate until such time as it be dissolved by act of its shareholders in accordance with the provisions of the banking laws of the United States, or until its franchise becomes forfeited by reason of violation of law, or until terminated by either a general or a special act of Congress, or until its affairs be placed in the hands of a receiver and finally wound up by him.

EIGHTH. The board of directors of this association, or any three or more shareholders owning, in the aggregate, not less than ten percentum of the stock of this association, may call a special meeting of shareholders at any time: Provided, however, that, unless otherwise provided by law, not less than ten days prior to the date fixed for any such meeting, a notice of the time, place, and purpose of the meeting shall be given by first-class mail, postage prepaid, to all shareholders of record of this association at their respective addresses as shown upon the books of the association. These articles of association may be amended at any regular or special meeting of the shareholders by the affirmative vote of the shareholders owning at least a majority of the stock of this association, subject to the provisions of the banking laws of the United States. The notice of any shareholders' meeting, at which an amendment to the articles of association of this association is to be considered, shall be given as herein-above set forth.

NINTH. Any person, his heirs, executors, or administrators, may be indemnified or reimbursed by the association for reasonable expenses actually incurred in connection with any action, suit, or proceeding, civil or criminal, to which he or they shall be made a party by reason of his being or having been a director, officer, or employee of the association or of any firm, corporation, or organization which he served in any such capacity at the request of the association: Provided, however, that no person shall be so indemnified or reimbursed in relation to any matter in such action, suit, or proceeding as to which he shall finally be adjudged to have been guilty of or liable for negligence or wilful misconduct in the performance of his duties to the association: And, provided further, that no person shall be so indemnified or reimbursed in relation to any matter in such action, suit, or proceeding which has been made the subject of a compromise settlement except with the approval of a court of competent jurisdiction, or the holders of record of a majority of the outstanding shares of the association, or the board of directors, acting by vote of directors not parties to the same or substantially the same action, suit, or proceeding, constituting a majority of the whole number of the directors. The foregoing right of indemnification or reimbursement shall not be exclusive of other rights to which such person, his heirs, executors, or administrators, may be entitled as a matter of law.

****

May 17, 1982
Form No. 181, Rev 5/17/82 GW

EXHIBIT 2

CERTIFICATE OF AUTHORITY
TO COMMENCE BUSINESS

STATE OF ILLINOIS

AUDITOR'S OFFICE

NO. 333 (LOGO)

NATIONAL BANK TRUST CERTIFICATE

Springfield, FEBRUARY 15th 1928

I, OSCAR NELSON, Auditor of Public Accounts of the State of Illinois, do hereby certify that the NATIONAL BUILDERS BANK OF CHICAGO located at CHICAGO, County of COOK and State of Illinois, a corporation organized under and by

authority of the statutes of the United States governing National Banks and authority granted by the Federal Reserve Act for the purpose of accepting and executing trusts, has this day deposited in this office, securities in the sum of TWO HUNDRED THOUSAND Dollars, $200,000.00 of the character designated by Section 6 of the Act of the Legislature of the State of Illinois entitled "An Act to provide for and regulate the administration of trusts by trust companies,"

The said deposit is made for the benefit of the creditors of said NATIONAL BUILDERS BANK OF CHICAGO under and by virtue of the provisions of the Act above referred to and the said securities are now held by me in this office in my official capacity as such Auditor of Public Accounts, for the uses and purposes aforesaid.

I further certify that by virtue of the Acts aforesaid, the NATIONAL BUILDERS BANK OF CHICAGO is hereby authorized to accept and execute trusts and receive deposits of trust funds under the provisions and limitations of "An Act to provide for and regulate the administration of trusts in Illinois.

IN TESTIMONY WHEREOF, I hereunto subscribe my name and affix the
(SEAL) seal of my office, the day and year first above written.

/s/ Oscar Nelson

AUDITOR OF PUBLIC ACCOUNTS.

STATE OF ILLINOIS.

NO. 13146.

TREASURY DEPARTMENT (LOGO)

OFFICE OF COMPTROLLER OF THE CURRENCY

Washington, D.C., NOVEMBER 29, 1927.

WHEREAS, by satisfactory evidence presented to the undersigned, it has been made to appear that "NATIONAL BUILDERS BANK OF CHICAGO" in the CITY of CHICAGO in the County of COOK and State of ILLINOIS has complied with all the provisions of the Statutes of the United States, required to be complied with before an association shall be authorized to commence the business of Banking;

NOW THEREFORE I, J.W. MCINTOSH, Comptroller of the Currency, do hereby certify that "NATIONAL BUILDERS BANK OF CHICAGO" in the CITY of CHICAGO in the County of COOK and State of ILLINOIS is authorized to commence the business of Banking as provided in Section Fifty one hundred and sixty nine of the Revised Statutes of the United States.

IN TESTIMONY WHEREOF witness my hand and Seal of (SEAL) office
(SEAL) this TWENTY-NINTH day of NOVEMBER, 1927.

/s/ J.W. McIntosh

Comptroller of the Currency

CERTIFICATE OF CHANGE OF CORPORATE TITLE

(LOGO)

NO. 13146.

TREASURY DEPARTMENT

OFFICE OF THE COMPTROLLER OF THE CURRENCY

WASHINGTON, D.C., MAY 1, 1940.

WHEREAS, by satisfactory evidence presented to me, it appears that under authority of sections 2, 3, and 4, of the Act of Congress approved May 1, 1886, entitled "An Act to enable national banking associations to increase their

capital stock and to change their names or location," shareholders owning two-thirds of the stock of the national banking association heretofore known as-- "NATIONAL BUILDERS BANK OF CHICAGO," located in CHICAGO, County of COOK, State of ILLINOIS, have voted to change the name of said association to-- "LASALLE NATIONAL BANK," and have complied with all the provisions of the said Act relative to national banking associations changing their name.

NOW, THEREFORE, IT IS HEREBY CERTIFIED, that the name of the said association has been changed to-- "LASALLE NATIONAL BANK," and that such change of name is hereby approved under authority conferred by said Act.

(SEAL) IN TESTIMONY WHEREOF, witness my hand and seal of office this FIRST day of MAY, 1940.

/s/

ACTING Comptroller of the Currency.

EXHIBIT 3

AUTHORIZATION TO EXERCISE
CORPORATE TRUST POWERS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM [LETTERHEAD]

WASHINGTON

May 9, 1940

LaSalle National Bank,
Chicago, Illinois.

Gentlemen:

The Board of Governors of the Federal Reserve System has been officially advised by the Comptroller of the Currency that on May 1, 1940, National Builders Bank of Chicago, Chicago, Illinois, changed its title to LaSalle National Bank, and accordingly there is enclosed herewith a certificate showing that LaSalle National Bank has authority to exercise the fiduciary powers enumerated therein.

Kindly acknowledge receipt of this certificate.

Very truly yours,

S. R. Carpenter

S. R. Carpenter,
Assistant Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

I, S. R. Carpenter, Assistant Secretary of the Board of Governors of the Federal Reserve System (formerly known as the Federal Reserve Board), do hereby certify that it appears from the records of the Board of Governors of the Federal Reserve System that:

(1) Pursuant to the authority vested in the Federal Reserve Board by an Act of Congress approved December 23, 1913, known as the Federal Reserve Act, as amended, the Federal Reserve Board on December 8, 1927, granted to National Builders Bank of Chicago, Chicago, Illinois, the right to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois;

(2) Under the provisions of an Act of Congress approved May 1, 1886,

National Builders Bank of Chicago, Chicago, Illinois, on May 1, 1940, changed its title to LaSalle National Bank; and

(3) By virtue of the foregoing, LaSalle National Bank, Chicago, Illinois, has authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois, subject to regulations prescribed by the Board of Governors of the Federal Reserve System.

IN WITNESS WHEREOF, I have hereunto subscribed my name and caused the seal of the Board of Governors of the Federal Reserve System to be affixed at the City of Washington in the District of Columbia.

/s/ S. R. Carpenter

Assistant Secretary.

Dated May 9, 1940

EXHIBIT 4

BY-LAWS OF LA SALLE NATIONAL BANK

BYLAWS

OF

LA SALLE NATIONAL BANK

CHICAGO, ILLINOIS

LA SALLE NATIONAL BANK (LOGO)

Organized Under the National Banking Laws
of the United States

BYLAWS

of the

LA SALLE NATIONAL BANK

(a National Banking Association which association
is herein referred to as the "bank")

ARTICLE I

MEETINGS OF SHAREHOLDERS

SECTION 1.1. ANNUAL MEETING. The regular annual meeting of the shareholders for the election of directors and the transaction of whatever other business may properly come before the meeting, shall be held at the main office of the Bank, 135 South LaSalle Street, Chicago, Illinois, or such other place as the Board of Directors may designate, at 9:00 A.M., on the third Wednesday of March of each year. Notice of such meeting shall be mailed, postage prepaid, at least ten days prior to the date thereof, addressed to each shareholder at his address appearing on the books of the Bank. If for any cause, an election of directors is not made on the said day, the Board of Directors shall order the election to be held on some subsequent day as soon thereafter as practicable, according to the provisions of law; and notice thereof shall be given in the manner herein provided for the annual meeting.

SECTION 1.2. SPECIAL MEETINGS. Except as otherwise specifically provided by statute, special meetings of the shareholders may be called for any purpose at anytime by the board of directors or by any three or more shareholders owning, in the aggregate, not less than ten percent of the stock of the bank. Every such special meeting, unless otherwise provided by law, shall be called by mailing, postage pre-paid, not less than ten days prior to the date fixed for such meeting, to each shareholder at his address appearing on the books of the bank, a notice stating the purpose of the meeting.

SECTION 1.3. NOMINATIONS FOR DIRECTOR. Nominations for election to the board of directors may be made by the board of directors or by any shareholder of any outstanding class of capital stock of the bank entitled to vote for the election of directors. Nominations, other than those made by or on behalf of the existing management of the bank, shall be made in writing and shall be delivered or mailed to the president of the bank and to the Comptroller of the Currency, Washington, D.C., not less than 14 days nor more than 50 days prior to any meeting of shareholders called for the election of directors, provided, however, that if less than 21 days' notice of the meeting is given to the shareholders, such nomination shall be mailed or delivered to the president of the bank and to the Comptroller of the Currency not later than the close of business on the seventh day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of capital stock of each proposed nominee; (d) the name and address of the notifying shareholder; and (e) the number of shares of capital stock of the bank owned by the notifying shareholder. Nominations not made in accordance herewith, may, in his discretion, be disregarded by the chairman of the meeting, and upon his instructions, the vote tellers may disregard all votes cast for each such nominee.

SECTION 1.4. JUDGES OF ELECTION. Every election of directors shall be managed by three judges, who shall be appointed by the board of directors prior lo the time of said election. The judges of election shall hold and conduct the election at which they are appointed to serve; and after the election, they shall file with the cashier a certificate under their hands, certifying the result thereof and the names of the directors elected. The judges of election. at the request of the chairman of the meeting, shall act as tellers of any other vote by ballot taken at such meeting, and shall certify the result thereof.

SECTION 1.5. PROXIES. Shareholders may vote at any meeting of the shareholders by proxies duly authorized in writing, but no officer or employee of this bank shall act as proxy. Proxies shall be valid only for one meeting, to be specified therein, and any adjournments of such meeting. Proxies shall be dated and shall be filed with the records of the meeting.

SECTION 1.6. QUORUM. A majority of the outstanding capital stock, represented in person or by proxy, shall constitute a quorum at any meeting of shareholders, unless otherwise provided by law; but less than a quorum may adjourn any meeting, from time to time, and the meeting may be held, as adjourned, without further notice. A majority of the votes cast shall decide every question or matter submitted to the shareholders at any meeting, unless otherwise provided by law or by the articles of association.

ARTICLE II

DIRECTORS

SECTION 2.1. BOARD OF DIRECTORS. The board of directors (hereinafter referred to as the "board"), shall have power to manage and administer the business affairs of the bank. Except as expressly limited by law, all corporate powers of the bank shall be vested in and may be exercised by said board.

SECTION 2.2. NUMBER. The board shall consist of not less than five or more than twenty-five shareholders, the exact number within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the full board or by resolution of the shareholders at any meeting thereof; provided, however, that a majority of the full board may not increase the number of directors by more than two if the number of directors last elected by shareholders was fifteen or less and by not more than four where the number of directors last elected by shareholders was sixteen or more, provided that in no event shall the number of directors exceed twenty-five.

SECTION 2.3. ORGANIZATION MEETING. The cashier, upon receiving the certificate of the judges, of the result of any election, shall notify the directors-elect of their election and of the time at which they are required to meet at the main office of the bank for the purpose of organizing the new board and electing and appointing officers of the bank for the succeeding year. Such meeting shall be appointed to be held on the day of election or as soon thereafter as practicable, and, in any event, within thirty days thereof. If, at the time fixed for such meeting, there shall not be a quorum present the directors present may adjourn the meeting, from time to time, until a quorum is obtained.

SECTION 2.4 REGULAR MEETINGS. The regular meetings of the board shall be held, without notice, on the third Wednesday of each month at the main office. When any regular meeting of the board falls upon a holiday, the meeting shall be held on the next banking business day unless the board shall designate some other day.

SECTION 2.5 SPECIAL MEETINGS. Special meetings of the board may be called by the chairman of the board, the president, or at the request of three

or more directors. Each member of the board shall be given notice stating the time and place, by telegram, letter or in person, of each such special meeting.

SECTION 2.6. QUORUM. A majority of the directors shall constitute a quorum at any meeting, except when otherwise provided by law; but a less number may adjourn any meeting from time to time, and the meeting may be held, as adjourned, without further notice.

SECTION 2.7. VACANCIES. When any vacancy occurs among the directors, the remaining members of the board, in accordance with the laws of the United States, may appoint a director to fill such vacancy at any regular meeting of the board, or at a special meeting called for that purpose.

SECTION 2.8. RETIREMENT POLICY. A retirement policy adopted by the board of directors shall be applicable to directors who are not active officers of the bank.

ARTICLE III

COMMITTEES OF THE BOARD

SECTION 3.1. EXECUTIVE COMMITTEE. There shall be an executive committee of the board. The members of the executive committee shall be chosen by the board from time to time, shall hold office during its pleasure, and shall consist of the chairman of the board, the chairman of the executive committee selected by the board, who may but need not be the same person designated to be president, and the president, ex officio, and not less than seven additional members of the board who shall not be active officers of the bank. It shall be the duty of this committee to exercise such powers and perform such duties in respect to the making of loans and discounts as shall from time to time be specified by resolution of the board. During such periods as the board shall not be in session, the executive committee shall have and may exercise all the powers of the board except such as are by law or by these bylaws required to be exercised only by the board. The executive committee may make rules for holding and conducting its meetings and keep in the minute book of the bank a report of all action taken which shall be submitted for approval at each regular meeting of the board and the action of the board shall be recorded in the minutes of that meeting. A quorum of the executive committee shall consist of not less than five of its members, at least three of whom shall not be active officers of the bank. The chairman of the board, or in his absence in the order named if present, the chairman of the executive committee or the president, may designate any director who is not an active officer of the bank, or a designated member, to serve as a member of the executive committee at any specified meeting. Vacancies in the executive committee at any time existing may be filled by appointment by the board. The board may at anytime revise or change the membership and chairmanship of the executive committee and make new or additional appointments thereto. The chairman of the executive committee shall be ex officio a member of all committees except the examining committee and the trust audit committee, and shall have such other duties as may from time to time be assigned him by the board.

SECTION 3.2. OFFICERS' COMPENSATION COMMITTEE. There shall be an officers' compensation committee of the board. The members of the officers' compensation committee shall consist of the members ex officio provided for in other sections of these bylaws and not less than three additional non-officer members of the board who shall be appointed by the board each year at its first meeting after the directors have been elected and qualified. It shall be the duty of this committee to study the compensation of all officers of the bank and from time to time report their recommendations to the board; and such other duties, if any, as may from time to time be assigned to it by the board. A majority of the committee, including at least two non-officer members, shall be necessary for the committee to keep records of its action.

SECTION 3.3. EXAMINING COMMITTEE. There shall be an examining committee of the board. The members of the examining committee shall consist of the members ex officio provided for in other sections of these bylaws, but exclusive of any active officer of the bank and not less than three additional non-officer members of the board who shall be appointed by the board each year at its first meeting after the directors have been elected and qualified. It shall be the duty of this committee to make an examination at least twice each year into the affairs of the bank or to cause the examinations to be made by accountants (who may be the bank's own accountants) responsible only to the board in such examinations, and to report the result of such examinations in writing to the board at the next regular meeting thereafter, or it may, at its sole discretion, submit the reports of the national bank examiner or of

the Chicago Clearing House Association examination, with or without additional comments by the committee itself, for, and in lieu of its personal examinations. Such reports shall state whether the bank is in sound condition, whether adequate internal audit controls and procedures are being maintained and shall recommend to the board such changes in the manner of doing business or conducting the affairs of the bank as shall be deemed advisable.

SECTION 3.4. OTHER COMMITTEES. The board may appoint, from time to time, from its own members, other committees of one or more persons, for such purposes and with such powers as the board may determine.

ARTICLE IV

OFFICERS AND EMPLOYEES

SECTION 4.1. CHAIRMAN OF THE BOARD. The board shall appoint one of its members to be chairman of the board. The chairman of the board shall supervise the carrying out of the policies adopted or approved by the board. He shall have general executive powers, as well as the specific powers conferred by these bylaws. He shall be ex officio a member of all committees, except the examining committee and the trust audit committee. He shall have general supervision and direction of the business, affairs and personnel of the bank. He shall also have and may exercise such further powers and duties as from time to time may be conferred upon, or assigned to him by the board.

SECTION 4.2. VICE CHAIRMAN OF THE BOARD. The board may appoint one of its members to be vice chairman of the board. He shall perform such duties as may from time to time be assigned to him by the board.

SECTION 4.3. PRESIDENT. The board shall appoint one of its members to be president of the bank. He shall be the chief executive officer and the chief administrative officer of the bank and in the absence of the chairman of the board, he shall preside at any meeting of the board at which he is present. The president shall have general executive powers, and shall have and may exercise any and all other powers and duties pertaining by law, regulation, or practice to the office of president, or imposed by these bylaws. He shall be ex officio a member of all committees, except the examining committee and trust audit committee. He shall have general supervision of the business, affairs and personnel of the bank and in the absence of the chairman of the board, shall exercise the powers and perform the duties of the chairman of the board. He shall also have and may exercise such further powers and duties as from time to time may be conferred upon or assigned to him by the board.

SECTION 4.4. SENIOR OFFICERS. The board may appoint one or more executive vice presidents and one or more senior vice presidents. Each such senior officer shall have such powers and duties as may be assigned to him by the board, the chairman of the board, or the president.

SECTION 4.5. VICE PRESIDENT. The board may appoint one or more vice presidents. Each vice president shall have such powers and duties as may be assigned to him by the board, the chairman of the board, or the president.

SECTION 4.6. CASHIER. The board shall appoint a cashier who shall have such powers and duties as may be assigned to him by the board, the chairman of the board, or the president. The cashier shall be custodian of the corporate seal, records, documents and papers of the bank. He shall provide for keeping of proper records of all transactions of the bank.

SECTION 4.7. SECRETARY. The board shall appoint a secretary who shall be secretary of the bank. He shall also perform such duties as may be assigned to him from time to time by the board.

The board may appoint a secretary of the board who shall keep accurate minutes of all meetings. He shall attend to the giving of all notices; he shall also perform such other duties as may be assigned to him from time to time by the board.

SECTION 4.8. OTHER OFFICERS. The board may appoint one or more assistant vice presidents, one or more trust officers, one or more assistant secretaries, one or more assistant cashiers, and such other officers and attorneys-in-fact as from time to time may appear to the board to be required or desirable to transact the business of the bank. Such officers, respectively, shall exercise such powers and perform such duties as pertain to their several offices or as may be conferred upon or assigned to them by the board the chairman of the board or the president.

SECTION 4.9. CLERKS AND AGENTS. The chairman of the board, the president, or any other active officer of the bank authorized by the chairman of the board, or the president, may appoint and dismiss all or any paying tellers receiving tellers note tellers, vault custodians, bookkeepers and other clerks, agents and employees as they may deem advisable for the prompt and orderly transaction of the business of the bank, define their duties, fix the salaries to be paid them and the conditions of their employment.

SECTION 4.10. RESPONSIBILITY FOR MONEYS, ETC. Each of the active officers and clerks of this bank shall be responsible for all moneys, funds valuables and property of every kind and description that may from time to time be entrusted to his care or placed in his hands by the board or others, or that

otherwise may come into his possession as an active officer or clerk of this bank.

SECTION 4.11. SURETY BONDS. All the active officers and clerks of this bank may be covered by one of the blanket form bonds customarily written by the surety companies, drawn for such an amount, and executed by such surety company, as the board may from time to time require, and duly approve; or at the discretion of the board, all such active officers and clerks shall, each for himself, give such bond, with such security, and in such denominations as the board may from time to time require and direct. All bonds approved by the board shall assure the faithful and honest discharge of the respective duties of such active officer or clerk and shall provide that such active officer or clerk shall faithfully apply and account for all moneys, funds, valuables and property of every kind and description that may from time to time come into his hands or be entrusted to his care, and pay over and deliver the same to the order of the board or to such other person or persons as may be authorized to demand and receive the same.

SECTION 4.12. TERM OF OFFICE - OFFICER DIRECTOR. The chairman of the board, the vice chairman of the board and the president, together with any other active officers who may be duly elected members of the board, shall hold their respective offices for the current year for which the board (of which they shall be members) was elected and until their successors are appointed, unless they shall resign, be disqualified, or be removed; and any vacancy occurring in the office of the chairman of the board, the vice chairman of the board, the president, or in the board, shall, if required by these bylaws, be filled by the remaining members.

SECTION 4.13. TERM OF OFFICE - OFFICER. The executive vice presidents, the senior vice presidents, the vice presidents, the assistant vice presidents, the cashier, the secretary, the trust officers and all other officers and attorneys-in-fact who are not duly elected members of the board, shall be appointed to hold their offices, respectively, during the pleasure of the board.

ARTICLE V

TRUST DEPARTMENT

SECTION 5.1. TRUST DEPARTMENT. There shall be a department of the bank known as the trust department which shall perform the fiduciary responsibilities of the bank.

SECTION 5.2. TRUST OFFICER. There shall be a senior vice president and trust officer, or vice president and trust officer of this bank, who shall be designated as the managing officer of the trust department and whose duties shall be to manage, supervise and direct all the activities of the trust department. He shall do, or cause to be done, all things necessary or proper in carrying on the business of the trust department in accordance with provisions of law and regulations. He shall act pursuant to opinion of counsel where such opinion is deemed necessary. Opinions of counsel shall be retained on file in connection with all important matters pertaining to fiduciary activities. The trust officer shall be responsible for all assets and documents held by the bank in connection with fiduciary matters. The board may appoint such other officers of the trust department as it may deem necessary, with such duties as may be assigned to them by the board, the chairman of the board, or the president.

SECTION 5.3. TRUST INVESTMENT COMMITTEE. There shall be appointed by the board a trust investment committee of this bank composed of not less than four members, including members ex officio provided for in other sections of these bylaws, who shall be capable and experienced officers or directors of the bank. All investments of funds held in a fiduciary capacity shall be made, retained or disposed of only with the approval of the trust investment committee; and the committee shall keep minutes of all its meetings, showing the disposition of all matters considered and passed upon by it. The committee shall, promptly after the acceptance of an account for which the bank has investment responsibilities, review the assets thereof, to determine the advisability of retaining or disposing of such assets. The committee shall conduct a similar review at least once during each calendar year thereafter and within fifteen months of the last such review. A report of all such reviews, together with the action taken as a result thereof, shall be noted in the minutes of the committee. Three members of the trust investment committee shall constitute a quorum, and any action approved by a majority of those present shall constitute the action of the committee.

SECTION 5.4. TRUST AUDIT COMMITTEE. The board shall appoint a committee of not less than three directors, including members ex officio provided for in other sections of these bylaws, exclusive of any active officers of the bank, which shall at least once during each calendar year and within fifteen months of the last such audit make suitable audits of the trust department, or cause suitable audits to be made, by auditors responsible only to the board, and at such time shall ascertain whether the department has been administered in accordance with law, Regulation 9, and sound fiduciary principles. Notwithstanding the provisions of this Section, the board at any time may assign to the Examining Committee, in addition to the duties of the

Examining Committee set forth in Section 3.3 of these bylaws, all of the duties of the Trust Audit Committee and during such time as the Examining Committee is performing the duties of both committees, the Trust Audit Committee shall cease to function as a committee of this board. The board at any time may reassign the duties provided for in this Section to the Trust Audit Committee.

SECTION 5.5. TRUST DEPARTMENT FILES. There shall be maintained in the trust department, files containing all fiduciary records necessary to assure that its fiduciary responsibilities have been properly undertaken and discharged.

SECTION 5.6. TRUST INVESTMENTS. Funds held in a fiduciary capacity shall be invested in accordance with the instrument establishing the fiduciary relationship and local law. Where such instrument does not specify the character and class of investments to be made and does not vest in the bank a discretion in the matter, fund shield pursuant to such instrument shall be invested in investments in which corporate fiduciaries may invest under local law.

ARTICLE VI

STOCK AND STOCK CERTIFICATES

SECTION 6.1. TRANSFERS. Shares of capital stock shall be transferable on the books of the bank and a transfer book shall be kept in which all transfers of stock shall be recorded. Every person becoming a shareholder be such transfer shall in proportion to his shares, succeed to all rights and liabilities of the prior holder of such shares.

SECTION 6.2. STOCK CERTIFICATES. Certificates of capital stock shall bear the signature of any one of, the chairman of the board, or the president (which may be engraved, printed or impressed) and shall be signed manually or by facsimile process by the secretary, assistant secretary, cashier, assistant cashier, or any other officer appointed by the board for that purpose, to be known as an authorized officer and the seal of the bank shall be engraven thereon. Each certificate shall recite on its face that the stock represented thereby is transferable, properly endorsed, only on the books of the bank.

ARTICLE VII

CORPORATE SEAL

SECTION 7.1. CORPORATE SEAL. The chairman of the board, the president, the cashier, the secretary or any assistant cashier or assistant secretary, or other officer thereunto designated by the board, shall have authority to affix the corporate seal to any document requiring such seal, and to attest the same. Such seal shall be substantially in the form set forth herein.

ARTICLE VIII

INDEMNIFYING OFFICERS AND DIRECTORS

SECTION 8.1. INDEMNIFYING OFFICERS AND DIRECTORS. Any person, his heirs, executors or administrators, may be indemnified or reimbursed by the bank for reasonable expenses actually incurred in connection with any action, suit or proceeding, civil or criminal, to which he or they shall be made a party by reason of his being or having been a director, officer or employee of the bank or of any firm, corporation or organization which he served in any such capacity at the request of the bank; provided, however, that no person shall be so indemnified or reimbursed in relation to any matter in such action, suit or proceeding as to which he shall finally be adjudged to have been guilty of or liable for negligence or willful misconduct in the performance of his duties to the bank; and, provided further, that no person shall be so indemnified or reimbursed in relation to any matter in such action, suit or proceeding which has been made the subject of a compromise settlement except with the approval of a court of competent jurisdiction, or the holders of record of a majority of the outstanding shares of the bank, or the board, acting by vote of directors not parties to the same or substantially the same action suit or proceeding, constituting a majority of the whole number of the directors. The foregoing right of indemnification or reimbursement shall not be exclusive of other rights to which such person, his heirs, executors or administrators, may be entitled as a matter of law.

ARTICLE IX

MISCELLANEOUS PROVISIONS

SECTION 9.1. FISCAL YEAR. The fiscal year of the bank shall be the calendar year.

SECTION 9.2. EXECUTION OF INSTRUMENTS. All agreements, indentures mortgages, deeds, conveyances transfers certificates declarations, receipts, discharges, releases, satisfactions, settlements, petitions, schedules, accounts, affidavits, bonds, undertakings, proxies and other instruments or documents may be signed, executed, acknowledged, verified, delivered or accepted for the bank by the chairman of the board, or the vice chairman of the board, or the president, or any executive vice president, or any senior vice president, or any vice president, or the secretary or the cashier, or, if in connection with the exercise of fiduciary powers of the bank by any of said officers or by any officer in the trust department. Any such instruments may also be signed, executed, acknowledged, verified, delivered or accepted for the bank in such other manner and by such other officers as the board may from time to time direct. The provisions of this Section 9.2 are supplementary to any other provisions of these bylaws.

SECTION 9.3. RECORDS. The articles of association, the bylaws, and the proceedings of all meetings of the shareholders and of the board shall be recorded in appropriate minute books provided for the purpose; where these bylaws so provide, the proceedings of standing committees of the board shall be recorded in appropriate minute books provided for the purpose.

ARTICLE X

EMERGENCIES

SECTION 10.1. CONTINUATION OF BUSINESS. In the event of a state of emergency of sufficient severity to interfere with the conduct and management of the affairs of this bank, the officers and employees will continue to conduct the affairs of the bank under such guidance from the directors as may be available except as to matters which by statute require specific approval of the board of directors and subject to conformance with any governmental directives during the emergency.

SECTION 10.2. DESIGNATION OF PLACE OF BUSINESS. The offices of the bank at which its business shall be conducted shall be the main office thereof located at 135 South LaSalle Street, Chicago, Illinois, and any other legally authorized location which may be leased or acquired by this bank to carry on its business. During an emergency resulting in any authorized place of business of this bank being unable to function, the business ordinarily conducted at such location shall be relocated elsewhere in suitable quarters, in addition to or in lieu of the locations heretofore mentioned, as may be designated by the board of directors or by the executive committee or by such persons as are then, in accordance with resolutions adopted from time to time by the board of directors dealing with the exercise of authority in the time of such emergency, conducting the affairs of this bank. Any temporarily relocated place of business of this bank shall be returned to its legally authorized location as soon as practicable and such temporary place of business shall then be discontinued.

ARTICLE XI

BYLAWS

SECTION 11.1 INSPECTION. A copy of the bylaws with all amendments thereto, shall at all times be kept in a convenient place at the main office of the bank and shall be open for inspection to all shareholders, during banking hours.

SECTION 11.2 AMENDMENTS. The bylaws may be amended, altered or repealed, at any regular meeting of the board, by a vote of a majority of the whole number of the directors.

***

I..... hereby certify that I am the..... Cashier/Secretary of LaSalle National Bank, Chicago, Illinois and that the foregoing is a true and correct copy of the bylaws of this bank as amended and that the same are in full force and effect ..... day of.....19.....

.....
Cashier/Secretary.

December 15, 1982

(SEAL)

EXHIBIT 5

NOT APPLICABLE

EXHIBIT 6

LaSalle National Bank hereby consents in accordance with the provisions of Section 321(b) of the Trust Indenture Act of 1939, that reports of examinations by Federal, State, Territorial and District authorities may be furnished by such authorities to the Securities and Exchange Commission upon its request therefor.

LA SALLE NATIONAL BANK

By: /s/ Sarah H. Webb
Sarah H. Webb
First Vice President

EXHIBIT 7

Latest Report of Condition of Trustee published pursuant to law or the requirement of its surviving or examining authority.

EXHIBIT 8

NOT APPLICABLE

EXHIBIT 9

NOT APPLICABLE

<TABLE>
<CAPTION>

LaSalle National Bank | Call Date: 3/31/98 | ST-BK: 17-1520 | FFIEG 031
135 South LaSalle Street | | | Page RC-1
Chicago, IL 60603 | Vendor ID: D | CERT: 15407 | 11

Transit Number: 71000505

Consolidated Report of Condition for Insured Commercial and State-Chartered Savings Banks for March 31, 1998

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

Schedule RC - Balance Sheet

			Dollar Amounts In Thousands		
<S>			<C>	<C>	<C>
ASSETS					
1. Cash and balances due from depository institutions (from Schedule RC-A):			RCFD		
a. Noninterest-bearing balances and currency and coin (1)			0081	873,752	1.a
b. Interest-bearing balances (2)			0071	564	1.b
2. Securities:					
a. Held-to-maturity securities (from Schedule RC-B, column A)			1754	969,505	2.a
b. Available-for-sale securities (from Schedule RC-B, column D)			1773	4,539,683	2.b
3. Federal funds sold and securities purchased under agreements to resell			1350	72,318	3.
4. Loans and lease financing receivables:					
a. Loans and leases, net of unearned income (from Schedule RC-C)	RCFD 2122	12,381,405			4.a
b. LESS: Allowance for loan and lease losses	3123	231,482			4.b
c. LESS: Allocated transfer risk reserve	3128	0			4.c
d. Loans and leases, net of unearned income, allowance, and reserve (Item 4.a minus 4.b and 4.c)			2125	12,149,923	4.d
5. Trading assets (from Schedule RC-D)			3545	142,506	5.

6. Premises and fixed assets (including capitalized leases)	2145	83,138	6.		
7. Other real estate owned (from Schedule RC-M)	2150	528	7.		
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)	2130	0	8.		
9. Customers' liability to this bank on acceptances outstanding	2155	9,777	9.		
10. Intangible assets (from Schedule RC-M)	2143	19,658	10.		
11. Other assets (from Schedule RC-F)	2160	286,763	11.		
12. Total assets (sum of items 1 through 11)	2170	19,148,115	12.	19,148,115	

</TABLE>

(1) Includes cash items in process of collection and unposted debits.

(2) Includes time certificates of deposit not held for trading.

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

Transit Number: 71000505

Schedule RC - Continued — Dollar Amounts in Thousands

LIABILITIES					
13. Deposits:	RCON				
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E, part I)	2200	10,112,345	13.a		
(1) Noninterest-bearing (1)	RCON 6631	2,069,551	13.a.1		
(2) Interest-bearing	6636	8,042,794	13.a.2	10,112,345	
b. In foreign offices, Edge and Agreement subsidiaries, and IBFs (from Schedule RC-E, part II)	RCFN 2200	2,231,400	13.b		
(1) Noninterest-bearing	RCFN 6631	0	13.b.1		
(2) Interest-bearing	6636	2,231,400	13.b.2		
14. Federal funds purchased and securities sold under agreements to repurchase	RCFD 2800	2,139,075	14.		
15. a. Demand notes issued to the U.S. Treasury	RCON 2840	417,791	15.a		
b. Trading liabilities (from Schedule RC-D)	RCFD 3548	35,004	15.b		
16. Other borrowed money (Includes mortgage indebtedness and obligations under capitalized leases):					
a. With a remaining maturity of one year or less	2332	2,093,462	16.a		
b. With a remaining maturity of more than one year through three years	A547	27,542	16.b		
c. With a remaining maturity of more than three years	A548	41,482	16.c		
17. Not applicable.					
18. Bank's liability on acceptances executed and outstanding	2920	9,777	18.		
19. Subordinated notes and debentures (2)	3200	416,000	19.		
20. Other liabilities (from Schedule RC-G)	2930	363,678	20.		
21. Total liabilities (sum of Items 13 through 20)	2948	17,887,556	21.	17,887,556	
22. Not applicable.					
EQUITY CAPITAL	RCFD				
23. Perpetual preferred stock and related surplus	3838	0	23.		
24. Common stock	3230	26,911	24.		
25. Surplus (exclude all surplus related to preferred stock)	3839	346,971	25.		
26. a. Undivided profits and capital reserves	3632	845,390	26.a		
b. Net unrealized holding gains (losses) on available-for-sale securities	8434	41,287	25.b		
27. Cumulative foreign currency translation adjustments	3284	0	27.		
28. Total equity capital (sum of items 23					

through 27)	3210	1,260,559	28.	1,280,559
29. Total liabilities and equity capital (sum of items 21 and 28)	3300	19,148,115	29.	

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

	RCFD	Number	
1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 1997	6724	2	M.1

</TABLE>

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

---

(1) Includes total demand deposits and noninterest-bearing time and savings deposits.
(2) Includes limited-life preferred stock and related surplus.

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FAVORITE BRANDS INTERNATIONAL, INC. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED JUNE 27, 1998 AND THE 13 WEEKS ENDED SEPTEMBER 26, 1998 INCLUDED IN FORM S-4 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<CIK> 0001073410
<NAME> Favorite Brands International Inc.
<MULTIPLIER> 1,000

<S>	<C>	<C>
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<COMMON>	0	0
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<EPS-DILUTED>	0	0

</TABLE>

EXHIBIT 99.1

LETTER OF TRANSMITTAL

FAVORITE BRANDS INTERNATIONAL, INC.

Offer to Exchange

$200,000,000 10 3/4% Senior Notes due 2006

which have been registered under the Securities Act of 1933, as amended,

for any and all outstanding

$200,000,000 10 3/4% Senior Notes due 2006

Pursuant to the Prospectus, dated _____, 1998.

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M. NEW YORK CITY TIME, ON _____, 1998 UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

Delivery to: Lasalle National Bank, Exchange Agent

By Mail:
LaSalle National Bank
135 South LaSalle Street
Chicago, Illinois 60603
ATTN: Alvita Griffin

By Hand:
LaSalle National Bank
135 South LaSalle Street
Chicago, Illinois 60603
ATTN: Alvita Griffin

Telephone: (312) 904-2231
Facsimile: (312) 904-2236

Delivery of this instrument to an address other than as set forth above, or transmission of instructions via facsimile other than as set forth above, will not constitute a valid delivery.

The undersigned acknowledges receipt of the Prospectus, dated _____, 1998 (the "Prospectus"), of Favorite Brands International,Inc., a Delaware corporation (the "Company"), and this Letter of Transmittal (this "Letter"), which together constitute the offer (the "Exchange Offer") to exchange an aggregate principal amount of up to $200,000,000 10 3/4% Senior Notes due 2006 (the "Exchange Notes") for an equal principal amount of the outstanding $200,000,000 10 3/4% Senior Notes due 2006 (the "Initial Notes").

For each Initial Note accepted for exchange, the holder of such

Initial Note will receive an Exchange Note having a principal amount at maturity equal to that of the surrendered Initial Note. The Exchange Notes will accrue interest at the applicable per annum rate from the date of issuance of the Initial Notes (the "Issue Date"). Interest on the Exchange Notes is payable on May 15 and November 15 of each year commencing November 15, 1998. In the event that (i) the Registration Statement or the Shelf Registration Statement, as the case may be, is not filed with the Commission on or prior to 180 days after the Issue Date, (ii) the Registration Statement or the Shelf Registration Statement, as the case may be, is not declared effective within 240 days after the Issue Date, (iii) the Exchange Offer is not consummated on or prior to 270 days after the Issue Date, or (iv) the Shelf Registration Statement is filed and declared effective within 240 days after the Issuer Date but shall thereafter cease to be effective (at any time that Trolli Inc.

and Sather Trucking Corporation (the "Guarantors") and the Company are obligated to maintain the effectiveness thereof) without being succeeded within 30 days by an additional registration statement filed and declared effective (each such event referred to in clauses (i) through (iv), a "Registration Default"), the Company and the Guarantors will be obligated to pay liquidated damages to each holder of Transfer Restricted Securities (as defined in the Registration Rights Agreement), during the period of one or more such Registration Defaults, in an amount equal to $0.192 per week per $1,000 principal amount of Transfer Restricted Securities held by such holder until (i) the Registration Statement or Shelf Registration Statement is filed, (ii) the Registration Statement is declared effective and the Exchange Offer is consummated, (iii) the Shelf Registration Statement is declared effective or (iv) the Shelf Registration Statement again becomes effective, as the case may be. Following the cure of all Registration Defaults, the accrual of liquidated damages will cease. The Company reserves the right, at any time or from time to time, to extend the Exchange Offer at its discretion, in which event the term "Expiration Date" shall mean the latest time and date to which the Exchange Offer is extended. In order to extend the Expiration Date, the Company will notify the Exchange Agent of any extension by oral or written notice and may notify the holders of the Initial Notes by mailing an announcement or by means of a press release or other public announcement prior to 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date.

This Letter is to be completed by a holder of Initial Notes either if Initial Notes are to be forwarded herewith or if a tender of Initial Notes, if available, is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedure set forth in "The Exchange Offer" section of the Prospectus. Holders of Initial Notes whose certificates are not immediately available, or who are unable to deliver their certificates or confirmation of the book-entry tender of their Initial Notes into the Exchange Agent's account at the Book-Entry Transfer Facility (a "Book-Entry Confirmation") and all other documents required by this Letter to the Exchange Agent on or prior to the Expiration Date, must tender their Initial Notes according to the guaranteed delivery procedures set forth in "The Exchange

Offer--Guaranteed Delivery Procedure" section of the Prospectus. See Instruction 1. Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent.

The undersigned has completed the appropriate boxes below and signed this Letter to indicate the action the undersigned desires to take with respect to the Exchange Offer.

List below the Initial Notes to which this Letter relates. If the space provided below is inadequate, the certificate numbers and principal amount of Initial Notes should be listed on a separate signed schedule affixed hereto.

<TABLE>
<CAPTION>

DESCRIPTION OF INITIAL NOTES	1	2	3
Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	Certificate Number(s)*	Aggregate Principal Amount of Initial Note(s)	Principal Amount Tendered**
<S>	<C>	<C>	<C>
	Total		

</TABLE>

* Need not be completed if Initial Notes are being tendered by book-entry transfer.

** Unless otherwise indicated in this column, a holder will be deemed to have tendered ALL of the Initial Notes represented by the Initial Notes indicated in column 2. See Instruction 2. Initial Notes tendered hereby must be in denominations of principal amount of $1,000 and any integral multiple thereof. See Instruction 1.

[_] CHECK HERE IF TENDERED INITIAL NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution _____

Account Number _____ Transaction Code Number _____

[_] CHECK HERE IF TENDERED INITIAL NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s) _____

Window Ticket Number (if any) _____

Date of Execution of Notice of Guaranteed Delivery _____

Name of Institution which guaranteed delivery _____

If Delivered by Book-Entry Transfer, Complete the Following:

Account Number _____ Transaction Code Number _____

[_] CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name: _____

Address: _____

_____

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the aggregate principal amount of Initial Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Initial Notes tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Initial Notes as are being tendered hereby.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Initial Notes tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted by the Company. The undersigned hereby further represents that any Exchange Notes

acquired in exchange for Initial Notes tendered hereby will have been acquired in the ordinary course of business of the person receiving such Exchange Notes, whether or not such person is the undersigned, that neither the holder of such Initial Notes nor any such other person is engaged in, or intends to engage in a distribution of such Exchange Notes, or has an arrangement or understanding with any person to participate in the distribution of such Exchange Notes, and that neither the holder of such Initial Notes nor any such other person is an "affiliate," as defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act"), of the Company.

The undersigned also acknowledges that this Exchange Offer is being made based upon the Company's understanding of an interpretation by the staff of the Securities and Exchange Commission (the "Commission") as set forth in no-action letters issued to third parties, including Exxon Capital Holdings Corporation, SEC No-Action Letter (available April 13, 1989), Morgan Stanley & Co. Incorporated, SEC No-Action Letter (available June 5, 1991) and Shearman & Sterling, SEC No-Action Letter (available July 2, 1993), that the Exchange Notes issued in exchange for the Initial Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by holders thereof (other than a broker-dealer who acquires such Exchange Notes directly from the Company for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act or any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders are not engaged in, and do not intend to engage in, a distribution of such Exchange Notes and have no arrangement with any person to participate in the distribution of such Exchange Notes. If a holder of Initial Notes is engaged in or intends to engage in a distribution of the Exchange Notes or has any arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Initial Notes, it represents that the Initial Notes to be exchanged for the Exchange Notes were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Initial

Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter and every obligation of the undersigned hereunder shall be binding upon

the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer--Withdrawal of Tenders" section of the Prospectus.

Unless otherwise indicated herein in the box entitled "Special Issuance Instructions" below, please deliver the Exchange Notes (and, if applicable, substitute certificates representing Initial Notes for any Initial Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Initial Notes, please credit the account indicated above maintained at the Book-Entry Transfer Facility. Similarly, unless otherwise indicated under the box entitled "Special Delivery Instructions" below, please send the Exchange Notes (and, if applicable, substitute certificates representing Initial Notes for any Initial Notes not exchanged) to the undersigned at the address shown above in the box entitled "Description of Initial Notes".

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF INITIAL NOTES" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE INITIAL NOTES AS SET FORTH IN SUCH BOX ABOVE.

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Initial Notes not exchanged and/or Exchange Notes are to be issued in the name of and sent to someone other than the person(s) whose signature(s) appear(s) on this Letter above, or if Initial Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than the account indicated above.

Issue Exchange Notes and/or Initial Notes to:

Name(s):

(Please Type or Print)

(Please Type or Print)

Address:

(Including Zip Code)

(Complete accompanying Substitute Form W-9)

Credit unexchanged Initial Notes delivered by book-entry transfer to the Book-Entry Transfer Facility account set forth below.

(Book-Entry Transfer Facility Account Number, if applicable)

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Initial Notes not exchanged and/or Exchange Notes are to be sent to someone other than the person(s) whose signature(s) appear(s) on this Letter above or to such person(s) at an address other than shown in the box entitled "Description of Initial Notes" on this Letter above.

Mail Exchange Notes and/or Initial Notes to:

Name(s):

(Please Type or Print)

(Please Type or Print)

Address:

(Including Zip Code)

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF (TOGETHER WITH THE CERTIFICATES FOR INITIAL NOTES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR

TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THIS LETTER OF TRANSMITTAL
CAREFULLY BEFORE COMPLETING ANY BOX ABOVE.

PLEASE SIGN HERE
(TO BE COMPLETED BY ALL TENDERING HOLDERS)
(Complete accompanying Substitute Form W-9)

Dated: _____, 1997

x _____

x _____

(Signature(s) of Owner) (Date)

Area Code and Telephone Number: _____

If a holder is tendering any Initial Notes, this Letter must be signed by the registered holder(s) as the name(s) appear(s) on the certificate(s) for the Initial Notes or by any person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s): _____

_____

(Please Type or Print)

Capacity: _____

Address: _____

_____

(Including Zip Code)

SIGNATURE GUARANTEE
(if required by Instruction 3)

Signature(s) Guaranteed by
an Eligible Institution:

(Authorized Signature)

(Title)

(Name and Firm)

Dated: , 1997

INSTRUCTIONS

Forming Part of the Terms and Conditions of the Offer to Exchange
$200,000,000 10 3/4% Senior Notes due 2006
which have been registered under the Securities Act of 1933, as amended,
for any and all outstanding
$200,000,000 10 3/4% Senior Notes due 2006
FAVORITE BRANDS INTERNATIONAL, INC.

1. Delivery of this Letter and Initial Notes; Guaranteed Delivery Procedures.

This Letter is to be completed by holders of Initial Notes either if certificates are to be forwarded herewith or if tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth in "The Exchange Offer -- Book-Entry Transfer" section of the Prospectus. Certificates for all physically tendered Initial Notes, or Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other documents required by this Letter, must be received by the Exchange Agent at the address set forth herein on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures set forth below. Initial Notes tendered hereby must be in denominations of principal amount at maturity of $1,000 and any integral multiple thereof.

Holders of Initial Notes whose certificates for Initial Notes are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Initial Notes pursuant to the guaranteed delivery procedures set forth in "The Exchange Offer--Guaranteed Delivery Procedure" section of the Prospectus. Pursuant to such procedures, (i) such tender must be made through an Eligible Institution (as defined below), (ii) prior to the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (by

facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Initial Notes and the amount of Initial Notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Initial Notes, or a Book-Entry Confirmation, as the case may be, and any other documents required by this letter will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Initial Notes, in proper form for transfer, or Book-Entry Confirmation, as the case may be, and all other documents required by this Letter, are received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

The method of delivery of this Letter, the Initial Notes and all other required documents is at the election and risk of the tendering holders, but the delivery will be deemed made only when actually received or confirmed by the Exchange Agent. If Initial Notes are sent by mail, it is suggested that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date.

See "The Exchange Offer" section of the Prospectus.

2. Partial Tenders (not applicable to holders of Initial Notes who tender by book-entry transfer).

If less than all of the Initial Notes evidenced by a submitted certificate are to be tendered, the tendering holder(s) should fill in the aggregate principal amount of Initial Notes to be tendered in the

box above entitled "Description of Initial Notes--Principal Amount Tendered". A reissued certificate representing the balance of nontendered Initial Notes will be sent to such tendering holder, unless otherwise provided in the appropriate box on this Letter, promptly after the Expiration Date. All of the Initial Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

3. Signatures of this Letter; Bond Powers and Endorsements; Guarantee of Signatures.

If this Letter is signed by the registered holder of the Initial Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without any change whatsoever.

If any tendered Initial Notes are owned of record by two or more joint owners, all such owners must sign this Letter.

If any tendered Initial Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many

separate copies of this Letter as there are different registrations of certificates.

When this Letter is signed by the registered holder of the Initial Notes specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, the Exchange Notes are to be issued, or any untendered Initial Notes are to be reissued, to a person other than the registered holder, then endorsements of any certificates transmitted hereby or separate bond powers are required. Signatures on such certificates must be guaranteed by an Eligible Institution.

If this Letter is signed by a person other than the registered holder of any certificates specified herein, such certificates must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name of the registered holder appears on the certificates and the signatures on such certificates must be guaranteed by an Eligible Institution.

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

Endorsements on certificates for Initial Notes or signatures on bond powers required by this Instruction 3 must be guaranteed by a firm which is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., by a commercial bank or trust company having an office or correspondent in the United States or by an "eligible guarantor" institution within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934 (an "Eligible Institution").

Signatures on this Letter need not be guaranteed by an Eligible Institution, provided the Initial Notes are tendered: (i) by a registered holder of Initial Notes (which term, for purposes of the Exchange Offer, includes any participant in the Book-Entry Transfer Facility system whose name appears on a security position listing as the holder of such Initial Notes) tendered who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on this Letter, or (ii) for the account of an Eligible Institution.

4. Special Issuance and Delivery Instructions.

Tendering holders of Initial Notes should indicate in the applicable box the name and address to which Exchange Notes issued pursuant to the Exchange Offer and/or substitute certificates evidencing Initial Notes not exchanged are to be issued or sent, if different from the name or address of the person signing this Letter. In the case of issuance in a different name, the employer identification or social security number of the person named must also be

indicated. A holder of Initial Notes tendering Initial Notes by book-entry transfer may request that Initial Notes not exchanged be credited to such account maintained at the Book-Entry Transfer Facility as such holder of Initial Notes may designate hereon. If no such instructions are given, such Initial Notes not exchanged will be returned to the name or address of the person signing this Letter.

5. Tax Identification Number.

Federal income tax law generally requires that a tendering holder whose Initial Notes are accepted for exchange must provide the Company (as payor) with such Holder's correct Taxpayer Identification Number ("TIN") on Substitute Form W-9 below, which, in the case of a tendering holder who is an individual, is his or her social security number. If the Company is not provided with the current TIN or an adequate basis for an exemption, such tendering holder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, delivery of Exchange Notes to such tendering holder may be subject to backup withholding in an amount equal to 31% of all reportable payments made after the exchange. If withholding results in an overpayment of taxes, a refund may be obtained.

Exempt holders of Initial Notes (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed Guidelines of Certification of Taxpayer Identification Number on Substitute Form W-9 (the "W-9 Guidelines") for additional instructions.

To prevent backup withholding, each tendering holder of Initial Notes must provide its correct TIN by completing the "Substitute Form W-9" set forth below, certifying that the TIN provided is correct (or that such holder is awaiting a TIN) and that (i) the holder is exempt from backup withholding, (ii) the holder has not been notified by the Internal Revenue Service that such holder is subject to a backup withholding as a result of a failure to report all interest or dividends or (iii) the Internal Revenue Service has notified the holder that such holder is no longer subject to backup withholding. If the tendering holder of Initial Notes is a nonresident alien or foreign entity not subject to backup withholding, such holder must give the Company a completed Form W-8, Certificate of Foreign Status. These forms may be obtained from the Exchange Agent. If the Initial Notes are in more than one name or are not in the name of the actual owner, such holder should consult the W-9 Guidelines for information on which TIN to report. If such holder does not have a TIN, such holder should consult the W-9 Guidelines for instructions on applying for a TIN, check the box in Part 2 of the Substitute Form W-9 and write "applied for" in lieu of its TIN. Note: checking this box and writing "applied for" on the form means that such holder has already applied for a TIN or that such holder intends to apply for one in the near future. If such holder does not provide its TIN to the Company within 60 days, backup withholding will begin and continue until such holder furnishes its TIN to the Company.

6. Transfer Taxes.

The Company will pay all transfer taxes, if any, applicable to the transfer of Initial Notes to it or its order pursuant to the Exchange Offer. If, however, Exchange Notes and/or substitute Initial Notes not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Initial Notes tendered hereby, or if tendered Initial Notes are registered in the

name of any person other than the person signing this Letter, or if a transfer tax is imposed for any reason other than the transfer of Initial Notes to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 6, it is not necessary for transfer tax stamps to be affixed to the Initial Notes specified in this Letter.

7. Waiver of Conditions.

The Company reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Prospectus.

8. No Conditional Tenders.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders of Initial Notes, by execution of this Letter, shall waive any right to receive notice of the acceptance of their Initial Notes for exchange.

Neither the Company, the Exchange Agent nor any other person is obligated to give notice of any defect or irregularity with respect to any tender of Initial Notes nor shall any of them incur any liability for failure to give any such notice.

9. Mutilated, Lost, Stolen or Destroyed Initial Notes.

Any holder whose Initial Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

10. Requests for Assistance or Additional Copies.

Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus and this Letter, may be directed to the Exchange Agent, at the address and telephone number indicated above.

TO BE COMPLETED BY ALL TENDERING HOLDERS

(See Instruction 5)

PAYOR'S NAME: [NAME OF COMPANY]

SUBSTITUTE Form W-9	Part 1 -- PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	TIN: ---------- (Social Security Number or Employer Identification Number)
Department of the Treasury	Part 2 -- TIN Applied For [_]	
Internal Revenue Service	CERTIFICATION: UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT:	
Payor's Request For Taxpayer Identification Number ("TIN") and Certification	(1) the number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me). (2) I am not subject to backup withholding either because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and (3) any other information provided on this form is true and correct.	
	SIGNATURE ----------	DATE ----------

You must cross out item (2) of the above certification if you have been notified by the IRS that you are subject to backup withholding because of underreporting of interest or dividends on your tax return and you have not been notified by the IRS that you are no longer subject to backup withholding.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 2 OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail

or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of the exchange, 31 percent of all reportable payments made to me thereafter will be withheld until I provide a number.

Signature	Date

EXHIBIT 99.2

NOTICE OF GUARANTEED DELIVERY FOR

FAVORITE BRANDS INTERNATIONAL, INC.

This form or one substantially equivalent hereto must be used to accept the Exchange Offer of Favorite Brands International, Inc. (the "Company") made pursuant to the Prospectus, dated _____, 1998 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal") if certificates for Initial Notes are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Company prior to 5:00 P.M., New York City time, on the Expiration Date of the Exchange Offer. Such form may be delivered or transmitted by facsimile transmission, mail or hand delivery to Lasalle National Bank (the "Exchange Agent") as set forth below. In addition, in order to utilize the guaranteed delivery procedure to tender Initial Notes pursuant to the Exchange Offer, a completed, signed and dated Letter of Transmittal (or facsimile thereof) must also be received by the Exchange Agent prior to 5:00 P.M., New York City time, on the Expiration Date. Capitalized terms not defined herein are defined in the Prospectus.

Delivery to: Lasalle National Bank, Exchange Agent

By Mail:
LaSalle National Bank
135 South LaSalle Street
Chicago, Illinois 60603
Attn: Alvita Griffin

By Hand:
LaSalle National Bank
135 South LaSalle Street
Chicago, Illinois 60603
Attn: Alvita Griffin

Telephone: (312) 904-2231
Facsimile: (312) 904-2236

Delivery of this instrument to an address other than as set forth above, or transmission of instructions via facsimile other than as set forth above, will not constitute a valid delivery.

Ladies and Gentlemen:

Upon the terms and conditions set forth in the Prospectus and the accompanying Letter of Transmittal, the undersigned hereby tenders to the Company the principal amount of Initial Notes set forth below, pursuant to the guaranteed delivery procedure described in "The Exchange Offer -- Guaranteed Delivery Procedures" section of the Prospectus.

Principal Amount of Initial Notes Tendered: $ ----------	Name(s) of Record Holders(s): ----------
Certificate Nos. (if available): ----------	----------
	Address(es): ----------
----------	----------

If Initial Notes will be delivered by transfer to The Depositary Trust Company, provide account number.	Area Code and Telephone Number(s): ----------
	Signature(s): ----------
Account Number ----------	----------

THE ACCOMPANYING GUARANTEE MUST BE COMPLETED.

GUARANTEE

(Not to be used for signature guarantee)

The undersigned, a firm that is a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office correspondent in the United States or any "eligible guarantor" institution within the meaning of Rule 17Ad-15 of the Exchange Act of 1934, as amended, hereby (a) guarantees to deliver to the Exchange Agent, at one of its addresses set forth above, the certificates representing all tendered Initial Notes, in proper form for transfer, or a Book-Entry Confirmation, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, and any other documents required by the Letter of Transmittal within three New York Stock Exchange, Inc. trading days after the date of execution of this Notice of Guaranteed Delivery.

Name of Firm: ----------	----------
	(Authorized Signature)

Address:

_____

_____

Area Code and
Telephone Number:

_____

Title:

_____

Name:

_____

Date:

_____

EXHIBIT 99.3

FAVORITE BRANDS INTERNATIONAL, INC.

Offer to Exchange

$200,000,000 10 3/4% Senior Notes due 2006

which have been registered under the Securities Act of 1933, as amended,

for any and all outstanding

$200,000,000 10 3/4% Senior Notes due 2006

To: Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

Upon and subject to the terms and conditions set forth in the Prospectus, dated _____, 1998 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal"), an offer to exchange (the "Exchange Offer") the registered $200,000,000 10 3/4% Senior Notes (the "Exchange Notes") for any and all outstanding $200,000,000 10 3/4% Senior Notes (the "Initial Notes") (CUSIP No. 31208G AA7) is being made pursuant to such Prospectus. The Exchange Offer is being made in order to satisfy certain obligations of Favorite Brands International, Inc. (the "Company") contained in the Registration Rights Agreement, dated as of May 19, 1998 between the Company and Chase Securities Inc. and BancAmerica Robertson Stephens (the "Initial Purchasers").

We are requesting that you contact your clients for whom you hold Initial Notes regarding the Exchange Offer. For your information and for forwarding to your clients for whom you hold Initial Notes registered in your name or in the name of your nominee, or who hold Initial Notes registered in their own names, we are enclosing the following documents:

1. Prospectus dated _____, 1998;

2. The Letter of Transmittal for your use and for the information of your clients;

3. A Notice of Guaranteed Delivery to be used to accept the Exchange Offer if certificates for Initial Notes are not immediately available or time will not permit all required documents to reach the Exchange Agent prior to the Expiration Date (as defined below) or if the procedure for book-entry transfer cannot be completed on a timely basis; and

4. A form of letter which may be sent to your clients for whose

account you hold Initial Notes registered in your name or the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer.

Your prompt action is requested. The Exchange Offer will expire at 5:00 p.m., New York City time, on _____, 1998 (the "Expiration Date") unless extended by the Company. The Initial Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before the Expiration Date.

To participate in the Exchange Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents,

should be sent to the Exchange Agent and certificates representing the Initial Notes should be delivered to the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and the Prospectus.

If holders of Initial Notes wish to tender, but it is impracticable for them to forward their certificates for Initial Notes prior to the expiration of the Exchange Offer or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures described in the Prospectus under "The Exchange Offer - Guaranteed Delivery Procedures".

Additional copies of the enclosed material may be obtained from LaSalle National Bank, 135 South LaSalle Street, Chicago, Illinois 60603, Attn: Alvita Griffin.

EXHIBIT 99.4

FAVORITE BRANDS INTERNATIONAL, INC.

Offer to Exchange

$200,000,000 10 3/4% Senior Notes due 2006

which have been registered under the Securities Act of 1933, as amended,

for any and all outstanding

$200,000,000 10 3/4% Senior Notes due 2006

To Our Clients:

Enclosed for your consideration is a Prospectus of Favorite Brands International, Inc., a Delaware corporation (the "Company"), dated _____, 1998 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal") relating to the offer to exchange (the "Exchange Offer") of registered $200,000,000 10 3/4% Senior Notes due 2006 (the "Exchange Notes") for any and all outstanding $200,000,000 10 3/4% Senior Notes due 2006 (the "Initial Notes") (CUSIP No. 31208G AA7), upon the terms and subject to the conditions described in the Prospectus. The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Registration Rights Agreement, dated as of May 19, 1998, between the Company and Chase Securities Inc. and BancAmerica Robertson Stephens (the "Initial Purchasers").

This material is being forwarded to you as the beneficial owner of the Initial Notes carried by us in your account but not registered in your name. A tender of such Initial Notes may only be made by us as the holder of record and pursuant to your instructions.

Accordingly, we request instructions as to whether you wish us to tender on your behalf the Initial Notes held by us for your account, pursuant to the terms and conditions set forth in the enclosed Prospectus and Letter of Transmittal. We also request that you confirm that we may, on your behalf, make the representations and warranties contained in the Letter of Transmittal.

Your instructions should be forwarded to us as promptly as possible in order to permit us to tender the Initial Notes on your behalf in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 5:00 p.m., New York City time, on _____, 1998 (the "Expiration Date") (30 calendar days following the commencement of the Exchange Offer), unless extended by the Company. Any Initial Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before 5:00 p.m., New York City time on the Expiration Date.

Your attention is directed to the following:

1. The Exchange Offer is for any and all Initial Notes.

2. The Exchange Offer is subject to certain conditions set forth in the Prospectus in the section captioned "The Exchange Offer -- Conditions".

3. Any transfer taxes incident to the transfer of Initial Notes from the holder to the Company will be paid by the Company, except as otherwise provided in the Instructions in the Letter of Transmittal.

4. The Exchange Offer expires at 5:00 p.m., New York City time, on the Expiration Date unless extended by the Company.

If you wish to have us tender your Initial Notes, please so instruct us by completing, executing and returning to us the instruction form set forth below. The Letter of Transmittal is furnished to you for information only and may not be used directly by you to tender Initial Notes.

Instructions with Respect to the Exchange Offer

The undersigned acknowledge(s) receipt of your letter enclosing the Prospectus, dated _____, 1998, of Favorite Brands International, Inc., a Delaware corporation, and the related specimen Letter of Transmittal.

This will instruct you to tender the number of Initial Notes indicated below held by you for the account of the undersigned, pursuant to the terms and conditions set forth in the Prospectus and the related Letter of Transmittal. (Check one).

Box 1 [_] Please tender my Initial Notes held by you for my account. If I do not wish to tender all of the Initial Notes held by you for my account, I have identified on a signed schedule attached hereto the number of Initial Notes that I do not wish tendered.

Box 2 [_] Please do not tender any Initial Notes held by you for my account.

Date

Signature(s)

Please print name(s) here

Area Code and Telephone No.

Unless a specific contrary instruction is given in the space provided, your signature(s) hereon shall constitute an instruction to us to tender all Initial Notes.