

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

FORM 10-Q

(x) Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended May 3, 1997.

() Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the Transition Period from _____ to _____.

Commission File No. 0-20036

THE MEN'S WEARHOUSE, INC.
(Exact name of registrant as specified in its charter)

Texas 74-1790172
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

5803 Glenmont Drive 77081
Houston, Texas (Zip code)
(Address of principal executive offices)

(713) 295-7200
(Registrant's telephone number including area code)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

As of June 11, 1997 there were 21,026,576 common shares, \$.01 par value, of the registrant outstanding.

ITEM 1. FINANCIAL STATEMENTS

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	MAY 4, 1996	MAY 3, 1997	FEBRUARY 1, 1997
	(UNAUDITED)	(UNAUDITED)	
	<C>	<C>	<C>
CURRENT ASSETS:			
Cash	\$ 43,543,000	\$ 26,215,000	\$ 34,113,000
Inventories	157,857,000	183,679,000	164,140,000
Other current assets	5,920,000	10,087,000	10,051,000
	-----	-----	-----
Total Current Assets	207,320,000	219,981,000	208,304,000
	-----	-----	-----

PROPERTY AND EQUIPMENT, NET	59,186,000	74,002,000	71,022,000
OTHER ASSETS	4,968,000	17,607,000	16,152,000
	-----	-----	-----
TOTAL	\$ 271,474,000	\$ 311,590,000	\$ 295,478,000
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	\$ 50,643,000	\$ 59,509,000	\$ 38,089,000
Accrued expenses	13,275,000	19,886,000	24,742,000
Income taxes payable	2,153,000	2,992,000	8,194,000
Other current liabilities	616,000	284,000	442,000
	-----	-----	-----
Total Current Liabilities	66,687,000	82,671,000	71,467,000
LONG-TERM DEBT	57,500,000	57,500,000	57,500,000
OTHER LIABILITIES	6,421,000	7,157,000	7,382,000
	-----	-----	-----
Total Liabilities	130,608,000	147,328,000	136,349,000
	-----	-----	-----
SHAREHOLDERS' EQUITY:			
Common stock	210,000	210,000	210,000
Capital in excess of par	77,953,000	79,061,000	78,182,000
Retained earnings	63,282,000	85,332,000	81,316,000
	-----	-----	-----
Total	141,445,000	164,603,000	159,708,000
Treasury common stock, at cost	(579,000)	(341,000)	(579,000)
	-----	-----	-----
Total Shareholders' Equity	140,866,000	164,262,000	159,129,000
	-----	-----	-----
TOTAL	\$ 271,474,000	\$ 311,590,000	\$ 295,478,000
	=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

FOR THE INTERIM PERIODS ENDED
MAY 4, 1996 AND MAY 3, 1997

<TABLE>
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	THREE MONTHS ENDED	
	1996	1997
	-----	-----
<S>	<C>	<C>
Net Sales	\$103,697,000	\$130,621,000
Cost of goods sold, including buying and occupancy costs	64,735,000	82,188,000
	-----	-----
Gross margin	38,962,000	48,433,000
Selling, general and administrative expenses	33,331,000	41,071,000
	-----	-----
Operating income	5,631,000	7,362,000
Interest expense (net of interest income of \$367,000 and \$313,000 in 1996 and 1997, respectively)	339,000	527,000
	-----	-----

Earnings before income taxes	5,292,000	6,835,000
Provision for income taxes	2,183,000	2,819,000
	-----	-----
Net earnings	\$ 3,109,000	\$ 4,016,000
	=====	=====
Net earnings per share of common stock	\$ 0.15	\$ 0.19
	=====	=====
Weighted average number of common and common equivalent shares outstanding	21,212,000	21,248,000
	=====	=====

</TABLE>

See notes to the consolidated financial statements.

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

FOR THE INTERIM PERIODS ENDED
MAY 4, 1996 AND MAY 3, 1997

<TABLE>
<CAPTION>

	THREE MONTHS ENDED	
	1996	1997
	-----	-----
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 3,109,000	\$ 4,016,000
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,748,000	3,617,000
Increase in inventories	(21,060,000)	(19,539,000)
Increase in other assets	(474,000)	(762,000)
Increase in accounts payable and accrued expenses	14,225,000	17,564,000
Decrease in income taxes payable	(2,122,000)	(4,420,000)
Decrease in other liabilities	(119,000)	(225,000)
	-----	-----
Net cash provided by (used in) operating activities	(3,693,000)	251,000
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(5,745,000)	(7,325,000)
	-----	-----
Net cash used in investing activities	(5,745,000)	(7,325,000)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from sale of Notes	55,659,000	--
Bank borrowings	18,750,000	--
Principal payments on bank debt	(23,000,000)	--
Principal payments under capital lease obligations	(145,000)	(158,000)
Exercise of stock options	491,000	390,000
Option shares relinquished for tax obligations	(1,321,000)	(1,056,000)
	-----	-----
Net cash provided by (used in) financing activities	50,434,000	(824,000)
	-----	-----
INCREASE (DECREASE) IN CASH	40,996,000	(7,898,000)

CASH:			
	Beginning of period	2,547,000	34,113,000
	End of period	\$ 43,543,000	\$ 26,215,000

</TABLE>

See notes to consolidated financial statements.

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

The consolidated balance sheets as of May 4, 1996 and May 3, 1997 and the consolidated statements of earnings and cash flows for the interim periods ended May 4, 1996 and May 3, 1997 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring accruals) considered necessary to present fairly the financial position, results of operations and cash flows of the Company at May 4, 1996 and May 3, 1997 and for all periods presented, have been made. Certain reclassifications have been made to the consolidated statements of cash flows for the three months ended May 4, 1996 to conform to the 1997 classifications.

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted from these interim financial statements. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K.

The results of operations for the three months ended May 3, 1997 are not necessarily indicative of the operating results that may be expected for the year ending January 31, 1998.

2. Supplemental Disclosures of Cash Flow Information

<TABLE>
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	Three Months Ended	
	1996	1997
<S>	<C>	<C>
Cash paid during the period for:		
Interest	\$ 129,000	\$1,572,000
	=====	=====
Income taxes	\$4,305,000	\$7,238,000
	=====	=====

Non-cash investing and financing activities:

Additional paid in capital resulting from tax benefit recognized upon exercise of stock options	\$1,001,000	\$ 782,000
	=====	=====
Treasury stock issued to employee stock ownership plan	\$ 625,000	\$1,000,000
	=====	=====

</TABLE>

OF OPERATIONS

General

In large part, changes in net sales and operating results are impacted by the number of stores operating during the fiscal period. The following information is provided with respect to stores in operation during each of the respective fiscal periods. References herein to years are to the Company's 52 - or 53 - week fiscal year which ends on the Saturday nearest January 31 in the following calendar year. For example, references to "1997" mean the fiscal year ending January 31, 1998.

<TABLE>

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	Three Months Ended		Fiscal Year Ended
	May 4, 1996	May 3, 1997	February 1, 1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Stores open at beginning of period	278	345	278
Opened during period	7	15	50
C&R acquired during period	--	--	17
Closed during period	--	(1)	--
	-----	-----	-----
Stores open at end of period	285	359	345
	=====	=====	=====

</TABLE>

In May 1997, the Company, through an indirect wholly-owned subsidiary, acquired the assets of Walter Pye's Men's Shops, Inc. which operated four weekend-only stores in the Greater Houston area and one store in each San Antonio and New Orleans. Walter Pye's Men's Shops, Inc. operated these six stores under the name "NAL". The Company intends to operate these stores, along with Value Price Clothing Inc.'s ("VPC") C&R stores, as part of the VPC division selling men's tailored apparel to the more price sensitive clothing customer.

Results of Operations

Net sales in the first quarter of 1997 increased \$26.9 million, or 26.0%, over the prior year due to, sales from stores opened after May 4, 1996, sales from the 17 C&R stores acquired by VPC on January 17, 1997 and a comparable store sales increase. Comparable store sales (which are calculated by excluding the net sales of a store for any month of one period if the store was not open throughout the same month of the prior year) increased 1.3% over the first quarter of 1996. Comparable store sales increased 7.6% in the first quarter of 1996 over the first quarter of 1995.

In the first quarter of 1997, gross margin increased by \$9.5 million as compared to the first quarter of 1996 and as a percentage of net sales decreased from 37.6% to 37.1%. The decline in gross margin percentage resulted principally from the impact of the lower gross margin realized by the VPC division. The gross margin in the Company's traditional stores improved slightly as product cost decreased as a percentage of net sales while occupancy and alteration costs increased as a percentage of net sales.

Selling, general and administrative costs for the first quarter of 1997 increased \$7.7 million as compared to the first quarter of 1996, yet as a percentage of net sales decreased from 32.1% to 31.4%. All the principal components of selling, general and administrative costs increased as a result of the Company's growth. As a percentage of net sales, advertising expense decreased from 7.2% to 6.5% , store salaries decreased from 12.7% to 12.5% and other store and non-store general and administrative costs increased from 12.2% to 12.4%. The relationship of all these components of selling, general and administrative costs to net sales was favorably impacted by the operations of the VPC division.

Interest expense, net of interest income, increased from \$339,000 in the first quarter of 1996 to \$527,000 in the first quarter of 1997. Weighted average borrowings outstanding, including obligations under capital leases, increased from \$43.5 million in the first quarter of 1996 to \$57.9 million in the first quarter of 1997, while the weighted

average interest rate on outstanding indebtedness decreased from 6.5% to 6.1%, respectively. The effective interest rate includes commitment fees paid pursuant to the second amended and restated Credit Agreement (see Liquidity and

Capital Resources) under which indebtedness was outstanding for only a portion of the first quarter of 1996. Interest expense associated with the 5 1/4% Convertible Subordinated Notes (see Liquidity and Capital Resources) was offset by interest income of \$367,000 and \$313,000 resulting from the investment of excess cash in short-term securities during the first quarter of 1996 and 1997, respectively.

The effective tax rate remained unchanged between the quarters at approximately 41.3%.

The factors discussed above resulted in net earnings of \$4,016,000, or 3.1% of net sales, for the first quarter of 1997 as compared to \$3,019,000, or 3.0% of net sales, for the first quarter of 1996.

Liquidity and Capital Resources

In March 1996, the Company sold \$57.5 million of 5 1/4% Convertible Subordinated Notes (the "Notes") due 2003. The Notes are convertible into Common Stock at a conversion price of \$34.125 per share. A portion of the net proceeds from the Notes was used to repay outstanding indebtedness under the second amended and restated Credit Agreement and the balance has been invested in new stores, the acquisition of C&R and NAL, licenses, trademarks, short-term interest bearing securities or otherwise used to minimize borrowings under the second amended and restated Credit Agreement. Interest on the Notes is payable semi-annually on March 1 and September 1 of each year.

The change in the Company's cash position during the quarter ended May 3, 1997 results from the following combination of factors:

- o Net cash used in operations, principally related to an inventory increase due to seasonal inventory buildup and the addition of 15 stores opened during the quarter ended May 3, 1997, as well as the purchase of inventory for stores to be opened in the second quarter of 1997.
- o Use of cash in connection with capital expenditures related to new stores opened during the quarter ended, or under construction at, May 3, 1997, land and building purchased for use by the Company in connection with various training and meeting functions, employee retreats and vendor relations and telecommunication and computer equipment.

On June 2, 1997, the Company entered into a revolving credit agreement ("Revised Credit Agreement") to replace the second amended and restated Credit Agreement with its bank group that became effective on June 30, 1995. The Revised Credit Agreement provides for borrowings of up to \$125 million through April 30, 2002. As of June 11, 1997, there was no indebtedness under the Revised Credit Agreement.

Advances under the Revised Credit Agreement bear interest at a rate per annum equal to, at the Company's option, (i) the bank's prime rate or (ii) the reserve adjusted LIBOR rate plus an interest rate margin varying between .875% to 1.375%. The Revised Credit Agreement provides for fees applicable to unused commitments of .125% to .275% .

The Revised Credit Agreement contains certain restrictive and financial covenants, including a requirement to maintain a minimum amount of Consolidated Net Worth (as defined). The Company is also required to maintain certain debt to cash flow, cash flow coverage and current ratios and must keep its average store inventories below certain specified amounts. In addition, the Revised Credit Agreement limits additional indebtedness, creation of liens, Restricted Payments (as defined) and Investments (as defined). The Revised Credit Agreement prohibits payment of cash dividends on the Common Stock of the Company. The Revised Credit Agreement also permits, with certain limitations, the Company to merge or consolidate with another company, sell or dispose of its property, make acquisitions, issue options or enter into transactions with affiliates.

The Company anticipates opening a total of approximately 50 new stores in the current fiscal year, including the 15 opened in the first quarter. The continuing consolidation of the men's tailored clothing industry and recent financial difficulties of significant menswear retailers may present the Company with opportunities to acquire retail chains significantly larger than the Company's past acquisitions. Any such acquisitions may be undertaken as an alternative to opening new stores. The Company has received, and from time to time in the past has received, inquiries concerning its interest in possible acquisitions and has requested information with respect thereto. The Company may use cash on hand, together with its cash flow from operations and borrowings under the Revised Credit Agreement, to take advantage of acquisition opportunities.

The Company is currently conducting an evaluation of the computer hardware and software needs necessary to productively manage its expected future business activities. Based on the current plan, it is expected that the related capital expenditures will approximate \$12 to \$17 million over the next 18 - 24 months.

In June 1997, the Company commenced construction of approximately 150,000 square feet on a six acre tract adjacent to its current distribution facility in Houston. Including the cost of the land (which was purchased for \$700,000 in 1996), fixtures and equipment, these new distribution facilities are estimated to cost approximately \$7.5 million and are expected to be completed by or shortly after the end of the current fiscal year.

The Company anticipates that its existing cash and cash flow from operations, supplemented by borrowings under the Revised Credit Agreement, will be sufficient to fund its planned store openings, other capital expenditures and other operating cash requirements for at least the next twelve months.

In connection with the Company's direct sourcing program, the Company may enter into purchase commitments that are denominated in a foreign currency. The Company generally enters into forward exchange contracts to reduce the risk of currency fluctuations related to such commitments. The majority of the forward exchange contracts are with one financial institution. Therefore, the Company is exposed to credit risk in the event of nonperformance by this party. However, due to the creditworthiness of this major financial institution, full performance is anticipated. The Company may also be exposed to market risk as a result of changes in foreign exchange rates. This market risk should be substantially offset by changes in the valuation of the underlying transactions being hedged.

Impact of New Accounting Pronouncements

The Financial Accounting Standards Board issued Statement No. 128, "Earnings Per Share," (SFAS 128), in February 1997. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods; earlier application is not permitted.

This statement establishes standards for computing and presenting earnings per share (EPS) and applies to entities with publicly held common stock or potential common stock. SFAS 128 simplifies the standards for computing earnings per share previously found in APB Opinion No. 15 and makes them comparable to international EPS standards. It replaces the presentation of primary EPS with a presentation of basic EPS. It also requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the diluted EPS computation.

Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Diluted EPS is computed similarly to fully diluted EPS pursuant to Opinion 15.

Forward-Looking Statements

Certain statements made herein and in other public offerings and releases by the Company contain "forward-looking" information (as defined in the Private Securities Litigation Reform Act of 1995) that involve risk and uncertainty. These forward-looking statements may include, but are not limited to, future sales, earnings, margins, costs, number and costs of store openings, demand for men's clothing, market trends in the retail men's clothing business, currency fluctuations, inflation and various economic and business trends. Forward-looking statements may be made by management orally or in writing, including but not limited to, this Management's Discussion and Analysis of Financial Condition and Results of Operations section and other sections of the Company's filings with the Securities and Exchange Commission under the Securities Exchange Act of 1934 and the Securities Act of 1933.

Actual results and trends in the future may differ materially depending on a variety of factors including, but not limited to, domestic economic activity and inflation, the Company's successful execution of internal operating plans and new store and new market expansion plans, performance issues with key suppliers, foreign currency fluctuations, government export and import policies and legal proceedings. Future results will also be dependent upon the ability

of the Company to continue to identify and complete successful expansions and penetrations into existing and new markets and its ability to integrate such expansions with the Company's existing operations.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits
- 4.1 Revolving Credit Agreement dated as of June 2, 1997, by and among the Company, NationsBank of Texas, N.A. and the Banks listed therein, including form of Revolving Note.
 - 10.1 Revolving Credit Agreement dated as of June 2, 1997, by and among the Company, NationsBank of Texas, N.A. and the Banks listed therein, including form of Revolving Note (included as Exhibit 4.1).
 - 11.1 Statement of Computation of Net Earnings Per Share.
 - 27.1 Financial Data Schedule.
- (b) The Company was not required to file any reports on Form 8-K during the 13 weeks ended May 3, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Men's Wearhouse, Inc.
(REGISTRANT)

/s/ DAVID H. EDWAB

David H. Edwab
President
June 17, 1997

/s/ GARY G. CKODRE

Gary G. Ckudre
Vice President - Finance and Principal
Financial and Accounting Officer
June 17, 1997

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EXHIBIT

NUMBER DESCRIPTION

- <S> <C>
- 4.1 Revolving Credit Agreement dated as of June 2, 1997, by and among the Company, NationsBank of Texas, N.A. and the Banks listed therein, including form of Revolving Note.
 - 10.1 Revolving Credit Agreement dated as of June 2, 1997, by and among the Company, NationsBank of Texas, N.A. and the Banks listed therein, including form of Revolving Note (included as Exhibit 4.1).

11.1 Statement of Computation of Net Earnings Per Share.

27.1 Financial Data Schedule.

</TABLE>

\$125,000,000

REVOLVING CREDIT AGREEMENT

DATED AS OF JUNE 2, 1997

BY AND AMONG

THE MEN'S WEARHOUSE, INC.
(THE "BORROWER"),

NATIONSBANK OF TEXAS, N.A.,
INDIVIDUALLY AND AS AGENT

AND

THE OTHER FINANCIAL INSTITUTIONS LISTED
ON THE SIGNATURE PAGES HEREOF
(COLLECTIVELY, THE "BANKS")
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REVOLVING CREDIT AGREEMENT

The Men's Wearhouse, Inc., a corporation organized under the laws of the State of Texas (the "Borrower"), the financial institutions listed on the signature pages hereof (collectively, the "Banks" and individually, a "Bank"), and NationsBank of Texas, N.A. (together with any successor thereof, "NationsBank") in its capacity as agent (the "Agent") for the Banks hereunder, hereby agree as follows:

PRELIMINARY STATEMENT

WHEREAS, the Borrower has received loans and other extensions of credit pursuant to that certain Second Amended and Restated Credit Agreement dated as of March 14, 1995 (as amended, the "Existing Credit Agreement") by and among the Borrower, NationsBank as agent and the other banks and financial institutions signatory thereto;

WHEREAS, the Borrower has requested the Agent and the Banks to make loans to the Borrower in an aggregate amount not to exceed \$125,000,000 at any time outstanding and, pursuant to a \$20,000,000 sub-limit, issue letters of credit in account of the Borrower in an aggregate amount not to exceed \$20,000,000 at any time outstanding;

WHEREAS, a portion of such loans shall be used to repay in full the Existing Credit Agreement whereupon this Agreement shall be in replacement thereof; and

WHEREAS, pursuant to the terms and conditions hereof the Agent and the Banks have agreed to such request upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. CERTAIN DEFINITIONS.

1.1. ACCOUNTING PRINCIPLES. All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistent with those applied in the preparation of the audited financial statements referred to in Section 9.1 hereof. All financial information delivered to the Agent pursuant to Section 9.1 hereof shall be prepared in accordance with GAAP applied on a basis consistent with those reflected by the initial financial statements delivered to the Agent pursuant to Section 7.2, except (i) where such principles are inconsistent with the requirements of this

Agreement and (ii) for those changes made pursuant to Section 9.8 hereof.

1.2. CERTAIN DEFINED TERMS. As used in this Agreement, the following terms shall have the following meanings:

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"Acquisitions" has the meaning specified in Section 10.13 hereof.

"Acquisition Target" means any Person acquired pursuant to Section 10.13.

"Actual Inventory Balance" means, at any time, an amount equal to the actual balance of Inventory divided by the number of the Borrower's and Restricted Subsidiaries' open store locations at the date of calculation. For purposes of this definition, (a) each store location open at the date of calculation shall be considered one (1) open store location, (b) each clearance center open at the date of calculation shall be considered three (3) open store locations, (c) total warehouses at the date of calculation shall be considered fourteen (14) open store locations, (d) each store scheduled to open within sixty (60) days of the date of calculation shall be considered one (1) open store location and (e) each clearance center scheduled to open within sixty (60) days of the date of calculation shall be considered three (3) open store locations. In the event the Borrower or any Restricted Subsidiary acquires or opens stores or schedules to open stores within 60 days, the square footage of which significantly deviates from 5,000 square feet, for purposes of this definition each such store shall be considered the equivalent of the number of open store locations determined by dividing the square footage of such stores by 5,000.

"Adjusted Debt" means, at any time and without duplication, an amount equal to the sum of (a) Total Funded Debt plus (b) an amount equal to the product of (i) Base Rent Expense for the immediately preceding quarter times (ii) thirty-two (32).

"Adjusted Eurodollar Rate" means, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Agent to be equal to the quotient obtained by dividing (a) the Eurodollar Rate for such Eurodollar Loan for such Interest Period by (b) 1 minus the Reserve Requirement for such Eurodollar Loan for such Interest Period.

"Affiliate" shall mean any Person controlling, controlled by or under common control with any other Person. For purposes of this definition, "control" (including "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or otherwise. If any Person shall own, directly or indirectly, beneficially and of record twenty percent (20%) or more of the equity (whether outstanding capital stock, partnership interests or otherwise) of another Person, such Person shall be deemed to be an Affiliate.

"Agent" shall have the meaning set forth in the preamble hereto.

"Agreement" shall mean this Revolving Credit Agreement, as the same may be amended, modified or supplemented from time to time.

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"Alternate Currency" shall mean British pounds sterling, German deutsche marks, Italian lira, French francs, Canadian dollars and Japanese yen.

"Applicable Lending Office" shall mean, with respect to each Bank, such Bank's (a) Domestic Lending Office in the case of a Base Rate Loan and (b) LIBOR Lending Office in the case of a Eurodollar Loan.

"Applicable Margin" means, (a) for the period from the Closing Date until the first redetermination hereunder, (i) as to Eurodollar Loans and Letter of Credit Fees, .875% per annum, and (ii) as to Commitment Fees, 0.125% per annum, and (b) for each period thereafter (each such period commencing 61 days after the end of each fiscal quarter of the Borrower and ending 60 days after the end of the next fiscal quarter of the Borrower), the applicable rate per annum set forth in the table below opposite the ratio of Adjusted Debt to EBITDA plus Base Rent Expense for the four immediately preceding fiscal quarterly periods. Each determination of the Applicable Margin shall be determined by the Agent for each such period after its receipt of the applicable certificate delivered pursuant to Section 9.1(l) and prior to the commencement of such period. Each change in the Applicable Margin shall be immediately effective commencing on the 61st day after each fiscal quarter end as to all Eurodollar Loans then outstanding, the Letter of Credit Outstandings

and the then Unused Commitment, and remain effective until the next determination.

<TABLE>
<CAPTION>

ADJUSTED DEBT TO EBITDA PLUS BASE RENT EXPENSE	Applicable Margin for Eurodollar Loans	Applicable Margin for Letter of Credit Fees	Applicable Margin for Commitment Fees on the Unused Commitment
<S> Less than 4.0:1.0	<C> 0.875%	<C> 0.875%	<C> 0.125%
Equal to or greater than 4.0:1.0 but less than 4.25:1.0	1.0%	1.0%	0.15%
Equal to or greater than 4.25:1.0 but less than 4.5:1.0	1.125%	1.125%	0.175%
Equal to or greater than 4.5:1.0 but less than 4.75:1.0	1.25%	1.25%	0.225%
Equal to or greater than 4.75:1.0	1.375%	1.375%	0.275%

"Application" shall mean an application, in such form as the Issuing Bank may specify from time to time, requesting the Issuing Bank to open a Letter of Credit.

"Assignment and Acceptance" shall have the meaning set forth in Section 13.10(a).

"Bank" shall have the meaning specified in the preamble hereto and shall include the Agent, in its individual capacity.

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"Base Rate" means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

"Base Rate Loan" shall mean any Loan which bears interest at the Base Rate.

"Base Rent Expense" means, for any period, payments (whether computed monthly or annually) due under Leases of real property (including those resulting from sale-leaseback transactions), exclusive of payments for percentage rent, common-area maintenance, insurance, taxes and any other amounts recorded in the Borrower's or the Guarantors' books and records in accordance with their customary practices as rent other than "base rent expense"; provided, with respect to any acquisition of an Acquisition Target which results in the requirement to provide proforma financial information pursuant to Article 11 of Regulation S-X (Reg Section 210.11.01, .02 and .03), Base Rent Expense of the Acquisition Target for each full fiscal quarter included in the applicable computation period prior to such Acquisition (including the fiscal quarter during which it was acquired) shall be included, provided further that Base Rent Expense of the Acquisition Target shall be adjusted for those applicable items of base rent expense that will increase or decrease subsequent to the date of Acquisition, such adjustments limited to those like adjustments included in the proforma financial statements provided in the Form 8-K filed with the Securities and Exchange Commission pursuant to Article 11 of Regulation S-X.

"Borrower" shall have the meaning set forth in the preamble hereto.

"Borrowing Date" shall mean a date upon which the Borrower has requested a Loan is to be made in a Notice of Borrowing delivered pursuant to Section 2.

"Business Day" shall mean a day when the Agent is open for business, provided that, if the applicable Business Day relates to any Eurodollar Loan, it shall mean a day when the Agent is open for business and on which commercial banks are open for international business (including dealings in Dollar deposits) in London.

"Cash Equivalents" means (a) marketable direct obligations issued or unconditionally guaranteed by the United States Government or issued by an agency thereof and backed by the full faith and credit of the United States, in each case maturing within ninety (90) days after the date of acquisition thereof; (b) marketable direct 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 ninety (90) days after the date of acquisition thereof and, at the time of acquisition, having the highest

rating obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if at any time neither Standard & Poor's Corporation nor Moody's Investors Service, Inc. shall be rating such obligations, then from such other nationally recognized rating services acceptable to the Agent); (c) commercial paper

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maturing no more than ninety (90) days after the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 or P-1 from either Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if at any time neither Standard & Poor's Corporation nor Moody's Investors Service, Inc. shall be rating such obligations, then the highest rating from such other nationally recognized rating services acceptable to the Agent); (d) domestic and eurodollar certificates of deposit or bankers' acceptances maturing within ninety (90) days after the date of acquisition thereof issued by any Bank or any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia having combined capital and surplus of not less than \$250,000,000 (e) repurchase agreements of the Agent or any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia having combined capital and surplus of not less than \$250,000,000; (f) overnight investments with the Agent or any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia having combined capital and surplus of not less than \$250,000,000; (g) other readily marketable instruments issued or sold by the Agent or any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia having combined capital and surplus of not less than \$250,000,000; and (h) funds invested in brokerage accounts with nationally recognized brokerage houses or money market accounts, in each case for less than thirty (30) days.

"Change of Control" means (i) any transaction (including a merger or consolidation) the result of which is that any "Person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than 50 percent (50%) of the total voting power of all classes of the voting stock of the Borrower or the surviving Person and/or warrants or options to acquire such voting stock, calculated on a fully diluted basis (a "Control Person"), other than any such transaction in which the current executive officers of the Borrower who are also currently directors and their Affiliates or The Zimmer Family Foundation become, individually or collectively, a Control Person, provided that, for so long as any of the Subordinated Debt is outstanding, immediately following such transaction at least thirty percent (30%) of the outstanding voting stock of the Borrower is held by Persons who are not Affiliates of such Control Person and such stock is registered pursuant to Sections 12(b) or 12(g) of the Exchange Act or is required to file reports pursuant to Section 15(d) of the Exchange Act; or (ii) the sale, lease or transfer of all or substantially all of the Borrower's assets (which includes the assets of its Subsidiaries) to any "Person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act), except to the Borrower or one or more of its Subsidiaries.

"Closing Date" shall mean June 2, 1997.

"Code" shall mean the Internal Revenue Code of 1986, as amended, as now or hereafter in effect, together with all regulations, rulings and interpretations thereof or thereunder issued by the Internal Revenue Service.

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"Commitment" shall mean, with respect to each Bank, such Bank's Commitment, as defined in Section 2.1(a), and "Commitments" shall mean, collectively, the Commitments of all of the Banks.

"Consolidated Current Assets" means all items classified as current assets on the consolidated financial statements of the Borrower and the Guarantors delivered to the Banks pursuant to Section 9.1, all as determined in accordance with GAAP consistently applied.

"Consolidated Current Liabilities" means all items classified as current liabilities on the consolidated financial statements of Borrower and the Guarantors delivered to the Banks pursuant to Section 9.1 other than any current portion of the outstanding Loans and Letters of Credit, all as determined in accordance with GAAP consistently applied.

"Consolidated Net Income" means with respect to any period, net income of the Borrower and the Guarantors on a consolidated basis (after adjustment for income taxes), determined in accordance with GAAP.

"Consolidated Net Worth" means, as of any date, the total shareholders' equity which appears on the consolidated balance sheet of the Borrower and the Guarantors as of such date, determined in accordance with

GAAP; excluding, however, (a) from total shareholders' equity mandatorily redeemable preferred stock of the Borrower or a Restricted Subsidiary to the extent included in total shareholders' equity and (b) Restricted Investments by the Borrower and the Guarantors in any Unrestricted Subsidiaries and any Non-Guaranteeing Restricted Subsidiaries.

"Contingent Liability" means (i) any agreement, undertaking or arrangement by which any Person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the Debt, obligation or any other liability of any other Person (other than by endorsements of instruments in the ordinary course of collection), (ii) obligations under surety, appeal or custom bonds, or (iii) guarantees of the payment of dividends or other distributions upon the shares of or interest in any other Person. The amount of any Person's obligation under any Contingent Liability shall (subject to any limitations set forth therein) be deemed to be the outstanding principal amount (or maximum principal amount, if larger) of the Debt, obligation or other liability guaranteed thereby or, if applicable, such lesser principal amount as is expressly stated to be the maximum principal amount of such Person's obligation thereunder.

"Contractual Rent Expense" means, for any period as to the Borrower and the Guarantors, all payments (whether computed monthly or annually) due under Leases of real property (including those resulting from sale-leaseback transactions), including, without limitation, Base Rent Expense and payments for percentage rent, common-area maintenance, insurance, and taxes and any other amounts recorded in the Borrower's or the Guarantors' books and records in accordance with their customary practices as rent expense, whether paid or

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accrued in the applicable period of calculation, but excluding adjustments with respect to such payments required to be made in conformity with GAAP for the purposes of accounting for graduated lease payments, calculated for the four (4) immediately preceding fiscal quarterly periods; provided, with respect to any acquisition of an Acquisition Target which results in the requirement to provide proforma financial information pursuant to Article 11 of Regulation S-X (Reg Section 210.11.01, .02 and .03), Contractual Rent Expense of the Acquisition Target for each full fiscal quarter included in the applicable computation period prior to such Acquisition (including the fiscal quarter during which it was acquired) shall be included, provided further that Contractual Rent Expense of the Acquisition Target shall be adjusted for those applicable items of contractual expense that will increase or decrease subsequent to the date of Acquisition, such adjustments limited to those like adjustments included in the proforma financial statements provided in the Form 8-K filed with the Securities and Exchange Commission pursuant to Article 11 of Regulation S-X.

"Conversion/Continuation Date" shall have the meaning set forth in Section 3.1(a)(ii).

"Debt" means (without duplication), for any Person:

- (a) indebtedness of such Person for borrowed money (including obligations, contingent or otherwise, of such Person relative to the face amount of all letters of credit, whether drawn or undrawn, and banker's acceptances issued for the account of such Person);
- (b) obligations of such Person evidenced by bonds, debentures, notes or similar instruments (but excluding sight drafts that evidence trade account payables arising in the ordinary course of business);
- (c) obligations of such Person to pay the deferred purchase price of property or services (but excluding trade accounts payable arising in the ordinary course of business);
- (d) indebtedness of the kind described in clause (a), (b) or (c) of this definition secured by a Lien on Property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;
- (e) obligations of such Person as lessee under Leases that shall have been or should be, in accordance with generally accepted accounting principles, recorded as Capital Leases;
- (f) obligations under surety, appeal or custom bonds;

(g) Contingent Liabilities of such Person; and

(h) obligations of such Person under or in connection with a sale-leaseback or similar arrangements.

"Debtor Laws" shall mean all applicable liquidation, conservatorship, bankruptcy, moratorium, arrangement, receivership, insolvency, reorganization, or similar laws, or general equitable principles from time to time in effect affecting the rights of creditors generally.

"Default" shall mean any of the events specified in Section 11, whether or not there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act.

"Dollar Equivalent Value" means for purposes of the provisions of this Agreement, (i) the equivalent in Dollars of any Alternate Currency and (ii) the equivalent in any Alternate Currency of Dollars shall be determined by using the quoted spot rate at which the Agent or any Affiliate of the Agent offers to exchange Dollars for such Alternate Currency on the date on which such equivalent is to be determined pursuant to the provisions of this Agreement. The equivalent in Dollars of each Letter of Credit made in an Alternate Currency shall be recalculated hereunder on each date that it shall be necessary to determine the portion of each Bank's Unused Commitment or any or all Letter of Credit Outstandings on such date.

"Dollars" and "\$" shall mean lawful currency of the United States of America.

"Domestic Lending Office" shall mean, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" opposite its name on Schedule I attached hereto and made a part hereof or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"Drawing" shall have the meaning set forth in Section 2.6(b) hereof.

"EBITDA" means, for any period, as to the Borrower and the Guarantors, an amount equal to earnings before income taxes and adjustment for extraordinary items, plus (a) depreciation and amortization, plus (b) interest expense, plus (or minus) (c) other non-cash charges or income affecting net earnings (except for those related to extraordinary items), for the four (4) immediately preceding fiscal quarterly periods; provided, with respect to any acquisition of an Acquisition Target which results in the requirement to provide proforma financial information pursuant to Article 11 of Regulation S-X (Reg Section 210.11.01, .02 and .03), EBITDA of the Acquisition Target for each full fiscal quarter included in the applicable computation period prior to such Acquisition (including the fiscal quarter during which it was acquired) shall be included, provided further that EBITDA of the Acquisition Target shall be adjusted for those items of income and expense that will increase or decrease subsequent to the date of Acquisition, such adjustments limited to those adjustments included in the proforma

financial statements provided in the Form 8-K filed with the Securities and Exchange Commission pursuant to Article 11 of Regulation S-X.

"Eligible Assignee" means (i) a Bank; (ii) an affiliate of a Bank; and (iii) any other Person approved by the Agent and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 13.10, the Borrower, such approval not to be unreasonably withheld or delayed by the Borrower and such approval to be deemed given by the Borrower if no objection is received by the assigning Bank and the Agent from the Borrower within ten (10) Business Days after notice of such proposed assignment has been provided by the assigning Bank to the Borrower; provided, however, that neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

"Environmental Lien" means a Lien in favor of a Governmental Authority or other Person (a) for any liability under any Environmental Protection Statute or (b) for damages arising from or costs incurred by such Governmental Authority or other Person in response to a release or threatened release of Hazardous Materials into the environment.

"Environmental Protection Statute" means (a) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C.A. Section 9601 et seq.), as amended from time to time, and any and all rules and regulations issued or promulgated thereunder ("CERCLA"); (b) the Resource Conservation and Recovery Act (as amended by the Hazardous and Solid Waste Amendment of 1984, 42 U.S.C.A. Section 6901 et seq.), as amended from time to time, and any and all rules and regulations promulgated thereunder ("RCRA");

(c) the Clean Air Act, 42 U.S.C.A. Section 7401 et seq., as amended from time to time, and any and all rules and regulations promulgated thereunder; (d) the Clean Water Act of 1977, 33 U.S.C.A. Section 1251 et seq., as amended from time to time, and any and all rules and regulations promulgated thereunder; (e) the Toxic Substances Control Act, 15 U.S.C.A. Section 2601 et seq., as amended from time to time, and any and all rules and regulations promulgated thereunder; or (f) any other federal or state law, statute, rule or regulation enacted in connection with or relating to the protection or regulation of the environment (including, without limitation, those laws, statutes, rules and regulations regulating the disposal, removal, production, storing, refining, handling, transferring, processing or transporting of Hazardous Materials) and any rules and regulations issued or promulgated in connection with any of the foregoing by any Governmental Authority, and "Environmental Protection Statutes" means, collectively, each of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any subsidiary or trade or business (whether or not incorporated) which is a member of a group of which the Borrower is a member and which is under common control within the meaning of Section 414 of the Code and the rules and regulations thereunder.

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"ERISA Event" means any of the following events: (a) a "Reportable Event" described in Section 4043 of ERISA and the regulations issued thereunder (other than a "Reportable Event" not subject to the provisions for the thirty (30)-day notice to the PBGC under such regulations), (b) the withdrawal of the Borrower from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or the incurrence of liability by the Borrower under Section 4064 of ERISA, (c) the distribution of a notice of intent to terminate a Plan pursuant to Section 4041(a)(2) of ERISA or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, (d) the institution of proceedings to terminate a Plan by the PBGC, or (e) any other 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.

"Eurodollar Lending Office" shall mean, with respect to each Bank, the office specified as such Bank's "Eurodollar Lending Office" opposite its name on Schedule 1 attached hereto and made a part hereof (or, if no such office is specified, its Domestic Lending Office) or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"Eurodollar Loans" means Loans that bear interest at rates based upon the Adjusted Eurodollar Rate plus the Applicable Margin.

"Eurodollar Rate" means, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "Eurodollar Rate" shall mean, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period: provided, however if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%).

"Event of Default" shall mean any of the events specified in Section 11, provided that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act.

"Existing Credit Agreement" shall have the meaning set forth in the preamble hereto.

"Existing Letters of Credit" shall mean the Letters of Credit identified on Schedule 2.3 hereto.

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"Expiration Date" shall mean the last day of a Interest Period.

"Fair Market Value" shall mean (i) with respect to any asset (other than cash) the price at which a willing buyer would buy and a willing

seller would sell, such asset in an arms' length transaction, and (ii) with respect to cash, the amount of such cash.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such, day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Agent (in its individual capacity) on such day on such transactions as determined by the Agent.

"Fiscal Year" means the Borrower's fifty-two (52) or fifty-three (53) week fiscal year, which ends on the Saturday nearest January 31 in each calendar year; by way of example, references to "Fiscal 1996" shall mean the fiscal year ended February 1, 1997.

"Fixed Charge Ratio" means, for any period as to the Borrower and the Guarantors, the ratio of (i) EBITDA plus Contractual Rent Expense minus capital expenditures (excluding Acquisitions) minus repurchases of treasury stock to (ii) Fixed Charges. For purposes of this definition, capital expenditures and repurchases of treasury stock shall each be calculated for the four immediately preceding fiscal quarterly periods.

"Fixed Charges" means, for any period as to the Borrower and the Guarantors, and without duplication, an amount equal to the sum of (a) cash interest expense plus (b) Contractual Rent Expense plus (c) scheduled payments on Capital Leases plus (d) scheduled principal payments in respect of any Debt permitted under this Agreement (excluding payments on trade accounts payable incurred in the ordinary course of business and Lease payments relating to sale-leaseback transactions covered by clause (b) or (c) of this definition and excluding scheduled principal payments on the Obligations) plus cash dividends by the Borrower or any Guarantor (other than any wholly-owned Guarantor); calculated for the four (4) immediately preceding fiscal quarterly periods.

"Future Plan" has the meaning specified in Section 9.1(h) hereof.

"GAAP" means generally accepted accounting principles set forth 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 in such other statements by such other entity as may be in general use by significant

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segments of the accounting profession, which are applicable to the circumstances as of the date of determination.

"Governmental Approval" means any authorization, consent, approval, license or exemption of, registration or filing with, or report or notice to, any Governmental Authority.

"Governmental Authority" means any national, state, county, municipal or other government, domestic or foreign, any agency, board, bureau, commission, court, department or other instrumentality of any such government, or any arbitrator.

"Governmental Requirement" means any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, writ, edict, franchise, permit, certificate, license, award, authorization or other direction, guideline, or requirement of any Governmental Authority, including, without limitation, any requirement under common law.

"Guaranty" has the meaning set forth in Section 9.7.

"Guarantor" means each Restricted Subsidiary which shall execute and deliver a Guaranty pursuant to Section 9.7.

"Hazardous Materials" means (a) any "hazardous waste" as defined by RCRA; (b) any "hazardous substance" as defined by CERCLA; (c) asbestos; (d) polychlorinated biphenyls; (e) any substance the presence of which on any of the Borrower's or any Subsidiary's Properties is prohibited by any Governmental Authority; (f) petroleum, including crude oil and any fraction thereof, natural gas liquids, liquefied natural gas and synthetic gas useable for fuel (or mixtures of natural gas and such synthetic gas); (g) drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal energy; and (h) any other substance which, pursuant to any Governmental Requirement, requires special handling in its collection, storage, treatment or disposal.

"Highest Lawful Rate" shall mean, with respect to each Bank, the maximum non-usurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged, or received with respect to the Notes or on other amounts, if any, due to such Bank pursuant to this Agreement or any other Loan Document, under laws applicable to such Bank which are presently in effect, or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum non-usurious interest rate than applicable laws now allow. To the extent required by applicable law in determining the Highest Lawful Rate with respect to any Bank as of any date, there shall be taken into account the aggregate amount of all payments and charges theretofore charged, reserved or received by such Bank hereunder or under the other Loan Documents which constitute or are deemed to constitute interest under applicable law.

"Interest Payment Date" shall mean (a) as to any Base Rate Loan, the last day of each fiscal quarter, beginning with August 2, 1997 (or if any such date is not a Business Day,

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then the next preceding Business Day); (b) as to any Eurodollar Loan in which the Interest Period with respect thereto is not greater than three (3) months, the date on which such Interest Period ends; (c) as to any Eurodollar Loan in which the Interest Period with respect thereto is greater than three (3) months, the date on which the third month of such Interest Period ends, and the date on which each such Interest Period ends; and (d) as to all Loans, at maturity.

"Interest Period" shall mean the period of time for which the Eurodollar Rate shall be in effect as to any Eurodollar Loan which shall be a 1, 2, 3 or 6 month period of time, commencing with the Borrowing Date or the Expiration Date of the immediately preceding Interest Period, as the case may be, applicable to and ending on the effective date of any rate change or rate continuation made as provided in Section 3.1(a) as the Borrower may specify in the Notice of Borrowing or the Notice of Rate Change/Continuation, subject, however, to the early termination provisions of the second sentence of Section 3.2(d) relating to any Eurodollar Loan; provided, however, that: (i) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day, (ii) the duration of any Interest Period which commences before any principal repayment installment date and otherwise ends after such date shall end on such date, and (iii) no Interest Period shall extend beyond the Maturity Date.

"Inventory" means the "inventory" (as that term is defined by and within the meaning of GAAP) of the Borrower and any Restricted Subsidiary including, without limitation, merchandise in transit and piece goods in the possession of manufacturers.

"Investment" of any Person means any investment so classified under GAAP, and, whether or not so classified, includes (a) any direct or indirect loan or advance made by it to any other Person, whether by means of stock purchase, loan, advance or otherwise, (b) any capital contribution to any other Person, and (c) any ownership or similar interest in any other Person.

"Issuing Bank" shall mean NationsBank or any Affiliate thereof, in its capacity as an issuer of Letters of Credit hereunder.

"Law" means any federal, state or local law, statute, ordinance, code, rule, regulation, license, permit, authorization, decision, order, injunction or decree, domestic or foreign.

"Lease" means, as to any Person, any operating lease other than a Capital Lease of any Property (whether real, personal or mixed) by that Person as a lessee, together with all renewals, extensions and options thereon.

"Letter of Credit" shall have the meaning specified in Section 2.3(a).

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"Letter of Credit Outstandings" shall mean, at any time, the sum of, without duplication, (a) the aggregate Stated Amount of all outstanding Letters of Credit and (b) the amount of all Unpaid Drawings in respect of all Letters of Credit.

"Letter of Credit Request" shall have the meaning specified in Section 2.4(a).

"Lien" shall mean any claim, mortgage, deed of trust, pledge, security interest, encumbrance, lien, or charge of any kind (including, without limitation, any agreement to give any of the foregoing, any conditional sale or

other title retention agreement or any lease in the nature thereof).

"Loan" or "Loans" shall mean a Loan or Loans, respectively, as the case may be, from the Banks to the Borrower made under this Agreement.

"Loan Documents" shall mean this Agreement, the Notes, the Letters of Credit, the Applications, the Guarantees and all instruments, certificates and agreements now or hereafter executed or delivered to the Agent, the Issuing Bank, or any Bank pursuant to any of the foregoing and the transactions connected therewith, and all amendments, modifications, renewals, extensions, increases and rearrangements of, and substitutions for, any of the foregoing.

"Majority Banks" shall mean at any time Banks holding at least 66 2/3% of the aggregate unpaid principal amounts outstanding under the Notes held by the Banks, or, if no such amounts are outstanding, Banks having at least 66 2/3% of the Commitments.

"Margin Stock" shall have the meaning assigned to such term in either Regulation U or Regulation G.

"Material Adverse Effect" means any material adverse effect on (a) the financial condition, business, properties or operations of the Borrower and its Restricted Subsidiaries, taken as a whole or (b) the ability of the Borrower or any Restricted Subsidiary to perform its respective obligations under this Agreement, any Note or any other Loan Document to which it is a party on a timely basis.

"Maturity Date" shall mean April 30, 2002.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate is making or accruing or has made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, which (i) is maintained for employees of the Borrower or an ERISA Affiliate and at least one entity other than the Borrower or an ERISA Affiliate or (ii) was so

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maintained and in respect of which the Borrower or an ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"NationsBank" shall have the meaning set forth in the preamble hereto.

"Non-Guaranteeing Restricted Subsidiary" shall have the meaning set forth in Section 9.7.

"Note" or "Notes" shall have the meaning set forth in Section 2.1(b) hereof.

"Notice of Borrowing" shall have the meaning set forth in Section 2.2(a) hereof.

"Notice of Rate Change/Continuation" shall have the meaning set forth in Section 3.1(a)(ii).

"Obligations" means all of the obligations of the Borrower and each Subsidiary now or hereafter existing under the Loan Documents, whether for principal, Unpaid Drawings, interest, fees, expenses, indemnification or otherwise.

"Officer's Certificate" shall mean a certificate signed in the name of the Borrower by a Responsible Officer.

"Other Taxes" shall have the meaning set forth in Section 4.6(b).

"PBGC" means the Pension Benefit Guaranty Corporation.

"PBGC Plan" means any Plan subject to Title IV of ERISA or Section 412 of the Code.

"Permitted Debt" shall have the meaning set forth in Section 10.2 hereof.

"Permitted Liens" means:

(a) Liens for current taxes, assessments or other governmental charges which are not delinquent or remain payable without any penalty, or the validity or amount of which is contested in good faith by appropriate proceedings; provided however, that any right to seizure, levy, attachment, sequestration, foreclosure or

garnishment with respect to Property of the Borrower or any Subsidiary by reason of such Lien has not matured, or has been and continues to be effectively enjoined or stayed;

(b) nonconsensual Liens imposed by operation of law, including, without limitation, landlord Liens for rent not yet due and payable, and Liens for materialmen, mechanics, warehousemen, carriers, employees, workmen, repairmen, current wages or accounts payable not yet delinquent and arising in the ordinary course of business;

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provided, however, that any right to seizure, levy, attachment, sequestration, foreclosure or garnishment with respect to Property of the Borrower or any Subsidiary by reason of such Lien has not matured, or has been, and continues to be, effectively enjoined or stayed;

(c) easements, rights-of-way, restrictions and other similar Liens or imperfections to title which do not materially interfere with the occupation, use and enjoyment by the Borrower or any Subsidiary of the Property encumbered thereby or materially impair the value of such Property subject thereto;

(d) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security, or (ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, performance or payment bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(e) Liens arising out of or in connection with any litigation or other legal proceeding which is being contested in good faith by appropriate proceedings; provided however, that any right to seizure, levy, attachment, sequestration, foreclosure or garnishment with respect to Property of the Borrower or any Subsidiary by reason of such Lien has not matured or has been, and continues to be, effectively enjoined or stayed; and

(f) UCC protective filings with respect to personal property leased to the Borrower or any Subsidiary.

"Person" shall mean an individual, partnership, joint venture, corporation, joint stock company, bank, trust, unincorporated organization and/or a government or any department or agency thereof.

"Plan" means any employee benefit plan within the meaning of Section 3(3) of ERISA, other than a Multiemployer Plan, maintained by the Borrower or any ERISA Affiliate.

"Prime Rate" means the per annum rate of interest established from time to time by NationsBank as its prime rate, which rate may not be the lowest rate of interest charged by NationsBank to its customers.

"Property" or "Properties" shall mean any interest or right in any kind of property or assets, whether real, personal, or mixed, owned or leased, tangible or intangible, and whether now held or hereafter acquired.

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"Pro Rata Percentage" shall mean with respect to any Bank, a fraction (expressed as a percentage), the numerator of which shall be the amount of such Bank's Commitment and the denominator of which shall be the aggregate amount of all the Commitments of the Banks, as adjusted from time to time in accordance with Section 4.7.

"Register" shall have the meaning set forth in Section 13.10(b).

"Reserve Requirement" means, at any time, the maximum rate at which reserves (including, without limitation, any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) by member banks of the Federal Reserve System against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (i) any category of liabilities which includes deposits by reference to which the Adjusted Eurodollar Rate is to be determined, or (ii) any category of extensions of credit or other assets which include Eurodollar Loans. The

Adjusted Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Reserve Requirement.

"Responsible Officer" means the Chairman of the Board, President, Vice President-Finance or the Treasurer of the Borrower.

"Restricted Investments" shall have the meaning set forth in Section 10.5.

"Restricted Payments" shall have the meaning set forth in Section 10.3.

"Restricted Subsidiary" shall mean the Subsidiaries designated as Restricted Subsidiaries on Schedule 7.17 attached hereto, together with any Subsidiary hereafter created or acquired and, at the time of creation or acquisition, not designated by the Board of Directors of the Borrower as an Unrestricted Subsidiary. Any Subsidiary designated as an Unrestricted Subsidiary for purposes of this Agreement may thereafter be designated as a Restricted Subsidiary upon 30 days' prior written notice to the Agent if, at the time of such designation and after giving effect thereto and after giving effect to the concurrent retirement of any Debt, (i) no Event of Default or Default shall have occurred and be continuing, (ii) such Subsidiary is organized under the laws of Canada, the United Kingdom or the United States or any state thereof, and (iii) 100% of each class of voting stock or other equity interests outstanding of such Subsidiary is owned by the Borrower or a wholly-owned Restricted Subsidiary.

"Securities Act" shall have the meaning set forth in Section 13.1.

"Similar Businesses" shall have the meaning set forth in Section 7.18.

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"Stated Amount" shall mean, as to each Letter of Credit, at any time, the maximum amount then available to be drawn thereunder (without regard to whether any conditions to drawing could then be met).

"Subordinated Debt" shall mean the indebtedness of the Borrower to the Subordinated Noteholders under the Subordinated Indenture and the "Securities" issued pursuant thereto (as such term is defined therein).

"Subordinated Indenture" shall mean that certain Indenture dated as of March 1, 1996, between the Borrower and Texas Commerce Bank National Association, as Trustee, relating to 5 1/4% Convertible Subordinated Notes due 2003, as the same may be amended, modified or restated from time to time.

"Subordinated Noteholder" means any "Holder", "Securityholder", "Holder of a Security", "indenture security holder" or "Security Holder," as such terms are defined in the Subordinated Indenture.

"Subsidiary" means any corporation of which the Borrower, either directly or indirectly through its wholly-owned Subsidiaries, owns at the time more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (whether or not at the time stock of any other class or classes of such corporation shall have, or might have, voting power by reason of the happening of any contingency); each partnership of which the Borrower or any Subsidiary is a general partner and each limited liability company in which the Borrower or any Subsidiary is a member or manager and owns, directly or indirectly, an aggregate interest of more than fifty percent (50%); and shall include any such corporation, partnership or limited liability company which shall become a Subsidiary after the date hereof.

"Taxes" shall have the meaning set forth in Section 4.6(a).

"Total Funded Debt" means, at any time as to the Borrower and the Guarantors and without duplication, an amount equal to the sum of (a) the aggregate principal amount of all Loans outstanding on such date plus (b) the aggregate principal amount of drawings under Letters of Credit which have not then been reimbursed pursuant to Section 2.6 hereof plus (c) the aggregate principal amount of all other outstanding indebtedness of the Borrower and the Guarantors of the type described in clauses (a)-(e) of the definition of "Debt" (excluding (i) trade accounts payable incurred in the ordinary course of business and (ii) any undrawn amounts under outstanding letters of credit).

"Type" shall mean, with respect to any Loan, any Base Rate Loan or any Eurodollar Loan.

"Unpaid Drawing" shall have the meaning specified in Section 2.6(a).

"Unrestricted Subsidiary" shall mean each corporate Subsidiary designated as an Unrestricted Subsidiary on Schedule 7.17 attached hereto, together with any corporate Subsidiary which is hereafter designated by the Board of Directors of the Borrower as an Unrestricted Subsidiary. Any corporate Subsidiary may be designated an Unrestricted Subsidiary upon 30 days' prior written notice to the Agent if, at the time of such designation and after giving effect thereto and after giving effect to the concurrent retirement of any Debt, (i) no Event of Default or Default shall have occurred and be continuing, and (ii) such Subsidiary does not own, directly or indirectly, any Debt or capital stock of, or other equity interest in, the Borrower or a Restricted Subsidiary.

"Unused Commitment" shall mean, as to each Bank, an amount equal to such Bank's Commitment minus such Bank's Pro Rata Percentage of outstanding Loans and Letter of Credit Outstandings at such time.

2. THE LOANS AND LETTERS OF CREDIT.

2.1. LOANS.

(a) Upon the terms and conditions and relying upon the representations and warranties herein set forth, each Bank severally agrees to make Loans to the Borrower on any one (1) or more Business Days prior to the Maturity Date, up to an aggregate principal amount of Loans not exceeding at any one time outstanding the amount set opposite such Bank's name on the signature pages hereof as such Bank's Commitment (such amount, as it may be reduced from time to time pursuant to Section 4.7 and Section 13.10 being such Bank's "Commitment"); provided, however, that after giving effect to any Loan, in no event shall the outstanding amount of all Loans made hereunder to the Borrower plus the Letter of Credit Outstandings at such time (in the case of Letter of Credit Outstandings denominated in Alternate Currencies, calculated, as of the date of such Loan, by reference to the Dollar Equivalent Value of such Letter of Credit Outstandings) exceed the Commitments of all the Banks. Within such limits and during such period and subject to the terms and conditions of this Agreement, the Borrower may borrow, repay and reborrow hereunder.

(b) The Borrower shall execute and deliver to the Agent for each Bank to evidence the Loans made by each Bank, a promissory note (each, as the same may be amended, modified or extended from time to time, a "Note"), which shall be (i) dated the Closing Date; (ii) in the principal amount of such Bank's Commitment; and (iii) in substantially the form attached hereto as Exhibit A, with the blanks appropriately filled. The outstanding principal balance of each Note shall be payable on the Maturity Date. Each Note shall bear interest on the unpaid principal amount thereof from time to time outstanding at the rate per annum determined as specified in Section 3, payable on each Interest Payment Date and at maturity, commencing with the first Interest Payment Date following the date of such Note.

(c) In the case of a proposed borrowing comprised of Eurodollar Loans, the Agent shall promptly notify each Bank of the applicable interest rate under Section 3.1. Each

Bank shall, before 11:00 a.m. (Houston time) on the Borrowing Date, make available for the account of its Applicable Lending Office to the Agent at the Agent's Domestic Lending Office, in same day funds, its Pro Rata Percentage of such borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Section 8, on the Borrowing Date the Agent shall make the borrowing available to the Borrower at its Domestic Lending Office in immediately available funds. Each Bank may, at its option, post on a schedule attached to its Note (x) the date and principal amount of each Loan made under such Note; (y) the rate of interest each such Loan will bear; and (z) each payment of principal thereon; provided, however, that any failure of such Bank to so mark such Note shall not affect the Borrower's obligations thereunder; and provided further that such Bank's records as to such matters shall be controlling, absent manifest error, whether or not such Bank has so marked such Note. Any deposit to the Borrower's demand deposit account by the Agent pursuant to a request (whether written or oral) believed by the Agent to be an authorized request by the Borrower for a Loan hereunder shall be deemed to be a Loan hereunder for all purposes with the same effect as if the Borrower had in fact requested the Agent to make such Loan.

2.2. BORROWING PROCEDURE.

(a) Each borrowing by the Borrower hereunder shall be (i) in the case of any Eurodollar Loan, in an aggregate amount of not less than \$3,000,000 or an integral multiple of \$500,000 in excess thereof; or (ii) in the case of any Base Rate Loan, in an aggregate amount of not less than \$500,000 or an integral multiple of \$250,000 in excess thereof. Each Loan shall be made upon prior written notice from the Borrower to the Agent in the form of Exhibit B hereto (the "Notice of Borrowing") delivered to the Agent not

later than 12:00 noon (Houston time) (i) on the third Business Day prior to the Borrowing Date, if such borrowing consists of Eurodollar Loans; and (ii) on the Borrowing Date, if such borrowing consists of Base Rate Loans. Each Notice of Borrowing shall be irrevocable and shall specify (i) the amount of the proposed borrowing and of each Loan comprising a part thereof; (ii) the Borrowing Date; (iii) the Type of Loan requested; (iv) with respect to any Eurodollar Loan, the Interest Period with respect to each such Loan and the Expiration Date of each such Interest Period (provided, that there shall not be more than ten (10) Interest Periods in effect at any one time under this Agreement); and (v) the demand deposit account of the Borrower at the Agent's Domestic Lending Office with which the proceeds of the borrowing are to be deposited. Promptly upon its receipt of a Notice of Borrowing, the Agent shall deliver by telefacsimile a copy thereof to each Bank. The Borrower may give the Agent telephonic notice by the required time of any proposed borrowing under this Section 2.2(a); provided, that such telephonic notice shall be promptly confirmed in writing by delivery to the Agent of a Notice of Borrowing. Neither the Agent nor any Bank shall incur any liability to the Borrower in acting upon any telephonic notice referred to above which the Agent believes in good faith to have been given by the Borrower or for otherwise acting in good faith under this Section 2.2(a).

(b) Unless the Agent shall have received notice from a Bank prior to the date of any borrowing that such Bank will not make available to the Agent such Bank's Pro Rata Percentage of such borrowing, the Agent may assume that such Bank has made such portion

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available to the Agent on the date of such borrowing in accordance with Section 2.1(c), and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made its Pro Rata Percentage available to the Agent, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, (i) in the case of the Borrower, at the interest rate applicable at the time to Loans comprising such borrowing, and (ii) in the case of such Bank, at the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan as part of such borrowing for purposes of this Agreement.

(c) The failure of any Bank to make the Loan to be made by it as part of any borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Loan on the date of such borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on the date of any borrowing.

2.3. LETTERS OF CREDIT.

(a) Subject to and upon the terms and conditions herein set forth, including, without limitation, the applicable terms and conditions set forth in Section 8 hereof, the Issuing Bank agrees that it will, at any time and from time to time on or after the Closing Date following its receipt of a Letter of Credit Request, issue for the account of the Borrower, in the name of the Borrower or any Restricted Subsidiary, one or more irrevocable standby or commercial letters of credit (all such letters of credit collectively, the "Letters of Credit"); provided, that the Issuing Bank shall not issue any Letter of Credit if at the time of such issuance:

(i) any order, judgment or decree of any governmental authority or arbitrator shall purport by its terms 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 request or 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

(ii) the Stated Amount of such Letter of Credit (in the case of Letters of Credit denominated in Alternate Currencies, calculated, as of the date of such issuance, by reference to the Dollar Equivalent Value of such Stated Amount) shall be greater than an amount which when added to the Letter of Credit Outstandings at such time (in the case of Letters of Credit denominated in Alternate Currencies, calculated, as of the date of such issuance, by reference to the Dollar Equivalent Value of such Letter of Credit Outstandings) and the aggregate principal amount of all Loans then outstanding (after giving effect to the principal amount of all Loans repaid and all Unpaid Drawings reimbursed prior to or concurrently with the issuance of such Letter of Credit) would

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exceed the Commitments of all the Banks (after giving effect to any reductions to the Commitments of all the Banks on such date); or

(iii) the Stated Amount of such Letter of Credit (in the case of Letters of Credit denominated in Alternate Currencies, calculated, as of the date of such issuance, by reference to the Dollar Equivalent Value of such Stated Amount) shall be greater than an amount which when added to the Letter of Credit Outstandings at such time (in the case of Letter of Credit Outstandings denominated in Alternate Currencies, calculated, as of the date of such issuance, by reference to the Dollar Equivalent Value of such Letter of Credit Outstandings) (after giving effect to the principal amount of all Unpaid Drawings reimbursed prior to or concurrently with the issuance of such Letter of Credit) would exceed \$20,000,000; or

(iv) the expiry date, or, in the case of any Letter of Credit containing an expiry date that is extendible at the option of the Issuing Bank, the initial expiry date of such Letter of Credit, is a date that is later than the earlier of (y) twelve (12) months from the issuance date or (z) the Maturity Date.

(b) The Issuing Bank shall neither renew nor permit the renewal of any Letter of Credit if any of the conditions precedent to such renewal set forth in Section 8 are not satisfied. The Existing Letters of Credit shall be deemed to have been issued hereunder. No Letter of Credit may be issued, or remain outstanding, for the benefit of an Unrestricted Subsidiary.

2.4. LETTER OF CREDIT REQUESTS.

(a) Whenever the Borrower desires that a Letter of Credit be issued for its account or that an existing expiry date shall be extended, it shall deliver to the Agent its prior written request therefor not later than 11:30 a.m. (Houston time) (i) in the case of a Letter of Credit to be issued, on at least the second (2nd) Business Day prior to the requested issuance date and (ii) in the case of the extension of the existing expiry date of any Letter of Credit, on at least the second (2nd) Business Day prior to the date on which the Issuing Bank must notify the beneficiary thereof that the Issuing Bank does not intend to extend such existing expiry date. Each such request shall be in the form of Exhibit C attached hereto (each a "Letter of Credit Request") and, in the case of the issuance of any Letter of Credit, shall be accompanied by an Application therefor, completed to the satisfaction of the Issuing Bank, and such other certificates, documents and other papers and information as the Issuing Bank or any Bank (through the Agent) may reasonably request. Subject to Section 2.9, each Letter of Credit shall, at the Borrower's option, be denominated in Dollars or an Alternative Currency, shall expire no later than the date specified in Section 2.3, shall not be in an amount greater than is permitted under Section 2.3(a) and shall be in such form as may be approved from time to time by the Issuing Bank and the Borrower. Promptly upon its receipt of a Letter of Credit Request, and, if applicable, the related Application, the Agent shall so notify the other Banks. It is agreed that an Application may be delivered by electronic transfer.

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(b) The making of each Letter of Credit Request shall be deemed to be a representation and warranty by the Borrower that such Letter of Credit may be issued in accordance with, and will not violate the requirements of, this Agreement. Unless the Issuing Bank has received notice from the Agent or any Bank before it issues the respective Letter of Credit or extends the existing expiry date of a Letter of Credit that one or more of the applicable conditions specified in Section 8 are not then satisfied, or that the issuance of such Letter of Credit would violate this Agreement, then the Issuing Bank may issue the requested Letter of Credit for the account of the Borrower in accordance with this Agreement and the Issuing Bank's usual and customary practices; provided, however, that the Issuing Bank shall not be required to issue any Letter of Credit earlier than two (2) Business Days after its receipt of the Letter of Credit Request and the related Application therefor and all other certificates, documents and other papers and information relating thereto. Upon its issuance of any Letter of Credit or the extension of the existing expiry date of any Letter of Credit, as the case may be, the Issuing Bank shall promptly notify the Borrower of such issuance or extension, which notice shall be accompanied by a copy of the Letter of Credit actually issued or a copy of any amendment extending the existing expiry date of any Letter of Credit, as the case may be. Promptly upon its receipt of such documents, the Agent shall notify each Bank of the issuance of such Letter of Credit or the extension of such expiry date, as the case may be, and upon the request of any Bank shall deliver copies of such documents to such Bank.

2.5. LETTERS OF CREDIT PARTICIPATIONS.

(a) Immediately upon the issuance by the Issuing Bank of each Letter of Credit, the Issuing Bank shall be deemed to have sold and transferred to each Bank, and each Bank shall be deemed irrevocably and unconditionally to have purchased and received from the Issuing Bank, without recourse or warranty, an undivided interest and participation, to the extent of

such Bank's Pro Rata Percentage, in each such Letter of Credit (including extensions of the expiry date thereof), each substitute letter of credit, each drawing made thereunder and the obligations of the Borrower under this Agreement and the other Loan Documents with respect thereto, and any security therefor or guaranty pertaining thereto.

(b) In determining whether to pay under any Letter of Credit, the Issuing Bank shall have no obligation relative to the Agent or the Banks other than to confirm that any documents required to be delivered under such Letter of Credit appear to have been delivered and that they appear to comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by the Issuing Bank under or in connection with any Letter of Credit if taken or omitted in the absence of gross negligence or willful misconduct shall not create for the Issuing Bank any resulting liability to the Agent or any Bank. It is the intent of the parties hereto that the Issuing Bank shall have no liability to the Agent or the Banks for its ordinary sole or contributing negligence.

(c) In the event that the Issuing Bank makes any payment under any Letter of Credit and the Borrower shall not have reimbursed such amount in full to the Issuing Bank pursuant to Section 2.6(a), the Agent shall promptly notify each Bank of such failure, and each

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Bank shall promptly and unconditionally pay to the Agent for the account of the Issuing Bank the amount of such Bank's Pro Rata Percentage of such unreimbursed payment in Dollars (in the case of Letters of Credit denominated in Alternate Currencies, calculated, as of the date of such payment, by reference to the Dollar Equivalent Value of such Letter of Credit) and in same day funds. If the Agent so notifies, prior to 11:30 a.m. (Houston time) on any Business Day, any Bank required to fund a payment under a Letter of Credit, such Bank shall make available to the Agent for the account of the Issuing Bank such Bank's Pro Rata Percentage of the amount of such payment on such Business Day in same day funds. If and to the extent such Bank shall not have so made its Pro Rata Percentage of the amount of such payment available to the Agent for the account of the Issuing Bank, such Bank agrees to pay to the Agent for the account of the Issuing Bank, forthwith on demand such amount, together with interest thereon, for each day from such date until the date such amount is paid to the Agent for the account of the Issuing Bank at the Federal Funds Rate. The failure of any Bank to make available to the Agent for the account of any Issuing Bank its Pro Rata Percentage of any payment under any Letter of Credit shall not relieve any other Bank of its obligation hereunder to make available to the Agent for the account of the Issuing Bank its Pro Rata Percentage of any payment under any Letter of Credit on the date required, as specified above, but no Bank shall be responsible for the failure of any other Bank to make available to the Agent for the account of such Issuing Bank such other Bank's Pro Rata Percentage of any such payment.

(d) Whenever the Issuing Bank receives a payment of a reimbursement obligation as to which the Agent has received for the account of the Issuing Bank any payments from the Banks pursuant to clause (c) above, the Issuing Bank shall pay to the Agent, and the Agent shall promptly pay to each Bank which has paid its Pro Rata Percentage thereof, in Dollars and in same day funds, an amount equal to such Bank's Pro Rata Percentage thereof.

(e) The obligations of the Banks to make payments to the Agent for the account of the Issuing Bank with respect to Letters of Credit shall be absolute and not subject to any qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(ii) the existence of any claim, setoff, defense or other right which the Borrower or any other Person may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Agent, the Issuing Bank, any Bank, or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between the Borrower or any other Party and the beneficiary named in any such Letter of Credit);

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(iii) any draft, certificate or any other document presented under the 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;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents;

(v) the occurrence of any Default or Event of Default; or

(vi) any other circumstance which might otherwise constitute a defense available to, or a discharge of, any Bank (other than the gross negligence or willful misconduct of the Issuing Bank).

(f) THE BANKS AGREE TO INDEMNIFY THE ISSUING BANK (TO THE EXTENT NOT REIMBURSED BY THE BORROWER), RATABLY ACCORDING TO THE RESPECTIVE PRO RATA PERCENTAGES, FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES OR DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER WHICH MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST THE ISSUING BANK IN ANY WAY RELATING TO OR ARISING OUT OF THIS AGREEMENT OR ANY LETTER OF CREDIT OR ANY ACTION TAKEN OR OMITTED BY THE ISSUING BANK UNDER THIS AGREEMENT OR ANY LETTER OF CREDIT; PROVIDED, THAT NO BANK SHALL BE LIABLE FOR ANY PORTION OF SUCH LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES OR DISBURSEMENTS RESULTING FROM THE ISSUING BANK'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

2.6. AGREEMENT TO REPAY LETTER OF CREDIT DRAWINGS.

(a) Upon the receipt by the Issuing Bank of any Drawing from a beneficiary under a Letter of Credit, the Issuing Bank promptly will provide the Borrower with telecopy notice thereof. The Borrower hereby agrees to reimburse the Issuing Bank by making payment to the Agent in immediately available funds in Dollars or the Alternate Currency, as the case may be, in which such Letter of Credit was denominated, at the Agent's Domestic Lending Office, for any payment made by the Issuing Bank under any Letter of Credit issued by it (each such amount so paid until reimbursed, an "Unpaid Drawing") immediately after, and in any event on the date of, such payment, with interest on the amount so paid by the Issuing Bank, to the extent not reimbursed prior to 2:00 p.m. (Houston time) on the date of such payment, from and including the date paid but excluding the date reimbursement is made as provided above, at a rate per annum equal to the lesser of (x) 2% above the Base Rate or (y) the Highest Lawful Rate, such interest to be payable on demand. Prior to the Maturity Date, unless otherwise paid by the Borrower, such Unpaid Drawing may (and, if the Majority Banks so desire, shall automatically), subject to satisfaction of the conditions precedent set forth in Sections 2.3 and 8, be paid with the proceeds of Loans which shall bear interest at an annual rate equal to the Base Rate, which rate the Borrower may in its discretion continue or convert pursuant to Section 3.1(a)(ii).

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(b) The Borrower's obligations under this Section 2.6 to reimburse the Issuing Bank with respect to Unpaid Drawings (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances (except as provided below with respect to the gross negligence or willful misconduct of the Issuing Bank) and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against any Bank (including the Issuing Bank in its capacity as the issuer of a Letter of Credit or any Bank as a participant therein), including any defense based upon the failure of any drawing under a Letter of Credit (each a "Drawing") to conform to the terms of the Letter of Credit (other than a defense based upon the gross negligence or willful misconduct of the Issuing Bank in determining whether such Drawing conforms to the terms of the Letter of Credit) or any non-application or misapplication by the beneficiary of the proceeds of such Drawing, including any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(ii) the existence of any claim, setoff, defense or other right which the Borrower or any other Person may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Agent, the Issuing Bank, any Bank, or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between the Borrower or any other Party and the beneficiary named in any such Letter of Credit);

(iii) any draft, certificate or any other document presented under the 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;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents;

(v) the occurrence of any Default or Event of Default; or

(vi) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Borrower (other than the gross negligence or willful misconduct of the Issuing Bank).

(c) The Borrower also agrees with the Issuing Bank, the Agent and the Banks that, in the absence of gross negligence or willful misconduct of the Issuing Bank, the Issuing Bank shall not be responsible for, and the Borrower's reimbursement obligations under Section 2.6(a) shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged or any dispute between or among the Borrower or any other

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Party and the beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower or any other Party against any beneficiary of such Letter of Credit or any such transferee.

(d) The Issuing Bank shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the Issuing Bank's gross negligence or willful misconduct. The Borrower agrees that any action taken or omitted by the Issuing Bank under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Customs and Practice for Documentary Credits (1994 Revision), International Chamber of Commerce, Publication No. 500 (and any subsequent revisions thereof approved by a Congress of the International Chamber of Commerce and adhered to by such Issuing Bank) and, to the extent not inconsistent therewith, the Uniform Commercial Code of the State of Texas, shall not result in any liability of the Issuing Bank to the Borrower or any other Party. It is the intent of the parties hereto that the Issuing Bank shall not have any liability under this Section 2.6 for the ordinary negligence of the Issuing Bank.

2.7. CONFLICT BETWEEN APPLICATIONS AND AGREEMENT. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall control.

2.8. INCREASED COSTS.

(a) Notwithstanding any other provision herein, but subject to Section 13.11, if any Law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards" or the introduction or effectiveness of any applicable law or regulation or any change in applicable Law or regulation or in the interpretation or administration thereof, or compliance by any Bank (or any lending office of such Bank) with any applicable guideline or request from any central bank or governmental authority (whether or not having the force of Law) either (i) shall impose, modify or make applicable any reserve, deposit, capital adequacy or similar requirement against letters of credit issued, or participated in, by any Bank, or (ii) shall impose on any Bank any other conditions affecting this Agreement or any Letter of Credit; and the result of any of the foregoing is to increase the cost to any Bank issuing, maintaining or participating in any Letter of Credit, or reduce the amount of any sum received or receivable by any Bank hereunder with respect to Letters of Credit, by an amount deemed by such Bank to be material, then, from time to time, the Borrower shall pay to the Agent for the account of such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction by such Bank.

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(b) Each Bank will notify the Borrower through the Agent of any event which will entitle such Bank to compensation pursuant to paragraph (a) above. A certificate of a Bank setting forth in reasonable detail such amount or amounts as shall be necessary to compensate such Bank as specified in paragraph (a) above may be delivered to the Borrower (through the Agent) and shall be conclusive absent manifest error. The Borrower shall pay to the Agent for the account of such Bank the amount shown as due on any such certificate within fifteen (15) days after its receipt of the same.

2.9. UNAVAILABILITY OF ALTERNATE CURRENCY. In the event that there shall occur on or prior to the date of the issuance of any Letter of Credit denominated in an Alternate Currency any material adverse change in

national or international financial, political or economic conditions or currency exchange rates or exchange controls which would in the opinion of the Agent make it impracticable for such Letter of Credit to be denominated in the Alternate Currency specified by the Borrower, then the Agent shall forthwith give notice thereof to the Borrower and the Banks, and such Letter of Credit shall not be issued on the requested issuance date.

3. INTEREST RATE PROVISIONS.

3.1. INTEREST RATE DETERMINATION.

(a) Except as specified in Sections 3.2, 3.3, 3.4 and 3.5, the Loans shall bear interest on the unpaid principal amount thereof from time to time outstanding, until maturity, at a rate per annum (calculated based on a year of 360 days in the case of the Eurodollar Rate, and a year of 365 or 366 days, as the case may be, in the case of the Base Rate, in each case for the actual days elapsed) as follows:

(i) The principal balance of the Loans from time to time outstanding shall bear interest at an annual rate equal to the lesser of (A) with respect to any Eurodollar Loan, the Adjusted Eurodollar Rate plus the Applicable Margin, and with respect to any Base Rate Loan, the Base Rate, as the case may be, with respect thereto or (B) the Highest Lawful Rate, from the first day to, but not including, (y) with respect to any Base Rate Loan, the Maturity Date and (z) with respect to any Eurodollar Loan, the Expiration Date of the Interest Period then in effect with respect thereto.

(ii) So long as no Default or Event of Default has occurred and is continuing, the Borrower may (y) change the interest rates to apply to any Loan or (z) elect to continue all or any part of the outstanding principal balance of any Eurodollar Loan as a Loan of such Type by giving the Agent an irrevocable written notice in the form of Exhibit D hereto (the "Notice of Rate Change/Continuation") specifying (A) the date on which such Loan was made; (B) the interest rate then applicable to such Loan; (C) with respect to any Eurodollar Loan, the Interest Period then applicable to each such Loan; (D) the principal amount of such Loan to remain outstanding; (E) the Type of Loan and, with respect to any Eurodollar Loan, the Interest Period to become applicable to such

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Loan on the effective date of the rate change or continuation; (F) the requested effective date of the rate change or continuation (the "Conversion/Continuation Date"); and (G) with respect to any Eurodollar Loan, the duration and Expiration Date of each such Interest Period. In the case of the conversion of all or any part of any Base Rate Loan into a Eurodollar Loan or the continuation of any Eurodollar Loan as a Loan of such Type, such notice must be received by the Agent at least three (3) full Business Days prior to the Conversion/Continuation Date, and otherwise at least one (1) full Business Day prior thereto. Each rate so specified shall become effective on the Conversion/Continuation Date and remain in effect until the expiration of the applicable Interest Period specified in such Notice of Rate Change/Continuation.

(iii) If the Borrower shall fail to choose, as provided in clause (ii) above, the rate of interest to become effective with respect to any Eurodollar Loan upon the Expiration Date of the Interest Period with respect thereto, such Loan shall bear interest at the Base Rate on and after such Expiration Date until the Borrower shall have so chosen a different rate.

(iv) Nothing contained herein shall authorize the Borrower (A) to convert any Loan into or continue any Loan as a Eurodollar Loan unless the Expiration Date of the Interest Period for such Loan occurs on or before the Maturity Date or (B) to continue or change the interest rates applicable to any Eurodollar Loan prior to the Expiration Date of the Interest Period with respect thereto.

(v) Notwithstanding anything set forth herein to the contrary (other than Section 13.11), if a Default has occurred and is continuing, and upon written notice to the Borrower from the Agent, each outstanding Loan shall bear interest at a rate per annum which shall be equal to the lesser of (x) 2% above the interest rate otherwise applicable thereto or (y) the Highest Lawful Rate, which interest shall be due and payable on demand.

(b) The Base Rate for each Base Rate Loan shall be determined by the Agent on the first day and on each day such Base Rate Loan shall be outstanding, or if such day is not a Business Day, on the next succeeding Business Day. The Eurodollar Rate for the Interest Period for each Eurodollar Loan shall be determined by the Agent two (2) Business Days before the first day of such Interest Period.

(c) Each determination of an applicable interest rate by the Agent shall be conclusive and binding upon the Borrower and the Banks in the absence of manifest error.

3.2. INCREASED COST AND REDUCED RETURN.

(a) If, after the date hereof, the adoption of any applicable law, rule, or regulation, or any change in any applicable law, rule, or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank, or

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comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such governmental authority, central bank, or comparable agency:

(i) shall subject such Bank (or its Applicable Lending Office) to any tax, duty, or other charge with respect to any Eurodollar Loans, its Note, or its obligation to make Eurodollar Loans, or change the basis of taxation of any amounts payable to such Bank (or its Applicable Lending Office) under this Agreement or its Note in respect of any Eurodollar Loans (other than taxes imposed on the overall net income of such Bank by the jurisdiction in which such Bank has its principal office or such Applicable Lending Office);

(ii) shall impose, modify, or deem applicable any reserve, special deposit, assessment, or similar requirement (other than the Reserve Requirement utilized in the determination of the Adjusted Eurodollar Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities or commitments of, such Bank (or its Applicable Lending Office), including the Commitment of such Bank hereunder; or

(iii) shall impose on such Bank (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting this Agreement or its Note or any of such extensions of credit or liabilities or commitments;

and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making, converting into, continuing, or maintaining any Eurodollar Loans or to reduce any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or its Note with respect to any Eurodollar Loans, then the Borrower shall pay to such Bank on demand such amount or amounts as will compensate such Bank for such increased cost or reduction, provided, that the Borrower will not be responsible for paying any amounts pursuant to this Section 3.2 accruing for a period greater than 180 days. If any Bank requests compensation by the Borrower under this Section 3.2(a), the Borrower may, by notice to such Bank (with a copy to the Agent), suspend the obligation of such Bank to make or continue Loans of the Type with respect to which such compensation is requested, or to convert Loans of any other Type into Loans of such Type, until the event or condition giving rise to such request ceases to be in effect (in which case the provisions of Section 3.5 shall be applicable); provided that such suspension shall not affect the right of such Bank to receive the compensation so requested.

(b) If, after the date hereof, any Bank shall have determined that the adoption of any applicable law, rule, or regulation regarding capital adequacy or any change therein or in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such

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governmental authority, central bank, or comparable agency, has or would have the effect of reducing the rate of return on the capital of such Bank or any corporation controlling such Bank as a consequence of such Bank's obligations hereunder to a level below that which such Bank or such corporation could have achieved but for such adoption, change, request, or directive (taking into consideration its policies with respect to capital adequacy), then from time to time upon demand the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction, provided, that the Borrower will not be responsible for paying any amounts pursuant to this Section 3.2 accruing for a period greater than 180 days.

(c) Each Bank shall promptly notify the Borrower and the Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section and will

designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to it. Any Bank claiming compensation under this Section shall do so in good faith on a nondiscriminatory basis, and shall furnish to the Borrower and the Agent a statement setting forth the additional amount or amounts to be paid to it hereunder which shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

3.3. LIMITATION ON TYPES OF LOANS. If on or prior to the first day of any Interest Period for any Eurodollar Loan:

(a) the Agent determines (which determination shall be conclusive) that by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period; or

(b) the Required Banks determine (which determination shall be conclusive) and notify the Agent that the Adjusted Eurodollar Rate plus the Applicable Margin will not adequately and fairly reflect the cost to the Banks of funding Eurodollar Loans for such Interest Period;

then the Agent shall give the Borrower prompt notice thereof specifying the relevant Type of Loans and the relevant amounts or periods, and so long as such condition remains in effect, the Banks shall be under no obligation to make additional Loans of such Type, continue Loans of such Type, or to convert Loans of any other Type into Loans of such Type and the Borrower shall, on the last day(s) of the then current Interest Period(s) for the outstanding Loans of the affected Type, either prepay such Loans or convert such Loans into another Type of Loan in accordance with the terms of this Agreement.

3.4. ILLEGALITY. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Bank or its Applicable Lending Office to make, maintain, or fund Eurodollar Loans hereunder, then such Bank shall promptly notify the Borrower thereof and such Bank's obligation to make or continue Eurodollar Loans and to convert other Types of Loans into Eurodollar Loans shall be suspended until such time as such Bank may again

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make, maintain, and fund Eurodollar Loans (in which case the provisions of Section 3.5 shall be applicable).

3.5. TREATMENT OF AFFECTED LOANS. If the obligation of any Bank to make a Eurodollar Loan or to continue, or to convert Loans of any other Type into, Loans of a particular Type shall be suspended pursuant to Section 3.2 or 3.4 hereof (Loans of such Type being herein called "Affected Loans" and such Type being herein called the "Affected Type"), such Bank's Affected Loans shall be automatically converted into Base Rate Loans on the last day(s) of the then current Interest Period(s) for Affected Loans (or, in the case of a conversion required by Section 3.4 hereof, on such earlier date as such Bank may specify to the Borrower with a copy to the Agent) and, unless and until such Bank gives notice as provided below that the circumstances specified in Section 3.2 or 3.4 hereof that gave rise to such conversion no longer exist:

(a) to the extent that such Bank's Affected Loans have been so converted, all payments and prepayments of principal that would otherwise be applied to such Bank's Affected Loans shall be applied instead to its Base Rate Loans; and

(b) all Loans that would otherwise be made or continued by such Bank as Loans of the Affected Type shall be made or continued instead as Base Rate Loans, and all Loans of such Bank that would otherwise be converted into Loans of the Affected Type shall be converted instead into (or shall remain as) Base Rate Loans.

If such Bank gives notice to the Borrower (with a copy to the Agent) that the circumstances specified in Section 3.2 or 3.4 hereof that gave rise to the conversion of such Bank's Affected Loans pursuant to this Section 3.5 no longer exist (which such Bank agrees to do promptly upon such circumstances ceasing to exist) at a time when Loans of the Affected Type made by other Banks are outstanding, such Bank's Base Rate Loans shall be automatically converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding Loans of the Affected Type, to the extent necessary so that, after giving effect thereto, all Loans held by the Banks holding Loans of the Affected Type and by such Bank are held pro rata (as to principal amounts, Types, and Interest Periods) in accordance with their respective Commitments.

3.6. COMPENSATION. Upon the request of any Bank, the Borrower shall pay to such Bank such amount or amounts as shall be sufficient (in the reasonable opinion of such Bank) to compensate it for any loss, cost, or expense (including loss of anticipated profits) incurred by it as a result

(a) any payment, prepayment, or conversion of a Eurodollar Loan for any reason (including, without limitation, the acceleration of the Loans pursuant to Section 11) on a date other than the last day of the Interest Period for such Eurodollar Loan; or

(b) any failure by the Borrower for any reason (including, without limitation, the failure of any condition precedent specified in Article 8 to be satisfied) to borrow,

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convert, continue, or prepay a Eurodollar Loan on the date for such borrowing, conversion, continuation, or prepayment specified in the relevant notice of borrowing, prepayment, continuation, or conversion under this Agreement.

3.7. SURVIVAL. The agreements contained in Article 3 shall survive the termination of this Agreement and the payment in full of the Notes and all other amounts payable hereunder for a period of 180 days thereafter.

4. PREPAYMENTS AND OTHER PAYMENTS.

4.1. REQUIRED PREPAYMENTS. The Borrower agrees that if at any time it or the Agent determines that the aggregate principal amount of Loans outstanding plus the Letter of Credit Outstandings (in the case of Letter of Credit Outstandings denominated in Alternate Currencies, calculated by reference to the Dollar Equivalent Value of such Letter of Credit Outstandings) exceeds the Commitments, the Borrower will make a prepayment of principal in an amount at least equal to such excess, together with interest accrued thereon to the date of such prepayment and all amounts due, if any, under Section 3.6. Failure to make such payment when due shall constitute an Event of Default under Section 11.2.

4.2. OPTIONAL PREPAYMENTS. The Borrower shall have the right at any time and from time to time to prepay the Notes, in whole or in part; provided, that each partial prepayment (i) of any Eurodollar Loans shall be in an aggregate principal amount of at least \$1,000,000 or an integral multiple of \$500,000 in excess thereof, and (ii) of any Base Rate Loans shall be in an aggregate principal amount of at least \$500,000 or an integral multiple of \$50,000 in excess thereof, in each case, together with interest accrued thereon to the date of such prepayment and all amounts due, if any, under Section 3.6.

4.3. NOTICE OF PAYMENTS. The Borrower shall give the Agent at least three (3) Business Days' prior written notice of each prepayment proposed to be made by it pursuant to Section 4.2, specifying the principal amount of the Loans to be prepaid, the prepayment date and the account of the Borrower to be charged if such prepayment is to be so effected. Notice of such prepayment having been given, the principal amount of the Loans specified in such notice, together with interest thereon to the date of prepayment, shall become due and payable on such prepayment date. If the Borrower pays or prepays any Eurodollar Loan prior to the end of the Interest Period applicable thereto, such payment shall be subject to Section 3.6.

4.4. PLACE OF PAYMENT OR PREPAYMENT. All payments and prepayments made in accordance with the provisions of this Agreement or of the Notes in respect of commitment fees or of principal or interest on the Notes shall be made to the Agent for the account of the relevant Bank at its Domestic Lending Office no later than 12:00 Noon (Houston time) in immediately available funds. Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make any payment due hereunder in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such

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assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due to such Bank. If and to the extent such Borrower shall not have so made such payment in full to the Agent, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate. If and to the extent that the Agent receives any payment or prepayment from the Borrower and fails to distribute such payment or prepayment to the Banks ratably on the basis of their respective Pro Rata Percentage on the day the Agent receives such payment or prepayment, and such distribution shall not be so made by the Agent in full on the required day, the Agent shall pay to each Bank such Bank's Pro Rata Percentage thereof together with interest thereon at the Federal Funds Rate for each day from the date such

amount is paid to the Agent by the Borrower until the date the Agent pays such amount to such Bank. Notwithstanding the Agent's failure to so distribute any such payment, as between the Borrower and the Banks, such payment shall be deemed received and collected.

4.5. NO PREPAYMENT PREMIUM OR PENALTY. Each prepayment pursuant to Section 4.1 or 4.2 shall be without premium or penalty.

4.6. TAXES.

(a) Subject to Section 13.11, any and all payments by the Borrower hereunder or under any other Loan Document to or for the account of any Bank or the Agent shall be made free and clear of and without deduction for any and all present or future taxes, deductions, charges or withholdings, and all liabilities with respect thereto, including, without limitation, such taxes, deductions, charges, withholdings or liabilities whatsoever, excluding, in the case of each Bank and Agent, taxes imposed on its net income (including penalties and interest payable in respect thereof), and franchise taxes imposed on it, by the jurisdiction under the laws of which such Bank or Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Bank, taxes imposed on its net income (including penalties and interest payable in respect thereof), and franchise taxes imposed on it, by the jurisdiction of such Bank's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). In the case of a Bank that is a domestic corporation, within the meaning of Section 7701 of the Code, the taxes that are imposed by the United States of America and that are identified in the preceding sentence are the taxes that are imposed by Section 11, Section 55 and Section 59A of the Code, or by any comparable provision of future law. Subject to Section 13.11 hereof, if the Borrower shall be required by Law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or Agent (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4.6) such Bank or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Law and (iv) the Borrower shall confirm that all applicable Taxes, if any, imposed on it by virtue of the transactions under this Agreement have been properly and legally paid by it to the

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appropriate taxing authorities by sending official tax receipts or notarized copies of such receipts to such Bank within thirty (30) days after payment of any applicable tax.

(b) In addition, subject to Section 13.11 hereof, the Borrower agrees to pay 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 under the Notes or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Document (hereinafter referred to as "Other Taxes").

(c) SUBJECT TO SECTION 13.11 HEREOF, THE BORROWER WILL INDEMNIFY EACH BANK AND AGENT FOR THE FULL AMOUNT OF TAXES OR OTHER TAXES (INCLUDING, WITHOUT LIMITATION, ANY TAXES OR OTHER TAXES IMPOSED BY ANY JURISDICTION ON AMOUNTS PAYABLE UNDER THIS SECTION 4.6) PAID BY SUCH BANK OR AGENT (ON THEIR BEHALF OR ON BEHALF OF ANY BANK) (AS THE CASE MAY BE) AND ANY LIABILITY (INCLUDING PENALTIES, INTEREST AND EXPENSES) ARISING THEREFROM OR WITH RESPECT THERETO, WHETHER OR NOT SUCH TAXES OR OTHER TAXES WERE CORRECTLY OR LEGALLY ASSERTED. THIS INDEMNIFICATION SHALL BE MADE WITHIN THIRTY (30) DAYS FROM THE DATE SUCH BANK OR AGENT (AS THE CASE MAY BE) MAKES WRITTEN DEMAND THEREFOR.

(d) Each Bank organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank listed on the signature pages hereof and on or prior to the date on which it becomes a Bank in the case of each other Bank, and from time to time thereafter if requested in writing by the Borrower or the Agent (but only so long as such Bank remains lawfully able to do so), shall provide the Borrower and the Agent with (1) Internal Revenue Service Form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States, (ii) Internal Revenue Service Form W-8 or W-9, as appropriate, or any successor form prescribed by the Internal Revenue Service, and (iii) any other form or certificate required by any taxing authority (including any certificate required by Sections 871(h) and 881(c) of the Internal Revenue Code), certifying that such Bank is entitled to an exemption from or a reduced rate of tax on payments pursuant to this Agreement or any of the other Loan Documents.

(e) For any period with respect to which a Bank has failed to provide the Borrower and the Agent with the appropriate form pursuant to Section 4.6(d) (unless such failure is due to a change in treaty, law, or regulation occurring subsequent to the date on which a form originally was required to be provided), such Bank shall not be entitled to indemnification under Section 4.6 with respect to Taxes imposed by the United States; provided, however, that should a Bank, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(f) If the Borrower is required to pay additional amounts to or for the account of any Bank pursuant to this Section 4.6, then such Bank will agree to use reasonable efforts to

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change the jurisdiction of its Applicable Lending Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Bank, is not otherwise disadvantageous to such Bank.

(g) Within thirty (30) days after the date of any payment of Taxes, the Borrower shall furnish to the Agent the original or a certified copy of a receipt evidencing such payment.

(h) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreement and obligations of the Borrower contained in this Section 4.6 shall survive the payment in full of principal and interest hereunder and under the Notes.

4.7. REDUCTION OR TERMINATION OF THE COMMITMENTS. The Borrower may at any time or from time to time reduce or terminate the Commitment of each Bank by giving not less than three (3) full Business Days' prior written notice to such effect to the Agent; provided, that any partial reduction shall be in an amount of not less than \$5,000,000 or an integral multiple of \$5,000,000 in excess thereof. Promptly after the Agent's receipt of such notice of reduction, the Agent shall notify each Bank of the proposed reduction and such reduction shall be effective on the date specified in Borrower's notice with respect to such reduction and shall reduce the Commitment of each Bank proportionately in accordance with its Pro Rata Percentage. After each such reduction, the commitment fee shall be calculated upon the aggregate Commitments as so reduced. The Commitment of each Bank shall automatically terminate on the Maturity Date or in the event of acceleration of the maturity date of the Notes. Each reduction of the Commitments hereunder shall be irrevocable.

4.8. PAYMENTS ON BUSINESS DAY. Whenever any payment or prepayment hereunder or under any Note shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest; provided, however, if such extension would cause payment of interest on or principal of Eurodollar Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

5. COMMITMENT FEE AND OTHER FEES.

5.1. COMMITMENT FEE. The Borrower agrees to pay to the Agent for the account of each Bank a commitment fee computed on a daily basis of a year of 360 days from the Closing Date to, but not including, the Maturity Date, at the Applicable Margin per annum on the daily average amount of such Bank's Unused Commitment, such commitment fee to be payable in arrears 61 days after the end of each fiscal quarterly period, beginning with the quarterly period ended August 2, 1997 and (b) the earlier of the Maturity Date or the termination of the Commitments.

5.2. ARRANGEMENT FEE. The Borrower agrees to pay to NationsBank Capital Markets, Inc. for its own account the fees set forth in that certain fee letter of even date herewith between NationsBank Capital Markets, Inc. and the Borrower.

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5.3. UPFRONT FEES. The Borrower agrees to pay to each Bank (other than NationsBank) for its own account the fees set forth in those certain fee letters of even date herewith between each such Bank and the Borrower.

5.4. ADMINISTRATIVE AGENCY FEE. The Borrower agrees to pay to the Agent for its own account the fees set forth in that certain fee letter of even date herewith between the Borrower and the Agent.

5.5. LETTER OF CREDIT FEES. (a) The Borrower agrees to

pay the Agent for distribution to the Banks (based upon their respective Pro Rata Percentage) a fee in respect of each Letter of Credit issued for the account of such Borrower (the "Letter of Credit Fee"), equal to the greater of (i) amount to be computed at a rate per annum equal to the Applicable Margin on the Stated Amount of such Letter of Credit and (ii) \$250.00.

(b) The Borrower agrees to pay to the Issuing Bank for its own account a fronting fee for each Letter of Credit issued hereunder, equal to an amount to be computed at a rate per annum equal to .10% on the Stated Amount of such Letter of Credit.

(c) Fees due to the Agent and the Issuing Bank pursuant to this Section 5.4 shall be computed on the basis of a year of 360 days and shall be due and payable in arrears 61 days after the end of each fiscal quarterly period, the first such payment to be made on the first such payment date for which such Letter of Credit is outstanding hereunder for which no such fees shall heretofore have been paid, and on the date such Letter of Credit expires.

5.6. FEES NOT INTEREST; NONPAYMENT. The fees described in this Agreement represent compensation for services rendered and to be rendered separate and apart from the lending of money or the provision of credit and do not constitute compensation for the use, detention, or forbearance of money, and, subject to Section 13.11, the obligation of the Borrower to pay each fee described herein shall be in addition to, and not in lieu of, the obligation of the Borrower to pay interest, other fees described in this Agreement, and expenses otherwise described in this Agreement. Fees shall be payable when due in Dollars and in immediately available funds. Subject to Section 13.11 hereof, all fees, including, without limitation, the commitment fee referred to in Section 5.1, shall be non-refundable, and shall, to the fullest extent permitted by Law, bear interest, if not paid when due, at a rate per annum equal to the lesser of (a) 2% above the Base Rate or (b) the Highest Lawful Rate.

6. APPLICATION OF PROCEEDS. The Borrower agrees that the proceeds of the Loans shall be used for (i) repayment in full of the Existing Credit Agreement, (ii) Acquisitions permitted under Section 10.13, and (iii) general corporate purposes and working capital needs.

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7. REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants that:

7.1. ORGANIZATION AND QUALIFICATION. The Borrower and each Restricted Subsidiary (a) is duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization; (b) has the power and authority to own its properties and to carry on its business as now conducted; and (c) is duly qualified to do business and is in good standing in every jurisdiction where such qualification is necessary and where failure to be so qualified would have a Material Adverse Effect.

7.2. FINANCIAL STATEMENTS. The Borrower has furnished the Banks with its certified consolidated audited financial statements for the Fiscal Year 1996, including balance sheets, income and cash flow statements. The statements described above have been prepared in conformity with GAAP. The statements described above fully and fairly reflect the consolidated financial condition of the Borrower and its Subsidiaries and the results of their operations as at the dates and for the periods indicated. As of the Closing Date, there has been no event since February 1, 1997 which could reasonably be expected to have a Material Adverse Effect. As of the Closing Date, there exists no material contingent liabilities or obligations of the Borrower or any of its Subsidiaries which are not fully disclosed in such financial statements or disclosed by the Borrower to the Agent in writing.

7.3. LITIGATION. There is no action or proceeding pending (or, to the best knowledge of the Borrower, threatened) against the Borrower or any Subsidiary thereof before any court, administrative agency or arbitrator which could reasonably be expected to have a Material Adverse Effect.

7.4. DEFAULT. Neither the Borrower nor any Subsidiary thereof is in default under or in violation of (i) the provisions of any instrument evidencing any Debt or of any agreement relating thereto; or (ii) any judgment, order, writ, injunction or decree of any court or any order, regulation or demand of any Governmental Authority, which default or violation could reasonably be expected to have a Material Adverse Effect. There is in effect no waiver or waivers with respect to any loan agreement, indenture, mortgage, security agreement, lease or other agreement or obligation to which the Borrower or any Restricted Subsidiary thereof is a party which is limited as to duration or is subject to the fulfillment of any condition which if not in effect could reasonably be expected to have a Material Adverse Effect.

7.5. TITLE TO PROPERTIES. The Borrower and each Restricted Subsidiary have good and indefeasible title to its respective material real Properties, and good and marketable title to its respective material personal Property, in each case, purported to be owned by it, free of

any Liens except those permitted in Section 10.1. All Leases necessary for the conduct of the business of the Borrower and each Restricted Subsidiary are valid and subsisting and are in full force and effect.

7.6. PAYMENT OF TAXES. The Borrower and each Subsidiary thereof has filed or caused to be filed all federal, state and foreign income tax returns which are required to be filed, and has paid or caused to be paid all taxes as shown on such returns or on any assessment

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received by it to the extent that such taxes have become due, except for such taxes and assessments as are being contested in good faith in appropriate proceedings and reserved for in accordance with GAAP in the manner required by Section 9.10.

7.7. CONFLICTING OR ADVERSE AGREEMENTS OR RESTRICTIONS. Neither Borrower nor any Subsidiary thereof is a party to any contract or agreement or subject to any restriction which could reasonably be expected to have a Material Adverse Effect. Neither the execution and delivery of the Loan Documents nor the consummation of the transactions contemplated thereby nor fulfillment of and compliance with the respective terms, conditions and provisions thereof will conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation or imposition of any Lien on any of the Property of the Borrower or any Subsidiary thereof pursuant to, (a) the charter or bylaws of the Borrower or any Subsidiary thereof; (b) any Law or any regulation of any Governmental Authority; (c) any order, writ, injunction or decree of any court; or (d) the terms, conditions or provisions of any contract or agreement to which the Borrower or any Subsidiary thereof is a party or by which it is bound or to which it is subject.

7.8. AUTHORIZATION, VALIDITY, ETC. The Borrower and each Subsidiary thereof has the power and authority to make, execute, deliver and carry out the Loan Documents to which it is a party and the transactions contemplated therein and to perform its obligations thereunder and all such action has been duly authorized by all necessary proceedings on its part. The Loan Documents to which it is a party have been duly and validly executed and delivered by the Borrower and each Subsidiary thereof and constitute valid and legally binding agreements of the Borrower and each Subsidiary thereof enforceable in accordance with their respective terms, except as limited by Debtor Laws.

7.9. INVESTMENT COMPANY ACT NOT APPLICABLE. Neither Borrower nor any Subsidiary thereof is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

7.10. PUBLIC UTILITY HOLDING COMPANY ACT NOT APPLICABLE. Neither Borrower nor any Subsidiary thereof is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company", or an affiliate of a "subsidiary company" of a "holding company", or a "public utility", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

7.11. MARGIN STOCK. Neither the Borrower nor any Subsidiary thereof is engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Loan will be used (a) to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock; (b) to reduce or retire any Debt which was originally incurred to purchase or carry any such Margin Stock; (c) for any other purpose which might constitute this transaction a "purpose credit" within the meaning of Regulation G, T, U or X; or (d) to acquire any security of any Person who is subject to Sections 13 and 14 of the Securities Exchange Act. After applying the proceeds of each Loan, not more than twenty-five percent (25%) of the value (as determined by any reasonable method) of the Borrower's assets is represented by Margin Stock. Neither the

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Borrower nor any Subsidiary thereof, nor any Person acting on behalf of the Borrower or any Subsidiary, has taken or will take any action which might cause any Loan Document to violate Regulation G, T, U or X or any other regulation of the Board of Governors of the Federal Reserve System.

7.12. ERISA. Neither the Borrower nor any ERISA Affiliate has ever established, maintained, contributed to or been obligated to contribute to, and neither the Borrower and each ERISA Affiliate nor any ERISA Affiliate has any liability or obligation with respect to any PBGC Plan, Multiemployer Plan or Multiple Employer Plan. Neither the Borrower nor any ERISA Affiliate has any present intention to establish a PBGC Plan, a Multiemployer Plan or a Multiple Employer Plan. Neither the Borrower nor any

ERISA Affiliate has ever established, maintained, contributed to or been obligated to contribute to any employee welfare benefit plan (as defined in Section 3(1) of ERISA) which provides benefits to retired employees (other than as required by Section 601 of ERISA). The Borrower and each ERISA Affiliate is in compliance in all material respects with all applicable provisions of ERISA and the Code with respect to each Plan, including the fiduciary provisions thereof, and each Plan is, and has been, maintained in compliance in all material respects with ERISA and, where applicable, the Code. Full payment when due has (and, on the Closing Date will have) been made of all amounts which the Borrower and each ERISA Affiliate is required under the terms of each Plan or applicable law to have paid as contributions to such Plan as of the date hereof.

7.13. FULL DISCLOSURE. All information heretofore or contemporaneously furnished by or on behalf of the Borrower or any Subsidiary thereof in writing to the Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all other such information hereafter furnished by or on behalf of the Borrower or any Subsidiary thereof in writing to the Agent or any Bank will be, (a) true and accurate in all material respects on the date as of which such information is dated or certified and (b) taken as a whole with all such written information provided to the Agent or any Bank, not incomplete by omitting to state any material fact necessary to make such information not misleading in light of the circumstances under which such information was provided. There is no fact known to the Borrower or any Subsidiary which is reasonably likely to have a Material Adverse Effect, which has not been disclosed herein or in such other written documents, information or certificates furnished to the Agent and the Banks for use in connection with the transactions contemplated hereby.

7.14. ENVIRONMENTAL MATTERS. (a) Neither the Borrower nor any Subsidiary thereof (i) has received any summons, citation, directive, letter, notice or other form of communication, or otherwise learned of any claim, demand, action, event, condition, report or investigation indicating or concerning any potential or actual liability which would individually, or in the aggregate, have a Material Adverse Effect arising in connection with (A) any noncompliance with, or violation of, the requirements of any Environmental Protection Statute; (B) the release, or threatened release, of any Hazardous Materials into the environment; or (C) the existence of any Environmental Lien on any Property of the Borrower or any Subsidiary; or (ii) has any actual or, to its knowledge, threatened liability to any Person under any

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Environmental Protection Statute which would, individually or in the aggregate, have a Material Adverse Effect.

(b) The Borrower and each Subsidiary thereof has obtained all consents, licenses or permits which are required under all Environmental Protection Statutes (including, without limitation, laws relating to emissions, discharges, releases or threatened releases of Hazardous Materials into the environment (including, without limitation, air, surface water, ground water or land) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials), except to the extent that failure to have or obtain any such consent, license or permit does not have a Material Adverse Effect. The Borrower and each Subsidiary thereof is in compliance with all terms and conditions of the consents, licenses or permits required to be obtained by it, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in those laws or contained in any regulation, code, plan, order, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent that failure to comply does not have a Material Adverse Effect.

7.15. PERMITS AND LICENSES. All material permits, licenses and other Governmental Approvals necessary for the Borrower and its Restricted Subsidiaries to carry on their respective businesses have been obtained and are in full force and effect and neither the Borrower nor any Subsidiary is in material breach of the foregoing. The Borrower and each Restricted Subsidiary thereof own, or possess adequate licenses or other valid rights to use, United States trademarks, trade names, service marks, copyrights, patents and applications therefore which are material to the conduct of the business, operations or financial condition of the Borrower or such Restricted Subsidiary.

7.16. SOLVENCY. As of the Closing Date, upon giving effect to the issuance of the Notes and the execution of the Loan Documents by the Borrower and each Subsidiary which is a party thereto, the following are true and correct:

(a) The fair saleable value of the assets of the Borrower and each Subsidiary exceeds the amount that will be required to be paid on, or in respect of, the existing debts and other liabilities (including, without limitation, pending or overtly threatened litigation in amounts in excess of effective insurance coverage and all other contingent liabilities) of the Borrower and each Subsidiary

as they mature;

(b) The assets of the Borrower and each Subsidiary do not constitute unreasonably small capital for it to carry out its business as now conducted and as proposed to be conducted including its capital needs, taking into account the particular capital requirements of the business conducted by it, and projected capital requirements and capital availability thereof; and

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(c) Neither the Borrower, nor any Subsidiary, intends to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be received by the Borrower and such Subsidiary, as the case may be, and of amounts to be payable on or in respect of debt of the Borrower and such Subsidiary, as the case may be).

7.17. CAPITAL STRUCTURE. As of the Closing Date, the Borrower owns the percentage of all classes of stock of each Subsidiary and the stock ownership of each such Subsidiary and the stock ownership of Borrower as of the date hereof is as set forth on Schedule 7.17 attached hereto. Except for the Subsidiaries described on Schedule 7.17 or as otherwise notified to the Agent in writing pursuant to Section 9.1(k), the Borrower has no other Subsidiaries. As of the Closing Date, Borrower has no partnership or joint venture interests in any other Person except as set forth in Schedule 7.17. All of the issued and outstanding shares of capital stock of the Borrower and each Subsidiary are fully paid and nonassessable.

7.18. INSURANCE. The Borrower and each Subsidiary maintain insurance of such types as is usually carried by corporations of established reputation engaged in the same or similar business and which are similarly situated ("Similar Businesses") with financially sound and reputable insurance companies and associations (or as to workers' compensation or similar insurance, in an insurance fund or by self-insurance authorized by the jurisdiction in which its operations are carried on), and in such amounts as such insurance is usually carried by Similar Businesses.

7.19. COMPLIANCE WITH LAWS. The business and operations of the Borrower and each Restricted Subsidiary as conducted at all times have been and are in compliance in all material respects with all applicable Laws.

7.20. NO CONSENT. No authorization or approval or other action by, and no notice to or filing with, any Person or any Governmental Authority is required for the due execution, delivery and performance by the Borrower or any Subsidiary thereof of this Agreement or any other Loan Document to which it is a party, the borrowings hereunder or issuance of Letters of Credit, in each case as contemplated herein, or the effectuation of the transactions contemplated under any Loan Document to which it is a party.

7.21. SUBORDINATED DEBT. The Obligations constitute "Senior Indebtedness" and "Designated Senior Indebtedness" as such terms are defined in the Subordinated Indenture.

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8. CONDITIONS.

8.1. CONDITIONS TO EFFECTIVENESS OF AGREEMENT. The effectiveness of Agreement is subject to the following conditions:

(a) Approvals. The Borrower shall have obtained all orders, approvals or consents of all Persons required for the execution, delivery and performance by the Borrower and each Subsidiary of each Loan Document to which it is a party.

(b) Compliance with Law. The business and operations of the Borrower and each Subsidiary as conducted at all times relevant to the transactions contemplated by this Agreement to and including the close of business on the Closing Date shall have been and shall be in compliance (other than any failure to be in compliance that does not result in a Material Adverse Effect) with all applicable Laws. No Law shall prohibit the transactions contemplated by the Loan Documents. No order, judgment or decree of any Governmental Authority, and no action, suit, investigation or proceeding pending or threatened in any court or before any arbitrator or Governmental Authority that purports to affect the Borrower or any Subsidiary, shall exist that could reasonably be expected to have a Material Adverse Effect.

(c) Officer's Certificate. On the Closing Date, the Agent shall have received a certificate dated the Closing Date of a Responsible Officer of the Borrower (with a copy thereof for each Bank) certifying that (i) except as disclosed by the Borrower to the

Agent in writing, there has not occurred a material adverse change in the business, assets, operations, condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries or in the facts and information regarding such Persons as represented in the Borrower's most recent quarterly financial statements dated February 1, 1997, (ii) the Borrower and its Subsidiaries are in compliance with all existing financial obligations, and (iii) no Default or Event of Default shall have occurred and be continuing.

(d) Insurance. On the Closing Date, the Agent shall have received all such information as the Agent shall reasonably request concerning the insurance maintained by the Borrower and each Subsidiary.

(e) Payment of Fees and Expenses. Payment of (i) all fees due and owing and described in Section 5 hereof and (ii) the reasonable expenses of, or incurred by, the Agent and counsel, to the extent billed as of the Closing Date, to and including the Closing Date in connection with the negotiation and closing of the transactions contemplated herein.

(f) Fee Letters. The Borrower shall have executed and delivered the fee letters described in Sections 5.2 and 5.3.

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(g) Required Documents and Certificates. On the Closing Date, the Banks shall have received the following, in each case in form, scope and substance satisfactory to the Banks:

(i) this Agreement;

(ii) the Notes;

(iii) the Guaranty of each Restricted Subsidiary existing as of the Closing Date;

(iv) an Officer's Certificate from the Borrower and each Subsidiary dated as of the Closing Date certifying, inter alia, (A) Articles of Incorporation or Bylaws (or equivalent corporate documents), as amended and in effect of such Person; (B) resolutions duly adopted by the Board of Directors of such Person authorizing the transactions contemplated by the Loan Documents to which it is a party and (C) the incumbency and specimen signatures of the officers of such Person executing documents on its behalf;

(v) a certificate from the appropriate public official of each jurisdiction in which the Borrower and each Subsidiary is organized as to the continued existence and good standing of such Person;

(vi) a certificate from the appropriate public official of each jurisdiction in which the Borrower and each Subsidiary is authorized and qualified to do business as to the due qualification and good standing of such Person, where failure to be so qualified or certified is reasonably likely to have a Material Adverse Effect;

(vii) a legal opinion in form, substance and scope satisfactory to the Agent from counsel for, and issued upon the express instructions of, the Borrower;

(viii) certified copies of Requests for Information of Copies (Form UCC-11), or equivalent reports, for the States of Texas and California listing all effective financing statements which name the Borrower and each Subsidiary (under its present name, any trade names and any previous names) as debtor and which are filed, together with copies of all such financing statements;

(ix) repayment in full of the Existing Credit Agreement and the termination thereof;

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(x) any other documents reasonably requested by the Agent prior to the Closing Date.

In addition, as of the Closing Date, all legal matters incident to the transactions herein contemplated shall be satisfactory to counsel for the Agent and the Banks.

8.2. CONDITIONS TO EACH LOAN AND LETTER OF CREDIT. The obligation of the Banks to make, continue and convert each Loan and of the Issuing Bank to issue, renew and extend any Letter of Credit is subject to the following conditions:

(a) Representations True and No Defaults. (i) The representations and warranties of the Borrower and each Subsidiary contained in the Loan Documents (other than those representations and warranties limited by their terms to a specific date) shall be true and correct on and as of the particular Borrowing Date or the applicable Conversion/ Continuation Date or on the date of issuance, renewal or extension of any Letter of Credit, as the case may be, as though made on and as of such date; (ii) except as disclosed by the Borrower to the Agent in writing, no event has occurred since the date of the most recent financial statements delivered pursuant to Section 9.1(a) (or in the case of a borrowing prior to the delivery of such statements, February 1, 1997), that has caused a Material Adverse Effect; and (iii) no Event of Default or Default shall have occurred and be continuing.

(b) Borrowing Documents. On each Borrowing Date, the Agent shall have received a Notice of Borrowing in respect of the Loans delivered in accordance with Section 2.2.

(c) Conversion/Continuation Documents. On each Conversion/Continuation Date, the Agent shall have received a Notice of Rate Change/Continuation.

(d) Letter of Credit Documents. On the date of the issuance, renewal or extension of any Letter of Credit, the Agent shall have received a Letter of Credit Request, delivered in accordance with Section 2.5.

9. AFFIRMATIVE COVENANTS. The Borrower covenants and agrees that, so long as any Note shall remain unpaid, any Letter of Credit shall remain outstanding, or any Bank shall have any Commitment hereunder, the Borrower will:

9.1. REPORTING AND NOTICE REQUIREMENTS. Furnish to the Agent (with a copy for each Bank) for delivery to the Banks:

(a) Quarterly Financial Statements. As soon as available and in any event within sixty (60) days after the end of each fiscal quarter of the Borrower (excluding the fourth quarter), consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such quarter and consolidated statements of earnings, shareholders' equity and

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cash flow of the Borrower and its Subsidiaries for the period commencing at the end of the previous Fiscal Year of the Borrower and ending with the end of such fiscal quarter, setting forth in each case in comparative form corresponding consolidated figures for the corresponding period in the immediately preceding Fiscal Year of the Borrower, all in reasonable detail and certified by a Responsible Officer as presenting fairly the consolidated financial position of the Borrower and its Subsidiaries as of the date indicated and the results of their operations for the period indicated in conformity with GAAP, consistently applied, subject to changes resulting from year-end adjustments.

(b) Annual Financial Statements. As soon as available and in any event within one hundred and five (105) days after the end of each Fiscal Year of the Borrower, audited consolidated statements of earnings, shareholders' equity and cash flow of the Borrower and its Subsidiaries for such Fiscal Year, and audited consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such Fiscal Year, setting forth in each case in comparative form corresponding consolidated figures for the immediately preceding year, all in reasonable detail and satisfactory in form, substance, and scope to the Agent, together with the unqualified opinion of independent certified public accountants of recognized national standing selected by the Borrower, stating that such financial statements fairly present the consolidated financial position of the Borrower and its Subsidiaries as of the date indicated and the consolidated results of their operations and cash flow for the period indicated in conformity with GAAP, consistently applied (except for such inconsistencies which may be disclosed in such report), and that the audit by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards.

(c) Consolidated Statements. In the event that the Borrower or any of its Restricted Subsidiaries have made an Investment

in an Unrestricted Subsidiary and such Investment continues to be outstanding, consolidated financial statements (balance sheets, statements of earnings, shareholders' equity and cash flow) of the Borrower and Restricted Subsidiaries. The consolidated financial statements referred to in this Section 9.1(c) will be provided within the time frame specified in Section 9.1(a) or 9.1(b), as appropriate, but will not be subject to audit and will not include customary footnotes.

(d) Compliance Certificate. Together with the delivery of any information required by Subsection (a) and Subsection (b) of this Section 9.1, a certificate in the form of Exhibit E hereto signed by a Responsible Officer, (i) stating that there exists no Event of Default or Default, or if any Event of Default or Default exists, specifying the nature thereof, the period of existence thereof, and what action the Borrower proposes to take with respect thereto; and (ii) setting forth such schedules, computations and other information as may be required to demonstrate that the Borrower is in compliance with its covenants in Sections 10.13 and 10.14 hereof.

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(e) Notice of Default. Promptly after any Responsible Officer or the Corporate Controller of the Borrower knows or has reason to know that (i) any Default or Event of Default has occurred, or (ii) any default or event of default has occurred under the Subordinated Indenture, or if any Subordinated Noteholders or any agent or representative thereof have given notice or taken any other action with respect to a claimed default or event of default thereunder, a written statement of a Responsible Officer of the Borrower setting forth the details of such event and the action which the Borrower has taken or proposes to take with respect thereto.

(f) Notice of Litigation. Promptly after any Responsible Officer or the Corporate Controller of the Borrower or of any Subsidiary obtaining knowledge of the commencement thereof, notice of any litigation, legal, administrative or arbitral proceeding, investigation or other action of any nature which involves the reasonable possibility of any judgment or liability which could have a Material Adverse Effect and which notice does not require a waiver of the attorney-client privilege in respect of such litigation, proceeding or investigation, and upon request by the Agent or any Bank, details regarding such litigation which are satisfactory to the Agent or such Bank.

(g) Securities Filings. Promptly after the sending or filing thereof and in any event within fifteen (15) days thereof, copies of all reports which the Borrower sends to any of its securityholders, and copies of all reports (including each regular and periodic report (excluding registration statements on Form S- 8)) and each registration statement or prospectus, which the Borrower or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange.

(h) ERISA Notices, Information and Compliance. The Borrower will, and will cause each of its ERISA Affiliates to deliver to the Agent, as soon as possible and in any event within ten (10) days after the Borrower or any of its ERISA Affiliates knows of the occurrence of any of the following, a certificate of the chief financial officer of the Borrower (or, if applicable, of the ERISA Affiliate) setting forth the details as to such occurrence and the action, if any, which the Borrower or ERISA Affiliate is required or proposes to take, together with any notices required or proposed to be given or filed with or by the Borrower, an ERISA Affiliate, the PBGC or plan administrator with respect thereto:

(i) the establishment or adoption of any PBGC Plan, Multiemployer Plan or Multiple Employer Plan by the Borrower or any ERISA Affiliate on or after the Effective Date (a "Future Plan");

(ii) the occurrence of an ERISA Event with respect to any Future Plan;

(iii) the existence of an accumulated funding deficiency (within the meaning of Section 302 of ERISA) with respect to any Future Plan as determined as of the end of each Fiscal Year of the Future Plan;

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(iv) the making of an application to the Secretary of the Treasury for a waiver or modification of the minimum

funding standard (including any required installment payments) or extension of any amortization period under Section 412 of the Code with respect to any Future Plan;

(v) the institution of a proceeding pursuant to Section 515 of ERISA to collect delinquent contributions from the Borrower or an ERISA Affiliate with respect to a Future Plan;

(vi) the occurrence of any "prohibited transaction" as described in Section 406 of ERISA or in Section 4975 of the Code, in connection with any Plan or any trust created thereunder; or

(vii) the failure to pay when due all amounts that the Borrower or any ERISA Affiliate is required under the terms of each Plan or applicable law to have paid as a contribution to such Plan.

Upon written request of the Agent, the Borrower will and will cause its ERISA Affiliates to obtain and deliver to the Agent, as soon as possible and in any event within ten (10) days from receipt of the request, a complete copy of the most recent annual report (Form 5500) of each Plan required to be filed with the Internal Revenue Service and copies of any other reports or notices which the Borrower or an ERISA Affiliate files with the Internal Revenue Service, PBGC or the United States Department of Labor or which the Borrower or an ERISA Affiliate receives from such Governmental Authority.

(i) Financial Forecast. On or before the ninetieth (90th) day following the last day of each Fiscal Year of the Borrower, the projected consolidated balance sheets, statements of earnings and cash flow of the Borrower and its Subsidiaries for such current year.

(j) Notice of New Subsidiaries. Within ten (10) days after the formation or acquisition of any Subsidiary of the Borrower, a certificate of a Responsible Officer notifying the Agent of such event.

(k) Notice of Material Adverse Effect. Promptly after any Responsible Officer or the Corporate Controller of the Borrower knows or has reason to know of the occurrence of any action or event which may cause a Material Adverse Effect, a written statement of the Responsible Officer of the Borrower setting forth the details of such action or event and the action which the Borrower has taken or proposes to take with respect thereto.

(l) Eurodollar Rate Margin Certificate. Within fifty-five (55) days after the end of each fiscal quarter of the Borrower (commencing with the fiscal quarter ending May 3, 1997), a certificate in the form of Exhibit F hereto signed by a Responsible

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Officer, (i) setting forth the ratio of Adjusted Debt to EBITDA plus Base Rent Expense for the four immediately preceding fiscal quarterly periods and the resultant Applicable Margin determined as of the end of the relevant fiscal quarter for the four fiscal quarters ending on such date and (ii) setting forth such computations and other financial information as may be required to determine such ratio of Adjusted Debt to EBITDA plus Base Rent Expense.

(m) Other Information. Such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as any Bank through the Agent may from time to time reasonably request.

9.2. CORPORATE EXISTENCE. Except as otherwise permitted by Section 10.4, remain, and cause each Restricted Subsidiary to remain, (i) a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization, with the power to own its properties and to carry on its business; and (ii) duly qualified to do business and in good standing in every jurisdiction where such qualification is necessary and where failure to be so qualified would have a Material Adverse Effect.

9.3. BOOKS AND RECORDS. Maintain, and cause each Subsidiary to maintain, complete and accurate books of record and account in accordance with sound accounting practices in which true, full and correct entries will be made of all its dealings and business affairs.

9.4. INSURANCE. Maintain insurance of such types as Similar Businesses with financially sound and reputable insurance companies and associations (or as to workers' compensation or similar insurance, in an insurance fund or by self-insurance authorized by the jurisdiction in which its operations are carried on), including without limitation public liability insurance, casualty insurance against loss or damage to its Properties, assets

and businesses now owned or hereafter acquired, and business interruption insurance, and in such amounts as such insurance is usually carried by Similar Businesses.

9.5. RIGHT OF INSPECTION. From time to time during regular business hours upon reasonable notice to the Borrower and at no cost to the Borrower (unless a Default or Event of Default shall have occurred and be continuing at such time) permit, and cause each Subsidiary to permit, any officer, or employee of, or agent designated by, the Agent or any Bank to visit and inspect any of the Properties of the Borrower or any Subsidiary, examine the Borrower's or such Subsidiary's corporate books or financial records, take copies and extracts therefrom and discuss the affairs, finances and accounts of the Borrower or any Subsidiary with the Borrower's or such Subsidiary's officers or certified public accountants (subject to the agreement of such accountants), all as often as the Agent or any Bank may reasonably desire. At the request of the Agent, the Borrower will use its best efforts to assure that its certified public accountants agree to meet with the Banks to discuss such matters related to the affairs, finances and accounts of the Borrower or any Subsidiary as they may request; provided that a

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representative of the Borrower shall be present during any such discussions with such certified public accountants.

9.6. MAINTENANCE OF PROPERTY. At all times maintain, preserve, protect and keep, and cause each Restricted Subsidiary to at all times maintain, preserve, protect and keep, or cause to be maintained, preserved, protected and kept, its Property in good repair, working order and condition (ordinary wear and tear excepted) and, from time to time, will make, or cause to be made, all repairs, renewals, replacements, extensions, additions, betterments and improvements to its Property as are appropriate, so that each of (a) (i) the Borrower and (ii) the Borrower and its Restricted Subsidiaries, taken as a whole, maintain their current line of business, and (b) the business carried on in connection therewith may be conducted properly and efficiently at all times.

9.7. GUARANTEES OF RESTRICTED SUBSIDIARIES. Immediately upon the designation, formation or acquisition of any Restricted Subsidiary, cause such Restricted Subsidiary to provide to the Agent for the benefit of the Banks a guaranty of the obligations of the Borrower under this Agreement which shall be in the form attached hereto as Exhibit G (each, a "Guaranty"), together with written evidence satisfactory to Agent and its counsel that such Restricted Subsidiary has taken all corporate and other action and obtained all consents necessary to duly approve and authorize its execution, delivery and performance of the Guaranty, any other documents which it is required to execute, and an opinion of counsel to such Restricted Subsidiary in form, scope and substance acceptable to the Agent; provided, however, if such Restricted Subsidiary is a partnership of which the Borrower or any Subsidiary is a general partner, such Restricted Subsidiary shall not be required to execute and deliver a Guaranty (any such Restricted Subsidiary herein referred to as a "Non-Guaranteeing Restricted Subsidiary"). The Borrower shall notify the Agent in writing of any such Restricted Subsidiary which it so designates. The Borrower shall not be permitted to designate any Restricted Subsidiary which has executed a Guaranty as a Non-Guaranteeing Restricted Subsidiary. As of the Closing Date, the only Non-Guaranteeing Restricted Subsidiary is BGA-VPL Joint Venture. It is agreed and understood that the agreement of the Borrower under this Section 9.7 to cause any such Restricted Subsidiary to provide to the Agent for the benefit of the Banks a Guaranty is a condition precedent to the making of the Advances pursuant to this Agreement and that the entry into this Agreement by the Banks constitutes good and adequate consideration for the provision of such Guaranty.

9.8. ACCOUNTING PRINCIPLES. If any changes in accounting principles from those used in the preparation of the financial statements referenced in Section 9.1 are adopted by the Borrower and such changes result in a change in the method of calculation or the interpretation of any of the financial covenants, standards or terms found in Section 9.1, Section 10.13, Section 10.14 or any other provision of this Agreement, deliver to the Agent a reconciliation prepared by a Responsible Officer showing the effect of such changes hereunder; provided that the Borrower and the Banks agree to amend any such affected terms and provisions so as to reflect such changes with the result that the criteria for evaluating Borrower's or such

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Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made.

9.9. PATENTS, TRADEMARKS AND LICENSES. Maintain, and cause each Restricted Subsidiary to maintain, all assets, licenses, patents, copyrights, trademarks, service marks, trade names, permits and other Governmental Approvals necessary to conduct its business except where the

failure to so maintain is not reasonably likely to have a Material Adverse Effect.

9.10. TAXES; OBLIGATIONS. Pay and discharge, and cause each Subsidiary to pay and discharge, before they become delinquent, all taxes, assessments, and governmental charges or levies imposed upon the Borrower, any Subsidiary or upon the income or any Property of the Borrower or any Subsidiary as well as all material claims and obligations of any kind (including, without limitation, claims for labor, materials, supplies, and rent) which, if unpaid, might become a Lien upon any Property of the Borrower or any Restricted Subsidiary; provided, however, that neither the Borrower nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings diligently conducted by or on behalf of the Borrower or any such Subsidiary and, if required under GAAP, the Borrower or any such Subsidiary shall have established adequate reserves therefor.

10. NEGATIVE COVENANTS. So long as any Note shall remain unpaid, any Letter of Credit shall remain outstanding, or any Bank shall have any Commitment hereunder:

10.1. LIENS. The Borrower shall not, and shall not permit any Restricted Subsidiary to, create, assume or permit to exist any Lien (including the charge upon assets purchased under a conditional sales agreement, purchase money mortgage, security agreement or other title retention agreement) upon any of its Properties, whether now owned or hereafter acquired, or assign or otherwise convey any right to receive income, other than:

(a) Permitted Liens;

(b) Liens existing on the Closing Date and described on Schedule 10.1 attached hereto and made a part hereof and Liens extending the duration of any such existing Lien; provided that the principal amount secured by such Lien is not increased and the extended Lien does not cover any Property of the Borrower or any Restricted Subsidiary which is not covered by the existing Lien extended thereby; and

(c) Liens securing the Debt permitted by Section 10.2(b) hereof and placed on Property of the Borrower or any Restricted Subsidiary contemporaneously with the purchase thereof to secure a portion of the purchase price therefor; provided that (i) such Lien shall not extend to any other Property of the Borrower or any Restricted Subsidiary and (ii) such Lien is not in favor of an Affiliate.

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10.2. DEBT. The Borrower will not create or suffer to exist, and will not permit any Restricted Subsidiary to create, incur, assume or suffer to exist, any Debt except as set forth below, all of which shall be "Permitted Debt":

(a) Debt of the Borrower and the Guarantors to the Banks, the Agent and the Issuing Bank evidenced by any Loan Document;

(b) in addition to Debt otherwise permitted to be incurred by the Borrower or any Restricted Subsidiary, as the case may be, by this Section 10.2, secured or unsecured Debt of the Borrower or any Restricted Subsidiary to Persons other than the Borrower or any Subsidiary; provided that at no time shall the aggregate amount of all such Debt of the Borrower and the Restricted Subsidiaries permitted by this Section 10.2(b) exceed 7 1/2% of Consolidated Net Worth, of which secured Debt may constitute no more than 3% of Consolidated Net Worth;

(c) Debt of the Borrower or any Restricted Subsidiary existing on the date hereof and described on Schedule 10.2 attached hereto and made a part hereof; provided that such Debt is not increased or assigned; and further provided that such Debt is not renewed, extended or permitted to remain outstanding after the stated maturity thereof at any time when a default under the documents creating such Debt exists or during the existence of a Default or Event of Default;

(d) unsecured Debt of the Borrower to any wholly-owned Guarantor, and unsecured Debt of any Guarantor to the Borrower or any other wholly-owned Guarantor; provided that in each case the term and provisions of such Debt shall be subject to Section 10.8; further provided that any such unsecured Debt of the Borrower to any wholly-owned Guarantor shall be subordinated in form and substance satisfactory to the Banks to the Obligations; and provided further that any such unsecured Debt of any Guarantor to the Borrower is incurred when no Default or Event of Default exists or would result therefrom;

(e) Debt of the Borrower or any Restricted Subsidiary

representing Capital Leases; provided that at no time shall the aggregate amount of such Debt of the Borrower and its Restricted Subsidiaries permitted by this Section 10.2(e) exceed 5% of Consolidated Net Worth;

(f) Debt of the Borrower relating to sale-leaseback transactions permitted under Section 10.6(c);

(g) unsecured Debt of the Borrower incurred in the ordinary course of business for the purchase of inventory, including deferred purchases of inventory;

(h) trade accounts payable incurred in the ordinary course of business; and

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(i) other unsecured Debt of the Borrower or any Guarantor to Persons other than the Borrower or any Subsidiary in an aggregate amount not to exceed \$75,000,000 and having maturities no shorter than 30 days after the Maturity Date and terms no more restrictive than those set forth in the Loan Documents, and which is subordinated to the payment of the Obligations in a manner approved in writing by the Majority Banks, and provided further that such Debt is incurred when no Default or Event of Default exists or would result therefrom.

For purposes of this Section 10.2, any Debt (1) which is extended, renewed or refunded shall be deemed to have been incurred when extended, renewed or refunded, (2) of a Person when it becomes, or is merged into, or is consolidated with a Restricted Subsidiary or the Borrower shall be deemed to have been incurred at that time, (3) which is permitted by Section 10.2(d) and which is owing to a wholly-owned Restricted Subsidiary when it ceases to be a wholly-owned Restricted Subsidiary shall be deemed to have been incurred at that time, (4) of a Restricted Subsidiary which is owing to the Borrower or any other Restricted Subsidiary shall be deemed to have been incurred at the time the Borrower or such other Restricted Subsidiary disposes of such Debt to any Person other than the Borrower or a wholly-owned Restricted Subsidiary, and (5) which is Debt of the Borrower or a Restricted Subsidiary consisting of a reimbursement obligation in respect of a letter of credit or similar instrument shall be deemed to be incurred when such letter of credit or similar instrument is issued.

10.3. RESTRICTED PAYMENTS. The Borrower will not directly or indirectly, and will not permit any Restricted Subsidiary to directly or indirectly, declare or make any dividend payment or other distribution of Properties, cash, rights, obligations or securities on account of any shares of any class of capital stock of or any partnership or other interest in the Borrower or any Subsidiary, or purchase, redeem, retire or otherwise acquire for value (or permit any Subsidiary to do so) any shares of any class of capital stock of the Borrower or any Subsidiary or any warrants, rights or options to acquire any such shares, partnership interests or other interests, now or hereafter issued, outstanding or created (all the foregoing being herein collectively referred to as "Restricted Payments"); provided that:

(a) the Borrower and each Subsidiary may declare and make any dividend payment or other distribution payable in common stock of the Borrower or any Subsidiary to the extent that such dividends in stock are payable only with respect to stock of the same type or class,

(b) the Borrower may pay or declare any dividend in respect of preferred stock of the Borrower,

(c) any Subsidiary may declare and make a dividend or other distribution to the Borrower,

(d) from and after the Closing Date the Borrower may (i) repurchase shares of its common stock and (ii) purchase, redeem or otherwise acquire shares of stock in

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connection with the payment for the exercise of options granted to an employee or director pursuant to an employee or director stock option plan or withhold shares otherwise issuable upon the exercise of an option in connection with the payment of any federal or state taxes resulting from the exercise of any such option; provided that all such payments pursuant to this Section 10.3(d) may not exceed \$20,000,000 in the aggregate, and

(e) from and after the Closing Date, the Borrower may make payments not to exceed an aggregate amount of \$100,000 to its shareholders required in connection with any stock split or stock

dividend with respect to its common stock in order to avoid the issuance of fractional shares of its common stock;

further provided however that prior to and after giving effect to any such proposed dividend, distribution, purchase, redemption, retirement or acquisition for value, no Default or Event of Default has occurred or would exist.

10.4. MERGERS; CONSOLIDATIONS; SALE OR OTHER DISPOSITIONS OF ALL OR SUBSTANTIALLY ALL ASSETS. The Borrower will not, and will not permit any Restricted Subsidiary to, merge or consolidate with or into any other Person, 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 (i.e., assets which could not otherwise be disposed of pursuant to Section 10.6) (whether now owned or hereafter acquired) to any other Person; provided that:

(a) any Restricted Subsidiary may merge or consolidate with or into, 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 to, any wholly-owned Guarantor;

(b) any Restricted Subsidiary may merge or consolidate with or into any Person; provided that the surviving entity shall be a wholly-owned Guarantor, further provided that prior to and after giving effect thereto, no Default or Event of Default has occurred or would exist;

(c) any Restricted Subsidiary may merge into or transfer all or substantially all of its assets to the Borrower; and

(d) the Borrower may merge or consolidate with or into any Person; provided that in the case of any such merger or consolidation to which the Borrower is a party, the Borrower shall be the surviving entity and, further provided that prior to and after giving effect thereto, no Default or Event of Default has occurred or would exist.

10.5. INVESTMENTS, LOANS AND ADVANCES. The Borrower will not, and will not permit any Restricted Subsidiary to, make or permit to remain outstanding any Investment, endorse, or otherwise be or become contingently liable, directly or indirectly, in connection with the obligations, stock or dividends of, or own, purchase or acquire any stock, obligations or

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securities of, or any other interest in, or make or permit to remain outstanding any capital contribution to, any Person (other than in the Borrower or a Guarantor), or otherwise make, incur, create, assume or suffer to exist any Investment (other than in the Borrower or a Guarantor) of the Borrower or any Restricted Subsidiary to purchase or acquire any assets (excluding, in any event, the contingent liability of a general partner for the obligations of its partnership arising under law due to the nature of its general partnership interest) (collectively, "Restricted Investments"), except that:

(a) the Borrower and its Restricted Subsidiaries may make or permit to remain outstanding Restricted Investments to the extent within the prohibitions of, and permitted by, Sections 10.4 and 10.6;

(b) the Borrower or any Restricted Subsidiary may acquire and own stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to the Borrower or any Restricted Subsidiary;

(c) the Borrower or any Restricted Subsidiary may own, purchase or acquire Cash Equivalents;

(d) the Borrower or any Restricted Subsidiary may permit to remain outstanding guarantees resulting from endorsement of negotiable instruments for collection in the ordinary course of business;

(e) the Borrower and its Restricted Subsidiaries may make or permit to remain outstanding loans to employees (not including payments covered by subsection (F) of this Section 10.5) made in the ordinary course of business in an aggregate amount not to exceed at any time \$4,000,000;

(f) the Borrower and its Restricted Subsidiaries may make or permit to remain outstanding payment by the Borrower of premiums on life insurance policies naming George Zimmer as insured as provided for in that certain Split-Dollar Agreement, dated November 25, 1994, among the Borrower, George Zimmer and David Edwab, as Co-Trustee, a copy of which has been delivered to the Agent, and payment by the Borrower of premiums on similar life insurance policies naming David Edwab, Richard Goldman and James E. Zimmer as insureds;

(g) the Borrower and the Guarantors may make or permit to remain outstanding intercompany loans and advances which are permitted under Section 10.2(d) hereof;

(h) the Borrower and its Restricted Subsidiaries may make or permit to remain outstanding Investments in Unrestricted Subsidiaries; provided that all such Investments of the Borrower and its Restricted Subsidiaries shall be subject to Section 10.19;

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(i) the Borrower and its Restricted Subsidiaries may make or permit to remain additional outstanding Restricted Investments (other than Restricted Investments permitted under Subsections (a) through (h) hereof) (including, without limitation, Restricted Investments in Non-Guaranteeing Restricted Subsidiaries), provided that all such Restricted Investments of the Borrower and its Restricted Subsidiaries shall not exceed in an aggregate amount at any time 7 1/2% of Consolidated Net Worth; provided that, prior to and immediately after making such Restricted Investments, no Default or Event of Default has occurred and is continuing or would exist; further provided (i) if such Restricted Investment also constitutes an Acquisition as that term is defined under Section 10.13, such Restricted Investment will be governed by Section 10.13 hereof in lieu of this Section 10.5, and (ii) if such Restricted Investment is in a Unrestricted Subsidiary, such Restricted Investment is governed by Section 10.5(h) hereof in lieu of this Section 10.5(i).

10.6. SALE OR OTHER DISPOSITION OF LESS THAN SUBSTANTIALLY ALL ASSETS; SALE AND LEASEBACKS. The Borrower will not, and will not permit any Restricted Subsidiary to, sell, assign, lease, exchange, transfer or otherwise dispose of (whether in one transaction or in a series of transactions) part, but less than all or substantially all, of its respective Property to any other Person (whether now owned or hereafter acquired); provided however that:

(a) the Borrower or any Restricted Subsidiary may in the ordinary course of business dispose of Property to Persons other than the Borrower or any Subsidiary consisting of (i) Inventory, (ii) goods or equipment that are, in the reasonable opinion of the Borrower or such Restricted Subsidiary, obsolete or unproductive, and (iii) other assets if, after giving effect to such sale, exchange, transfer or other disposition (1) the aggregate Fair Market Value of (i) all assets of the Borrower and its Restricted Subsidiaries sold, exchanged, transferred or otherwise disposed of (on a consolidated basis) (but excluding assets sold, exchanged, transferred or otherwise disposed of pursuant to any other subsection of this Section 10.6) during the period of 12 consecutive months previously preceding such sale, exchange, transfer or other disposition and (ii) the assets of all Restricted Subsidiaries, the stock of which have been sold or otherwise disposed of pursuant to this Section 10.6(a) during such 12 month period shall not exceed 5% of Consolidated Net Worth as of the end of the fiscal quarter immediately preceding or coinciding with such sale, exchange, transfer or other disposition, and (2) the assets described in the foregoing subclauses (i) and (ii) shall not have contributed more than 5% of EBITDA for the four most recently completed fiscal quarters taken as a single accounting period;

(b) the Borrower may sell, transfer or otherwise dispose of its common stock being held by it as treasury stock;

(c) the Borrower may enter into sale-leaseback transactions with any Person other than an Unrestricted Subsidiary or a Non-Guaranteeing Restricted Subsidiary during the period from the Closing Date to the Maturity Date relating to sales of real property

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and related fixtures and improvements in an aggregate amount (calculated on the basis of Fair Market Value) not exceeding (i) the sum of (A) \$13,000,000 for the Fiscal Year 1997 plus (B) \$3,000,000 for each Fiscal Year thereafter, minus (ii) the aggregate amount sold under sale-leaseback transactions previously entered into under this Section 10.6(c);

(d) to the extent such sale, assignment, lease, exchange, transfer or disposition is also a disposition of Properties subject to Section 10.3, the Borrower and its Restricted Subsidiaries may make such sale, assignment, lease, exchange, transfer or disposition to the extent permitted by Section 10.3;

(e) the Borrower and its Restricted Subsidiaries may

sell, assign, lease, transfer or otherwise dispose of (whether in one transaction or in a series of transactions) part, but less than all or substantially all, of its respective Property to the Borrower or any other Restricted Subsidiary to the extent within the prohibitions of, and permitted by, Section 10.4 (to the same extent in respect of all or substantially all of its assets) and Section 10.5; and

(f) the Borrower and its Restricted Subsidiaries may sell or exchange Property to any Unrestricted Subsidiary and any Non-Guaranteeing Restricted Subsidiary; provided that (i) all such sales and exchanges shall be for Fair Market Value and subject to Section 10.8 and (ii) no Default or Event of Default shall exist or occur as a result thereof.

10.7. USE OF PROCEEDS. The Borrower will not use, nor permit the use of, all or any portion of any Loan for any purpose except as described in Section 6 hereof.

10.8. TRANSACTIONS WITH AFFILIATES. Except as permitted in Section 10.5(f), the Borrower will not, and will permit any Restricted Subsidiary to, directly or indirectly, engage in any transaction with any Affiliate or any shareholder, officer or director of the Borrower or of any Affiliate, including, without limitation, the purchase, sale or exchange of assets or the rendering of any service, except in the ordinary course of business and pursuant to the reasonable requirements of the business of the Borrower or such Restricted Subsidiary, as the case may be, and upon fair and reasonable terms that are not less favorable to the Borrower or such Restricted Subsidiary, as the case may be, than those which might be obtained in an arm's-length transaction at the time from wholly independent and unrelated sources.

10.9. NATURE OF BUSINESS. The Borrower will not, and will not permit any Restricted Subsidiary to, make any material change in the nature of the business conducted by the Borrower and its Restricted Subsidiaries, taken as a whole.

10.10. ISSUANCE AND DISPOSITION OF SHARES. The Borrower will not, and will not permit any Restricted Subsidiary to, issue, sell or otherwise dispose of options which by their terms require the Borrower or any Restricted Subsidiary to purchase or acquire any

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shares or equity securities, and will not permit any Restricted Subsidiary to, issue, sell or otherwise dispose of any shares of its capital stock or other equity securities, or rights, warrants or options to purchase or acquire any shares or equity securities, other than with respect to (a) preferred stock of the Borrower which is not by its terms required to be redeemed by the Borrower prior to the Maturity Date, and (b) stock options granted under employee or director stock option plans which provide that the exercise price may be paid with shares of the Borrower's common stock or that the optionee may satisfy any withholding tax requirements upon exercise of the option by having the Borrower withhold shares otherwise issuable upon such exercise.

10.11. ERISA. The Borrower shall not and shall not permit any ERISA Affiliate to:

(a) do any of the following, which in the aggregate would reasonably be expected to have a Material Adverse Effect:

(i) engage in any transaction which it knows or has reason to know could result in a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code;

(ii) fail to make any payments when due to any Multiemployer Plan that the Borrower or an ERISA Affiliate may be required to make under any agreement relating to such Multiemployer Plan, or any law pertaining thereto;

(iii) incur withdrawal liability under ERISA with respect to a Multiemployer Plan;

(iv) voluntarily terminate or, in the case of a "substantial employer" as defined in Section 4001(a)(2) of ERISA, withdraw from any Plan if such termination or withdrawal could result in the imposition of a Lien on the Borrower or an ERISA Affiliate under Section 4068 of ERISA;

(v) fail to make any required contribution when due to any Plan subject to Section 412(n) of the Code that with the passage of time would likely result in a Lien upon the properties or assets of the Borrower or an ERISA Affiliate;

(vi) adopt any amendment to a Plan, the effect of

which is to increase the "current liability" under the Plan as defined in Section 302(d)(7) of ERISA;

(vii) act or fail to act, if, as a result thereof, an event similar to any of those referred to in clauses (i) to (vi) would likely occur under the applicable laws of a foreign country; or

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(b) permit any Plan subject to Title IV of ERISA to have an accumulated funding deficiency (as defined in Section 302 of ERISA) as of the end of any Fiscal Year of the Plan; or

(c) permit the adoption, implementation or amendment of any unfunded deferred compensation agreement or other arrangement of a similar nature irrespective of whether subject to the funding requirements of ERISA which could reasonably be expected to have a Material Adverse Effect.

10.12. DISCOUNT OR SALE OF RECEIVABLES. The Borrower will not discount or sell, nor permit any Restricted Subsidiary to discount or sell, any of its notes receivable, receivables under leases or other accounts receivable, other than in the ordinary course of collections of delinquent notes and receivables, provided that, notwithstanding the foregoing, the Borrower and any Restricted Subsidiary may, in the normal course of its business, acquire such assets and sell such assets at Fair Market Value.

10.13. ACQUISITIONS. The Borrower will not, and will not permit any Restricted Subsidiary to, acquire by purchase or merger (a) the power to direct or cause the direction of the management and policies of any other Person (other than the Borrower or any Subsidiary), directly or indirectly, whether through the ownership of voting securities or by contract or otherwise or (b) more than 20% of the capital stock or other equity interest of any such other Person or all or substantially all of the assets or Properties of any such other Person (the events described in clauses (a) and (b) of this Section 10.13 herein referred to as "Acquisitions"), except that the Borrower or any Subsidiary may make such Acquisitions if:

(i) the aggregate cash consideration paid for such Acquisitions does not exceed an amount equal to:

(A) \$40,000,000 plus

(B) the net cash proceeds from any equity issuance of the Borrower made within the preceding period commencing upon the later of the Closing Date or the date twenty-four (24) months prior to, any such Acquisition (except (x) any proceeds from the sale of such equity to a Subsidiary, (y) any proceeds from the issuance of common stock of the Borrower or a Restricted Subsidiary in connection with any employee stock ownership plan or any management stock incentive plan, and (z) any proceeds from the issuance of shares in connection with the conversion of a convertible debt security issued prior to the Closing Date) minus the sum of all (y) the amount of all Debt incurred by the Borrower or such Restricted Subsidiary to the seller in such Acquisition to pay a portion of the purchase price therefor and (z) Restricted Payments during such computation period; (provided that, notwithstanding the limitations of Section 10.13(i), the Borrower or any Restricted Subsidiary may participate in an exchange of stock

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for stock or stock for assets with such Person, which exchange shall be excluded from the provisions hereof), minus

(C) any assumed Debt;

(ii) prior to and immediately after making such Acquisition, no Default or Event of Default has occurred and is continuing or would exist; and

(iii) in the case of the purchase of the capital stock or other equity interest of any such other Person, such Person shall be designated a Restricted Subsidiary.

10.14. CERTAIN FINANCIAL TESTS. (a) Consolidated Net Worth. The Borrower will not permit Consolidated Net Worth at any time to be less than an amount equal to the sum of (i) \$120,000,000 plus (ii) seventy-five percent (75%) of cumulative positive Consolidated Net Income, from February 1, 1997 through the determination date and without deduction for losses in Consolidated

Net Income, plus (iii) fifty percent (50%) of net cash proceeds received by the Borrower or a Guarantor in consideration for the issuance of shares of any capital stock of the Borrower or any Guarantor on or after February 1, 1997.

(b) Leverage Ratio. The Borrower shall not permit the ratio of (i) Adjusted Debt to (ii) EBITDA plus Base Rent Expense for the four immediately preceding fiscal quarterly periods to exceed (i) during the period ending on February 1, 1999, 5.50 to 1.00 and, (ii) thereafter, 5.25 to 1.00, determined in each case on the last day of each fiscal quarterly period for the four fiscal quarters ending on such date.

(c) Fixed Charge Ratio. The Borrower shall not permit its Fixed Charge Ratio to be less than 1.20 to 1.00 determined on the last day of each fiscal quarterly period for the four fiscal quarters ending on such date.

(d) Maximum Inventory Balance. The Borrower shall not permit the Actual Inventory Balance for the periods ending on the dates set out below to be more than the respective amounts set out below:

For Fiscal Quarters Ended	Maximum Amount ----- (in thousands) -----
<S>	<C>
05/03/97	\$590
08/02/97	\$600
11/01/97	\$650
01/31/98	\$540
05/02/98	\$615
08/01/98	\$625
10/31/98	\$680
01/30/99	\$570

</TABLE>

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<S>	<C>
05/01/99	\$650
07/31/99	\$660
10/30/99	\$710
01/29/00	\$600
04/29/00	\$680
07/29/00	\$690
10/29/00	\$750
01/27/01	\$630
04/28/01	\$710
07/28/01	\$720
10/27/01	\$790
01/26/02	\$660
04/27/02	\$750

</TABLE>

(e) Current Ratio. The Borrower will not permit the ratio of Consolidated Current Assets to Consolidated Current Liabilities to be less than 1.50 to 1.00 determined on the last day of each fiscal quarterly period.

(f) Consolidated Net Worth Attributable to Foreign Assets. The Borrower will not permit the percentage of Consolidated Net Worth of the Borrower and its Restricted Subsidiaries attributable to operating assets (exclusive of Inventory in process of, or held for, manufacture) located outside the United States, Canada and the United Kingdom at any time to be greater than ten percent (10%).

10.15. REGULATIONS G, T, U AND X. The Borrower will not take or permit, and will not permit any Subsidiary to take or permit, any action which would involve the Agent or the Banks in a violation of Regulation G, Regulation T, Regulation U, Regulation X or any other regulation of the Board of Governors of the Federal Reserve System or a violation of the Securities Exchange Act of 1934, in each case as now or hereafter in effect.

10.16. STATUS. The Borrower will not, and will not permit any Subsidiary to:

(i) Be or become an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended; or

(ii) Be or become a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", or a "public utility" within the meaning of the Public Utility Holding

10.17. COMPLIANCE WITH LAWS. The Borrower will not fail to comply, nor permit any Restricted Subsidiary to fail to comply, in all material respect with all Laws.

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10.18. SUBORDINATED DEBT. The Borrower will not consent to or request any modification, supplement or waiver of any provision of the Subordinated Indenture without the prior written consent of the Banks.

10.19. INVESTMENTS IN UNRESTRICTED SUBSIDIARIES. The sum of the Fair Market Value of all Restricted Investments permitted by Section 10.5(i) (calculated at the time of such Investment) shall not exceed \$40,000,000 in the aggregate at any time, nor shall the same be incurred if prior to or immediately thereafter a Default or Event of Default has occurred or would exist. For purposes of this Section 10.20, any such Restricted Investment to or for the benefit of a Person other than an Unrestricted Subsidiary shall be deemed to be incurred at the time any such Person becomes an Unrestricted Subsidiary.

10.20. NO COMMINGLING OF ASSETS, ETC. (a) Except (i) as among the Borrower and the Guarantors and (ii) as set forth in Section 10.20(b), the Borrower and each Subsidiary shall not commingle its assets with those of any other Person and its funds and other assets shall be separately identified and segregated from those of any other Person. Except (i) as among the Borrower and the Guarantors and (ii) as set forth in Section 10.20(b), the Borrower and each Subsidiary shall pay from the assets of the Borrower and its Subsidiaries all liabilities, obligations and indebtedness of any kind incurred by such Person and, except as otherwise expressly permitted in this Agreement, shall not pay from its assets any liabilities, obligations or indebtedness of any other Person. Except as among the Borrower and the Guarantors, the Borrower and each Subsidiary shall maintain its corporate, financial and accounting books and records separate from those of any other Person. Except as among the Borrower and the Guarantors, the Borrower and each Subsidiary shall indicate in such statements and records the separateness of such Person's assets and liabilities from those of any other Person. Except (i) as among the Borrower and the Guarantors and (ii) in the case of registered "d.b.a." names, the Borrower and each Subsidiary shall not, at any time, hold itself out to the public (including, without limitation, any creditors of any of its Affiliates) under the name of any other Person.

(b) The restrictions set forth in the first two sentences of Section 10.20(a) shall not prohibit the Borrower or any Subsidiary from commingling funds and paying the liabilities of any other Person in connection with the ordinary course of its operations, in an aggregate amount not to exceed \$1,000,000.

10.21. RESTRICTIVE AGREEMENTS. Anything herein or any other Loan Document to the contrary notwithstanding, the Borrower will not, and will not permit any Subsidiary to, enter into, create or otherwise allow to exist any agreement or restriction that (i) prohibits or restricts the creation or assumption of any Lien upon any Property of the Borrower or any Guarantor in favor of any Person, including without limitation the Banks, (ii) prohibits or restricts any Guarantor from executing any guarantee which may be required under Section 9.7 hereof, (iii) requires any obligation of the Borrower or any Subsidiary to be secured by any Property of the Borrower or any Restricted Subsidiary if any obligation of the Borrower or such Subsidiary to the Banks is secured in favor of another Person, including without limitation the Banks, or (iv) prohibits or restricts the ability of (A) any Guarantor (1) to

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pay dividends or make other distributions or contributions or advances to the Borrower or any other Restricted Subsidiary, (2) to repay loans and other indebtedness owing by it to the Borrower or any other Restricted Subsidiary, (3) to redeem equity interests held by it by Borrower or any other Restricted Subsidiary, or (4) to transfer any of its assets to the Borrower or any other Restricted Subsidiary, or (B) the Borrower or any other Restricted Subsidiary to make any payments required or permitted under the Loan Documents or otherwise prohibit or restrict compliance by the Borrower and the Subsidiaries thereunder.

11. EVENTS OF DEFAULT; REMEDIES. If any of the following events shall occur, then the Agent shall at the request, or may with the consent, of the Majority Banks, (i) by notice to the Borrower, declare the Commitment of each Bank and the several obligations of each Bank to make Loans hereunder to be terminated, whereupon the same shall forthwith terminate, (ii) declare the Notes and all interest accrued and unpaid thereon, the Unpaid Drawings and all other amounts payable under the Notes and this Agreement, to be forthwith due and payable, whereupon the Notes, all such interest and all such other amounts, shall become and be forthwith due and payable without presentment, demand,

protest, or further notice of any kind (including, without limitation, notice of default, notice of intent to accelerate and notice of acceleration), all of which are hereby expressly waived by the Borrower, (iii) terminate any Letter of Credit providing for such termination by sending a notice of termination as provided therein and (iv) direct the Borrower to take any action required by Section 11.15; provided, however, that with respect to any Event of Default described in Section 11.6 or 11.7 hereof, (A) the Commitment of each Bank and the several obligations of each Bank to make Loans hereunder shall automatically be terminated and (B) the entire unpaid principal amount of the Notes, all interest accrued and unpaid thereon, the Unpaid Drawings and all such other amounts payable under the Notes and this Agreement, shall automatically become immediately due and payable, without presentment, demand, protest, or any notice of any kind (including, without limitation, notice of default, notice of intent to accelerate and notice of acceleration), all of which are hereby expressly waived by the Borrower.

11.1. FAILURE TO PAY PRINCIPAL. The Borrower shall fail to pay any principal of any Note when the same becomes due and payable; or

11.2. FAILURE TO PAY OTHER AMOUNTS. The Borrower shall fail to pay interest on any Note or fees or other amounts due under any Note or this Agreement or any other Loan Document, when the same becomes due and payable and such failure shall remain unremedied for one (1) Business Day; or

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11.3. DEFAULT UNDER OTHER DEBT. The Borrower or any Restricted Subsidiary shall fail to pay any principal of or premium or interest on any Debt which is outstanding in a principal amount of at least \$5,000,000 in the aggregate when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event constituting a default (however defined) shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument; or

11.4. MISREPRESENTATION OR BREACH OF WARRANTY. Any representation or warranty made by the Borrower or any Subsidiary herein or in any other Loan Document or in any certificate, document or instrument otherwise furnished to the Agent or the Banks in connection with this Agreement shall be incorrect, false or misleading in any material respect when made or when deemed made; or

11.5. VIOLATION OF COVENANTS.

(i) The Borrower violates any covenant, agreement or condition contained in Section 9.1(e), 9.2, 9.7 or in Article 10; or

(ii) The Borrower violates any other covenant, agreement or condition contained herein or in any other Loan Document to which it is a party and such default shall continue unremedied for thirty (30) days after the occurrence of such event; or

11.6. BANKRUPTCY AND OTHER MATTERS.

(i) The Borrower or any Restricted Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any Debtor Law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall admit in writing its inability to pay its debts generally, or shall take any corporate action to authorize any of the foregoing; or

(ii) An involuntary case or other proceeding shall be commenced against the Borrower or any Restricted Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any Debtor Law or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) days; or an order for relief under

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U.S. Federal Bankruptcy Law (or a similar order under other Debtor

Law) shall be entered against the Borrower or any Restricted Subsidiary; or

11.7. DISSOLUTION. Any order is entered in any proceeding against the Borrower or any Restricted Subsidiary decreeing the dissolution, liquidation, winding-up or split-up of the Borrower or any Restricted Subsidiary; or

11.8. JUDGMENT. Any judgment or order for the payment of money which, individually or in the aggregate, shall be in excess of 5% of Net Worth at any time, shall be rendered against the Borrower or any of its Restricted Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of thirty (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

11.9. NULLITY OF LOAN DOCUMENTS. Any Loan Document shall, at any time after its execution and delivery and for any reason, cease to be in full force and effect or be declared to be null and void, or the validity or enforceability thereof shall be contested by the Borrower or any Affiliate thereof, or the Borrower or any Subsidiary thereof shall deny that it has any or any further liability or obligations under any Loan Document to which it is a party; or

11.10. CHANGE OF CONTROL. A Change of Control shall occur; or

11.11. ERISA. With respect to (a) any Future Plan (as such term is defined in Section 9.1(g) hereof), other than a Multiemployer Plan within the meaning of Section 4001(a)(3) of ERISA, (i) such Future Plan shall fail to satisfy the minimum funding standard or a waiver of such standard or extension of any amortization period is sought under Section 412 of the Code; (ii) such Future Plan is or is proposed to be terminated and as a result thereof liability in excess of \$1,000,000 can be asserted under Title IV of ERISA against the Borrower or ERISA Affiliate; (iii) such Future Plan shall have an unfunded current liability in excess of \$1,000,000; or (iv) there has been a withdrawal from any such Future Plan and as a result liability in excess of \$1,000,000 can be asserted under Section 4062(e) or 4063 of ERISA against the Borrower or any ERISA Affiliate; or (b) any Future Plan that is a Multiemployer Plan under Section 4001(a)(3) of ERISA, such Future Plan is insolvent or in reorganization or the Borrower or an ERISA Affiliate has withdrawn, or proposes to withdraw, either totally or partially, from such Future Plan and, in any case, the Borrower or its ERISA Affiliate might reasonably be anticipated to incur a liability which would have a Material Adverse Effect; or (c) any Plan other than a Future Plan, the Borrower or its ERISA Affiliate could reasonably be anticipated to incur a liability which would have a Material Adverse Effect; or

11.12. GUARANTORS. Any Guarantor violates any covenant, agreement or condition contained in any Guaranty or any default or event of default otherwise occurs thereunder;

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11.13. OTHER REMEDIES. In addition to and cumulative of any rights or remedies expressly provided for in this Section 11, if any one or more Events of Default shall have occurred, the Agent shall at the request, and may with the consent, of the Majority Banks proceed to protect and enforce the rights of the Banks hereunder by any appropriate proceedings as the Agent may elect. The Agent shall at the request, and may with the consent, of the Majority Banks also proceed either by the specific performance of any covenant or agreement contained in this Agreement or the other Loan Documents or by enforcing the payment of the Notes or by enforcing any other legal or equitable right provided under this Agreement or the other Loan Documents or otherwise existing under any Law in favor of the holder of the Notes. The Agent shall not, however, be under any obligation to marshal any assets in favor of the Borrower or any other Person or against or in payment of any or all obligations under any Loan Document.

11.14. COLLATERAL ACCOUNT. The Borrower hereby agrees that in the event of (i) the payment in full of the Loans and the termination of the Commitments, or (ii) the occurrence of an Event of Default it shall, if requested by the Agent or the Majority Banks (through the Agent), pay to the Agent an amount in immediately available funds equal to 100% of the then aggregate amount of Letter of Credit Outstandings, which funds shall be held by the Agent in a collateral account to be maintained by the Agent. The Borrower hereby agrees to execute and deliver to the Agent and the Banks such security agreements, pledges or other documents as the Agent or any of the Banks may, from time to time, reasonably require to perfect the pledge, lien and security interest in and to any such funds provided for in this Section 11.14. Upon the payment or expiry of all Letter of Credit Outstandings, all such Collateral shall be released to the Borrower in due form at Borrower's cost.

11.15. REMEDIES CUMULATIVE. No remedy, right or power conferred upon the Banks is intended to be exclusive of any other remedy, right or power given hereunder or now or hereafter existing at Law, in equity, or

otherwise, and all such remedies, rights and powers shall be cumulative.

12. THE AGENT.

12.1. APPOINTMENT, POWERS. AND IMMUNITIES. Each Bank hereby irrevocably appoints and authorizes the Agent to act as its agent under this Agreement and the other Loan Documents with such powers and discretion as are specifically delegated to the Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. The Agent (which term as used in this sentence and in Section 12.5 and the first sentence of Section 12.6 hereof shall include its affiliates and its own and its affiliates' officers, directors, employees, and agents): (a) shall not have any duties or responsibilities except those expressly set forth in this Agreement and shall not be a trustee or fiduciary for any Bank; (b) shall not be responsible to the Banks for any statement, representation, or warranty (whether written or oral) made in or in connection with any Loan Document or any certificate or other document referred to or provided for in, or received by any of them under, any Loan Document, or for the value, validity, effectiveness, genuineness,

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enforceability, or sufficiency of any Loan Document, or any other document referred to or provided for therein or for any failure by any Loan Party or any other Person to perform any of its obligations thereunder; (c) shall not be responsible for or have any duty to ascertain, inquire into, or verify the performance or observance of any covenants or agreements by any Person or the satisfaction of any condition or to inspect the property (including the books and records) of any Person; (d) shall not be required to initiate or conduct any litigation or collection proceedings under any Loan Document; and (e) shall not be responsible for any action taken or omitted to be taken by it under or in connection with any Loan Document, except for its own gross negligence or willful misconduct. The Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care.

12.2. RELIANCE BY AGENT. The Agent shall be entitled to rely upon any certification, notice, instrument, writing, or other communication (including, without limitation, any thereof by telephone or telecopy) believed by it to be genuine and correct and to have been signed, sent or made by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel (including counsel for the Borrower), independent accountants, and other experts selected by the Agent. The Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until the Agent receives and accepts an Assignment and Acceptance executed in accordance with Section 13.11 hereof. As to any matters not expressly provided for by this Agreement, the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks, and such instructions shall be binding on all of the Banks; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to any Loan Document or applicable law or unless it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking any such action.

12.3. DEFAULTS. The Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or Event of Default unless the Agent has received written notice from a Bank or the Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default". In the event that the Agent receives such a notice of the occurrence of a Default or Event of Default, the Agent shall give prompt notice thereof to the Banks. The Agent shall (subject to Section 12.2 hereof) take such action with respect to such Default or Event of Default as shall reasonably be directed by the Majority Banks, provided that, unless and until the Agent shall have received such directions, the 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 in the best interest of the Banks.

12.4. RIGHTS AS BANK. With respect to its Commitment and the Loans made by it, NationsBank (and any successor acting as Agent) in its capacity as a Bank hereunder shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were to acting as the Agent, and the term "Bank" or "Banks" shall, unless the context

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otherwise indicates, include the Agent in its individual capacity. NationsBank (and any successor acting as Agent) and its affiliates may without having to account therefor to any Bank) accept deposits from, lend money to, make investments in, provide services to, and generally engage in any kind of

lending, trust, or other business with the Borrower or any of its Subsidiaries or Affiliates as if it were not acting as Agent, and NationsBank and any successor acting as Agent) and its affiliates may accept fees and other consideration from the Borrower or any of its Subsidiaries or Affiliates for services in connection with this Agreement or otherwise without having to account for the same to the Banks.

12.5. INDEMNIFICATION. THE BANKS AGREE TO INDEMNIFY THE AGENT (TO THE EXTENT NOT REIMBURSED UNDER SECTION 13.12 HEREOF, BUT WITHOUT THE OBLIGATIONS OF THE BORROWER UNDER SUCH SECTION) RATABLY IN ACCORDANCE WITH THEIR RESPECTIVE COMMITMENTS, FOR ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES (INCLUDING ATTORNEYS' FEES), OR DISBURSEMENTS OF ANY KIND AND NATURE WHATSOEVER THAT MAY BE IMPOSED ON, INCURRED BY OR ASSERTED AGAINST THE AGENT (INCLUDING BY ANY BANK) IN ANY WAY RELATING TO OR ARISING OUT OF ANY LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY OR ANY ACTION TAKEN OR OMITTED BY THE AGENT UNDER ANY LOAN DOCUMENT (INCLUDING ANY OF THE FOREGOING ARISING FROM THE NEGLIGENCE OF THE AGENT); PROVIDED THAT NO BANK SHALL BE LIABLE FOR ANY OF THE FOREGOING TO THE EXTENT THEY ARISE FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE PERSON TO BE INDEMNIFIED. WITHOUT LIMITATION OF THE FOREGOING, EACH BANK AGREES TO REIMBURSE THE AGENT PROMPTLY UPON DEMAND FOR ITS RATABLE SHARE OF ANY COSTS OR EXPENSES PAYABLE BY THE BORROWER UNDER SECTION 13.12, TO THE EXTENT THAT THE AGENT IS NOT PROMPTLY REIMBURSED FOR SUCH COSTS AND EXPENSES BY THE BORROWER. THE AGREEMENTS CONTAINED IN THIS SECTION SHALL SURVIVE PAYMENT IN FULL OF THE LOANS AND ALL OTHER AMOUNTS PAYABLE UNDER THIS AGREEMENT.

12.6. NON-RELIANCE ON AGENT AND OTHER BANKS. Each Bank agrees that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrower and its Subsidiaries and decision to enter into this Agreement and that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under the Loan Documents. Except for notices, reports, and other documents and information expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition, or business of the Borrower or any of its Subsidiaries or affiliates that may come into the possession of the Agent or any of its affiliates.

12.7. SUCCESSOR AGENT. The Agent may resign at any time by giving notice thereof to the Banks and the Borrower, and may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Banks and no successor Agent shall have accepted such appointment within thirty

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(30) days after the retiring Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent which shall be a commercial bank organized under the laws of the United States of America having combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor, such successor shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges, and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article 12 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent.

13. MISCELLANEOUS.

13.1. REPRESENTATION BY THE BANKS. Each Bank represents that it is the present intention of such Bank, as of the date of its acquisition of the Notes, to acquire the Notes for its account or for the account of its Affiliates, and not with a view to the distribution or sale thereof, and, subject to any applicable Laws, the disposition of such Bank's property shall at all times be within its control. The Notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be transferred, sold or otherwise disposed of except (a) in a registered offering under the Securities Act; (b) pursuant to an exemption from the registration provisions of the Securities Act; or (c) if the Securities Act shall not apply to the Notes or the transactions contemplated by the Loan Documents. Nothing in this Section 13.1 shall affect the characterization of the Loans and the transactions contemplated hereunder as commercial lending transactions.

13.2. WAIVERS, ETC. No failure or delay on the part of any Bank or the Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any

other right or power. No course of dealing between the Borrower and any Bank or the Agent shall operate as a waiver of any right of any Bank or the Agent. No modification or waiver of any provision of this Agreement, the Notes or any other Loan Document nor consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

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13.3. NOTICES. All notices and other communications provided for herein shall be in writing (including telex, facsimile, or cable communication) and shall be mailed, couriered, telecopied, telexed, cabled or delivered addressed as follows:

If to the Borrower, to it at:

5803 Glenmont
Houston, Texas 77081
Attn: Mr. Neill P. Davis

with a copy to:

40650 Encyclopedia Circle
Fremont, California 94538
Attn: Mr. David Edwab

and if to any Bank or the Agent, at its Domestic Lending Office specified opposite its name on Schedule I attached hereto, or as to the Borrower, or the Agent, to such other address as shall be designated by such party in a written notice to the other party and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. All such notices and communications shall, when mailed, delivered by courier, telecopied, telexed, transmitted, or cabled, become effective when three (3) Business Days have elapsed after being deposited in the mail (with first class postage prepaid and addressed as aforesaid), or when confirmed by telex answerback, transmitted to the correct telecopier, or delivered to the courier or the cable company, except that notices and communications from the Borrower to the Agent shall not be effective until actually received by the Agent.

13.4. GOVERNING LAW. EACH LOAN DOCUMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA.

13.5. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS. All representations, warranties and covenants contained herein or made in writing by the Loan Parties in connection herewith shall survive the execution and delivery of this Agreement and the Notes, and will bind and inure to the benefit of the respective successors and assigns of the parties hereto, whether so expressed or not, provided that the undertaking of the Banks to make Loans and issue Letters of Credit to the Borrower shall not inure to the benefit of any successor or assign of the Borrower. No investigation at any time made by or on behalf of the Banks shall diminish the Banks' right to rely thereon.

13.6. COUNTERPARTS. This Agreement may be executed in several counterparts, and by the parties hereto on separate counterparts, and each counterpart, when so executed and delivered, shall constitute an original instrument, and all such separate counterparts shall constitute but one and the same instrument.

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13.7. SEPARABILITY. Should any clause, sentence, paragraph or section of this Agreement be judicially declared to be invalid, unenforceable or void, such decision shall not have the effect of invalidating or voiding the remainder of this Agreement, and the parties hereto agree that the part or parts of this Agreement so held to be invalid, unenforceable or void will be deemed to have been stricken herefrom and the remainder will have the same force and effectiveness as if such part or parts had never been included herein. Each covenant contained in this Agreement shall be construed (absent an express contrary provision herein) as being independent of each other covenant contained herein, and compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with one or more other covenants.

13.8. DESCRIPTIVE HEADINGS. The section headings in this Agreement have been inserted for convenience only and shall be given no substantive meaning or significance whatsoever in construing the terms and provisions of this Agreement.

13.9. RIGHT OF SET-OFF, ADJUSTMENTS. (a) Upon the occurrence and during the continuance of any Event of Default, each Bank (and each of its Affiliates) is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank (or any of its Affiliates) to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Note held by such Bank, irrespective of whether such Bank shall have made any demand under this Agreement or such Note and although such obligations may be unmaturred. Each Bank agrees promptly to notify the Borrower after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section 13.9 are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Bank may have.

(b) If any Bank (a "benefitted Bank") shall at any time receive any payment of all or part of the Loans owing to it, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by setoff, or otherwise), in a greater proportion than any such payment to or collateral received by any other Bank, if any, in respect of such other Bank's Loans owing to it, or interest thereon, such benefitted Bank shall purchase for cash from the other Banks a participating Interest in such portion of each such other Bank's Loans owing to it, or shall provide such other Banks with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefitted Bank to share the excess payment or benefits of such collateral or proceeds ratably with each of the Banks; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefitted Bank, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The Borrower agrees that any Bank so purchasing a participation from a Bank pursuant to this Section may, to the fullest extent permitted by law, exercise all of its rights of payment (including the right of set-off) with respect

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to such participation as fully as if such Person were the direct creditor of the Borrower in the amount of such participation.

13.10. ASSIGNMENTS AND PARTICIPATIONS. (a) Each Bank may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Loans, its Note, and its Commitment); provided, however, that

(i) each such assignment shall be to an Eligible Assignee;

(ii) except in the case of an assignment to another Bank or an assignment of all of a Bank's rights and obligations under this Agreement, any such partial assignment shall be in an amount at least equal to \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof;

(iii) each such assignment by a Bank shall be of a constant, and not varying, percentage of all of its rights and obligations under this Agreement and the Note; and

(iv) the parties to such assignment shall execute and deliver to the Agent for its acceptance an Assignment and Acceptance in the form of Exhibit H hereto (the "Assignment and Acceptance"), together with any Note subject to such assignment and a processing fee of \$3,500.

Upon execution, delivery, and acceptance of such Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of such assignment, have the obligations, rights, and benefits of a Bank hereunder and the assigning Bank shall, to the extent of such assignment, relinquish its rights and be released from its obligations under this Agreement. Upon the consummation of any assignment pursuant to this Section, the assignor, the Agent and the Borrower shall make appropriate arrangements so that, if required, new Notes are issued to the assignor and the assignee. If the assignee is not incorporated under the laws of the United States of America or a state thereof, it shall deliver to the Borrower and the Agent certification as to exemption from deduction or withholding of Taxes in accordance with Section 4.6.

(b) The Agent shall maintain at its address referred to in Section 13.3 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the Loans owing to, each Bank from time to time (the "Register"). The entries in the register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Banks may treat each Person whose name is

recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time on reasonable prior notice.

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(c) Upon its receipt of an Assignment and Acceptance executed by the parties thereto, together with any Note subject to such assignment and payment of the processing fee, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit H hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the parties thereto.

(d) Each Bank may sell participations to one or more Persons in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and its Loans); provided, however, that (i) such Bank's obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participant shall be entitled to the benefit of the yield protection provisions contained in Section 3.2 and the right of set-off contained in Section 13.9, provided that no participant shall be entitled to recover under Section 3.2 an amount in excess of the proportionate share which such participant holds of the original aggregate principal amount hereunder to which the selling Bank would otherwise have been entitled and (iv) the Borrower shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and such Bank shall retain the sole right to enforce the obligations of the Borrower relating to its Loans and its Note and to approve any amendment, modification, or waiver of any provision of this Agreement (other than amendments, modifications, or waivers decreasing the amount of principal or the rate at which interest is payable on such Loans or Note, extending any scheduled principal payment date or date fixed for the payment of interest on such Loans or Note, or extending its Commitment). The Bank selling any such participation shall give notice thereof to the Borrower, identifying the participant and the amount of such participation and the Agent shall also give such notice to the Borrower in the event the Agent has knowledge thereof.

(e) Notwithstanding any other provision set forth in this agreement, any Bank may at any time assign and pledge all or any portion of its Loans and its Note to any Federal Reserve Bank as collateral security pursuant to Regulation A and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Bank from its obligations hereunder.

(f) Any Bank may furnish any information concerning the Borrower or any of its Subsidiaries in the possession of such Bank from time to time to assignees and participants (including prospective assignees and participants).

13.11. INTEREST. All agreements between the Borrower, the Agent or any Bank, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand being made on any Note or otherwise, shall the amount contracted for, charged, reserved or received by the Agent or any Bank for the use, forbearance, or detention of the money to be loaned under this Agreement or otherwise or for the payment or performance of any covenant or obligation contained herein or in any other Loan Document exceed the Highest Lawful Rate.

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If, as a result of any circumstances whatsoever, fulfillment by any Loan Party of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law or result in the Agent or Bank having or being deemed to have contracted for, charged, reserved or received interest (or amounts deemed to be interest) in excess of the maximum lawful rate or amount of interest allowed by applicable law to be so contracted for, charged, reserved or received by such Agent or Bank, then, ipso facto, the obligation to be fulfilled by the Borrower shall be reduced to the limit of such validity, and if, from any such circumstance, the Agent or any Bank shall ever receive interest or anything which might be deemed interest under applicable law which would exceed the Highest Lawful Rate, such amount which would be excessive interest shall be refunded to the Borrower, or, to the extent (i) permitted by applicable law and (ii) such excessive interest does not exceed the unpaid principal balance of the Notes and the amounts owing on other obligations of the Borrower to the Agent or any Bank under any Loan Document, applied to the reduction of the principal amount owing on account of the Notes or the amounts owing on other obligations of the Borrower to the Agent or any Bank under any Loan Document and not to the payment of interest. All sums paid or agreed to be paid to the Agent or any Bank for the use, forbearance, or detention of the

indebtedness of the Borrower to the Agent or any Bank shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full term of such indebtedness until payment in full of the principal thereof (including the period of any renewal or extension thereof) so that the interest on account of such indebtedness shall not exceed the Highest Lawful Rate. The terms and provisions of this Section 13.11 shall control and supersede every other provision hereof and of all other agreements between the Borrower and the Banks.

13.12. EXPENSES; INDEMNIFICATION. (a) The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the syndication, preparation, execution, delivery, modification, and amendment of (and, if a Default or Event of Default exists, in connection with the administration of) this Agreement, the other Loan Documents, and the other documents to be delivered hereunder, including, without limitation, the reasonable fees and expenses of counsel for the Agent (including the cost of internal counsel) with respect thereto and with respect to advising the Agent as to its rights and responsibilities under the Loan Documents. The Borrower further agrees to pay on demand all costs and expenses of the Agent and the Banks, if any (including, without limitation, reasonable attorneys' fees and expenses and the cost of internal counsel), in connection with the enforcement (whether through negotiations, legal proceedings, or otherwise) of the Loan Documents and the other documents to be delivered hereunder.

(B) THE BORROWER AGREES TO INDEMNIFY AND HOLD HARMLESS THE AGENT AND EACH BANK AND EACH OF THEIR AFFILIATES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, AND ADVISORS (EACH, AN "INDEMNIFIED PARTY") IN AND AGAINST ANY AND ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES) THAT MAY BE INCURRED BY OR ASSERTED OR AWARDED AGAINST ANY INDEMNIFIED PARTY, IN EACH CASE ARISING OUT OF OR IN CONNECTION WITH OR BY REASON OF (INCLUDING, WITHOUT LIMITATION, IN CONNECTION WITH ANY INVESTIGATION, LITIGATION, OR PROCEEDING OR REPARATION OF

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DEFENSE IN CONNECTION THEREWITH) THE LOAN DOCUMENTS, ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN OR THE ACTUAL OR PROPOSED USE OF THE PROCEEDS OF THE LOANS (INCLUDING ANY OF THE FOREGOING ARISING FROM THE NEGLIGENCE OF THE INDEMNIFIED PARTY), EXCEPT TO THE EXTENT SUCH CLAIM, DAMAGE, LOSS, LIABILITY, COST, OR EXPENSE IS FOUND IN A FINAL, NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED FROM SUCH INDEMNIFIED PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. IN THE CASE OF AN INVESTIGATION, LITIGATION OR OTHER PROCEEDING TO WHICH THE INDEMNITY IN THIS SECTION 13.12 APPLIES, SUCH INDEMNITY SHALL BE EFFECTIVE WHETHER OR NOT SUCH INVESTIGATION, LITIGATION OR PROCEEDING IS BROUGHT BY THE BORROWER, ITS DIRECTORS, SHAREHOLDERS OR CREDITORS OR AN INDEMNIFIED PARTY OR ANY OTHER PERSON OR ANY INDEMNIFIED PARTY IS OTHERWISE A PARTY THERETO AND WHETHER OR TO THE TRANSACTIONS CONTEMPLATED HEREBY ARE CONSUMMATED. THE BORROWER AGREES NOT TO ASSERT ANY CLAIM AGAINST THE AGENT, ANY BANK, ANY OF THEIR AFFILIATES, OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, ATTORNEYS, AGENT'S, AND ADVISERS, ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL, OR PUNITIVE DAMAGES ARISING OUT OF OR OTHERWISE RELATING TO THE LOAN DOCUMENTS, ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN OR THE ACTUAL OR PROPOSED USE OF THE PROCEEDS OF THE LOANS.

(c) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 13.12 shall survive the payment in full of the Loans and all other amounts payable under this Agreement.

13.13. PAYMENTS SET ASIDE. To the extent any payments on the Obligations or proceeds of any collateral or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other Person under any Debtor Law or equitable cause, then, to the extent of such recovery, the Obligation or part thereof originally intended to be satisfied, and all rights and remedies therefor, shall be revived and shall continue in full force and effect, and the Agent's and the Banks' rights, powers and remedies under this Agreement and each other Loan Document shall continue in full force and effect, as if such payment had not been made or such enforcement or setoff had not occurred. In such event, each Loan Document shall be automatically reinstated and the Borrower shall take such action as may be reasonably requested by the Agent and the Banks to effect such reinstatement.

13.14. LOAN AGREEMENT CONTROLS. If there are any conflicts or inconsistencies among this Agreement and any of the other Loan Documents, the provisions of this Agreement shall prevail and control.

13.15. OBLIGATIONS SEVERAL. The obligations of each Bank under each Loan Document to which it is a party are several, and no Bank shall be responsible for any obligation or Commitment of any other Bank under any Loan Document to which it is a party. Nothing contained in any Loan Document to which it is a party, and no action taken by any

Bank pursuant thereto, shall be deemed to constitute the Banks to be a partnership, an association, a joint venture, or any other kind of entity.

13.16. SUBMISSION TO JURISDICTION; WAIVERS. EACH OF THE BORROWER, THE AGENT AND THE BANKS IRREVOCABLY AND UNCONDITIONALLY:

(a) SUBMITS, FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NONEXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF TEXAS, THE COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF TEXAS, AND APPELLATE COURTS FROM ANY THEREOF;

(b) WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(c) AGREES THAT SERVICE OF PROCESS IN ANY SUCH LEGAL ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING OF A COPY THEREOF (BY REGISTERED OR CERTIFIED MAIL OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL POSTAGE PREPAID) TO THE ADDRESS SET FORTH IN SECTION 13.3 HEREOF OR AT SUCH OTHER ADDRESS OF WHICH THE OTHER PARTIES HERETO SHALL HAVE BEEN NOTIFIED IN WRITING PURSUANT TO SECTION 13.3; AND

(d) NOTWITHSTANDING THE FOREGOING, NOTHING HEREIN SHALL IN ANY WAY AFFECT THE RIGHT OF THE AGENT OR ANY BANK OR THE BORROWER TO BRING ANY ACTION ARISING OUT OF OR RELATING TO THE NOTES OR THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COMPETENT COURT ELSEWHERE HAVING JURISDICTION OVER THE BORROWER, THE AGENT OR ANY BANK, AS THE CASE MAY BE, OR ITS PROPERTY.

13.17. WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HERETO (A) WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY; (B) IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW AND TO THE

EXTENT NOT EXPRESSLY PROVIDED FOR HEREUNDER, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES, OR DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES; AND (C) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OF COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS.

13.18. AMENDMENTS, ETC. No amendment or waiver of any provision of this Agreement, any Note or any other Loan Document, nor consent to any departure by the Borrower or any Subsidiary herefrom or therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower or such Subsidiary, as the case may be, as to amendments, and by the Majority Banks in all cases, and then, in any case, such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by 100% of the Banks, do any of the following: (a) change the definition of "Majority Banks", "Commitment", or "Pro Rata Percentage", (b) forgive or reduce or increase the amount of the Commitment of any Bank or subject any Bank to any additional obligations, (c) forgive or reduce the principal of, or rate or amount of interest applicable to, any Loan, other than as provided in this Agreement or forgive or reduce the amount of the commitment fee, (d) postpone any date fixed for any payment or prepayment of principal of, or interest on, the Notes, (e) change Section 13.15 or this Section 13.18, (f) change the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action hereunder, (g) waive any of the conditions specified in Section 8.1 or Section 8.2, or (h) except as otherwise provided herein, release all or substantially all of any collateral or release any Guarantor; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Banks required above to take such action, affect the rights or duties of the Agent under this Agreement, any Note or any other Loan Document.

13.19. RELATIONSHIP OF THE PARTIES. This Agreement provides for the making of loans by the Banks, in their capacity as Banks, to the Borrower, in its capacity as a borrower, and for the payment of interest and repayment of principal by the Borrower to the Banks. The relationship between the Banks and the Borrower is limited to that of creditors/secured parties, on

the one hand, and debtor, on the other hand. The provisions herein for compliance with financial, environmental, and other covenants, delivery of financial, environmental and other reports, and financial, environmental and other inspections, investigations, audits, examinations or tests are intended solely for the benefit of the Banks to protect their interests as Banks in assuming payments of interest and repayment of principal and nothing contained in this Agreement or the Notes shall be construed as permitting or obligating the Banks to act as financial or business advisors or consultants to the Borrower, as permitting or obligating the Banks to control the Borrower or to conduct or operate the Borrower's operations, as creating any fiduciary obligation on the part of the Banks to the Borrower, or as

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creating any joint venture, agency, or other relationship between the parties other than as explicitly and specifically stated in this Agreement. The Borrower acknowledges that it has had the opportunity to obtain the advice of experienced counsel of its own choosing in connection with the negotiation and execution of this Agreement and to obtain the advice of such counsel with respect to all matters contained herein, including, without limitation, the provision in Section 13.17 for waiver of trial by jury. The Borrower further acknowledges that it is experienced with respect to financial and credit matters and has made its own independent decision to apply to the Banks for the financial accommodations provided hereby and to execute and deliver this Agreement.

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13.20. FINAL AGREEMENT. THIS WRITTEN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto, by their respective officers thereunto duly authorized, have executed this Agreement effective as of June 2, 1997.

<TABLE>

<S>	<C>	<C> THE MEN'S WEARHOUSE, INC.
-----	-----	----------------------------------

By: /s/ Gary G. Ckudre

Name: Gary G. Ckudre
Title: Vice President - Finance

By: /s/ Harry M. Levy

Name: Harry M. Levy
Title: Sr. Vice President

NATIONSBANK OF TEXAS, N.A.
as a Bank and as Agent

Commitment ----- \$35,000,000	Pro Rata Percentage ----- 28.00%	By: /s/ Billy B. Greer ----- Name: Billy B. Greer Title: Vice President UNION BANK OF CALIFORNIA, N.A.
-------------------------------------	--	--

Commitment ----- \$30,000,000	Pro Rata Percentage ----- 24.00%	By: /s/ Russell A. Colombo ----- Name: Russell A. Colombo Title: Vice President
-------------------------------------	--	--

</TABLE>

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<TABLE>	<S>	<C>	<C>
Commitment	Pro Rata Percentage	By: /s/ Kathleen S. Barnes and	
\$30,000,000	24.00%	Name: Kathleen S. Barnes and David B. Hollinsworth Title: Vice President and Vice President	
		BANK OF MONTREAL	
Commitment	Pro Rata Percentage	By: /s/ Julia B. Buthman	
\$20,000,000	16.00%	Name: Julia B. Buthman Title: Managing Director	
		BANKBOSTON, N.A.	
Commitment	Pro Rata Percentage	By: /s/ Robert W. MacElhiney	
\$10,000,000	8.00%	Name: Robert W. MacElhiney Title: Vice President	
</TABLE>			

REVOLVING NOTE

\$ _____ June 2, 1997

FOR VALUE RECEIVED, the undersigned, THE MEN'S WEARHOUSE, INC., a corporation organized under the laws of Texas (the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Bank"), on or before the Maturity Date, the lesser of (i) principal sum of _____ and No/100 Dollars (\$_____) or (ii) the amount outstanding hereunder as of such date, in accordance with the terms and provisions of that certain Revolving Credit Agreement dated as of June 2, 1997 by and among the Borrower, NationsBank of Texas, N.A., as Agent, the Bank, and the other parties thereto (as same may be amended, modified, increased, supplemented and/or restated from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement).

The outstanding principal balance of this Note shall be due and payable on the Maturity Date and as otherwise provided in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal balance of this Note from the date of any Loan evidenced by this Note until the principal balance thereof is paid in full. Interest shall accrue on the outstanding principal balance of this Note from and including the date of any Loan evidenced by this Note to but not including the Maturity Date at the rate or rates, and shall be due and payable on the dates, set forth in the Credit Agreement.

Payments of principal and interest, and all amounts due with respect to costs and expenses, shall be made in lawful money of the United States of America in immediately available funds, without deduction, set-off or counterclaim to the Agent not later than 12:00 noon (Houston time) on the dates on which such payments shall become due pursuant to the terms and provisions set forth in the Credit Agreement.

In addition to all principal and accrued interest on this Note, the Borrower agrees to pay (a) all costs and expenses incurred by all owners and holders of this Note in collecting this Note through any probate, reorganization, bankruptcy or any other proceeding and (b) reasonable attorneys' fees when and if this Note is placed in the hands of an attorney for collection after default.

Except as otherwise specifically provided for in the Credit Agreement, the Borrower and any and all endorsers, guarantors and sureties severally waive grace, demand, presentment for payment, notice of dishonor or default, protest, notice of protest, notice of intent to accelerate, notice of acceleration and diligence in collecting and bringing of suit against any party hereto, and agree to all renewals, extensions or partial payments hereon and to any release

or substitution of security hereof, in whole or in part, with or without notice, before or after maturity.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS AND APPLICABLE FEDERAL LAW.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed and delivered by its officer thereunto duly authorized effective as of the date first above written.

THE MEN'S WEARHOUSE, INC.

By: _____
Name: _____
Title: _____

THE MEN'S WEARHOUSE, INC. AND SUBSIDIARIES
STATEMENT OF COMPUTATION OF NET EARNINGS PER SHARE
FOR THE INTERIM PERIODS ENDED MAY 4, 1996 AND MAY 3, 1997

<TABLE>
<CAPTION>

	Three Months Ended	
	1996	1997
<S>	<C>	<C>
Shares outstanding - beginning of period	20,820,000	20,921,000
Shares issued during period - weighted average:		
Options exercised	51,000	46,000
Contribution to Employee Stock Plan	6,000	15,000
Common stock equivalents - weighted average:		
Shares issuable upon exercise of stock options granted (treasury stock method)	335,000	266,000
Weighted average number of common and common equivalent shares	21,212,000	21,248,000
	=====	=====
Net earnings applicable to common stock	\$ 3,109,000	\$ 4,016,000
	=====	=====
Primary and fully diluted earnings per share	\$.15	\$.19
	=====	=====

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS ON FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

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