

# BROWN FORMAN CORP

## FORM 10-K (Annual Report)

Filed 7/18/1995 For Period Ending 4/30/1995

Address	850 DIXIE HWY LOUISVILLE, Kentucky 40210
Telephone	502-585-1100
CIK	0000014693
Industry	Beverages (Alcoholic)
Sector	Consumer/Non-Cyclical
Fiscal Year	04/30

**United States Securities and Exchange Commission**  
Washington, D.C. 20549  
**FORM 10-K**

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

For the fiscal year ended April 30, 1995

*Commission file number 1-123*

**BROWN-FORMAN CORPORATION**

(Exact name of Registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	61-0143150 (IRS Employer Identification No.)
850 DIXIE HIGHWAY LOUISVILLE, KENTUCKY (Address of principal executive offices)	40210 (Zip Code)

**REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (502) 585-1100**

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

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Preferred \$.40 Cumulative Stock, \$10.00 par value, redeemable at company's option at \$10.25 per share plus unpaid accrued dividends; liquidating value \$10.00 per share plus unpaid accrued dividends	New York Stock Exchange
Class A Common Stock (voting) \$.15 par value	New York Stock Exchange
Class B Common Stock (nonvoting) \$.15 par value	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act	None

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

Yes  No

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

The aggregate market value, at April 30, 1995, of the voting stock held by nonaffiliates of the registrant was \$224,608,000.

The number of shares outstanding for each of the registrant's classes of Common Stock on May 25, 1995 was:  
Class A Common Stock (voting) 28,988,091 Class B Common Stock (nonvoting) 40,008,147

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's 1995 Annual Report to Stockholders are incorporated by reference into Parts I, II, and IV of this report. Portions of the Proxy Statement of Registrant, dated July 3, 1995, for use in connection with the Annual Meeting of Stockholders to be held July 27, 1995 are incorporated by reference into Parts III and IV of this report.

## PART I

### Item 1. Business

#### (a) General development of business:

Brown-Forman Corporation was incorporated under the laws of the State of Delaware in 1933, successor to a business founded in 1870 as a partnership and subsequently incorporated under the laws of Kentucky in 1901. Its principal executive offices are located at 850 Dixie Highway, Louisville, Kentucky 40210 (mailing address: P.O. Box 1080, Louisville, Kentucky 40201-1080). Except as the context may otherwise indicate, the terms "Brown-Forman" and "company" refer to Brown-Forman Corporation and its subsidiaries.

#### (b) Financial information about industry segments:

Information regarding net sales, operating income, and total assets of each of the company's business segments is in Note 11 of Notes to Consolidated Financial Statements on page 37 of the company's 1995 Annual Report to Stockholders, which information is incorporated herein by reference in response to Item 8.

#### (c) Narrative description of business:

The following is a description of the company's operations.

### Wines and Spirits Segment

Wines and Spirits operations include manufacturing, bottling, importing, exporting, and marketing a wide variety of alcoholic beverage brands. This Segment also manufactures and markets new and used oak barrels, plastic closures, and plastic bottles.

Brands are grouped into three categories: North American Spirits, Imported and Specialty Items, and Wines.

North American Spirits consists of the following brands:

Jack Daniel's Tennessee Whiskey Canadian Mist Canadian Whisky Jack Daniel's Country Cocktails Southern Comfort Early Times Old Style Kentucky Whisky Old Forester Kentucky Straight Bourbon Whisky Gentlemen Jack Rare Tennessee Whiskey Korbel California Brandies \*\*  
Pepe Lopez Tequila

Statistics based on case sales, published annually by a leading trade publication, rank Jack Daniel's as the largest selling Tennessee whiskey in the United States, Canadian Mist as the largest selling Canadian whisky in the United States, and Southern Comfort as the largest selling domestic proprietary liqueur in the United States.

Imported and Specialty Items consists of the following brands:

Bushmills Irish Whiskies\* Black Bush Special Irish Whiskey\* Glenmorangie Single Highland Malt Scotch Whisky\* Usher's Scotch Whisky\* Tropical Freezes

Wines consists of the following brands:

Fetzer Vineyards California Wines Korbel California Champagnes\*\* Korbel California Wines\* Bolla Italian Wines\* Jekel Vineyards California Wines Bel Arbor California Wines Fontana Candida Italian Wines\* Brolio Italian Wines\* Carmen Vineyards Chilean Wines\* Fontanafredda Italian Wines\* Armstrong Ridge California Champagne\* Noilly Prat Vermouths\*

\* Brands marketed by Brown-Forman in the U.S. and other select markets by agency agreements. \*\* Brands marketed by Brown-Forman worldwide by agency agreement.

A leading industry trade publication reported Korbel California Champagnes as the largest selling premium champagne in the United States. This trade publication also reported that, among numerous imported wines, Bolla Italian Wine is the leading premium imported table wine in the United States. Fetzer was ranked seventeenth among all table wines.

Brown-Forman believes that statistics used to rank these products are reasonably accurate.

Brown-Forman's strategy with respect to the Wines and Spirits Segment is to market high quality products that satisfy consumer preferences and support them with extensive international, national, and regional marketing programs. These programs are intended to extend consumer brand recognition and brand loyalty.

Sales managers and representatives or brokers represent the Segment in all states. The Segment distributes its spirits products domestically either through state agencies or through wholesale distributors. The contracts which Brown-Forman has with many of its distributors have formulas which determine reimbursement to distributors if Brown-Forman terminates them; the amount of reimbursement is based primarily on the distributor's length of service and a percentage of its purchases over time. Some states have statutes which limit Brown-Forman's ability to terminate distributor contracts.

Jack Daniel's Tennessee Whiskey and Southern Comfort are the principal products exported by the Segment. These brands are sold through contracts with brokers and distributors in most countries.

The principal raw materials used in manufacturing and packaging distilled spirits are corn, rye, malted barley, glass, cartons, and wood for new white oak barrels, which are used for storage of bourbon and Tennessee

whiskey. None of these raw materials are in short supply, and there are adequate sources from which they may be obtained.

Production of whiskies is scheduled to meet demand three to five years in the future. Accordingly, inventories are larger in relation to sales and total assets than would be normal for most other business segments.

The industry is highly competitive and there are many brands sold in the consumer market. Trade information indicates that Brown-Forman is one of the largest wine and spirit suppliers in the United States in terms of revenues.

The wine and spirits industry is regulated by the Bureau of Alcohol, Tobacco, and Firearms of the United States Treasury Department with respect to production, blending, bottling, sales, advertising, and transportation of its products. Also, each state regulates advertising, promotion, transportation, sale, and distribution of such products.

Under federal regulations, whisky must be aged for at least two years to be designated "straight whisky." The Segment ages its straight whiskies for a minimum of three to five years. Federal regulations also require that "Canadian" whisky must be manufactured in Canada in compliance with Canadian laws and must be aged in Canada for at least three years.

### **Consumer Durables Segment**

The Consumer Durables Segment includes the manufacturing and/or marketing of the following:

Fine China Dinnerware Contemporary Dinnerware Crystal Stemware Crystal Barware China and Crystal Giftware China and Crystal Lamps  
Collectibles and Jewelry Sterling Silver, Pewter and Silver-Plated Giftware  
Sterling Silver and Stainless Steel Flatware Fine Table Linens Luggage  
Business Cases and Folios Personal Leather Accessories

All of the products of the Segment are sold by segment-employed sales representatives under various compensation arrangements, and where appropriate to the class of trade, by specialized independent commissioned sales representatives.

The Segment's products are marketed domestically through authorized retail stores consisting of department stores and specialty and jewelry shops and through retail stores operated by the Segment. Products are also distributed domestically through the institutional, incentive, premium, business gift and military exchange classes of trade, and internationally through authorized retailers and/or distributors in selected foreign markets. Specially created collectible products are distributed both domestically and in selected foreign markets through the Segment's direct response/mail-order division.

Fine china and crystal products are marketed under both the Lenox and Gorham trademarks. Contemporary dinnerware, glassware and flatware products are marketed under the Dansk trademark. Sterling silver flatware and giftware and stainless steel flatware products are marketed under both the Gorham and Kirk Stieff trademarks. Kirk Stieff also markets pewter and silver-plated giftware. Luggage, business cases, and personal accessories are marketed under the Hartmann, Wings and Crouch & Fitzgerald trademarks. The direct response/mail-order sales in the United States of specially designed collectibles are marketed under the Lenox, Princeton Gallery and Gorham trademarks while such sales abroad are marketed primarily under the Brooks & Bentley trademark.

The Lenox, Dansk, Gorham, and Hartmann brand names hold significant positions in their industries. The Segment has granted to a producer of high quality table linens a license for use of the Lenox trademarks on selective fine table linens, subject to the terms of a licensing agreement.

The Segment believes that it is the largest domestic manufacturer and marketer of fine china dinnerware, fine crystal stemware, and pewter giftware, and the only significant domestic manufacturer of fine quality china giftware. The Segment is also a leading manufacturer and distributor of fine quality luggage, business cases, and personal leather accessories. The Segment competes with a number of other companies and is subject to intense foreign competition in the marketing of its fine china and contemporary dinnerware, crystal stemware and giftware, and luggage products.

In the Segment's china and crystal businesses, competition is based primarily on quality, design, brand, style, product appeal, consumer satisfaction, and price. In its luggage, business case and personal leather accessories business, competition is based primarily on brand awareness, quality, design, style, and price. In its direct response/mail-order business, the most important competitive factors are the brand, product appeal, design, sales/marketing program, service, and price of the products. In its sterling silver, silver-plated, and stainless steel business, competition is based primarily on price, with quality, design, brand, style, product appeal, and consumer satisfaction also being factors. In its pewter business, competition is based primarily on quality, design, brand, and delivery, with price being a less significant factor.

Clay is the principal raw material used to manufacture china products and silica is the principal raw material used to manufacture crystal products. Leather and nylon fabric are the principal raw materials used to manufacture luggage and business cases. Fine silver is the principal raw material used to manufacture sterling silver giftware and flatware products, and tin is the principal raw material used to manufacture pewter products. It is anticipated that raw materials used by the Segment will be in adequate supply. The acquisition price of fine silver and tin is, however, influenced significantly by world-wide economic events and commodity trading.

Sales of certain Segment products are traditionally greater in the second quarter of the fiscal year, primarily because of seasonal holiday buying.

#### **Other Segment**

This segment was discontinued effective November 1, 1993.

**Other Information**

As of April 30, 1995, the company employs approximately 7,300 persons, including 900 employed on a part-time basis.

The company is an equal opportunity employer and recruits and places employees without regard to race, color, national origin, sex, age, religion, disability, or veteran status.

The company believes its employee relations are good.

For information on the effects of compliance with federal, state, and local environmental regulations, refer to Note 13, "Environmental," on page 37 of the company's 1995 Annual Report to Stockholders, which information is incorporated herein by reference in response to Item 8.

## **Item 2. Properties**

The corporate offices consist of office buildings, including renovated historic structures, all located in Louisville, Kentucky.

Significant properties by business segments are as follows:

### **Wines and Spirits Segment**

The facilities of the Wines and Spirits Segment are shown below. The owned facilities are held in fee simple.

Owned facilities:

. Production facilities:

- Distilled Spirits and Wines:

- Lynchburg, Tennessee

- Louisville, Kentucky

- Collingwood, Ontario

- Shively, Kentucky

- Frederiksted, St. Croix, U.S. Virgin Islands

- Mendocino County, California

- Monterey County, California

- Oak Barrels:

- Louisville, Kentucky

- Mendocino County, California

- Plastic Closures and Plastic Bottles:

- Louisville, Kentucky

. Bottling facilities:

- Lynchburg, Tennessee

- Louisville, Kentucky

- Frederiksted, St. Croix, U.S. Virgin Islands

- Monterey County, California

. Warehousing facilities:

- Lynchburg, Tennessee

- Louisville, Kentucky

- Collingwood, Ontario

- Shively, Kentucky

- Monterey County, California

- Mendocino County, California

Leased facilities:

. Production and bottling facility in Dublin, Ireland

. Wine production, warehousing and bottling facility in Mendocino County, California

. Vineyards in Monterey County, California

The company believes that the productive capacities of the Wines and Spirits Segment are adequate for the business, and such facilities are maintained in a good state of repair.

## **Consumer Durables Segment**

The facilities of the Consumer Durables Segment are shown below. The owned facilities are held in fee simple.

### Owned facilities:

#### . Office facilities:

- Lenox corporate - Lawrenceville, New Jersey
- Headquarters for Lenox Direct Response/Mail-Order Division - Langhorne, Pennsylvania

#### . Production and office facilities:

- Lenox - Pomona, New Jersey (includes retail store); Oxford, North Carolina; Kinston, North Carolina; and Mt. Pleasant, Pennsylvania (includes retail store)
- Gorham - Smithfield, Rhode Island
- Hartmann - Lebanon, Tennessee (includes retail store)

#### . Warehousing facilities:

- Lenox/Dansk/Gorham - Williamsport, Maryland

### Leased facilities:

#### . Office facilities:

- Lenox Manufacturing - Egg Harbor Township, New Jersey
- Dansk headquarters - Harrison, New York
- Lenox corporate - Lawrenceville, New Jersey

#### . Production/Warehousing/Office facilities:

- Kirk Stieff - Baltimore City, Maryland (includes retail store)

#### . Warehousing facilities:

- Lenox - South Brunswick, New Jersey (includes retail stores); Oxford, North Carolina; Kinston, North Carolina; and Mt.

Pleasant, Pennsylvania

- Hartmann - Lebanon, Tennessee

#### . Retail stores:

- The segment operates 22 Lenox China Outlet stores in 16 states. The Segment also operates 48 Dansk Outlet stores in 29 states, 7 Dansk Lifestyle stores in 6 states and 8 Gorham Outlet stores in 7 states. In addition, the Segment operates 2 Crouch & Fitzgerald luggage stores in 2 states.

The lease terms expire at various dates and are generally renewable, except for the Crouch & Fitzgerald store leases.

The company is of the opinion that the Segment's facilities are in good condition and are adequate for the business.

### **Item 3. Legal Proceedings**

(a) Adams, et al. v. Brown-Forman Corporation (U.S. District Court, Middle District of Florida, Tampa Division):

As previously reported, Brown-Forman Corporation was a defendant in a number of cases, consolidated for trial in federal district court in Tampa, Florida, alleging age discrimination as a result of a 1986 company reorganization. The case has been resolved in a manner that will not have a material adverse effect on the company's financial position or results of operations. As part of the resolution, all claims against the company have been dismissed.

(b) Brune v. Brown-Forman Corporation (214th District Court, Neuces County, Texas):

As previously reported, Brown-Forman Corporation was sued by the estate of Marie Brinkmeyer, an 18 year old college student who died after consuming massive quantities of beverage alcohol, including Pepe Lopez Tequila (a Brown-Forman product.) A jury determined Brown-Forman to be 35% responsible for Marie's death and Marie to be 65% responsible.

The Texas Court of Appeals reversed the jury award against Brown- Forman and dismissed the plaintiff's claims in their entirety, holding that the Company had no legal duty to warn consumers of the well-known risks of abusive overconsumption of beverage alcohol.

On April 27, 1995, the Texas Supreme Court denied the plaintiff's petition for review. The judgment of the Texas Court of Appeals in favor of Brown-Forman is now final and the case is concluded.

### **Item 4. Submission of Matters to a Vote of Security Holders**

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Principal Occupation and Business Experience	Family Relationship
W. L. Lyons Brown, Jr.	58	Chairman of the company since July, 1993. Chairman and Chief Executive Officer of the company from May 1983 to July 1993.	Brother to Owsley Brown II; Cousin to Owsley Brown Frazier
Owsley Brown II	52	President and Chief Executive Officer of the company since July 1993. President of the company from July 1987 to July 1993.	Brother to W. L. Lyons Brown, Jr.; Cousin to Owsley Brown Frazier
Owsley Brown Frazier	59	Vice Chairman of the company since August 1983.	Cousin to W. L. Lyons Brown, Jr. and Owsley Brown II
William M. Street	56	Vice Chairman of the company since July 1987.	None
Steven B. Ratoff	52	Executive Vice President and Chief Financial Officer of the company since December 1994. Private investor in a number of small privately-held companies from February 1992 to November 1994. Senior Vice President and Chief Financial Officer for Pharmaceutical Group of Bristol-Myers Squibb from January 1990 to January 1992.	None
John P. Bridendall	45	Senior Vice President and Director of Corporate Development since July 1987.	None
Russell C. Buzby	61	Senior Vice President and Executive Director of Human Resources and Information Services since July 1987.	None
Michael B. Crutcher	51	Senior Vice President, General Counsel, and Secretary since May 1989.	None

Malcolm Jozoff (1)	55	Chairman and Chief Executive Officer of Lenox, Incorporated (a subsidiary of the company) since October 1993. Independent consultant on marketing and strategic planning from June 1992 to October 1993. Group Vice President,, The Procter & Gamble Company, from 1985 to 1992, and President -- Health Care Products, Procter & Gamble USA, from 1991 to 1992.	None
Lois A. Mateus	48	Senior Vice President of Corporate Communications and Corporate Services since January 1988.	None

(1) In 1993, in connection with a civil proceeding brought by the Securities and Exchange Commission, Mr. Jozoff consented, without admitting or denying the allegations, to the entry of an order enjoining him from violating Section 10(b) of the Securities Exchange Act of 1934.

## PART II

### **Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters**

Except as presented below, for the information required by this item refer to the section entitled "Quarterly Financial Information" appearing on the "Highlights" page of the 1995 Annual Report to Stockholders, which information is incorporated herein by reference.

Holders of record of Common Stock at May 25, 1995:  
Class A Common Stock (Voting) 2,870 Class B Common Stock (Nonvoting) 5,018

The principal market for Brown-Forman Corporation common shares is the New York Stock Exchange.

### **Item 6. Selected Financial Data**

For the information required by this item, refer to the section entitled "Consolidated Selected Financial Data" appearing on pages 18 and 19 of the 1995 Annual Report to Stockholders, which information is incorporated herein by reference in response to Item 8.

### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

For the information required by this item, refer to the section entitled "Financial Review" appearing on pages 22 through 26 of the 1995 Annual Report to Stockholders, which information is incorporated herein by reference in response to Item 8.

### **Item 8. Financial Statements and Supplementary Data**

For the information required by this item, refer to the Report of Management, Consolidated Financial Statements, Notes to Consolidated Financial Statements, and Report of Independent Accountants appearing on pages 17 and 27 through 38 of the 1995 Annual Report to Stockholders, which information is incorporated herein by reference. For selected quarterly financial information, refer to the section entitled "Quarterly Financial Information" appearing on the "Highlights" page of the 1995 Annual Report to Stockholders, which information is incorporated herein by reference.

### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

## PART III

### **Item 10. Directors and Executive Officers of the Registrant**

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For the information required by this item, refer to the following sections of the registrant's definitive proxy statement for the Annual Meeting of Stockholders to be held July 27, 1995, which information is incorporated herein by reference: (a) "Election of Directors" on page 1 through the footnote on page 2 (for information on directors); and (b) the last paragraph on page 4 (for information on delinquent filings). Also, see the information with respect to "Executive Officers of the Registrant" under Part I hereof, which information is incorporated herein by reference.

### **Item 11. Executive Compensation**

For the information required by this item, refer to the section entitled "Executive Compensation" on pages 5 through 16 of the registrant's definitive proxy statement for the Annual Meeting of Stockholders to be held July 27, 1995, which information is incorporated herein by reference.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management**

For the information required by this item, refer to the section entitled "Security Ownership of Certain Beneficial Owners and Management" appearing on pages 3 and 4 of the registrant's definitive proxy statement for the Annual Meeting of Stockholders to be held July 27, 1995, which information is incorporated herein by reference.

### **Item 13. Certain Relationships and Related Transactions**

For the information required by this item, refer to the section entitled "Transactions with Management" appearing on page 17 of the registrant's definitive proxy statement for the Annual Meeting of Stockholders to be held July 27, 1995, which information is incorporated herein by reference.

**PART IV**

**Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K**

(a) 1 and 2 - Index to Consolidated Financial Statements and Schedules:

	Reference	
	Form 10-K Annual Report Page	Annual Report to Stockholders Page(s)
Incorporated by reference to the company's Annual Report to Stockholders for the year ended April 30, 1995:		
Report of Management*	--	17
Consolidated Statement of Income for the years ended April 30, 1995, 1994, and 1993*	--	27
Consolidated Balance Sheet at April 30, 1995, 1994, and 1993*	--	28 - 29
Consolidated Statement of Cash Flows for the years ended April 30, 1995, 1994, and 1993*	--	30
Consolidated Statement of Stockholders' Equity for the years ended April 30, 1995, 1994, and 1993*	--	31
Notes to Consolidated Financial Statements*	--	32 - 38
Report of Independent Accountants		38
Report of Independent Accountants	S-1	--
Consolidated Financial Statement Schedule: VIII - Valuation and Qualifying Accounts	S-2	--

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission have been omitted either because they are not required under the related instructions, because the information required is included in the consolidated financial statements and notes thereto, or because they are inapplicable.

\* Incorporated by reference to Item 8 herein.

(a) 3 - Exhibits:  
Filed Herewith:

**Exhibit Index**

4(a) Credit agreement dated as of November 30, 1994, among the company and a group of United States and international banks.

10(a) Description of compensation arrangement with W. L. Lyons Brown, Jr.

13 Company's Annual Report to Stockholders for the year ended April 30, 1995, but only to the extent set forth in Items 1, 3, 5, 6, 7, and 8 of the company's Annual Report on Form 10-K for the year ended April 30, 1995.

## 21 Subsidiaries of the Registrant.

23 Consent of Coopers & Lybrand L.L.P. independent accountants.

## 27 Financial Data Schedule (not considered to be filed).

Previously Filed:

Exhibit Index

3(a) Restated Certificate of Incorporation of registrant which is incorporated herein by reference to Brown-Forman Corporation's 10-K filed on July 19, 1994.

3(b) Certificate of Amendment to Restated Certificate of Incorporation of registrant which is incorporated herein by reference to Brown-Forman Corporation's 10-K filed on July 19, 1994.

3(c) Certificate of Ownership and Merger of Brown-Forman Corporation into Brown-Forman, Inc. which is incorporated herein by reference to Brown-Forman Corporation's 10-K filed on July 19, 1994.

3(d) Certificate of Amendment to Restated and Amended Certificate of Incorporation of Brown-Forman Corporation which is incorporated herein by reference to Brown-Forman Corporation's 10-K filed on July 19, 1994.

3(e) The by-laws of registrant, as amended on May 25, 1988, which is incorporated herein by reference to Brown-Forman Corporation's 10-K filed on July 26, 1993.

4(b) The Form of Indenture dated as of March 1, 1994 between the company and The First National Bank of Chicago, as Trustee, which is incorporated herein by reference to Brown-Forman Corporation's Form S-3 (Registration No. 33-52551) filed on March 8, 1994.

10(b) Brown-Forman Management Incentive Compensation Plan which is incorporated herein by reference to Brown-Forman Corporation's 10-K filed on July 19, 1994.

10(c) Brown-Forman Corporation Restricted Stock Plan which is incorporated herein by reference to Brown-Forman Corporation's 10-K filed on July 19, 1994.

10(d) Brown-Forman Corporation Supplemental Excess Retirement Plan, which is incorporated herein by reference to Brown-Forman Corporation's 10-K filed on July 23, 1990.

10(e) Brown-Forman Corporation Stock Appreciation Rights Plan, which is incorporated herein by reference to Brown-Forman Corporation's 10-K filed on July 23, 1990.

10(f) A description of the Brown-Forman Savings Plan is incorporated herein by reference to page 10 of the registrant's definitive proxy statement for the Annual Meeting of Stockholders to be held on July 27, 1995.

10(g) A description of the Brown-Forman Flexible Reimbursement Plan is incorporated herein by reference to page 11 of the registrant's definitive proxy statement for the Annual Meeting of Stockholders to be held on July 27, 1995.

(b) No reports on Form 8-K were filed during the last quarter of the period covered by this report.

## SIGNATURES

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

### BROWN-FORMAN CORPORATION

(Registrant)

*/s/ Owsley Brown II*

Date: May 25, 1995

By: *Owsley Brown II*

*President and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on May 25, 1995 as indicated:

*/s/ Geo. Garvin Brown III*

By: Geo. Garvin Brown III  
Director

*/s/ W. L. Lyons Brown, Jr.*

By: W. L. Lyons Brown, Jr.  
Director and Chairman  
of the Board

*/s/ Owsley Brown Frazier*

By: Owsley Brown Frazier  
Director, Vice Chairman  
of the Board

*/s/ Richard P. Mayer*

By: Richard P. Mayer  
Director

*/s/ Stephen E. O'Neil*

By: Stephen E. O'Neil  
Director

*/s/ John S. Speed*

By: John S. Speed  
Director

*/s/ William M. Street*

By: William M. Street  
Director, Vice Chairman  
of the Board

*/s/ James S. Welch*

By: James S. Welch  
Director

*/s/ Owsley Brown II*

By: Owsley Brown II  
Director, President and  
Chief Executive Officer

*/s/ Steven B. Ratoff*

By: Steven B. Ratoff  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

*/s/ Charles E. Muntan*

By: Charles E. Muntan  
Vice President and  
Controller (Principal  
Accounting Officer)

## REPORT OF INDEPENDENT ACCOUNTANTS

Brown-Forman Corporation  
Louisville, Kentucky

We have audited the consolidated financial statements of Brown-Forman Corporation and Subsidiaries as of April 30, 1995, 1994, and 1993, and for the years then ended, which financial statements are included on pages 27 through 38 of the 1995 Annual Report to Stockholders of Brown-Forman Corporation and incorporated by reference herein. We have also audited the financial statement schedule listed in the index on page 14 of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Brown-Forman Corporation and Subsidiaries as of April 30, 1995, 1994, and 1993 and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

As discussed in Notes 2 and 15 to the consolidated financial statements, in 1994 the company adopted changes in its methods of accounting for postretirement benefits other than pensions, postemployment benefits, and contributions.

*/s/ Coopers & Lybrand L.L.P.  
Coopers & Lybrand L.L.P.  
Louisville, Kentucky  
June 8, 1995*

**BROWN-FORMAN CORPORATION AND SUBSIDIARIES**  
**SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS**  
**For the Years Ended April 30, 1995, 1994, and 1993**  
(Expressed in thousands)

Col. A ----- Description -----	Col. B ----- Balance at Beginning of Period -----	Col. C ----- Additions ----- Charged to Costs and Expenses -----		Col. D ----- Deductions -----	Col. E ----- Balance at End of Period -----
		Charged to Costs and Expenses -----	Charged to Other Accounts -----		
1995					
Allowance for Doubtful Accounts	\$12,006	\$ 9,343	\$ --	\$7,288/(2)/	\$14,061
1994					
Allowance for Doubtful Accounts	\$10,432	\$10,538	\$ --	\$8,964/(2)/	\$12,006
1993					
Allowance for Doubtful Accounts	\$ 7,970	\$ 8,889	\$307/(1)/	\$6,734/(2)/	\$10,432

/(1)/ Relates to businesses acquired during the year. /(2)/ Doubtful accounts written off, net of recoveries.

**EXHIBIT 4(a)**

**EXECUTION COPY**

**CREDIT AGREEMENT**

**Dated as of November 30, 1994**

**Among**

**BROWN-FORMAN CORPORATION,**

**THE BANKS NAMED HEREIN,**

**THE FIRST NATIONAL BANK OF CHICAGO,**

and

**MORGAN GUARANTY TRUST COMPANY OF NEW YORK,**

As Co-Agents,

And

**THE FIRST NATIONAL BANK OF CHICAGO,**

**As Administrative Agent**

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## **CREDIT AGREEMENT**

This Agreement, dated as of November 30, 1994 is among BROWN-FORMAN CORPORATION, a Delaware corporation; THE BANKS NAMED HEREIN; MORGAN GUARANTY TRUST COMPANY OF NEW YORK and THE FIRST NATIONAL BANK OF CHICAGO, as Co-Agents; and THE FIRST NATIONAL BANK OF CHICAGO, as Administrative Agent. The parties hereto agree as follows:

### **ARTICLE I**

#### **DEFINITIONS**

As used in this Agreement:

"Absolute Rate" means, with respect to an Absolute Rate Loan made by a given Bank for the relevant Absolute Rate Interest Period, the rate of interest per annum (rounded upwards to the next higher 1/100 of 1%) offered by such Bank and accepted by the Company.

"Absolute Rate Advance" means a borrowing hereunder consisting of the aggregate amount of the several Absolute Rate Loans made by some or all of the Banks to the Company at the same time and for the same Interest Period.

"Absolute Rate Auction" means a solicitation of Competitive Bid Quotes setting forth Absolute Rates pursuant to Section 2.3.

"Absolute Rate Interest Period" means, with respect to an Absolute Rate Advance, a period of not less than fourteen and not more than ninety days commencing on a Business Day selected by the Company pursuant to this Agreement. If such Absolute Rate Interest Period would end on a day which is not a Business Day, such Absolute Rate Interest Period shall end on the next succeeding Business Day.

"Absolute Rate Loan" means a Loan which bears interest at the Absolute Rate.

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which the Company or any of its Subsidiaries (i) acquires any going business or all or substantially all of the assets of any firm, corporation or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency), or a majority (by percentage or voting power) of the outstanding partnership interests of a partnership, or a majority (by percentage or voting power) of the outstanding equity interests of any other entity.

"Administrative Agent" means The First National Bank of Chicago in its capacity as administrative agent for the Banks pursuant to Article X, and not in its individual capacity as a Bank, and any successor Administrative Agent appointed pursuant to Article X.

"Advance" means a Ratable Advance or a Competitive Bid Advance, or both, as the case may be.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities (or other ownership interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Aggregate Commitment" means the aggregate of the Commitments of all the Banks hereunder, as from time to time reduced pursuant to the terms hereof.

"Agreement" means this credit agreement, as it may be amended or modified from time to time.

"Agreement Accounting Principles" means generally accepted accounting principles in effect at the time of the preparation of the financial statements referred to in Section 5.4, applied in a manner consistent with that used in preparing such statements.

"Applicable Margin" means (i) for any day on which any Status Level other than Level IV Status exists, 0.20 of 1% per annum and (ii) on any day on which Level IV Status exists, 0.30 of 1% per annum. Reference is hereby made to the Pricing Schedule set forth in Section 2.4.5(c) for an illustration of the relationship between the Applicable Margin and the Status Levels.

"Article" means an article of this Agreement.

"Attributable Debt" means, with respect to any Sale and Lease-Back Transaction, as of any particular time, the present value, discounted at the rate of interest implicit in the terms of the lease, of the obligations of the lessee under such lease for net rental payments during the remaining term of the lease (including any period for which such lease has been extended or may, at the option of the Company, be extended).

"Authorized Officer" means any of the Chairman of the Board, any Vice Chairman, the President, any Senior Vice President, any Vice President, the Secretary, the Treasurer, or any Assistant Treasurer of the Company, acting singly.

"Banks" means the lending institutions listed on the signature pages of this Agreement and their respective successors and assigns.

"Borrowing Date" means a date on which an Advance is made hereunder.

"Borrowing Notice" means a Ratable Borrowing Notice or a Competitive Bid Borrowing Notice, or both, as the case may be.

"Business Day" means (i) with respect to a borrowing, payment or rate selection of Eurodollar Advances or Eurodollar Bid Rate Advances, a day other than Saturday or Sunday on which banks generally are open in Chicago and New York for the conduct of substantially all of their commercial lending activities and on which dealings in U.S. dollars are carried on in the London interbank market and (ii) for all other purposes, a day other than Saturday or Sunday on which banks generally are open in Chicago and New York for the conduct of substantially all of their commercial lending activities.

"Capitalized Lease" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person, prepared in accordance with Agreement Accounting Principles.

"Change in Law" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Bank or any Lending Installation or any corporation controlling any Bank.

"Co-Agents" means, collectively, First Chicago and Morgan Guaranty Trust Company of New York in their respective capacities as co-agents for the Banks pursuant to Article X, and not in their individual capacities as Banks; "Co-Agent" means any one of the Co-Agents.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

"Commitment" means, for each Bank, the obligation of the Bank to make Loans not exceeding the amount set forth opposite its signature below, as such amount may be modified from time to time pursuant to Articles II and VII hereunder.

"Company" means Brown-Forman Corporation, a Delaware corporation, and its successors and assigns.

"Competitive Bid Advance" means a borrowing hereunder consisting of the aggregate amount of the several Competitive Bid Loans made by some or all of the Banks to the Company at the same time, at the same interest basis, and for the same Interest Period.

"Competitive Bid Borrowing Notice" is defined in Section 2.3.6.

"Competitive Bid Loan" means a Eurodollar Bid Rate Loan or an Absolute Rate Loan, or both, as the case may be.

"Competitive Bid Margin" means the margin above or below the applicable Eurodollar Base Rate offered for a Eurodollar Bid Rate Loan, expressed as a percentage (rounded upwards to the next higher 1/100 of 1%) to be added or subtracted from such Eurodollar Base Rate.

"Competitive Bid Note" means a promissory note in substantially the form of Exhibit "B" hereto, with appropriate insertions, duly executed and delivered to the Administrative Agent by the Company and payable to the order of a Bank, including any amendment, modification, renewal or replacement of such promissory note.

"Competitive Bid Quote" means a Competitive Bid Quote substantially in the form of Exhibit "E" hereto completed and delivered by a Bank to the Administrative Agent in accordance with Section 2.3.4.

"Competitive Bid Quote Request" means a Competitive Bid Quote Request substantially in the form of Exhibit "C" hereto completed and delivered by the Company to the Administrative Agent in accordance with Section 2.3.2.

"Condemnation" is defined in Section 7.8.

"Consolidated Assets" means all of the assets of the Company and its Subsidiaries which in accordance with Agreement Accounting Principles would be shown as assets on a consolidated balance sheet of the Company and its Subsidiaries.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Conversion/Continuation Notice" is defined in Section 2.2.4.

"Corporate Base Rate" means the rate per annum calculated by the Administrative Agent to be the arithmetic average of the rates reported to the Administrative Agent by each Reference Bank as its corporate base rate of interest or prime rate of interest, changing when and as said corporate base rate or prime rate changes.

"Default" means an event described in Article VII.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"Eurodollar Advance" means a Ratable Advance which bears interest at a Eurodollar Rate.

"Eurodollar Auction" means a solicitation of Competitive Bid Quotes setting forth Eurodollar Bid Rates based on the Eurodollar Base Rate pursuant to Section 2.3.

"Eurodollar Base Rate" means, with respect to a Eurodollar Advance or Eurodollar Bid Rate Advance, as the case may be, for the relevant Eurodollar Interest Period or Eurodollar Bid Rate Interest Period, as the case may be, the rate determined by the Administrative Agent to be the arithmetic average of the rates reported to the Administrative Agent by each Reference Bank as the rate at which deposits in U.S. dollars are offered by such Reference Bank in the case of a Eurodollar Advance, or in the case of a Eurodollar Bid Rate Loan, by a Bank(s) submitting a Competitive Bid Quote, to first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Eurodollar Interest Period or Eurodollar Bid Rate Interest Period, as the case may be, in the approximate amount of such Reference Bank's or such Bank's, as the case may be, relevant Eurodollar Loan or Eurodollar Bid Rate Loan, as the case may be, and having a maturity approximately equal to such Eurodollar Interest Period or Eurodollar Bid Rate Interest Period, as the case may be. If any Reference Bank fails to provide such quotation to the Administrative Agent, then the Administrative Agent shall determine the Eurodollar Base Rate on the basis of the quotations of the remaining Reference Bank(s).

"Eurodollar Bid Rate" means, with respect to a Eurodollar Bid Rate Loan made by a given Bank for the relevant Eurodollar Bid Rate Interest Period, the sum of (a) the Eurodollar Base Rate and (b) the Competitive Bid Margin offered by such Bank and accepted by the Company.

"Eurodollar Bid Rate Advance" means a Competitive Bid Advance which bears interest at a Eurodollar Bid Rate.

"Eurodollar Bid Rate Interest Period" means, with respect to a Eurodollar Bid Rate Advance, a period of one, two, three or six months commencing on a Business Day selected by the Company pursuant to this Agreement. Such Eurodollar Bid Rate Interest Period shall end on (but exclude) the day in the next, second, third or sixth succeeding calendar month, as the case may be, which corresponds numerically to the beginning day of such Eurodollar Bid Rate Interest Period; provided, however, that if there is no such numerically corresponding day in such succeeding month, such Eurodollar Bid Rate Interest Period shall end on the last Business Day of such succeeding month. If a Eurodollar Bid Rate Interest Period would

otherwise end on a day which is not a Business Day, such Eurodollar Bid Rate Interest Period shall end on the next succeeding Business Day; provided, however, that if said next succeeding Business Day falls in a new month, such Eurodollar Bid Rate Interest Period shall end on the immediately preceding Business Day. Any Eurodollar Bid Rate Interest Period that begins before the Termination Date and would otherwise end after the Termination Date shall end on the Termination Date.

"Eurodollar Bid Rate Loan" means a Loan which bears interest at the Eurodollar Bid Rate.

"Eurodollar Interest Period" means, with respect to a Eurodollar Advance, a period of one, two, three or six months commencing on a Business Day selected by the Company pursuant to this Agreement. Such Eurodollar Interest Period shall end on (but exclude) the day in the next, second, third or sixth succeeding calendar month, as the case may be, which corresponds numerically to the beginning day of such Eurodollar Interest Period, provided, however, that if there is no such numerically corresponding day in such succeeding month, such Eurodollar Interest Period shall end on the last Business Day of such succeeding month. If a Eurodollar Interest Period would otherwise end on a day which is not a Business Day, such Eurodollar Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new month, such Eurodollar Interest Period shall end on the immediately preceding Business Day. Any Eurodollar Interest Period that begins before the Termination Date and would otherwise end after the Termination Date shall end on the Termination Date.

"Eurodollar Loan" means a Loan which bears interest at a Eurodollar Rate.

"Eurodollar Rate" means, with respect to a Eurodollar Advance for the relevant Eurodollar Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to that Eurodollar Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to that Eurodollar Interest Period, plus (ii) the Applicable Margin per annum. The Eurodollar Rate shall be rounded, if necessary, to the next higher 1/100 of 1%.

"Facility Fee" is defined in Section 2.4.5(a).

"Federal Funds Effective Rate" means, for any day, an interest rate per annum 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 for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Chicago time) on such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent in its sole discretion.

"First Chicago" means The First National Bank of Chicago in its individual capacity, and its successors and assigns.

"Fixed Rate" means the Eurodollar Rate, the Eurodollar Bid Rate or the Absolute Rate, as the case may be.

"Fixed Rate Advance" means an Advance which bears interest at a Fixed Rate.

"Fixed Rate Loan" means a Loan which bears interest at a Fixed Rate.

"Floating Rate Advance" means a Ratable Advance which bears interest at the Corporate Base Rate.

"Floating Rate Loan" means a Loan which bears interest at the Corporate Base Rate.

"Form 10-K Report" is defined in Section 6.1(a).

"Form 10-Q Report" is defined in Section 6.1(b).

"Guaranties" of a Person means all guaranties and other contingent obligations of such Person with respect to the liability of any other Person which would be Indebtedness if the liability guaranteed by such guaranty were a liability of such Person; provided, however, that (i) the endorsement by the Company and the Subsidiaries of instruments for deposit or collection in the ordinary course of its business, and (ii) Guaranties by the Company or any Subsidiary of the Indebtedness of the Company or any other Subsidiary, as the case may be, shall not be deemed to be a Guaranty as defined herein.

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money (including, without limitation, all notes payable and drafts accepted representing extensions of credit and all obligations evidenced by bonds, debentures, notes or other similar instruments), (ii) obligations representing the deferred purchase price of property or services, other than accounts payable arising in, and on terms customary in, the ordinary course of such Person's business, (iii) obligations under conditional sales agreements, other title retention agreements, and agreements creating a Lien on the property subject thereto, (iv) Capitalized Lease Obligations, (v) obligations representing Unfunded Liabilities, (vi) obligations that arise in connection with letters of credit, other than commercial letters of credit arising in, and on terms customary in, the ordinary course of such Person's business, (vii) Rate Hedging Obligations in an aggregate amount exceeding \$50,000,000 for all such Rate Hedging Obligations, and (viii) Guaranties; excluding however, for purposes of this definition, obligations of the Company or any Subsidiary to the Company or any other Subsidiary.

"Interest Period" means a Eurodollar Interest Period, a Eurodollar Bid Rate Interest Period, or an Absolute Rate Interest Period, as the case may be.

"Invitation for Competitive Bid Quotes" means an Invitation for Competitive Bid Quotes substantially in the form of Exhibit "D" hereto, completed and delivered by the Administrative Agent to the Banks in accordance with Section 2.3.3.

"Lending Installation" means any office, branch, subsidiary or affiliate of any Bank or the Administrative Agent.

"Level I Status" exists at any date if, at such date, the Company's outstanding senior unsecured long-term debt securities are rated higher than A+ by S&P and higher than A1 by Moody's.

"Level II Status" exists at any date if, at such date, (i) the Company's outstanding senior unsecured long-term debt securities are rated at least A+ by S&P and A1 by Moody's and (ii) Level I Status does not exist.

"Level III Status" exists at any date if, at such date, (i) the Company's outstanding senior unsecured long-term debt securities are rated A- or higher by S&P and A3 or higher by Moody's and (ii) neither Level I Status nor Level II Status exists.

"Level IV Status" exists at any date if, at such date, no other Status Level exists.

"Lien" means any security interest, mortgage, pledge, lien, claim, charge, encumbrance, title retention agreement, lessor's interest under a Capitalized Lease or analogous instrument, in, of or on any Person's assets or properties in favor of any other Person.

"Loan" means, with respect to a Bank, such Bank's portion of any Advance.

"Loan Documents" means this Agreement and the Notes.

"Material Adverse Effect" means a material adverse effect on (i) the financial condition or results of operations of the Company and its Subsidiaries taken as a whole, or (ii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Administrative Agent or the Banks thereunder.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Company or any member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"Net Worth" means, as of any date of determination, the consolidated net worth of the Company and its Subsidiaries as determined in accordance with Agreement Accounting Principles.

"Notes" means, collectively, the Ratable Notes and the Competitive Bid Notes; "Note" means any one of the Notes.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Notes, all accrued and unpaid facility fees and all other obligations of the Company to the Banks or to any Bank or to any Co-Agent or the Administrative Agent arising under the Loan Documents.

"Participants" is defined in Section 12.2.1.

"Payment Date" means the fifteenth day of each January, April, July and October after the date hereof.

"PBGC" means the Pension Benefit Guaranty Corporation and its successors and assigns.

"Person" means any corporation, natural person, firm, joint venture, partnership, trust, unincorporated organization, enterprise, government or any department or agency of any government.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Company or any Subsidiary may have any liability.

"Principal Property" means all property located within the United States of America directly engaged in the manufacturing activities of the Company and its Subsidiaries, including manufacturing and processing facilities, except any such property which the Board of Directors of the Company declares is not material to the business of the Company and its Subsidiaries taken as a whole.

"Ratable Advance" means a borrowing hereunder consisting of the aggregate amount of the several Ratable Loans made by the Banks to the Company at the same time, at the same Rate Option and, in the case of Fixed Rate Advances, for the same Interest Period.

"Ratable Borrowing Notice" is defined in Section 2.2.3.

"Ratable Loan" means a Loan made by a Bank pursuant to Section 2.2.

"Ratable Note" means a promissory note in substantially the form of Exhibit "A" hereto, with appropriate insertions, duly executed and delivered to the Administrative Agent by the Company for the account of a Bank and payable to the order of such Bank in the amount of its Commitment, including any amendment, modification, renewal or replacement of such promissory note.

"Rate Hedging Obligations" of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all agreements, devices or arrangements designed to protect at least one of the parties thereto from the fluctuations of interest rates, exchange rates or forward rates applicable to such party's assets, liabilities or exchange transactions, including, but not limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options, puts and warrants, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any of the foregoing.

"Rate Option" means the Eurodollar Rate or the Corporate Base Rate.

"Reference Banks" means First Chicago and Morgan Guaranty Trust Company of New York.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System from time to time in effect and shall include any successor or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulations U and X" means Regulations U and X of the Board of Governors of the Federal Reserve System from time to time in effect and shall include any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such Section with respect to a Plan that would materially adversely affect the business, financial condition, or results of operations of the Company or the ability of the Company to perform its obligations under the Loan Documents, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event; provided that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a reportable event regardless of the issuance of any such waivers in accordance with Section 412(d) of the Code.

"Required Banks" means Banks in the aggregate having at least 67% of the Aggregate Commitment, or, if the Aggregate Commitment shall have been terminated pursuant to this Agreement, holding Notes evidencing at least 67% of the aggregate outstanding principal amount of the Advances.

"Reserve Requirement" means, with respect to a Eurodollar Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and

other reserves) that is imposed under Regulation D on Eurocurrency liabilities (in the case of Eurodollar Advances).

"Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

"Sale and Lease-Back Transaction" is defined in Section 6.10.

"S&P" means Standard & Poor's Corporation.

"SEC" means the United States Securities and Exchange Commission, and any successor thereto.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Significant Subsidiary" means each Subsidiary which is a "significant subsidiary" as defined in Rule 1-02(v) of Regulation S-X of the SEC, as such rule may be amended or modified and in effect from time to time.

"Single Employer Plan" means a Plan maintained by the Company or any member of the Controlled Group for employees of the Company or any member of the Controlled Group.

"Status Level" means any or all, as the case may be, of Level I Status, Level II Status, Level III Status or Level IV Status.

"Subsidiary" means any corporation more than 50% of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by the Company or by one or more Subsidiaries or by the Company and one or more Subsidiaries, or any partnership, association, joint venture or similar business organization which is so owned or controlled.

"Substantial Portion" means, with respect to the property of the Company and the Subsidiaries, property which (i) represents more than 25% of the Consolidated Assets of the Company and the Subsidiaries as would be shown in the consolidated financial statements of the Company and the Subsidiaries as at the beginning of the twelve-month period ending with the month in which such determination is made, or (ii) is responsible for more than 25% of

the consolidated net sales or of the consolidated net income of the Company and the Subsidiaries as reflected in the financial statements referred to in clause (i) above.

"Termination Date" means November 30, 1999 unless the Commitments are earlier terminated pursuant to the terms of this Agreement.

"Total Indebtedness" means, at any date, the sum of all Indebtedness of the Company and its Subsidiaries on a consolidated basis (including without limitation the Loans).

"Transferee" is defined in Section 12.3.

"Unfunded Liabilities" means, (i) in the case of Single Employer Plans, the amount (if any) by which the present value of all vested nonforfeitable benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, and (ii) in the case of Multiemployer Plans, the withdrawal liability of the Company and its Subsidiaries.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Usage Fee" is defined in Section 2.4.5(b).

"Wholly-Owned Subsidiary" means any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by the Company or one or more Wholly-Owned Subsidiaries, or by the Company and one or more Wholly-Owned Subsidiaries, or any similar business organization which is so owned or controlled.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

## **ARTICLE II**

### **THE FACILITY**

#### **2.1. THE FACILITY.**

2.1.1. DESCRIPTION OF FACILITY. Each Bank severally grants to the Company a revolving credit facility pursuant to which, and upon the terms and subject to the conditions herein set out:

(a) each Bank severally agrees to make Ratable Loans to the Company in accordance with Section 2.2; and

(b) each Bank may, in its sole discretion, make bids to make Competitive Bid Loans to the Company in accordance with Section 2.3.

2.1.2. FACILITY AMOUNT. Subject to cancellation and reduction in accordance with the terms hereof, the Aggregate Commitment is \$300,000,000. Accordingly, in no event may the aggregate principal amount of all outstanding Advances exceed the sum of \$300,000,000 (less any amount by which the Aggregate Commitment is so cancelled or reduced).

2.1.3. AVAILABILITY OF FACILITY. Subject to the terms hereof, the Commitments to lend hereunder shall expire on the Termination Date. Subject to the terms of this Agreement, the Company may borrow, repay and reborrow at any time prior to the Termination Date.

## 2.2. RATABLE ADVANCES.

2.2.1. RATABLE ADVANCES. From and including the date of this Agreement and prior to the Termination Date, each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make Ratable Loans to the Company from time to time in amounts not to exceed in the aggregate at any one time outstanding the amount of its Commitment. Each Ratable Advance hereunder shall consist of borrowings made from several Banks ratably in proportion to the ratio that their respective Commitments bear to the Aggregate Commitment. The Ratable Advances shall be evidenced by the Ratable Notes.

2.2.2. RATABLE ADVANCE RATE OPTIONS. The Ratable Advances may be Floating Rate Advances or Eurodollar Advances, or a combination thereof, selected by the Company in accordance with Section 2.2.3.

2.2.3. METHOD OF SELECTING RATE OPTIONS AND INTEREST PERIODS FOR RATABLE ADVANCES. The Company shall select the Rate Option and, in the case of each Eurodollar Advance, Interest Period applicable to each Ratable Advance from time to time. The Company shall give the Administrative Agent irrevocable notice (a "Ratable Borrowing Notice") not later than 10:00 a.m. Chicago time on the Borrowing Date of each Floating Rate Advance and 10:00 a.m. Chicago time on the third Business Day prior to the Borrowing Date of each Eurodollar Advance, specifying:

- (a) the Borrowing Date, which shall be a Business Day, of such Ratable Advance,
- (b) the aggregate amount of such Ratable Advance,
- (c) the Rate Option selected for such Ratable Advance, and
- (d) in the case of each Fixed Rate Advance, the Interest Period applicable thereto (which may not end after the Termination Date).

2.2.4. CONVERSION AND CONTINUATION OF OUTSTANDING RATABLE ADVANCES. Floating Rate Advances shall continue as Floating Rate Advances unless and until such Floating Rate Advances are converted into Eurodollar Advances. Each Eurodollar Advance shall continue as a Eurodollar Advance until the end of the then applicable Eurodollar Interest Period therefor, at which time such Eurodollar Advance shall be automatically converted into a Floating Rate Advance unless the Company shall have given the Administrative Agent a Conversion/Continuation Notice requesting that, at the end of such Eurodollar Interest Period, such Eurodollar Advance either continue as a Eurodollar Advance for the same or another Eurodollar Interest Period or be converted into a Floating Rate Advance. Subject to the terms of Section 2.4.2, the Company may elect from time to time to convert all or any part of a Ratable Advance of one Rate Option into a Ratable Advance of another Rate Option(s); provided that any conversion of any Eurodollar Advance shall be made on, and only on, the last day of the Eurodollar Interest Period applicable thereto and no portion of the outstanding principal amount of any Ratable Advance may be continued as, or be converted into, a Eurodollar Advance when any Default or Unmatured Default has occurred and is continuing. The Company shall give the Administrative Agent irrevocable notice (a "Conversion/ Continuation Notice") of each conversion of a Ratable Advance or continuation of a Eurodollar Advance not later than 10:00

a.m. (Chicago time) at least one Business Day, in the case of a conversion into a Floating Rate Advance, or three Business Days, in the case of a conversion into or continuation of a Eurodollar Advance, prior to the date of the requested conversion or continuation, specifying:

(i) the requested date which shall be a Business Day, of such conversion or continuation;

(ii) the aggregate amount and Rate Option of the Ratable Advance which is to be converted or continued; and

(iii) the amount and Rate Option(s) of Ratable Advance(s) into which such Ratable Advance is to be converted or continued and, in the case of a conversion into or continuation of a Eurodollar Advance, the duration of the Eurodollar Interest Period applicable thereto.

### 2.3. COMPETITIVE BID ADVANCES.

2.3.1. COMPETITIVE BID OPTION. In addition to Ratable Advances pursuant to Section 2.2, but subject to the terms and conditions of this Agreement (including, without limitation, the limitation set forth in Section 2.1.2 as to the maximum aggregate principal amount of all outstanding Advances hereunder), the Company may, as set forth in this Section 2.3, request the Banks prior to the Termination Date to make offers to make Competitive Bid Advances to the Company. Each Bank may, but shall have no obligation to, make such offers and the Company may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 2.3. Competitive Bid Advances shall be evidenced by Competitive Bid Notes.

2.3.2. **COMPETITIVE BID QUOTE REQUEST.** When the Company wishes to request offers to make Competitive Bid Loans under this Section 2.3, it shall transmit to the Administrative Agent by telex or telecopy a Competitive Bid Quote Request substantially in the form of Exhibit "C" hereto so as to be received no later than (x) 10:00 a.m. Chicago time at least four Business Days prior to the Borrowing Date proposed therein, in the case of a Eurodollar Auction or (y) 10:00 a.m. Chicago time at least one Business Day prior to the Borrowing Date proposed therein, in the case of an Absolute Rate Auction (or, in either case upon reasonable prior notice to the Banks, such other time and date as the Company and the Administrative Agent may agree), specifying:

- (a) the proposed Borrowing Date, which shall be a Business Day, for the proposed Competitive Bid Advance,
- (b) subject to Section 2.4.2 hereof, the aggregate principal amount of such Competitive Bid Advance,
- (c) whether the Competitive Bid Quotes requested are to set forth a Competitive Bid Margin or an Absolute Rate, or both, and
- (d) the Interest Period applicable thereto (which may not end after the Termination Date).

The Company may request offers to make Competitive Bid Loans for more than one Interest Period and for a Eurodollar Auction and an Absolute Auction in a single Competitive Bid Quote Request. No Competitive Bid Quote Request shall be given within five Business Days (or such other number of days as the Company and the Administrative Agent may agree) of any other Competitive Bid Quote Request. A Competitive Bid Quote Request that does not conform substantially to the format of Exhibit "C" hereto shall be rejected, and the Administrative Agent shall promptly notify the Company of such rejection by telex or telecopy.

2.3.3. **INVITATION FOR COMPETITIVE BID QUOTES.** Promptly upon receipt of a Competitive Bid Quote Request that is not rejected pursuant to Section 2.3.2, the Administrative Agent shall send to each of the Banks by telex or telecopy an Invitation for Competitive Bid Quotes substantially in the form of Exhibit "D" hereto, which shall constitute an invitation by the Company to each Bank to submit Competitive Bid Quotes offering to make the Competitive Bid Loans to which such Competitive Bid Quote Request relates in accordance with this Section 2.3.

2.3.4. **SUBMISSION AND CONTENTS OF COMPETITIVE BID QUOTES.**

- (a) Each Bank may, in its sole discretion, submit a Competitive Bid Quote containing an offer or offers to make Competitive Bid Loans in response to any Invitation for Competitive Bid Quotes. Each Competitive Bid Quote must comply

with the requirements of this Section 2.3.4 and must be submitted to the Administrative Agent by telex or telecopy at its offices specified in or pursuant to Article XIII not later than (x) 1:00 p.m. Chicago time at least three Business Days prior to the proposed Borrowing Date, in the case of a Eurodollar Auction or (y) 9:00 a.m. Chicago time on the proposed Borrowing Date, in the case of an Absolute Rate Auction (or, in either case upon reasonable prior notice to the Banks, such other time and date as the Company and the Administrative Agent may agree); PROVIDED that Competitive Bid Quotes submitted by First Chicago may be submitted, and may only be submitted, if the Administrative Agent or First Chicago notifies the Company of the terms of the offer or offers contained therein not later than (x) 12:45 p.m. Chicago time at least three Business Days prior to the proposed Borrowing Date, in the case of a Eurodollar Auction or (y) 8:45 a.m. Chicago time on the proposed Borrowing Date, in the case of an Absolute Rate Auction. Subject to Articles IV and VII, any Competitive Bid Quote so made shall be irrevocable except with the written consent of the Administrative Agent given on the instructions of the Company.

(b) Each Competitive Bid Quote shall in any case specify:

(i) the proposed Borrowing Date, which shall be the same as that set forth in the applicable Invitation for Competitive Bid Quotes;

(ii) the principal amount of the Competitive Bid Loan for which each such offer is being made, which principal amount (1) may be greater than, less than or equal to the Commitment of the quoting Bank, (2) must be at least \$10,000,000 and an integral multiple of \$5,000,000, and (3) may not exceed the principal amount of Competitive Bid Loans for which offers were requested;

(iii) in the case of a Eurodollar Auction, the Eurodollar Bid Rate offered for each such Competitive Bid Loan;

(iv) in the case of an Absolute Rate Auction, the Absolute Rate offered for each such Competitive Bid Loan;

(v) the minimum amount, if any, of the Competitive Bid Loan that may be accepted by the Company and/or the limit, if any, as to the aggregate principal amount of the Competitive Bid Loans from such Bank that may be accepted by the Company;

(vi) the applicable Eurodollar Bid Rate Interest Period or Absolute Rate Interest Period, as the case may be; and

(vii) the identity of the quoting Bank.

(c) The Administrative Agent shall reject any Competitive Bid Quote that:

- (i) is not substantially in the form of Exhibit "E" hereto or does not specify all of the information required by Section 2.3.4(b);
- (ii) contains qualifying, conditional or similar language, other than any such language contained in Exhibit "E";
- (iii) proposes terms other than or in addition to those set forth in the applicable Invitation for Competitive Bid Quotes; or
- (iv) arrives after the time set forth in Section 2.3.4(a).

If any Competitive Bid Quote shall be rejected pursuant to this Section 2.3.4(c), then the Administrative Agent shall notify the relevant Bank of such rejection as soon as practical.

**2.3.5. NOTICE TO COMPANY.** The Administrative Agent shall promptly notify the Company of the terms (i) of any Competitive Bid Quote submitted by a Bank that is in accordance with Section 2.3.4 and (ii) of any Competitive Bid Quote that amends, modifies or is otherwise inconsistent with a previous Competitive Bid Quote submitted by such Bank with respect to the same Competitive Bid Quote Request. Any such subsequent Competitive Bid Quote shall be disregarded by the Administrative Agent unless such subsequent Competitive Bid Quote specifically states that it is submitted solely to correct a manifest error in such former Competitive Bid Quote. The Administrative Agent's notice to the Company shall specify the aggregate principal amount of Competitive Bid Loans for which offers have been received for each Interest Period specified in the related Competitive Bid Quote Request and the respective principal amounts and Eurodollar Bid Rates or Absolute Rates, as the case may be, so offered.

**2.3.6. ACCEPTANCE AND NOTICE BY COMPANY.** Not later than (x) 2:00 p.m. Chicago time at least three Business Days prior to the proposed Borrowing Date, in the case of a Eurodollar Auction or (y) 10:00 a.m. Chicago time on the proposed Borrowing Date, in the case of an Absolute Rate Auction (or, in either case upon reasonable prior notice to the Banks, such other time and date as the Company and the Administrative Agent may agree), the Company shall notify the Administrative Agent of its acceptance or non-acceptance of the offers so notified to it pursuant to Section 2.3.5; PROVIDED, HOWEVER, that the failure by the Company to give such notice to the Administrative Agent shall be deemed to be a rejection of all such offers. In the case of acceptance, such notice (a "Competitive Bid Borrowing Notice") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Company may accept any Competitive Bid Quote in whole or in part; PROVIDED that:

- (a) the aggregate principal amount of each Competitive Bid Advance may not exceed the applicable amount set forth in the related Competitive Bid Quote Request,

(b) acceptance of offers may only be made on the basis of ascending Competitive Bid Margins or Absolute Rates, as the case may be, and

(c) the Company may not accept any offer of the type described in Section 2.3.4(c) or that otherwise fails to comply with the requirements of this Agreement.

**2.3.7. ALLOCATION BY ADMINISTRATIVE AGENT.** If offers are made by two or more Banks with the same Competitive Bid Margins or Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which offers are accepted for the related Interest Period, the principal amount of Competitive Bid Loans in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Banks as nearly as possible (in such multiples, not greater than \$500,000, as the Administrative Agent may deem appropriate) in proportion to the aggregate principal amount of such offers; PROVIDED, HOWEVER, that no Bank shall be allocated a portion of any Competitive Bid Advance that is less than the minimum amount that such Bank has indicated that it is willing to accept. Allocations by the Administrative Agent of the amounts of Competitive Bid Loans shall be conclusive in the absence of manifest error. The Administrative Agent shall promptly, but in any event on the same Business Day in the case of Eurodollar Bid Rate Advances and by 11:00 a.m. (Chicago time) in the case of Absolute Rate Advances, notify each Bank of its receipt of a Competitive Bid Borrowing Notice and the aggregate principal amount of such Competitive Bid Advance allocated to each participating Bank.

**2.3.8. ADMINISTRATION FEE.** The Company hereby agrees to pay to the Administrative Agent an administration fee of \$200.00 per Bank for each Competitive Bid Quote Request transmitted by the Company to the Administrative Agent pursuant to Section 2.3.2. Such administration fee shall be payable in arrears on each Payment Date (the first such payment, if any, to be made on January 15, 1995) and on the Termination Date (or such earlier date on which the Aggregate Commitment shall terminate) for any period then ending for which such fee, if any, shall not have been theretofore paid.

#### **2.4. GENERAL FACILITY TERMS.**

**2.4.1. METHOD OF BORROWING.** Not later than 12:00 noon Chicago time on each Borrowing Date, each Bank shall make available its Loan or Loans in funds immediately available in Chicago, to the Administrative Agent at its address specified pursuant to Article XIII. The Administrative Agent shall deposit the funds so received from the Banks in the Company's account at the Administrative Agent's main office in Chicago. Notwithstanding the foregoing provisions of this Section 2.4.1, to the extent that a Loan made by a Bank matures on the Borrowing Date of a requested Loan, such Bank shall apply the proceeds of the Loan it is then making to the repayment of the maturing Loan.

**2.4.2. MINIMUM AMOUNT OF EACH ADVANCE.** Each Advance shall be in the minimum amount of \$10,000,000 (and in integral multiples of \$5,000,000 if in excess thereof);

PROVIDED, HOWEVER, that any Floating Rate Advance may be in the aggregate amount of the unused Aggregate Commitment.

2.4.3. REQUIRED PAYMENTS; TERMINATION. (a) All outstanding Ratable Advances and all other unpaid Obligations shall be paid in full by the Company on the Termination Date.

(b) Each Competitive Bid Advance shall mature and be paid in full by the Company on the last day of the Interest Period applicable thereto.

2.4.4. OPTIONAL PRINCIPAL PAYMENTS. The Company may from time to time pay all outstanding Floating Rate Advances, or, in a minimum aggregate amount of \$1,000,000 (and in multiples of \$1,000,000 if in excess thereof), any portion of the outstanding Floating Rate Advances upon one Business Day's prior notice to the Administrative Agent. A Fixed Rate Advance may not be paid prior to the last day of the applicable Interest Period; PROVIDED, HOWEVER, that, if for any reason Section 3.1 hereof is applicable to any Fixed Rate Advance, such Fixed Rate Advance may be paid, subject to Section 3.4 hereof, prior to the last day of the applicable Interest Period therefor upon five Business Days' prior notice to the Administrative Agent.

2.4.5. FEES; PRICING SCHEDULE.

(a) FACILITY FEES. The Company hereby agrees to pay to the Administrative Agent for the account of each Bank a facility fee (the "Facility Fee") of (a) for any day on which Level I Status exists, 0.08 of 1% per annum, (b) for any day on which Level II Status exists, 0.09 of 1% per annum, (c) for any day on which Level III Status exists, 0.10 of 1% per annum, and (d) for any day on which Level IV Status exists, 0.15 of 1% per annum, on the Aggregate Commitment for the period from November 30, 1994 to but excluding the Termination Date (or such earlier date on which the Aggregate Commitment shall terminate), payable in arrears on each Payment Date (the first such payment to be made on January 15, 1995) and on the Termination Date (or such earlier date on which the Aggregate Commitment shall terminate) for any period then ending for which such fee shall not have been theretofor paid. The Company shall give prompt notice to the Administrative Agent of any changes in the Status Level in accordance with Section 6.15.

(b) USAGE FEES. If, on any day during the period from November 30, 1994 to but excluding the Termination Date (or such earlier date on which the Aggregate Commitment shall terminate), (a) the aggregate outstanding principal amount of the Advances is greater than 50% of the Aggregate Commitment and (b) Level III Status or Level IV Status exists, the Company hereby agrees to pay to the Administrative Agent for the account of each Bank a usage fee of 0.05 of 1% per annum (the "Usage Fee") on the aggregate outstanding principal amount of the Advances, payable in arrears on each Payment Date and on the Termination Date (or such earlier date on which the Aggregate Commitment shall terminate) for any period then ending for which such fee shall not have been theretofor paid. The

Company shall give prompt notice to the Administrative Agent of any changes in the Status Level in accordance with Section 6.15.

(c) The following schedule illustrates how the Applicable Margin, Facility Fees, and Usage Fees, will apply to the Company in different Status Levels:

PRICING SCHEDULE (expressed in basis points per annum)				
Status Level	Level I	Level II	Level III	Level IV
Ratings S&P/Moody's	Higher than A+ and A1	At least equal to A+ and A1 but not higher than both A+ and A1	Lower than Level II and higher than or equal to A- and A3	Lower than A- or A3
Facility Fee	8	9	10	15
Applicable Margin	20	20	20	30
Usage Fee (if usage is greater than 50%)	0	0	5	5

#### 2.4.6. REDUCTION OR TERMINATION OF THE AGGREGATE COMMITMENT.

(a) The Company may from time to time prior to the Termination Date permanently reduce the Aggregate Commitment in whole (upon payment in full of the Notes and other Obligations of the Company hereunder), or in part in a minimum amount of \$10,000,000 (and in multiples of \$5,000,000 if in excess thereof), upon at least ten Business Days' prior written notice to the Administrative Agent, which notice shall specify the amount of any such reduction.

(b) If, after giving effect to any reduction or termination of the Aggregate Commitment pursuant to this Section 2.4.6, the aggregate principal amount of all outstanding Advances would otherwise exceed the aggregate amount of the Aggregate Commitment, the Company shall pay or prepay the Loans in an aggregate principal amount equal to such excess, together with all accrued and unpaid interest and fees and all other amounts due and owing pursuant to Article III hereof to the date of payment or prepayment, provided that the Company shall select the Loans to be paid or prepaid, and the amounts to be paid or prepaid, so that any partial payment or prepayment of the Loans of any type on any day shall be in an aggregate principal amount at least equal to \$1,000,000 and so that, insofar as possible, no prepayment of a Loan shall be made other than on the last day of an Interest Period therefor.

2.4.7. INTEREST PERIODS. Subject to Sections 2.2.4 and 2.4.8, (a) each Fixed Rate Advance shall bear interest from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined as applicable to such Fixed Rate Advance, and (b) each Floating Rate Advance shall bear interest on the outstanding principal amount thereof, for each day from the date such Floating Rate Advance is made until it becomes due, at a rate per annum equal to the Corporate Base Rate for such day.

2.4.8. RATE AFTER MATURITY. Except as provided in the next sentence, any Advance not paid at maturity, whether by acceleration or otherwise, shall bear interest until paid in full at a rate per annum equal to the Corporate Base Rate plus 2% per annum. In the case of a Fixed Rate Advance the maturity of which is accelerated, such Fixed Rate Advance shall bear interest for the remainder of the applicable Interest Period, at the higher of the rate otherwise applicable to such Interest Period plus 2% per annum or the Corporate Base Rate plus 2% per annum.

2.4.9. INTEREST PAYMENT DATES; INTEREST AND FEE BASIS. Interest accrued on each Floating Rate Advance shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof, on any date on which the Floating Rate Advance is prepaid, whether due to acceleration or otherwise, and at maturity. Interest accrued on that portion of the outstanding principal amount of any Floating Rate Advance converted into a Fixed Rate Advance on a day other than a Payment Date shall be payable on the date of conversion. Interest accrued on each Fixed Rate Advance shall be payable on the last day of its applicable Interest Period and on any date on which such Fixed Rate Advance is prepaid, whether due to acceleration or otherwise. Interest accrued on each Fixed Rate Advance having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest on Fixed Rate Advances shall be calculated for the actual number of days elapsed on the basis of a year consisting of 360 days. Interest on Floating Rate Advances and all fees shall be calculated for the actual number of days elapsed on the basis of a year consisting of 365, or when appropriate 366, days. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to 1:00

p.m.(Chicago time) at the place of payment. If any payment of principal of or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.4.10. METHOD OF PAYMENT. Subject to the last sentence of Section 2.4.1, all payments of principal, interest, and fees hereunder shall be made, without setoff, deduction, counterclaim or withholding for taxes, in immediately available funds to the Administrative Agent at the Administrative Agent's address specified pursuant to Article XIII (or at any other Lending Installation of the Administrative Agent specified in writing by the Administrative Agent to the Company at least one Business Day prior to the date of any such payment) by 1:00 p.m. (Chicago time) on the date when due and shall be made ratably

among all Banks in the case of fees and payments in respect of Ratable Advances and ratably among the applicable Banks in respect of Competitive Bid Advances. Each payment delivered to the Administrative Agent for the account of any Bank shall be delivered promptly by the Administrative Agent to such Bank in the same type of funds which the Administrative Agent received at its address specified pursuant to Article XIII or at any Lending Installation specified in a notice received by the Administrative Agent from such Bank. Upon two Business Days' prior notice, by telephone or telecopy, to the Company, the Administrative Agent is hereby authorized to charge the account of the Company for each payment of principal, interest and fees as it becomes due hereunder.

2.4.11. NOTES; TELEPHONIC NOTICES. Each Bank is hereby authorized to record on the schedule attached to each of its Notes, or otherwise record in accordance with its usual practice, the date and amount of each of its Loans of the type evidenced by such Note; PROVIDED, HOWEVER, that any such recordations shall be conclusive and binding upon the Company, absent manifest error, and failure to so record shall not affect the Company's obligations under any Note. The Company hereby authorizes the Banks and the Administrative Agent to extend, convert or continue Advances, effect Rate Option selections, transfer funds and submit Competitive Bid Quotes based on telephonic notices made by any person or persons the Administrative Agent or any Bank in good faith believes to be an Authorized Officer. The Company agrees to deliver promptly to the Administrative Agent a written confirmation of each telephonic notice signed by any two Authorized Officers. If the written confirmation differs in any material respect from the action taken by the Administrative Agent and the Banks, the records of the Administrative Agent and the Banks shall govern absent manifest error.

2.4.12. NOTIFICATION OF ADVANCES, INTEREST RATES, PREPAYMENTS AND COMMITMENT REDUCTIONS. Promptly after receipt thereof, the Administrative Agent will notify each Bank of the contents of each Aggregate Commitment reduction notice, Borrowing Notice and repayment notice received by it hereunder. The Administrative Agent will notify each Bank of the interest rate applicable to each Advance promptly upon determination of such interest rate and will give each Bank prompt notice of each change in the Corporate Base Rate or the Status Level. Each Reference Bank agrees to furnish timely information for the purpose of determining the Eurodollar Base Rate and the Corporate Base Rate.

2.4.13. LENDING INSTALLATIONS. Each Bank may book its Loans at any Lending Installation selected by such Bank and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Notes shall be deemed held by each Bank for the benefit of such Lending Installation. Each Bank may, by written telex or telecopy notice to the Administrative Agent and the Company, designate a Lending Installation through which Loans will be made by it and for whose account Loan payments are to be made. Each notice given pursuant to this Section 2.4.13 shall be given prior to the time the Loans or payments referred to in such notice are to be made.

2.4.14. **NON-RECEIPT OF FUNDS BY THE ADMINISTRATIVE AGENT.** Unless the Company or a Bank, as the case may be, notifies the Administrative Agent prior to the date on which it is scheduled to make payment to the Administrative Agent of (a) in the case of a Bank, the proceeds of a Loan or (b) in the case of the Company, a payment of principal, interest or fees to the Administrative Agent for the account of the Banks, that it does not intend to make such payment, the Administrative Agent may assume that such payment has been made. The Administrative Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Bank or the Company, as the case may be, has not in fact made such payment to the Administrative Agent, the recipient of such payment shall, on demand by the Administrative Agent, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Bank, the Federal Funds Effective Rate for such day (as determined by the Administrative Agent) or (ii) in the case of payment by the Company, the interest rate applicable to the relevant Loan.

2.4.15. **WITHHOLDING TAX EXEMPTION.** At least five Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Bank, each Bank that is not incorporated under the laws of the United States of America, or a state thereof, agrees that it will deliver to each of the Company and the Administrative Agent two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes. Each Bank which so delivers a Form 1001 or 4224 further undertakes to deliver to each of the Company and the Administrative Agent two additional copies of such form (or a successor form) on or before the date that such form expires (currently, three successive calendar years for Form 1001 and one calendar year for Form 4224) or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Company or the Administrative Agent, in each case certifying that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such form with respect to it and such Bank advises the Company and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

## ARTICLE III

### CHANGE IN CIRCUMSTANCES

3.1. **YIELD PROTECTION.** If any law or any governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof by any governmental authority or agency, or compliance of any Bank with such,

(i) subjects any Bank or any applicable Lending Installation, directly or indirectly, to any additional tax, duty, charge or withholding on or from payments due from the Company (excluding taxation of the overall net income of any Bank or applicable Lending Installation), or changes the basis of taxation of payments to any Bank in respect of its Loans or other amounts due it hereunder, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank or any applicable Lending Installation (other than reserves and assessments taken into account in determining the interest rate applicable to Fixed Rate Advances), or

(iii) imposes any other condition the result of which is to increase the cost to any Bank or any applicable Lending Installation of making, funding or maintaining loans or reduces any amount receivable by any Bank or any applicable Lending Installation in connection with loans,

then, within 15 days of demand by such Bank, the Company shall pay such Bank that portion of such increased expense incurred or reduction in an amount received which such Bank determines is attributable to making, funding and maintaining its Loans and its Commitment. At the time of such demand, such Bank shall provide the Company with a written statement setting forth the amount that would adequately compensate such Bank for such increased expense or reduction and setting forth in reasonable detail the assumptions and calculations upon which such Bank determined such amount; provided, however, that the Company shall maintain, at all times, the confidentiality of any such written statement, including without limitation its content, delivered to the Company by any such Bank.

3.2. **CAPITAL ADEQUACY.** If a Bank determines the amount of capital required or expected to be maintained by such Bank, any Lending Installation of such Bank or any corporation controlling such Bank is increased as a result of a Change in Law, then, such affected Bank shall so notify the Company and the Administrative Agent within ninety (90) days of such Change in Law. At the time of such notification such affected Bank shall provide the Company with a written statement setting forth the amount that would adequately compensate such affected Bank for any shortfall in the rate of return on the portion of such increased capital which such affected Bank determines is attributable to this Agreement, its

Loans or its obligation to make Loans hereunder (after taking into account such affected Bank's policies as to capital adequacy) and setting forth in reasonable detail the assumptions and calculations upon which such affected Bank determined such amount; provided, however, that the Company shall maintain, at all times, the confidentiality of any such written statement, including without limitation its content, delivered to the Company by any such affected Bank. The Company and such affected Bank shall thereafter negotiate in good faith an agreement to increase the facility fee payable to the affected Bank under this Agreement, which, in the opinion of such affected Bank, will adequately compensate such affected Bank for such shortfall so long as such Change in Law is in effect. If such increase is approved in writing by the Company within forty-five (45) days from the date of the notice to the Company from such affected Bank, the facility fee payable by the Company under this Agreement shall, effective from the date of the effective date of such Change in Law, include the amount of such agreed increase and the Company will so notify the Administrative Agent. If the Company and such affected Bank are unable to agree on such an increase within forty-five

(45) days from the date of the notice to the Company from such affected Bank, the Company shall, by written notice to such affected Bank within fifty (50) days from the date of the aforesaid notice to the Company from such affected Bank, elect either to (a) terminate the Commitment of, or replace, such affected Bank; provided, however, that, prior to or concurrent with any such termination or replacement, all amounts due and owing to but excluding the date of termination or replacement by the Company to such affected Bank under this Agreement (including without limitation all amounts due and owing under this

Section 3.2) shall have been paid in full, or (b) increase the facility fee payable to such affected Bank by the amount requested by such affected Bank, effective from the date of the effective date of such Change in Law. Without limiting the foregoing, if the Company elects to take the action described in clause (b) of the preceding sentence, it may simultaneously therewith reduce the Commitment of such affected Bank by an amount chosen by the Company and if, after giving effect to any such reduction, the aggregate principal amount of all outstanding Loans of such affected Bank would otherwise exceed its Commitment, the Company shall pay or prepay the Loans in an aggregate principal amount equal to such excess, together with all accrued and unpaid interest and fees and all amounts due and owing under Section 3.4 hereof to the date of payment or prepayment. If the Company fails to provide notice to such affected Bank as described in the second preceding sentence by such fiftieth day, the Company shall be deemed to have taken the action described in clause (b) above. If the Company elects to take the action with respect to replacement of such affected Bank described in clause (a) above, it may, upon prior written notice to the Administrative Agent and subject to the provisions hereof and of Section 12.1 hereof, simultaneously therewith replace such affected Bank with another bank and instruct such affected Bank to assign all of its interests hereunder to such replacement bank in accordance with Section 12.1 hereof.

**3.3. AVAILABILITY OF FIXED RATE OPTIONS.** If any Bank determines that maintenance of any of its Fixed Rate Loans at a suitable Lending Installation would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, the Administrative Agent shall suspend the availability of the affected Fixed Rate and require any Fixed Rate Advances outstanding under an affected Fixed Rate to be repaid; or if the Required Banks

determine that (i) deposits of a type and maturity appropriate to match fund Fixed Rate Advances are not available, the Administrative Agent shall suspend the availability of the affected Fixed Rate with respect to any Advances made after the date of any such determination, or (ii) a Fixed Rate does not accurately reflect the cost of making a Fixed Rate Advance at such Fixed Rate, then, if for any reason whatsoever the provisions of Sections 3.1 or 3.2 hereof are inapplicable, the Administrative Agent shall suspend the availability of the affected Fixed Rate with respect to any Advances made after the date of any such determination.

3.4. **FUNDING INDEMNIFICATION.** If any payment of a Fixed Rate Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Fixed Rate Advance is not made or prepaid on the date specified by the Company for any reason other than default by the Banks, the Company will indemnify each Bank for any direct loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain the Fixed Rate Advance.

3.5. **BANK CERTIFICATES; SURVIVAL OF INDEMNITY.** To the extent reasonably possible, each Bank shall designate an alternate Lending Installation with respect to its Fixed Rate Loans to reduce any liability of the Company to such Bank under Sections 3.1 or 3.2 hereof or to avoid the unavailability of a Fixed Rate under Section 3.3, so long as such designation is not disadvantageous to such Bank, in such Bank's sole determination and discretion. Each Bank shall deliver a certificate of such Bank as to the amount due, if any, under Sections 3.1 or 3.4 hereof. Determination of amounts payable under such Sections in connection with a Fixed Rate Loan shall be calculated as though each Bank funded its Fixed Rate Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Fixed Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the certificate shall be payable on demand after receipt by the Company of the certificate. The obligations of the Company under Sections 3.1, 3.2 and 3.4 hereof shall survive payment of the Obligations and termination of this Agreement.

## **ARTICLE IV**

### **CONDITIONS PRECEDENT**

4.1. **INITIAL ADVANCE.** The Banks shall not be required to make the initial Advance hereunder unless, on or before the date of execution hereof, the Company has furnished or caused to be furnished to the Administrative Agent with sufficient copies for the Banks:

(a) Copies of the Certificate of Incorporation of the Company, together with all amendments, and a certificate of good standing, both certified by the appropriate governmental officer in its jurisdiction of incorporation.

(b) Copies, certified by the Secretary or Assistant Secretary of the Company, of its By-Laws and of its Board of Directors' resolutions (and resolutions of other bodies, if any are deemed necessary by counsel for any Bank) authorizing the execution of the Loan Documents.

(c) An incumbency certificate, executed by the Secretary or Assistant Secretary of the Company, which shall identify by name and title and bear the signature of the officers of the Company authorized to sign the Loan Documents and to make borrowings hereunder, upon which certificate the Banks shall be entitled to rely until informed of any change in writing by the Company.

(d) A certificate, signed by the chief financial officer of the Company, stating that on the date of execution hereof no Default or Unmatured Default has occurred and is continuing.

(e) A written opinion of the Company's counsel, addressed to the Banks in substantially the form of Exhibit "F" hereto.

(f) A Ratable Note payable to the order of each of the Banks and a Competitive Bid Note payable to the order of each of the Banks.

(g) A duly completed Loan/Credit Related Money Transfer Instruction in substantially the form of Exhibit "G" hereto.

(h) Evidence, in form and substance satisfactory to the Administrative Agent and the Banks, of the termination by the Company of those certain credit facilities evidenced by that certain Credit Agreement, dated as of January 15, 1993 (as heretofore amended or modified, the "Existing Credit Agreement"), among the Company, the Banks named therein, and The First National Bank of Chicago, First National Bank of Louisville, and Morgan Guaranty Trust Company of New York, as Co-Agents, and The First National Bank of Chicago, as Administrative Agent, and of the payment of all principal of and interest on any loans outstanding under, and of all other amounts payable under, the Existing Credit Agreement.

(i) Such other documents as the Administrative Agent, any Bank or their respective counsel may have reasonably requested.

4.2. EACH ADVANCE. No Bank shall be required to make any Advance (other than an Advance that, after giving effect thereto and to the application of the proceeds thereof, does not increase the aggregate amount of outstanding Advances), unless on the applicable Borrowing Date:

(a) There exists no Default or Unmatured Default.

(b) The Company reaffirms the truth and correctness of the representations and warranties contained in Article V, excluding (i) Section 5.5; (ii) Section 5.8 as to Subsidiaries other than Significant Subsidiaries; and (iii) changes in Schedule "1" hereto reflecting transactions permitted by this Agreement.

(c) All legal matters incident to the making of such Advance shall be satisfactory to the Administrative Agent and the Banks and their respective counsel.

Each Borrowing Notice with respect to each such Advance shall constitute a representation and warranty by the Company that the conditions contained in Sections 4.2(a) and (b) have been satisfied.

## **ARTICLE V**

### **REPRESENTATIONS AND WARRANTIES**

The Company represents and warrants to the Administrative Agent and the Banks that:

5.1. **CORPORATE EXISTENCE AND STANDING.** Each of the Company and the Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly qualified and in good standing in each jurisdiction where, because of the nature of its activities or properties, such qualification is required and the failure so to qualify would have a Material Adverse Effect.

5.2. **AUTHORIZATION AND VALIDITY.** The Company has the corporate power, authority and legal right to execute and deliver the Loan Documents and to perform its obligations thereunder. The execution and delivery by the Company of the Loan Documents and the performance of its obligations thereunder have been duly authorized by proper corporate proceedings.

5.3. **NO CONFLICT; GOVERNMENT CONSENT.** Neither the execution and delivery by the Company of the Loan Documents, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Company or any Subsidiary or the Company's or any Subsidiary's certificate or articles of incorporation or by-laws or the provisions of any indenture, instrument or agreement to which the Company or any Subsidiary is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien in, of or on the property of the Company or a Subsidiary pursuant to the terms of any such indenture, instrument or agreement. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding

effect or enforceability of, any of the Loan Documents, or to the extent that any of the foregoing is required, all such orders, consents, approvals, licenses, authorizations, validations, filings, recordings, registrations, or exemptions have been validly procured and have not been rescinded.

5.4. **FINANCIAL STATEMENTS.** The July 31, 1994 consolidated financial statements of the Company and the Subsidiaries heretofore delivered to the Banks were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present the consolidated financial condition and operations of the Company and the Subsidiaries at such date and the consolidated results of their operations for the period then ended.

5.5. **MATERIAL ADVERSE CHANGE.** Since July 31, 1994 through the date of execution hereof, there has been no change in the business, property, prospects, condition (financial or otherwise) or results of operations of the Company and the Subsidiaries which would have a Material Adverse Effect.

5.6. **TAXES.** The Company and the Subsidiaries have filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Company or any Subsidiary, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. The United States income tax returns of the Company and the Subsidiaries have been audited by the Internal Revenue Service through the fiscal year ended April 30, 1990. No tax liens have been filed and no claims are being asserted with respect to any such taxes which would have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and the Subsidiaries in respect of any taxes or other governmental charges are adequate.

5.7. **LITIGATION.** There is no litigation, arbitration, or proceeding pending or, to the knowledge of any of their officers, threatened against or affecting the Company or any Subsidiary which would have a Material Adverse Effect.

5.8. **SUBSIDIARIES.** Schedule "1" hereto contains an accurate list of all of the presently existing Subsidiaries of the Company, setting forth their respective jurisdictions of incorporation and the percentage of their respective capital stock owned by the Company or other Subsidiaries. All of the issued and outstanding shares of capital stock of such Subsidiaries have been duly authorized and issued and are fully paid and non-assessable.

5.9. **ERISA.** Each Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Plan, and neither the Company nor any of its Subsidiaries has withdrawn from any Plan or initiated steps to do so and no steps have been taken to terminate any Plan where any such withdrawal or termination could have a Material Adverse Effect.

5.10. **ACCURACY OF INFORMATION.** No information, exhibit or report furnished by the Company or any Subsidiary to the Administrative Agent or to any Co-Agent or Bank in connection with the negotiation of the Loan Documents contains any material misstatement of fact or omits to state a material fact or any fact necessary to make the statements contained therein not misleading.

5.11. **COMPLIANCE WITH LAWS.** The Company and its Subsidiaries have complied with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of their respective businesses or the ownership of their respective property, except where the failure so to comply would not have a Material Adverse Effect. Neither the Company nor any Subsidiary has received any notice to the effect that its operations are not in material compliance with any of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations, which non-compliance would have a Material Adverse Effect.

5.12. **REGULATIONS U AND X.** Margin Stock (as defined in Regulations U and X) constitutes less than 25% of those assets of the Company and its Subsidiaries that are subject to any limitation on sale, pledge or other restriction hereunder.

5.13. **INVESTMENT COMPANY ACT.** Neither the Company nor any Subsidiary thereof is an "investment company" or a company "controlled" by an "investment company" within the meaning of Investment Company Act of 1940, as amended.

5.14. **PUBLIC UTILITY HOLDING COMPANY ACT.** Neither the Company nor any Subsidiary is 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", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

## **ARTICLE VI**

### **COVENANTS**

During the term of this Agreement, unless the Required Banks shall otherwise consent in writing:

6.1. **FINANCIAL REPORTING.** The Company will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Banks:

(a) Within 120 days after the close of each of its fiscal years, a copy of the then relevant Form 10-K report (such report, together with any successor thereto, is hereinafter referred to as the "Form 10-K Report") regarding the

Company and its Subsidiaries filed with the SEC; provided, however, that, in any event, the Company shall furnish to the Banks financial information that is, in form and substance, materially the same as that which is required, as of the date hereof, by the SEC to appear in a Form 10-K report, and such Form 10-K Report shall be accompanied by a certificate of independent certified public accountants (acceptable to the Banks, which acceptance shall not be unreasonably withheld) to the effect that, in the course of their examination necessary for their certification of such financial information, they have obtained no knowledge of any Default or Unmatured Default, or if, in the opinion of such accountants, any Default or Unmatured Default shall exist, stating the nature and status thereof. To the extent the Company already has provided copies of the then relevant Form 10-K Report to the Banks pursuant to Section 6.1(e) hereof, and, at that time the Company notified each Bank that such Form 10-K Report was being furnished to satisfy the requirements of Sections 6.1(a) and (e), then the Company need not furnish additional copies of such Form 10-K Report to the Banks in order to satisfy the requirements of this Section.

(b) Within 60 days after the close of the first three quarterly periods of each of its fiscal years, for itself and the Subsidiaries, a copy of the then relevant Form 10-Q report (such report, together with any successor thereto, is hereinafter referred to as the "Form 10-Q Report") regarding the Company and its Subsidiaries filed with the SEC; provided, however, that, in any event, the Company shall furnish to the Banks financial information that is, in form and substance, materially the same as that which is required, as of the date hereof, by the SEC to appear in a Form 10-Q report, and such Form 10-Q Report shall be certified by its chief financial officer. To the extent the Company already has provided copies of the then relevant Form 10-Q Report to the Banks pursuant to Section 6.1(e) hereof, and, at that time the Company notified each Bank that such Report was being furnished to satisfy the requirements of Sections 6.1(b) and (e), then the Company need not furnish additional copies of such Form 10-Q Report to the Banks in order to satisfy the requirements of this Section.

(c) Together with the financial statements required hereunder, a compliance certificate signed by its chief financial officer stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof.

(d) Within 15 days of the furnishing thereof to the shareholders of the Company, copies of all financial statements, reports and proxy statements so furnished.

(e) Within 15 days of the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which the Company or

any Subsidiary files with the SEC unless furnished by the Company pursuant to Section 6.1(a) or (b) hereof.

(f) Such other information (including non-financial information) as the Administrative Agent or any Bank may from time to time reasonably request.

**6.2. USE OF PROCEEDS.** The Company will, and will cause each of its Subsidiaries to, use the proceeds of the Advances for general corporate purposes, including without limitation, Acquisitions, and to repay outstanding Advances. The Company will not, nor will it permit any Subsidiary to, use the proceeds of any Advance in violation of Regulations U and X.

**6.3. NOTICE OF DEFAULT.** The Company will, and will cause each of its Subsidiaries to, give prompt notice in writing to the Banks of the occurrence of any Default or Unmatured Default and of any other development, financial or otherwise, which would have a Material Adverse Effect.

**6.4. CORPORATE EXISTENCE AND STANDING.** The Company will do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction where, because of the nature of its activities or properties, failure to maintain such authority would have a Material Adverse Effect.

**6.5. TAXES.** The Company will, and will cause each Subsidiary to, pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside.

**6.6. INSURANCE.** The Company will, and will cause each Subsidiary to, maintain with financially sound and reputable insurance companies insurance on all their property in such amounts and covering such risks as is consistent with sound business practice.

**6.7. COMPLIANCE WITH LAWS.** The Company will, and will cause each Subsidiary to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure so to comply would not have a Material Adverse Effect.

**6.8. INSPECTION.** The Company will, and will cause each Subsidiary to, permit the Administrative Agent and the Banks, by their respective representatives and agents, to inspect any of the properties of the Company and each Subsidiary and to discuss the affairs, finances and accounts of the Company and each Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Administrative Agent or the Banks may designate. Upon the request of the Administrative Agent or any Bank, the Company will provide to the Administrative Agent and the Banks copies of those corporate

documents which the Banks reasonably believe to be relevant to this Agreement, the other Loan Documents or the transactions contemplated hereby.

6.9. MERGER. The Company will not, nor will it permit any Subsidiary to, merge or consolidate with or into any other Person, except (a) that a Subsidiary may merge with the Company or a Wholly-Owned Subsidiary, and (b) that the Company may merge or consolidate with or into any other Person, so long as

(i) immediately after giving effect to any such merger or consolidation, no Default, or Unmatured Default shall have occurred and be continuing, (ii) the Person surviving the merger or consolidation is a solvent corporation organized and existing under the laws of the United States of America or any state thereof, and (iii) such surviving Person executes and delivers to the Administrative Agent an agreement in form and substance satisfactory to the Banks, containing an assumption by such Person of the due and punctual payment and observance of all Obligations of the Company hereunder and under the Notes with the same effect as if such Person had originally been the Company hereunder and thereunder. Any such surviving Person shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Agreement with the same effect as if such surviving Person had been named as the Company herein. No such transaction shall have the effect of releasing (A) the Company if the Company shall be the surviving Person, or (B) if the Company shall not be the surviving Person, any successor Person that shall have become a successor Person in the manner prescribed in this Section 6.9, from its liability hereunder and under the Notes.

6.10. SALE AND LEASEBACK. The Company will not, nor will it permit any Subsidiary to, enter into any arrangement with any Person providing for the leasing by the Company or a Subsidiary of any Principal Property, acquired or placed into service more than 180 days prior to such arrangement (except for leases of five years or less), whereby such property has been or is to be sold or transferred by the Company or any Subsidiary to such Person (herein referred to as a "Sale and Lease-Back Transaction"), unless:

(a) the Company or any Subsidiary would, at the time of entering into such transaction, be entitled to incur Indebtedness secured by a Lien on the property to be leased in an amount at least equal to the Attributable Debt in respect of such transaction without equally and ratably securing the Obligations pursuant to Section 6.11 hereof, or

(b) the Company shall covenant that the Company will apply an amount equal to the net proceeds from the sale of the Principal Property so leased to the payment of the Obligations within ninety (90) days of the effective date of any such Sale and Lease-Back Transaction,

provided, the covenant contained in this Section 6.10 shall not apply to, and there shall be excluded from Attributable Debt in any computation under Section 6.11 hereof or this Section 6.10, Attributable Debt with respect to any Sale and Lease-Back Transaction if:

(i) such Sale and Lease-Back Transaction is entered into in connection with transactions which are part of an industrial development or pollution control financing or,

(ii) the only parties involved in such Sale and Lease-Back Transaction are the Company and any Subsidiary.

6.11. LIENS. The Company will not, nor will it permit any Subsidiary to, incur, issue, assume, or guarantee any Indebtedness, if such Indebtedness is secured by a Lien upon or with respect to any Principal Property of the Company or any Subsidiary, now owned or hereafter acquired, without in any such case effectively providing, concurrently with the incurrence, issuance, assumption or guarantee of any such Indebtedness, that the Obligations shall be secured equally and ratably with (or prior to) such Indebtedness, for so long as such other Indebtedness shall be so secured, except that this Section 6.11 shall not apply to, and there shall be excluded from secured Indebtedness of the Company and any Subsidiary in any computation under this Section, Indebtedness of the Company or any Subsidiary secured by:

(a) Liens affecting property of any corporation existing at the time such corporation becomes a Subsidiary or at the time it is acquired by the Company or a Subsidiary or arising thereafter pursuant to contractual commitments entered into prior to and not in contemplation of such corporation's becoming a Subsidiary;

(b) Liens existing at the time of acquisition of the property affected thereby, or Liens incurred to secure payment of all or part of the purchase price of such property or to secure Indebtedness incurred prior to, at the time of, or within 180 days after, the acquisition of such property for the purpose of financing all or part of the purchase price thereof (provided such Liens are limited to such property and improvements thereto);

(c) Liens placed into effect prior to, at the time of or within 180 days of completion of, construction of new facilities (or any improvements to existing facilities) to secure all or part of the cost of construction (or improvement) of such facilities, or to secure Indebtedness incurred to provide funds for any such purpose (provided such Liens are limited to the property or portion thereof upon which the construction being so financed occurred and to improvements the cost of construction of which is being so financed);

(d) Liens which secure only Indebtedness owing by a Subsidiary to the Company or to a wholly-owned Subsidiary;

(e) Liens required by any contract or statute in order to permit the Company or a Subsidiary to perform any contract or subcontract made by it with or at the request of the United States of America or any state thereof, or any department, agency, instrumentality or political subdivision of any of the foregoing, and Liens in favor of

such entities on property owned or leased by the Company or a Subsidiary to secure (i) any Indebtedness incurred by the Company or such Subsidiary for the purpose of financing (including any industrial development bond financing) all or any part of the purchase price or the cost of constructing, expanding or improving the property subject thereto (provided such Liens are limited to the property or portion thereof upon which the construction being so financed occurred and to the improvements, the cost of construction of which is being so financed), or (ii) the cost needed to permit the attachment or removal of any equipment designed primarily for the purpose of air or water pollution control, provided that such Liens shall not extend to other property of the Company or any Subsidiary; or

(f) Any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (a) through (e), inclusive of any Indebtedness secured thereby, provided that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal, or replacement.

Notwithstanding the foregoing provisions of this Section 6.11, the Company or any of its Subsidiaries shall be entitled to incur, issue, assume or guarantee Indebtedness secured by a Lien which is not excepted by clauses (a) through (f) above without equally and ratably securing the Obligations, provided that the aggregate amount of all Indebtedness then outstanding secured by such Lien and all similar Liens, plus all Attributable Debt of the Company and its Subsidiaries in respect of Sale and Lease-Back Transactions which, if treated as a Lien would not be excepted under (a) through (f) above, does not exceed 10% of the Consolidated Assets of the Company.

6.12. **AFFILIATES.** The Company will not, and will not permit any Subsidiary to, enter into any transaction (including, without limitation, the purchase or sale of any property or service) with, or make any payment or transfer to, any Affiliate (other than the Company and its Subsidiaries) except in the ordinary course of business and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company than the Company or such Subsidiary would obtain in a comparable arms-length transaction; provided that nothing contained in this Section 6.12 shall prevent the Company or its Subsidiaries from paying a dividend to its respective shareholders.

6.13. **TOTAL INDEBTEDNESS RATIO.** The Company will not permit at any time the ratio of (a) Total Indebtedness to (b) Net Worth to exceed 2.0:1.

6.14. **NET WORTH.** The Company will maintain at all times a Net Worth equal to or greater than \$350,000,000; provided, however, that, in determining the Net Worth of the Company for purposes of this Section 6.14, the Net Worth of the Company shall be computed without giving effect to any reductions of Net Worth made in accordance with generally accepted principles of accounting from time to time with respect to the redemption,

repurchase, acquisition or retirement by the Company after the date of this Agreement of any of its capital stock at any time outstanding.

6.15. **NOTIFICATION OF CHANGE IN RATINGS.** The Company shall notify the Administrative Agent in writing of any actual change in the ratings by S&P or Moody's of the Company's senior unsecured long-term debt securities within 15 days after the Company becomes aware of such change.

## **ARTICLE VII**

### **DEFAULTS**

The occurrence of any one or more of the following events shall constitute a Default:

7.1. Any representation or warranty made (including without limitation any representations or warranties made pursuant to Section 4.2 hereof) by or on behalf of the Company or any Subsidiary to the Banks or the Administrative Agent under or in connection with this Agreement, any Advance, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be materially false as of the date on which made or deemed made.

7.2. Nonpayment of principal of any Note when due, or nonpayment of interest upon any Note or of any facility fee or other obligations under any of the Loan Documents within five days after the same becomes due.

7.3. The breach by the Company of any of the terms or provisions of Sections 6.2, 6.3, 6.4, 6.9, 6.10, 6.11 or 6.12.

7.4. The breach by the Company (other than a breach which constitutes a Default under Section 7.1, 7.2 or 7.3) of any of the terms or provisions of this Agreement which is not remedied within ten days after written notice from the Administrative Agent or any Bank.

7.5. (a) Failure of the Company or any Subsidiary to pay when due (whether by acceleration or otherwise) any other Indebtedness in an aggregate principal amount greater than \$25,000,000;

(b) any Indebtedness of the Company or any of its Subsidiaries in an aggregate principal amount greater than \$25,000,000 shall be declared to be due and payable or required to be prepaid ( whether by redemption, purchase, offer to purchase, or otherwise, but other than by a regularly scheduled payment) prior to the stated maturity thereof; or

(c) the Company or any Significant Subsidiary shall not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.6. The Company or any Significant Subsidiary shall (a) have an order for relief entered with respect to it under the Federal Bankruptcy Code, (b) make an assignment for the benefit of creditors, (c) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (d) institute any proceeding seeking an order for relief under the Federal Bankruptcy Code or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (e) take any corporate action to authorize or effect any of the foregoing actions set forth in this Section 7.6 or (f) fail to contest in good faith any appointment or proceeding described in Section 7.7.

7.7. Without the application, approval or consent of the Company or any Significant Subsidiary, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Company or any Significant Subsidiary or any substantial part of its property, or a proceeding described in Section 7.6(d) shall be instituted against the Company or any Significant Subsidiary and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 30 consecutive days.

7.8. Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of (each a "Condemnation") all or any portion of the property of the Company or any Subsidiary which, when taken together with all other property of the Company and its Subsidiaries so condemned, seized, appropriated, or taken custody or controlled of, during the twelve-month period ending with the month in which any such Condemnation occurs, constitutes a Substantial Portion.

7.9. The Company or any Subsidiary shall fail within 30 days to pay, bond or otherwise discharge any judgment or orders for the payment of money in excess of \$25,000,000 in the aggregate, which is not stayed on appeal or otherwise being appropriately contested in good faith.

7.10. Any Reportable Event shall occur in connection with any Plan.

7.11. The Company or any Subsidiary shall have had adversely and finally determined against it any proceeding pertaining to the violation of any federal, state or local environmental, health or safety law or regulation, which would have a Material Adverse Effect.

## ARTICLE VIII

### ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1. ACCELERATION. If any Default described in Section 7.6 or 7.7 occurs, the Commitments of the Banks shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Administrative Agent or any Bank. If any other Default occurs, the Required Banks may terminate or suspend the Commitments of the Banks if still in existence, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Company hereby expressly waives. Upon receipt of notice from the Required Banks, the Administrative Agent shall promptly advise the Company and the other Banks of any such termination and/or declaration by the Required Banks, but failure to do so shall not impair the effect of such termination and/or declaration.

8.2. AMENDMENTS. Subject to this Article VIII, the Required Banks (or the Administrative Agent with the consent in writing of the Required Banks) and the Company may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Banks or the Company hereunder or waiving any Default hereunder; PROVIDED, HOWEVER, that no such supplemental agreement shall, without the consent of all of the Banks:

- (a) Extend the maturity of any Loan or Note or forgive all or any portion of the principal amount thereof, or reduce the rate or change the time of payment of interest or fees thereon.
- (b) Change the percentage specified in the definition of Required Banks.
- (c) Increase the amount of the Commitment of any Bank hereunder, or permit the Company to assign its rights under this Agreement except as permitted under Section 6.9 hereof.
- (d) Amend this Section 8.2.

No amendment of any provision of this Agreement relating to the Administrative Agent shall be effective without the written consent of the Administrative Agent.

8.3. PRESERVATION OF RIGHTS. No delay or omission of the Banks or the Administrative Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or the inability of the Company to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any

single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Banks required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Administrative Agent and the Banks until the Obligations have been paid in full.

## **ARTICLE IX**

### **GENERAL PROVISIONS**

9.1. **SURVIVAL OF REPRESENTATIONS.** All representations and warranties of the Company contained in this Agreement shall survive delivery of the Notes and the making of the Loans herein contemplated.

9.2. **GOVERNMENTAL REGULATION.** Anything contained in this Agreement to the contrary notwithstanding, no Bank shall be obligated to extend credit to the Company in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3. **TAXES.** Any taxes (excluding income taxes) payable or ruled payable by Federal or State authority in respect of the Loan Documents shall be paid by the Company, together with interest and penalties, if any.

9.4. **HEADINGS.** Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.5. **ENTIRE AGREEMENT.** The Loan Documents embody the entire agreement and understanding among the Company, the Administrative Agent and the Banks and supersede all prior agreements and understandings among the Company, the Administrative Agent and the Banks relating to the subject matter thereof.

9.6. **SEVERAL OBLIGATIONS.** The respective obligations of the Banks hereunder are several and not joint and no Bank shall be the partner or agent of any other (except to the extent to which the Administrative Agent is authorized to act as such). The failure of any Bank to perform any of its obligations hereunder shall not relieve any other Bank from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns.

9.7. **EXPENSES; INDEMNIFICATION.** The Company shall reimburse the Administrative Agent for any costs and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Administrative Agent, which attorneys may be employees of the Administrative Agent) paid or incurred by the Administrative Agent in connection with the administration, amendment, and modification of the Loan Documents. The Company also agrees to reimburse the Administrative Agent and the Banks for any costs and out-of-pocket expenses (including attorneys' fees and time charges of the attorneys for the Administrative Agent and the Banks, which attorneys may be employees of the Administrative Agent or the Banks) paid or incurred by the Administrative Agent or any Bank in connection with the collection and enforcement of the Loan Documents. The Company further agrees to indemnify each of the Administrative Agent and the Banks, and their respective directors, officers and employees, against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not the Administrative Agent or any Bank is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Loan hereunder, except for any such losses, claims, damages, penalties, judgments, liabilities or expenses arising on account of any such party's negligence, bad faith or willful misconduct. The obligations of the Company under this Section shall survive the termination of this Agreement.

9.8. **NUMBER OF DOCUMENTS.** All statements, notices, closing documents, and requests hereunder shall be furnished to the Administrative Agent with sufficient counterparts so that the Administrative Agent may furnish one to each of the Banks.

9.9. **ACCOUNTING.** Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles, except that any calculation or determination which is to be made on a consolidated basis shall be made for the Company and all its Subsidiaries, including those Subsidiaries, if any, which are unconsolidated on the Company's audited financial statements.

9.10. **SEVERABILITY OF PROVISIONS.** Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.11. **NONLIABILITY OF BANKS.** The relationship between the Company, the Banks, the Co-Agents and the Administrative Agent shall be solely that of borrower and lender. Neither the Administrative Agent nor any Bank shall have any fiduciary responsibilities to the Company. Neither the Administrative Agent nor any Co-Agent or Bank undertakes any

responsibility to the Company to review or inform the Company of any matter in connection with any phase of the Company's business or operations.

9.12. **NONRELIANCE.** Each Bank hereby represents that it is not relying on or looking to any "margin stock" (as defined in Regulations U and X) for the repayment of the Loans provided for herein.

9.13. **CONFIDENTIALITY.** Each Bank agrees to hold any confidential information which it may receive from the Company pursuant to this Agreement in confidence, except for disclosure (i) to other Banks, (ii) to legal counsel and accountants to that Bank, (iii) to regulatory officials as required, (iv) to any Person as required by law, regulation, or legal process, and (vi) permitted by Section 12.3.

## **ARTICLE X**

### **THE AGENTS**

10.1. **APPOINTMENT.** The First National Bank of Chicago is hereby appointed Administrative Agent hereunder, and each of the Banks irrevocably authorizes the Administrative Agent to act as the administrative agent of such Bank. The Administrative Agent agrees to act as such upon the express conditions contained in this Article X. The Administrative Agent shall not have a fiduciary relationship in respect of any Bank by reason of this Agreement. The First National Bank of Chicago and Morgan Guaranty Trust Company of New York are each hereby appointed to act as a Co-Agent hereunder. No Co-Agent shall have any right, power, obligation, liability, responsibility or duty under this Agreement in its capacity as Co-Agent.

10.2. **POWERS.** The Administrative Agent shall have and may exercise such powers hereunder as are specifically delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. The Administrative Agent shall have no implied duties to the Banks, or any obligation to the Banks to take any action hereunder except any action specifically provided by this Agreement to be taken by the Administrative Agent.

10.3. **GENERAL IMMUNITY.** Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable to the Banks or any Bank for any action taken or omitted to be taken by it or them hereunder or in connection herewith except for its or their own gross negligence or willful misconduct.

10.4. **NO RESPONSIBILITY FOR LOANS, RECITALS, ETC.** Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (i) any statement, warranty or representation made in

connection with any Loan Document or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Bank; (iii) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith. The Administrative Agent shall not have any duty to disclose to the Banks information that is not required to be furnished by the Company to the Administrative Agent at such time, but is voluntarily furnished by the Company to the Administrative Agent (either in its capacity as Administrative Agent or in its individual capacity).

**10.5. ACTION ON INSTRUCTIONS OF BANKS.** The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with written instructions signed by the Required Banks, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Banks and on all holders of the Notes. The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Banks pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

**10.6. EMPLOYMENT OF ADMINISTRATIVE AGENT AND COUNSEL.** The Administrative Agent may execute any of its respective duties as Administrative Agent hereunder by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Banks, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Administrative Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its respective duties hereunder and under any Loan Document.

**10.7. RELIANCE ON DOCUMENTS; COUNSEL.** The Administrative Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect of legal matters, upon the opinion of counsel selected by the Administrative Agent, which counsel may be employees of the Administrative Agent.

**10.8. ADMINISTRATIVE AGENT'S REIMBURSEMENT AND INDEMNIFICATION.** The Banks agree to reimburse and indemnify the Administrative Agent, ratably in proportion to its Commitment, upon demand (i) for any costs and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Administrative Agent, which attorneys may be employees of the Administrative Agent) not reimbursed by the Company for which the Administrative Agent is entitled to reimbursement by the Company under the Loan Documents, (ii) for any other expenses incurred by the Administrative Agent on behalf of the Banks, in connection with the administration, amendment and enforcement of the Loan Documents and (iii) for any liabilities, obligations, losses, damages, penalties, actions,

judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent or any of its directors, officers, and employees in any way relating to or arising out of this Agreement or any other document delivered in connection with this Agreement or the transactions contemplated hereby or the enforcement of any of the terms hereof or of any such other documents, 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 Administrative Agent.

10.9. RIGHTS AS A BANK. With respect to its Commitment, Loans made by it and the Note issued to it, the Administrative Agent shall have the same rights and powers hereunder as any Bank and may exercise the same as though it were not the Administrative Agent, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. The Administrative Agent may accept deposits from, lend money to, and generally engage in any kind of banking or trust business with the Company or any Subsidiary as if it were not the Administrative Agent.

10.10. BANK CREDIT DECISION. Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank and based on the financial statements prepared by the Company and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative 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 credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

10.11. SUCCESSOR ADMINISTRATIVE AGENT. The Administrative Agent may resign at any time by giving written notice thereof to the Banks and the Company, such resignation to be effective upon the appointment of the successor Administrative Agent or, if no successor Administrative Agent has been appointed, forty-five days after the retiring Administrative Agent gives notice of its intention to resign. The Administrative Agent may be removed at any time with or without cause by written notice received by the Administrative Agent from the Required Banks, such removal to be effective on the date specified by the Required Banks. Upon any such resignation or removal, the Company shall have the right to appoint, on behalf of itself and the Banks, a successor Administrative Agent, subject to the written approval of the Required Banks of such successor Administrative Agent, which approval shall not be unreasonably withheld. If no successor Administrative Agent (i) shall have been so appointed by the Company and (ii) shall have accepted such appointment within thirty days after the retiring Administrative Agent's giving notice of resignation, then the retiring Administrative Agent may appoint, on behalf of the Company and the Banks, a successor Administrative Agent. If the Administrative Agent has resigned or been removed and no successor Administrative Agent has been appointed, the Banks may perform all the duties of the Administrative Agent hereunder and the Company shall make all payments in respect of the Obligations to the applicable Bank and for all other purposes shall deal directly with the

Banks. No successor Administrative Agent shall be deemed to be appointed hereunder until such successor Administrative Agent has accepted the appointment. Such successor Administrative Agent shall be a commercial bank having capital and retained earnings of at least \$50,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Administrative Agent. Upon the effectiveness of the resignation or removal of the Administrative Agent, the resigning or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation or removal of an Administrative Agent, the provisions of this Article X shall continue in effect for the benefit of such Administrative Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent hereunder and under the other Loan Documents.

## **ARTICLE XI**

### **SETOFF; RATABLE PAYMENTS**

11.1. **SETOFF.** In addition to, and without limitation of, any rights of the Banks under applicable law, if the Company becomes insolvent, however evidenced, or any Default or Unmatured Default occurs, any indebtedness from any Bank, or any Affiliate thereof, to the Company (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness may be setoff and applied toward the payment of the Obligations owing to such Bank, whether or not the Obligations, or any part hereof, shall then be due.

11.2. **RATABLE PAYMENTS.** If any Bank, whether by setoff or otherwise, has payment made to it upon its Loans (other than payments received pursuant to Sections 3.1, 3.2 or 3.4) in a greater proportion than that received by any other Bank, such Bank agrees, promptly upon demand, to purchase a portion of the Loans held by the other Banks so that after such purchase each Bank will hold its ratable proportion of Loans. If any Bank, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Bank agrees, promptly upon demand, to take such action necessary such that all Banks share in the benefits of such collateral ratably in proportion to their Loans. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

## ARTICLE XII

### **BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS**

12.1. **SUCCESSORS AND ASSIGNS.** The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Company and the Banks and their respective successors and assigns, except that (i) the Company may not assign its rights or obligations under the Loan Documents, except as provided in Section 6.9 hereof, and (ii) subject to Section 3.2 hereof, no assignment by any Bank of all or any part of its rights or benefits under the Loan Documents may be made without the prior written consent of the Company. Notwithstanding clause (ii) of this Section, any Bank may at any time, without the consent of the Company or the Administrative Agent, assign all or any portion of its rights under this Agreement and its Notes to a Federal Reserve Bank; provided, however, that no such assignment shall release the transferor Bank from its obligations hereunder. The Administrative Agent may treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of assignment or transfer is filed with the Administrative Agent. Any assignee or transferee of a Note agrees by acceptance thereof to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the holder of any Note, shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

#### 12.2. PARTICIPATIONS.

12.2.1. **PERMITTED PARTICIPANTS; EFFECT.** Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks ("Participants") participating interests in any Loan owing to such Bank, any Note held by such Bank, any Commitment of such Bank or any other interest of such Bank under the Loan Documents. Prior written notice to the Company of the sale of any such participation shall be required prior to a participation becoming effective with respect to a Participant. In the event of any such sale by a Bank of participating interests to a Participant, such Bank's obligations under the Loan Documents shall remain unchanged, such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, such Bank shall remain the holder of any such Note for all purposes under the Loan Documents, all amounts payable by the Company under this Agreement shall be determined as if such Bank had not sold such participating interests, and the Company and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under the Loan Documents.

12.2.2. **VOTING RIGHTS.** Each Bank shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which forgives principal, interest or

fees or reduces the interest rate or fees payable with respect to any such Loan or Commitment, postpones any date fixed for any regularly-scheduled payment of principal of, or interest or fees on, any such Loan or Commitment, releases any guarantor of any such Loan or releases any substantial portion of collateral, if any, securing any such Loan.

12.3. **DISSEMINATION OF INFORMATION.** The Company authorizes each Bank to disclose to (i) any Participant or assignee or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") any and all financial or other information pertaining to the Company and its Subsidiaries which the Company is required to furnish to the Banks in accordance with this Agreement, and (ii) any prospective Transferee any and all financial or other information pertaining to the Company and its Subsidiaries which the Company is required to furnish to the Banks pursuant to Sections 6.1(a) through 6.1(e); provided that each Transferee and prospective Transferee agrees to be bound by Section 9.13 of this Agreement.

12.4. **TAX TREATMENT.** If any interest in any Loan Document is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 2.4.15.

### **ARTICLE XIII**

#### **NOTICES**

13.1. **GIVING NOTICE.** Except as otherwise permitted hereunder, all notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing or by telex or by facsimile and addressed or delivered to such party at its address set forth below its signature hereto or at such other address as may be designated by such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid, shall be deemed given when received; any notice, if transmitted by telex or facsimile, shall be deemed given when transmitted (answerback confirmed in the case of telexes).

13.2. **CHANGE OF ADDRESS.** The Company, the Administrative Agent and any Bank may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

**ARTICLE XIV**

**COUNTERPARTS**

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Company, the Administrative Agent and the Banks and each party has notified the Administrative Agent by telex, facsimile or telephone, that it has taken such action.

**ARTICLE XV**

**CHOICE OF LAW; JURISDICTION; JURY TRIAL WAIVER**

15.1. CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

15.2. CONSENT TO JURISDICTION. THE COMPANY HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND THE COMPANY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY BANK TO BRING PROCEEDINGS AGAINST THE COMPANY IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE COMPANY AGAINST THE ADMINISTRATIVE AGENT OR ANY BANK OR ANY AFFILIATE OF THE ADMINISTRATIVE AGENT OR ANY BANK INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

15.3. WAIVER OF JURY TRIAL. THE COMPANY, THE ADMINISTRATIVE AGENT AND EACH BANK HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

IN WITNESS WHEREOF, the Company, the Banks, the Co-Agents and the Administrative Agent have executed this Agreement as of the date first above written.

**BROWN-FORMAN CORPORATION**

*/s/ Christopher A. Sailer*  
By: \_\_\_\_\_  
Title: *Treasurer*

*/s/ Terry L. Lange*  
By: \_\_\_\_\_  
Title: *Assistant Treasurer*

850 Dixie Highway Louisville, Kentucky 40210 Attention: Treasurer Telephone: (502) 585-1100 Telecopy: (502) 774-7833

COMMITMENTS

\$22,500,000

THE FIRST NATIONAL BANK OF CHICAGO,  
Individually, as Co-Agent and as Administrative  
Agent

/s/ Steven R. Fercho

By: \_\_\_\_\_  
Title: Vice President

One First National Plaza  
Suite 0324, 1-10  
Chicago, IL 60670  
Attention: Steven R. Fercho  
Vice President  
Telephone: (312) 732-6466  
Telecopy: (312) 732-1712

For Competitive Bid Advances:  
Telephone: (312) 732-7659  
(Ernest Misiora)  
Telecopy: (312) 732-4840

\$22,500,000

MORGAN GUARANTY TRUST COMPANY OF  
NEW YORK, Individually and as Co-Agent

/s/ John M. Mikolay

By: \_\_\_\_\_  
Title: Vice President

Morgan Guaranty Trust Company of New York  
60 Wall Street  
New York, NY 10260-0060  
Attention: Laura E. Reim  
Vice President  
Telephone: (212) 648-6793  
Telecopy: (212) 648-5336

For all Advances and/or Repayment Instructions:  
Telephone: (302) 634-1800  
(Multi-Option Unit-Loan  
Department)  
Telecopy: (302) 634-1094

For Competitive Bid Advances:  
Telephone: (212) 648-0760  
(John R. Dougar)  
Telecopy: (212) 648-5918

\$17,000,000

ABN AMRO BANK N.V.

/s/ James M. Janovsky

By: \_\_\_\_\_  
Title: Vice President

/s/ Craig P. Guinane

By: \_\_\_\_\_  
Title: Assistant Vice President

One PPG Place  
Suite 2950  
Pittsburgh, PA 15222-5400  
Attention: James M. Janovsky  
Vice President  
Telephone: (412) 566-2269  
Telecopy: (412) 566-2266

Craig P. Guinane  
Asssistant Vice President  
Telephone: (412) 566-2297  
(412) 566-2266

\$17,000,000

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION

/s/ Adam Balbach

By: \_\_\_\_\_  
Title: Vice President

231 South LaSalle Street  
Chicago, IL 60697  
Attention: Adam Balbach  
Telephone: (312) 828-5520  
Telecopy: (312) 987-5833

\$17,000,000

BANK OF MONTREAL

/s/ Randall B. Becker

By: \_\_\_\_\_  
Title: Managing Director

115 S. LaSalle - 12 West  
Chicago, IL 60603  
Attention: Randall B. Becker  
Managing Director  
Telephone: (312) 750-3723  
Telecopy: (312) 750-4314

\$17,000,000

CITIBANK N.A.

By: /s/ Barbara A. Cohen

-----  
Title: Vice President

200 S. Wacker Drive, 31st Floor  
Chicago, IL 60521  
Attention: Daniel Penkar  
Vice President  
Telephone: (312) 993-3052  
Telecopy: (312) 993-6840

\$17,000,000

CORESTATES BANK, N.A.

By: /s/ Thomas J. McDonnell

-----  
Title: Vice President

P.O. Box 7618  
Philadelphia, PA 19101  
Attention: Thomas J. McDonnell  
Vice President  
Telephone: (215) 973-7667  
Telecopier:(215) 973-7820

\$17,000,000

FIRST NATIONAL BANK OF BOSTON

By: \_\_\_\_\_

Title: Managing Director

100 Federal Street  
Internal Mail Code: MABOS 01-21-03  
Boston, MA 02110  
Attention: Janet R. Sullivan  
Assistant Vice President  
Telephone: (617) 434-3069  
Telecopier (617) 434-0601

\$17,000,000

THE INDUSTRIAL BANK OF JAPAN TRUST COMPANY

By: -----

Title:

245 Park Avenue  
New York, NY 10167  
Attention: Ken Biegen  
Vice President  
Telephone: (212) 309-6574  
Telecopier:(212) 557-3581

\$17,000,000

MELLON BANK, N.A.

By: /s/ F.W. Okie, Jr.  
-----

Title: Vice President

One Mellon Bank Center  
Pittsburgh, PA 15258  
Attention: F.W. Okie, Jr.  
Telephone: (412) 234-4420  
Telecopier:(412) 236-1914

\$17,000,000

NATIONAL CITY BANK, KENTUCKY

By: /s/ Derooy Scott  
-----

Title: Vice President

101 South Fifth Street  
P.O. Box 36000  
Louisville, KY 40233  
Attention: Derooy Scott  
Vice President  
Telephone: (502) 581-7821  
Telecopier (502) 581-4424

\$17,000,000

PNC BANK, KENTUCKY, INC.

By: /s/ Alan J. Bailey  
-----

Title: Commercial Banking Officer

Citizens Plaza  
Louisville, KY 40296  
Attention: Alan J. Bailey  
Commercial Banking Officer  
Telephone: (502) 581-3022  
Telecopier:(502) 581-3355

\$17,000,000

SWISS BANK CORPORATION

By: /s/ T. David Dunkleman  
-----

Title: Associate Director

By: /s/ Nancy A. Russell  
-----

Title: Associate Director

141 West Jackson Blvd.  
8th Floor  
Chicago, IL 60604  
Attention: T. David Dunkleman  
Associate Director  
Telephone: (312) 554-6421  
Telecopy: (312) 554-6410

\$17,000,000

THE SANWA BANK, LIMITED, ATLANTA AGENCY

By: -----

Title: Vice President and Senior Manager

133 Peachtree Street  
Suite 4750  
Atlanta, GA 30303  
Attention: P.J. Pawlak  
Vice President and Sr. Manager  
Telephone: (404) 586-6888  
Telecopy: (404) 589-1629

\$17,000,000

THIRD NATIONAL BANK IN NASHVILLE

By: /s/ Robert W. Meyer

Title: First Vice President

201 Fourth Avenue North Nashville, TN 37219 Attention: Robert W. Meyer First Vice President Telephone: (615) 748-4396 Telecopy: (615) 259-4119

\$17,000,000

WACHOVIA BANK OF GEORGIA, N.A.

By:

Title: Senior Vice President

191 Peachtree St. N.E.  
Atlanta, GA 30303  
Attention: Henry H. Hagan  
Telephone: (404) 332-5950  
Telecopy: (404) 332-6898

\$17,000,000

WESTDEUTSCHE LANDESBANK GIROZENTRALE,  
NEW YORK AND CAYMAN ISLANDS BRANCHES

By:

Title:

By:

Title:

1211 Avenue of the Americas  
New York, NY 10036  
Attention: Thomas Lee  
Telephone: (212) 852-6204  
Telecopy: (212) 852-6148

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**Total \$300,000,000**

**EXHIBIT "A"**

**PROMISSORY NOTE**  
(Ratable Loans)

**\$ November 30, 1994**

BROWN-FORMAN CORPORATION, a Delaware corporation (the "Company"), promises to pay to the order of (the "Bank"), for the account of its applicable Lending Installation, the lesser of the principal sum of Dollars (\$) or the aggregate unpaid principal amount of all Ratable Loans made by the Bank to the Company pursuant to Sections 2.1 and 2.2 of the Credit Agreement hereinafter referred to (as the same may be amended or modified from time to time herein called the "Agreement"), in immediately available funds at the main office of The First National Bank of Chicago, as Administrative Agent, in Chicago, Illinois, together with interest on the unpaid principal amount hereof at the rates and on the dates set forth in the Agreement. The Company shall pay the principal of, and accrued and unpaid interest on, the Ratable Loans in full on the Termination Date and shall make such mandatory payments as are required to be made under the terms of Section 2.4.6 of the Agreement.

The Bank shall, and is hereby authorized to, record on the schedule attached hereto, or to otherwise record in accordance with its usual practice, the date and amount of each Ratable Loan and the date and amount of each principal payment hereunder.

This Promissory Note (Ratable Loans) is one of the Notes issued pursuant to, and is entitled to the benefits of, the Credit Agreement, dated as of November 30, 1994, among the Company; The First National Bank of Chicago and Morgan Guaranty Trust Company of New York, individually and as Co-Agents; The First National Bank of Chicago, as Administrative Agent; and the banks named therein, including the Bank, to which Agreement, as it may be amended from time to time, reference is hereby made for a statement of the terms and conditions under which this Promissory Note (Ratable Loans) may be prepaid or its maturity date accelerated. Capitalized terms used herein and not otherwise defined herein are used with the meanings attributed to them in the Agreement.

The Company expressly waives any presentment, demand, protest or notice in connection with this Promissory Note (Ratable Loans).

This Promissory Note (Ratable Loans) shall be construed in accordance with the internal laws (and not the law of conflicts) of the State of Illinois, but giving effect to Federal laws applicable to national banks.

**BROWN-FORMAN CORPORATION**

By:

Title:

By:

Title:

850 Dixie Highway Louisville, Kentucky 40210

**SCHEDULE OF LOANS AND PAYMENTS OF PRINCIPAL  
TO  
PROMISSORY NOTE (RATABLE LOANS) OF  
BROWN-FORMAN CORPORATION,  
DATED NOVEMBER 30, 1994  
TO**

Date -----	Principal Amount of Loan -----	Maturity of Interest Period -----	Principal Amount Paid -----	Unpaid Balance -----
---------------	-----------------------------------------	--------------------------------------------	--------------------------------------	----------------------------

**EXHIBIT "B"**

**PROMISSORY NOTE**  
(Competitive Bid Loans)

November 30, 1994

BROWN-FORMAN CORPORATION, a Delaware corporation (the "Company"), promises to pay to the order of (the "Bank"), for the account of its applicable Lending Installation, the aggregate unpaid principal amount of all Competitive Bid Loans made by the Bank to the Company pursuant to Sections 2.1 and 2.3 of the Credit Agreement hereinafter referred to (as the same may be amended or modified herein called the "Agreement"), in lawful money of the United States in immediately available funds at the main office of The First National Bank of Chicago, as Administrative Agent, in Chicago, Illinois, together with interest on the unpaid principal amount hereof at the rates and on the dates set forth in the Agreement. The Company shall pay each Competitive Bid Loan in full on the last day of such Competitive Bid Loan's applicable Interest Period and shall make such mandatory payments as are required to be made under the terms of Section 2.4.6 of the Agreement.

The Bank shall, and is hereby authorized to, record on the schedule attached hereto, or otherwise record in accordance with its usual practice, the date and amount of each Competitive Bid Loan and the date and amount of each principal payment hereunder.

This Promissory Note (Competitive Bid Loans) is one of the Notes issued pursuant to, and is entitled to the benefits of, the Credit Agreement dated as of November 30, 1994 among the Company; The First National Bank of Chicago and Morgan Guaranty Trust Company of New York, individually and as Co-Agents; The First National Bank of Chicago, as Administrative Agent; and the banks named therein, including the Bank, to which Agreement, as it may be amended from time to time, reference is hereby made for a statement of the terms and conditions under which this Promissory Note (Competitive Bid Loans) may be prepaid or its maturity date accelerated. Capitalized terms used herein and not otherwise defined herein are used with the meanings attributed to them in the Agreement.

The Company expressly waives any presentment, demand, protest or notice in connection with this Promissory Note (Competitive Bid Loans).

This Promissory Note (Competitive Bid Loans) shall be construed in accordance with the internal laws (and not the law of conflicts) of the State of Illinois, but giving effect to Federal laws applicable to national banks.

**BROWN-FORMAN CORPORATION**

By:

Title:

By:

Title:

850 Dixie Highway Louisville, Kentucky 40210

**SCHEDULE OF LOANS AND PAYMENTS OF PRINCIPAL**  
**TO**  
**PROMISSORY NOTE (COMPETITIVE BID LOANS)**  
**OF BROWN-FORMAN CORPORATION,**  
**DATED NOVEMBER 30, 1994**  
**TO \_\_\_\_\_**

Date	Principal Amount of Loan	Maturity of Interest Period	Principal Amount Paid	Unpaid Balance
-----	-----	-----	-----	-----



**EXHIBIT "D"**

**INVITATION FOR COMPETITIVE BID QUOTES**  
(Section 2.3.3)

\_\_\_\_\_, 199\_\_

To: [Name of Bank]

Re: Invitation for Competitive Bid Quotes to Brown-Forman Corporation (the "Company")

Pursuant to Section 2.3.3 of the Credit Agreement dated as of November 30, 1994 (as amended from time to time, the "Agreement") among the Company; the Banks parties thereto; The First National Bank of Chicago and Morgan Guaranty Trust Company of New York, individually and as Co-Agents; and the undersigned, as Administrative Agent, we are pleased on behalf of the Company to invite you to submit Competitive Bid Quotes to the Company for the following proposed Competitive Bid Advance(s):

Borrowing Date: \_\_\_\_\_, 19\_\_

Principal Amount	Interest Period
- -----	-----
\$	

Such Competitive Bid Quotes should offer a [Competitive Bid Margin] [Absolute Rate]. Your Competitive Bid Quote must comply with Section 2.3.4 of the Agreement and the foregoing terms in which the Competitive Bid Quote Request was made. Capitalized terms used herein have the meanings assigned to them in the Agreement.

Please respond to this invitation by no later than [1:00 p.m.] [9:00 a.m.] Chicago time on \_\_\_\_\_, 19\_\_.

**THE FIRST NATIONAL BANK OF CHICAGO,**  
**as Administrative Agent**

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT "E"**  
**COMPETITIVE BID QUOTE**  
(Section 2.3.4)

\_\_\_\_\_, 199\_\_

To: The First National Bank of Chicago, as Administrative Agent Attn: \_\_\_\_\_

Re: Competitive Bid Quote to Brown-Forman Corporation (the "Company")

In response to your invitation on behalf of the Company dated \_\_\_\_\_, 19\_\_\_\_, we hereby make the following Competitive Bid Quote pursuant to Section 2.3.4 of the Agreement hereinafter referred to and on the following terms:

1. Quoting Bank: \_\_\_\_\_
2. Person to contact at Quoting Bank: \_\_\_\_\_
3. Borrowing Date: \_\_\_\_\_, 19\_\_\_\_ \1
4. We hereby offer to make Competitive Bid Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

Principal Amount \2	Interest Period \3	[Competitive Bid Margin \4]	[Absolute Rate \5]	Minimum Amount \6
-----	-----	-----	-----	-----
\$				

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Credit Agreement dated as of November 30, 1994 among the Company, the Banks listed on the signature pages thereof, The First National Bank of Chicago and Morgan Guaranty Trust Company of New York, individually and as Co-Agents, and yourselves, as Administrative Agent, irrevocably obligates us to make the Competitive Bid Loan(s) for which any offer(s) are accepted, in whole or in part.

Very truly yours,  
**[NAME OF BANK]**

By: \_\_\_\_\_  
Authorized Officer

- 
- \1 As specified in the related Invitation.
  - \2 Principal amount bid for each Interest Period may not exceed principal amount requested. Bids must be made for \$10,000,000 and an integral multiple of \$1,000,000.
  - \3 One, two or three months or at least 14 and up to 90 days, as specified in the related Invitation.
  - \4 Competitive Bid Margin over or under the Eurodollar Base Rate determined for the applicable Interest Period. Specify percentage (rounded upwards to the next higher 1/100 of 1%) and specify whether "PLUS" or "MINUS".
  - \5 Specify rate of interest per annum (rounded upwards to the next higher 1/100 of 1%).
  - \6 Specify minimum amount, if any, which the Company may accept and/or the limit, if any, as to the aggregate principal amount of the Competitive Bid Loans of the quoting Bank which the Company may accept (see Section 2.3.4(b)(v)).

**EXHIBIT "F"**  
**OPINION OF COUNSEL**  
(Section 4.1(e))

November 30, 1994

The Banks that are parties to the Credit Agreement described below.

Gentlemen:

We are counsel for Brown-Forman Corporation, a Delaware corporation (the "Company"), and have represented the Company in connection with its execution and delivery of a Credit Agreement among the Company; The First National Bank of Chicago and Morgan Guaranty Trust Company of New York, individually and as Co- Agents; The First National Bank of Chicago, as Administrative Agent; and the Banks named therein, providing for Advances in an aggregate principal amount not exceeding \$300,000,000 at any one time outstanding and dated as of November 30, 1994 (the "Agreement"). All capitalized terms used in this opinion shall have the meanings attributed to them in the Agreement.

We have examined the Company's certificate of incorporation, by-laws, resolutions, the Loan Documents, certificates of public officials and such other matters of fact and law which we deem necessary in order to render this opinion. Based upon the foregoing, it is our opinion that:

1. The Company and each Subsidiary which is a "significant subsidiary" (as defined in Rule 1-02(v) of Regulation S-X of the SEC) are corporations duly incorporated, validly existing and in good standing under the laws of their states or countries of incorporation and are duly qualified and in good standing in each jurisdiction where, because of the nature of their respective activities or properties such qualification is required and the failure to so qualify would have a Material Adverse Effect.
2. The execution and delivery of the Loan Documents by the Company and the performance by the Company of the Obligations have been duly authorized by all necessary corporate action and proceedings on the part of the Company and will not:
  - (a) require any consent of the Company's shareholders;
  - (b) violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Company or any Subsidiary or the Company's or any Subsidiary's certificate or articles of incorporation or by-laws or any indenture, instrument or agreement binding upon the Company or any Subsidiary; or
  - (c) result in, or require, the creation or imposition of any Lien pursuant to the provisions of any indenture, instrument or agreement binding upon the Company or any Subsidiary.

3. The Loan Documents have been duly executed and delivered by the Company and constitute legal, valid and binding obligations of the Company enforceable in accordance with their terms except to the extent the enforcement thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and subject also to the availability of equitable remedies if equitable remedies are sought.

4. There is no litigation, arbitration or proceeding pending or, to our knowledge, threatened against or affecting the Company or any Subsidiary which is reasonably likely to be decided against the Company or such Subsidiary and, if so decided, would have a Material Adverse Effect.

5. No approval, authorization, consent, adjudication or order of any governmental authority, which has not been obtained by the Company or any Subsidiary, is required to be obtained by the Company or any Subsidiary in connection with the execution and delivery of the Loan Documents, the borrowings under the Agreement or in connection with the payment by the Company of the Obligations, or to the extent that any of the foregoing is required, all such orders, consents, approvals, licenses, authorizations, validations, filings, recordings, registrations, or exemptions have been validly procured.

This opinion is rendered solely for the benefit of the Banks and may not be relied on by any other party, nor may copies be delivered to any other person or filed with any governmental agency, without our prior written consent.

Very truly yours,

**EXHIBIT "G"**  
**LOAN/CREDIT RELATED MONEY TRANSFER INSTRUCTION**

To: The First National Bank of Chicago, as Administrative Agent (the "Agent") under the Credit Agreement Described Below.

Re: Credit Agreement, dated November 30, 1994 (as the same may be amended or modified, the "Credit Agreement"), among Brown-Forman Corporation (the "Borrower"); The First National Bank of Chicago and Morgan Guaranty Trust Company of New York, individually and as Co-Agents; the Agent; and the Banks named therein

Terms used herein and not otherwise defined shall have the meanings assigned thereto in the Credit Agreement.

The Agent is specifically authorized and directed to act upon the following standing money transfer instructions with respect to the proceeds of Advances or other extensions of credit from time to time until receipt by the Agent of a specific written revocation of such instructions by the Company; provided, however, that the Agent may otherwise transfer funds as hereafter directed in writing by the Company in accordance with Section 13.1 of the Credit Agreement or based on any telephonic notice made in accordance with Section 2.4.11 of the Credit Agreement.

Facility Identification Number(s):	ABA No. 0830-0005-6
Customer/Account Name:	Brown-Forman Corporation
Transfer Funds To:	National City Bank, Kentucky 101 South Fifth Street Louisville, Kentucky 40202
For Account No.:	704-9000-5
Reference/Attention To:	Terry L. Lange
Authorized Officer (Customer Representative)	Date: _____
----- (Please Print)	----- Signature
Bank Officer Name	Date: _____
----- Steven R. Fercho (Please Print)	----- Signature

(Deliver Completed Form to Credit Support Staff For Immediate Processing)

**SCHEDULE "1"**

**SUBSIDIARIES**  
(See Section 5.8)

Subsidiary	Owned By	Percent Ownership	Jurisdiction of Organization
-----	-----	-----	-----

**See Attached Schedule Prepared by the Company.**

**BROWN-FORMAN CORPORATION AND AFFILIATED COMPANIES**

**Schedule of Structure of Capital Stock, Date and State of Incorporation**

November 1, 1994

CORPORATION NAME AND ADDRESS	STATE AND DATE OF INCORPORATION	DOMICILE	FEDERAL ID NUMBER	STOCK TYPE	NUMBER AUTHORIZED	ISSUED	PAR VALUE
(1) Brown-Forman Corporation 850 Dixie Highway Louisville, Kentucky 40210-1091	Delaware 10/19/33	Kentucky	61-0143150	Common (A) Common (B) Preferred	30,000,000 60,000,000 1,177,948	28,988,091 40,008,147 1,177,948	\$.15 \$.15 \$10.00
(3) Brown-Forman Industries, Inc. 850 Dixie Highway Louisville, Kentucky 40210-1091	Delaware 12/08/50	Kentucky	61-0623158	Common	500	500	\$10.00
Brown-Forman International FSC, Ltd. 12 & 13 EST Mountain P.O. Box 887 Frederiksted, U.S.V.I. 00840	Virgin Islands 11/13/84	Virgin Islands	66-0411811	Common	1,000	800	Total Cap. \$5,000.00 No Par
Brown-Forman Worldwide, L.L.C. 850 Dixie Highway Louisville, Kentucky 40210-1091	Delaware 08/8/94	Kentucky	61-1270508	Capital Contribution	N/A	N/A	\$20,000
Canadian Mist Distillers, Limited P.O. Box 217 Collingwood, Ontario, Canada	Canada 08/27/65	Canada	N/A	Common	500,000	260,000	No Par
(3) Cromwell Investments, Inc. 850 Dixie Highway Louisville, Kentucky 40210-1091	Delaware 07/23/91	Kentucky	61-1212290	Common	1,000	1,000	No Par
Early Times Distillers Company P.O. Box 1105 Louisville, Kentucky 40216-1105	Delaware 06/13/52	Kentucky	61-0623164	Common	500	500	\$10.00
(5) Fetzter Vineyards P.O. Box 227 Redwood Valley, California 95470	California 12/08/76	California	94-2458321	Common	10,000	601.19	No Par
(2) Fratelli Bolla International Wines, Inc. New York, New York	Kentucky 06/24/77	New York	61-0926706	Common Preferred	1,000 1,000	10 -0-	No Par No Par
Jack Daniel Distillery, Lem Motlow, Prop., Inc. Lynchburg, Tennessee 37352	Kentucky 07/12/45	Tennessee	61-0399125	Common	5,050	5,050	\$100.00

CORPORATION NAME AND ADDRESS	STATE AND DATE OF INCORPORATION	DOMICILE	FEDERAL ID NUMBER	STOCK TYPE	NUMBER AUTHORIZED	ISSUED	PAR VALUE
L-H Limited Cavendish House 51/55 Mortimer Street - 4th Floor London W1V 7DG, England	United Kingdom 01/18/91	United Kingdom	N/A	Common	1,000	10	1 English Pound
Lenox, Incorporated 100 Lenox Drive Lawrenceville, New Jersey 08648	New Jersey 5/17/1889	New Jersey	21-0498476	Common Preferred	2,000 1,000	1,000 -0-	\$1.00 \$5.00
Longnorth Limited Robin Hood Road Clondalkin County Dublin, Ireland	Ireland 06/17/81	Ireland	66-1084770	Common	1,000	100	No Par
Mt. Eagle Corporation P.O. Box 887 Frederiksted, St. Croix U.S.V.I. 00840	Delaware 02/28/79	Virgin Islands	66-037113	Common	1,000	100	No Par
(3) Quality Importers, Inc. 850 Dixie Highway Louisville, Kentucky 40210-1091	Delaware 07/26/67	Kentucky	61-6053196	Common	100	100	\$10.00
(3) Sproti USA Limited (4) 850 Dixie Highway Louisville, Kentucky 40210-1091	Kentucky 05/17/88	Kentucky	61-1141643	Common	1,000	Not Yet Issued	No Par
(6) Swift and Moore Pty Limited	Australia	Australia	N/A	Ordinary Ordinary A Ordinary B Ordinary C Ordinary D Ordinary E	5,999,999 1,400,000 1,200,000 800,000 1,000,000 1	-0- 1,400,000 1,200,000 800,000 1,000,000 1	\$1.00 \$1.00 \$1.00 \$1.00 \$1.00 \$1.00
(3) The Joseph Garneau Co., Inc. 850 Dixie Highway Louisville, Kentucky 40210-1091	Delaware 03/02/59	Kentucky	61-0623170	Common	500	500	\$10.00

CORPORATION NAME AND ADDRESS	STATE AND DATE OF INCORPORATION	DOMICILE	FEDERAL ID NUMBER	STOCK TYPE	NUMBER AUTHORIZED	ISSUED	PAR VALUE
The Joseph Garneau Co., S.A. c/o Mr. Jurg Scheller Atag Ernst & Young Rle de Chantermerle 39 Case postale 301 CH-1701 Fribourg Switzerland	Switzerland 10/23/72	Switzerland	N/A	Common	2,500	2,500	No Par
Thoroughbred Plastics Corporation 11601 Electron Drive Louisville, Kentucky 40299	Kentucky 01/15/81	Kentucky	61-0983904	Common Preferred	1,000 1,000	231 -0-	No Par No Par
Subsidiary of Jack Daniel Distillery, Lem Motlow, Prop., Inc.							
(3) Drake Investments, Inc. 850 Dixie Highway Louisville, Kentucky 40201-1091	Delaware 07/23/91	Kentucky	62-1501971	Common	1,000	1,000	No Par
Subsidiary of Lenox, Incorporated							
(3) Samuel Kirk & Sons, Inc. 800 Wyman Park Drive Baltimore, Maryland 21211	Maryland 10/02/79	Maryland	52-0376810	Common	5,000	1	\$1.00
(3) Kirk-Stieff Company 100 Lenox Drive Lawrenceville, New Jersey 08648	Maryland 03/19/90	New Jersey	52-1734944	Common	1,000	1,000	\$1.00
(3) Norfolk Investments, Inc. 100 Lenox Drive Lawrenceville, New Jersey 08648	Delaware 07/30/91	New Jersey	22-3178646	Common	1,000	1,000	No Par
Dansk International Designs Ltd. 100 Lenox Drive Lawrenceville, New Jersey 08648	New York 03/15/85	New York	13-3250156	Common Preferred	500,000 96,000	368,627 96,000	\$.10 \$100.00

CORPORATION NAME AND ADDRESS	STATE AND DATE OF INCORPORATION	DOMICILE	FEDERAL ID NUMBER	STOCK TYPE	NUMBER AUTHORIZED	ISSUED	PAR VALUE
Brooks & Bentley Limited Aldwych House Aldwych, London WC2 England	England 01/06/92	England	N/A	Ordinary	1,000	1,000	1 English Pound
Brooks & Bentley S.A.R.L. 6 Rue de Berri Paris 75008, France	Norway 07/29/92	France	N/A	Ordinary	100	100	1000 French Francs
Brooks & Bentley Storg 2A 4890 Grimstead South Norway	Norway 02/21/94	Norway	N/A	Ordinary	1	1	50,000 Korones
Subsidiary of Dansk International Designs Ltd.							
P.N. International 100 Lenox Drive Lawrenceville, New Jersey 08648	Delaware 04/03/86	New York	06-1170055	Common Preferred	100,000 20,000	95,625(?) 19,999.8	No Par No Par
Subsidiaries of Longnorth Limited							
Chissick Limited 1 Earlsfort Centre Lower Hatch Street Dublin 2, Ireland	Ireland 03/11/88	Ireland	N/A	Common	10,000	2	1 Irish Pound
Clintock Limited Robin Hood Road Clondalkin County Dublin, Ireland	Ireland 06/17/81	Ireland	N/A	Common	128,000	128,000	No Par

CORPORATION NAME AND ADDRESS	STATE AND DATE OF INCORPORATION	DOMICILE	FEDERAL ID NUMBER	STOCK TYPE	NUMBER AUTHORIZED	ISSUED	PAR VALUE
(3) Copthall Limited 1 Earlsfort Centre Lower Hatch Street Dublin 2, Ireland	Ireland 03/11/88	Ireland	N/A	Common	10,000	2	1 Irish Pound
Lantone Limited 18 Greenville Street St. Helier Jersey, Channel Islands	Channel Islands 12/06/89	Channel Islands	N/A	Common	40,000	29,597 Included (3) In nomine	1 U.S. \$
Lantone Delaware, Inc. 300 Delaware Avenue Wilmington, Delaware 19801	Delaware 04/13/94	Delaware	61-1261506	Common	450	100	No Par
Brown Forman - W.S. Karoulias S.A.	Greece 9/27/94	Greece	N/A	?	?	?	?

- (1) Common parent
- (2) 40% owned only
- (3) Inactive
- (4) 90% owned by Brown-Forman Corporation; 10% owned by Sproti, h.f. (unrelated Icelandic Corporation)
- (5) 541.67 shares owned by Brown-Forman Corporation
- (6) 20% owned
- (7) 99% owned by Brown-Forman Corporation and 1% owned by Early Times Distillers Company

**Exhibit 10(a)**

**DESCRIPTION OF COMPENSATION ARRANGEMENT WITH W. L. LYONS BROWN, JR.**

Effective August 1, 1993, the Company entered into a compensation arrangement with W. L. Lyons Brown, Jr., the Company's Chairman of the Board. The arrangement provides for a schedule of payments instead of traditional compensation during a transition period which began when Mr. Brown stepped down as the Company's Chief Executive Officer. The payments are structured on a diminishing scale as Mr. Brown's executive duties are relinquished, and end at his planned retirement from the Company on September 1, 1996.

While the scheduled payments were primarily fixed installments, payments instead of bonus participation for a portion of fiscal year 1994 were left at risk. The resulting payments were modestly larger than the targeted illustrated amounts because the Company's financial performance exceeded financial goals for fiscal year 1994. The following table shows the payments anticipated by the arrangement for fiscal years 1994 through 1997:

1994	1995	1996	1997
-----	-----	-----	-----
\$1,195,000	\$614,303*	\$242,144	\$48,400

\* includes at risk bonus participation above target.

The arrangement also reaffirmed that various deferred bonuses awarded before August 1, 1993, would vest in their normal cycle.

**EXHIBIT 13  
HIGHLIGHTS**

(Expressed in thousands, except per share amounts and ratios)

	1995	1994	% Change
<b>Excluding unusual items</b>			
Net Sales	\$1,679,630	\$1,628,482	3%
Operating Income	\$ 267,785	\$ 248,541	8%
Net Income	\$ 148,629	\$ 151,649	(2%)
Earnings Per Share	\$ 2.15	\$ 1.92	12%
Return on Average Invested Capital	19.5%	17.8%	
Return on Average Common Stockholders' Equity	30.1%	23.6%	
<b>Including unusual items</b>			
Net Sales	\$1,679,630	\$1,628,482	3%
Operating Income	\$ 267,785	\$ 240,361	11%
Net Income	\$ 148,629	\$ 128,527	16%
Earnings Per Share	\$ 2.15	\$ 1.63	32%
Cash Dividends Per Share	\$ .97	\$ .93	4%
Return on Average Invested Capital	19.5%	15.4%	
Return on Average Common Stockholders' Equity	30.1%	20.4%	

Regular cash dividends have been paid for the fiftieth consecutive year. Fiscal 1994 was affected by unusual items discussed on page 22.

**QUARTERLY FINANCIAL INFORMATION**

(Expressed in thousands, except per share amounts)

	Net Sales	Gross Profit	Net Income	Net Income	Per Share of Common Stock				
					Cash Dividends Paid	Market Price (High-Low)		Class B	
						Class A			
Fiscal 1995	\$1,679,630	\$823,904	\$148,629	\$2.15	\$.9694	\$34.13 - \$26.75		\$33.88 - \$26.13	
<b>Quarters</b>									
Fourth	403,683	205,674	33,761	.49	.2480	34.13 - 30.75		33.88 - 30.38	
Third	431,112	211,141	37,692	.54	.2480	32.25 - 28.50		32.50 - 27.88	
Second	474,554	224,097	49,050	.71	.2367	30.88 - 26.75		31.38 - 26.13	
First	370,281	182,992	28,126	.41	.2367	30.08 - 26.75		30.29 - 26.38	
Fiscal 1994	\$1,628,482	\$790,245	\$128,527	\$1.63	\$.9267	\$29.92 - \$23.21		\$30.50 - \$24.33	
<b>Quarters</b>									
Fourth	386,014	187,686	30,327	.44	.2367	29.88 - 28.00		30.50 - 27.83	
Third	403,610	193,820	38,773	.48	.2367	29.92 - 23.21		29.79 - 24.33	
Second	458,120	222,983	62,515	.76	.2267	25.58 - 24.58		27.21 - 25.67	
First	380,738	185,756	(3,088)	(.04)	.2267	28.25 - 24.83		29.58 - 26.63	

1. All per common share data reflect the three-for-one stock split on May 20, 1994.

2. Net sales and gross profit reflect the reclassification described in Note 1 to Consolidated Financial Statements.
3. Effective May 1, 1993, the company adopted Statements of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," No. 112, "Employers' Accounting for Postemployment Benefits," and No. 116, "Accounting for Contributions Received and Contributions Made." The cumulative effect of these accounting changes reduced net income in the first quarter of 1994 by \$32,542,000 or \$.39 per share.
4. Quarterly earnings per share amounts do not add to year-to-date earnings per share for fiscal 1994 because of changes in the number of outstanding shares during the year.

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## REPORT OF MANAGEMENT

We are responsible for the presentation of the information contained in the consolidated financial statements and for its integrity and objectivity. Our statements have been prepared in accordance with generally accepted accounting principles and include amounts based on our best estimates and judgments with appropriate consideration given to materiality. We also prepared the related financial information and are responsible for its accuracy and consistency with the financial statements.

The consolidated financial statements have been audited by Coopers & Lybrand, L.L.P., independent certified public accountants. We have made available to Coopers & Lybrand all the company's financial records and related data, as well as the minutes of stockholders', directors', and other appropriate meetings. Furthermore, we believe that all representations made to Coopers & Lybrand during the audit were valid and appropriate.

We are responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance at reasonable costs that financial records are reliable for preparing financial statements and that assets are properly accounted for and safeguarded. The company has an internal audit function that is intended to provide a review and monitoring process that allows the company to be reasonably sure that the system of internal control operates effectively. In addition, as part of the audit of the financial statements, Coopers & Lybrand completed a study and evaluation of selected internal accounting controls to establish a basis for reliance thereon in determining the nature, timing, and extent of audit tests to be applied. We have considered the internal auditors' and Coopers and Lybrand's recommendations concerning the system of internal control and have taken actions that we believe are cost-effective in the circumstances to respond appropriately to these recommendations. We believe that as of April 30, 1995, the system of internal control is adequate to accomplish the objectives discussed herein.

We also recognize our responsibility for fostering a strong ethical climate so that the company's affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in the company's Code of Conduct, which is publicized throughout the company. The Code of Conduct addresses, among other things, the necessity of ensuring open communication within the company; disclosure of potential conflicts of interests; compliance with all applicable domestic and foreign laws, including those relating to financial disclosure; and maintaining the confidentiality of proprietary information. The company has a systematic program to assess compliance with the Code of Conduct.

The Board of Directors, through its Audit Committee, comprised solely of directors who are not employees of the company, meets with management, the internal auditors and the independent certified public accountants to ensure that each is properly discharging its respective responsibilities. Both the independent certified public accountants and the internal auditors have free access to the Audit Committee, without management present, to discuss the results of their work, including internal accounting controls and the quality of financial reporting.

*/s/ Owsley Brown II  
Owsley Brown II  
President and Chief  
Executive Officer*

*/s/ Steven B. Ratoff  
Steven B. Ratoff  
Executive Vice President  
and Chief Financial Officer*

## CONSOLIDATED SELECTED FINANCIAL DATA

For Fiscal Year Ended April 30,  
(Expressed in thousands, except per share amounts and ratios)

OPERATIONS	1995	1994	1993
Net Sales	\$1,679,630	1,628,482	1,658,426
Excise Taxes	\$ 259,418	263,693	277,152
Net Sales Less Excise Taxes	\$1,420,212	1,364,789	1,381,274
Gross Profit	\$ 823,904	790,245	791,490
Operating Income	\$ 267,785	240,361	255,382
Interest Income	\$ 1,903	3,984	3,113
Interest Expense	\$ 22,630	17,195	15,918
Income Before Cumulative Effect of Accounting Changes	\$ 148,629	161,069	156,190
Cumulative Effect of Accounting Changes	\$ --	(32,542)	--
Net Income	\$ 148,629	128,527	156,190
Weighted Average Common Shares Outstanding	68,996	78,657	82,664
Earnings Per Common Share:			
Income Before Cumulative Effect of Accounting Changes	\$ 2.15	2.04	1.88
Cumulative Effect of Accounting Changes	\$ --	(.41)	--
Net Income	\$ 2.15	1.63	1.88
Cash Dividends Per Common Share	\$ .97	.93	.86
Common Stock Splits		3-for-1	
INVESTED CAPITAL IN THE BUSINESS			
Current Debt	\$ 55,514	59,096	6,389
Long-Term Debt	\$ 246,842	299,061	154,408
Preferred Stock	\$ 11,779	11,779	11,779
Common Stockholders' Equity	\$ 534,068	451,908	806,344
Invested Capital	\$ 848,203	821,844	978,920
Average Invested Capital	\$ 835,024	900,382	924,557
Average Common Stockholders' Equity	\$ 492,988	629,126	764,862
Net Working Capital	\$ 412,302	368,850	509,894
Total Assets	\$1,285,559	1,233,849	1,310,998
RATIOS			
Return on Average Invested Capital	19.5%	15.4%	18.0%
Return on Average Common Stockholders' Equity	30.1%	20.4%	20.4%
Total Long-Term Debt to Total Long-Term Capital	31.1%	39.2%	15.9%
Total Cash Dividends Paid to Net Income	45.3%	57.5%	45.8%
Current Assets to Current Liabilities	2.4:1	2.3:1	3.4:1

Notes:

1. Net sales and gross profit reflect the reclassification described in Note 1 to Consolidated Financial Statements.
2. Average invested capital, return on average invested capital, return on average common stockholders' equity, and total long-term debt to total long-term capital are defined on page 21.

3. Includes the operations of Fetzer Vineyards, Dansk International Designs Ltd., and California Cooler Co., since their acquisitions on August 31, 1992, July 2, 1991, and September 5, 1985, respectively.

4. On October 15, 1993, the company sold Brown-Forman Enterprises, its credit card processing operations, resulting in an after-tax gain of \$18,350,000.

## Brown-Forman Corporation

1992	1991	1990	1989	1988	1987	1986	1985
1,495,601	1,366,028	1,279,097	1,261,741	1,329,667	1,374,644	1,264,372	1,184,534
259,669	268,930	276,006	281,298	288,010	306,355	293,944	279,721
1,235,932	1,097,098	1,003,091	980,443	1,041,657	1,068,289	970,428	904,813
719,392	644,692	584,308	546,489	530,894	533,600	495,035	447,126
233,818	223,467	224,944	208,480	191,684	182,126	190,080	188,088
3,656	7,154	7,250	6,172	1,513	1,814	1,309	1,945
13,782	11,075	16,654	24,821	18,399	22,125	28,145	35,749
146,353	145,233	80,979	144,497	103,399	89,584	86,376	81,684
--	--	11,526	--	--	--	--	--
146,353	145,233	92,505	144,497	103,399	89,584	86,376	81,684
82,721	83,303	83,933	83,933	95,060	96,249	96,211	106,524
1.76	1.74	.96	1.72	1.08	.93	.89	.76
--	--	.14	--	--	--	--	--
1.76	1.74	1.10	1.72	1.08	.93	.89	.76
.78	.72	.63	.51	.41	.30	.22	.20
3-for-2							
20,845	2,236	827	25,830	790	19,544	30,490	28,214
114,191	112,278	114,484	115,281	190,973	199,454	235,919	266,162
11,779	11,779	11,779	11,779	11,779	11,779	11,779	11,779
723,379	648,788	583,521	543,900	442,601	577,938	516,365	454,053
870,194	775,081	710,611	696,790	646,143	808,715	794,553	760,208
822,638	742,846	703,701	671,467	727,429	801,634	777,381	793,258
686,084	616,155	563,711	493,251	510,270	547,152	485,209	480,287
437,333	431,347	388,197	313,153	287,371	336,657	309,894	325,845
1,193,522	1,082,597	1,020,984	1,003,272	932,284	1,056,699	1,037,799	935,383
18.8%	20.5%	14.6%	23.8%	15.7%	12.6%	12.9%	12.6%
21.3%	23.5%	16.3%	29.2%	20.2%	16.3%	17.7%	16.9%
13.4%	14.5%	16.1%	17.2%	29.5%	25.3%	30.9%	36.4%
44.4%	41.7%	57.4%	29.8%	38.9%	32.8%	25.3%	26.2%
3.0:1	3.3:1	3.0:1	2.5:1	2.7:1	2.8:1	2.5:1	3.0:1

5. On January 31, 1989, the company sold the U.S. marketing rights for Martell Cognacs resulting in an after-tax gain of \$22,300,000.

6. On April 27, 1988, the company sold the ArtCarved jewelry division resulting in an after-tax gain of \$16,700,000.

7. Net income was reduced \$59,900,000 and \$33,000,000 to reflect the write-off of the intangible assets of California Cooler in 1990 and 1988, respectively.

8. Earnings per common share are based on the weighted average number of common shares outstanding during each year; both earnings and cash dividends per common share have been appropriately adjusted for the 3-for-1 and 3-for-2 stock splits in fiscal 1994 and 1987,

respectively.

## FINANCIAL REVIEW

This section supplements the consolidated financial statements beginning on page 27 and will assist the reader in evaluating Brown-Forman's fiscal 1995 results of operations and financial condition.

**UNUSUAL ITEMS:** There were no significant unusual items affecting net income for fiscal 1995.

Net income for fiscal 1994 contains unusual income and expense items. Note 2, on page 33, discusses a \$33 million charge resulting from the adoption of Statements of Financial Accounting Standards No. 106, No. 112, and No. 116. The charge to net income from adopting these accounting standards was recorded as the cumulative effect of changes in accounting principles. Note 11, on page 37, discusses a \$5 million charge associated with the consumer durables segment for the closing or reformatting of certain retail stores. Note 9, on page 35, discusses an unusual charge of \$3 million for the retroactive effect of a higher tax rate on earnings from January 1, 1993 to April 30, 1993, and a noncash charge to restate the deferred tax liability at the new corporate tax rate. Note 3, on page 33, discusses an \$18 million gain from the sale of the company's credit card processing business. The fiscal 1994 unusual items reflect a net \$23 million reduction to net income.

Net income for fiscal 1993 was reduced \$3 million from a write-down of assets in the consumer durables segment.

The following earnings per share table is included to assist the reader in understanding unusual items:

---

1995 1994 1993

---

**BEFORE UNUSUAL ITEMS \$2.15 \$1.92 \$1.91**

**UNUSUAL ITEMS:**

Gain on sale of business -- .23 --

Adoption of new

accounting standards -- (.41) --

Higher tax legislation -- (.04) --

Consumer durables charges -- (.07) (.03)

**AS REPORTED \$2.15 \$1.63 \$1.88**

**STOCKHOLDERS' EQUITY:** On January 14, 1994, the company concluded a Dutch auction tender offer, acquiring 2,734,452 shares of Class A and 10,933,518 shares of Class B common stock at a total cost of \$408 million. While interest costs associated with the share purchase lowered net income, the purchase had a positive effect on earnings per share, adding an incremental \$.15 to fiscal 1995 results and \$.07 to fiscal 1994.

On May 20, 1994, the company recorded a three-for-one stock split for all shares of Class A and Class B common stock, distributed in the form of a stock dividend. Also during 1994, the company retired its treasury stock. The Consolidated Statement of Stockholders' Equity details the effect of this retirement.

### RESULTS OF CONSOLIDATED OPERATIONS

#### SALES:

**1995 VERSUS 1994:** Net sales increased moderately in fiscal 1995 with sales gains registered by both the wines and spirits segment and the consumer durables segment. Wines and spirits segment sales increased due to higher worldwide sales of Jack Daniel's, Fetzer California wines, and Korbel Champagnes. The national introduction of Tropical Freezes, a frozen cocktail in a pouch, also contributed to the increase in sales. Net sales for the consumer durables segment increased due to strong sales performance by Lenox China, Lenox retail operations, Lenox Collections, and Dansk. The increase in net sales was partially offset by the absence of revenues from the company's credit card processing business which was sold in fiscal 1994. Excluding the credit card processing business and brands acquired, developed internally, sold, or eliminated, consolidated net sales increased 3% in fiscal 1995, were unchanged in fiscal 1994, and increased 3% in fiscal 1993.

Sales outside the U.S. represent 13% of consolidated net sales for fiscal 1995, 13% for fiscal 1994, and 11% for fiscal 1993. The effect of foreign currency exchange rate fluctuations is immaterial on consolidated net sales.

**1994 VERSUS 1993:** Net sales decreased slightly in fiscal 1994 due to lower first-half sales of Jack Daniel's Country Cocktails and lower sales of consumer durables. The reduction in sales was partially offset by the full year effect of Fetzer Vineyards and increased international wines and spirits sales. Overseas sales in fiscal 1994 increased from the prior year due to double-digit growth of both Jack Daniel's and Early Times. Consumer durables net sales in fiscal 1994 declined due to significant reductions in sales at Lenox Collections partially offset by increased sales at Lenox China and Hartmann Luggage.

#### OPERATING INCOME:

**1995 VERSUS 1994:** Operating income, excluding unusual items, increased 8% during fiscal 1995. Approximately \$11 million of this growth was due to strong sales performance and increased operational efficiencies in the consumer durables segment. Additionally, the wines and spirits segment contributed \$9 million of increased operating income as a result of increased sales coupled with lower advertising expenses in the cocktail category.

**1994 VERSUS 1993:** Operating income during fiscal 1994 decreased largely due to lower shipments of Jack Daniel's Country Cocktails in the first half of the year. The consumer durables segment also contributed to the decrease. Partially offsetting these decreases was a \$2 million improvement in operating income from venture businesses.

#### EARNINGS:

**1995 VERSUS 1994:** Earnings per share again reached record levels in fiscal 1995. Fiscal 1995 earnings were reduced approximately \$9 million by higher net interest expense resulting from the full-year effect of the aforementioned stock repurchase in fiscal 1994. The fiscal 1995 effective tax rate increased due to a reduction of overseas tax benefits incorporated within the 1993 tax act, benefits realized last year due to an adjustment of prior years' tax accruals, and higher profits from the consumer

## Brown-Forman Corporation

durables business which bears relatively higher taxes. In addition, the fiscal 1995 and 1994 effective tax rate contains the higher statutory tax rate incorporated within the 1993 tax act. Earnings per share computations were positively affected by a reduction in the average number of common shares outstanding due to the aforementioned stock purchase in fiscal 1994.

1994 VERSUS 1993: Fiscal 1994 earnings were reduced by higher net interest expense resulting from the previously mentioned stock purchase. The fiscal 1994 and 1993 effective tax rates contain benefits from adjustment of prior years' tax accruals.

### SUMMARY OF CONSOLIDATED OPERATING PERFORMANCE

(Expressed in thousands, except percentage amounts and earnings per common share)

	1995	1994	1993
=====			
NET SALES	\$1,679,630	\$1,628,482	\$1,658,426
% Change	3.1%	(1.8%)	10.9%
-----			
OPERATING INCOME			
As Reported	\$ 267,785	\$ 240,361	\$ 255,382
% Change	11.4%	(5.9%)	9.2%
Excluding Unusual Items	\$ 267,785	\$ 248,541	\$ 259,212
% Change	7.7%	(4.1%)	10.9%
-----			
NET INCOME			
As Reported	\$ 148,629	\$ 128,527	\$ 156,190
% Change	15.6%	(17.7%)	6.7%
Excluding Unusual Items	\$ 148,629	\$ 151,649	\$ 158,690
% Change	(2.0%)	(4.4%)	8.4%
-----			
EARNINGS PER COMMON SHARE			
As Reported	\$ 2.15	\$ 1.63	\$ 1.88
% Change	31.9%	(13.3%)	6.8%
Excluding Unusual Items	\$ 2.15	\$ 1.92	\$ 1.91
% Change	12.0%	.5%	8.5%
-----			
EFFECTIVE TAX RATE			
As Reported	39.8%	37.4%	35.6%
Excluding Unusual Items	39.8%	35.6%	35.6%
-----			

### RETURNS ON INVESTED CAPITAL AND EQUITY

	1995	1994	1993
=====			
RETURN ON AVERAGE INVESTED CAPITAL			
As Reported	19.5%	15.4%	18.0%
Five-Year Average	18.4%	17.5%	19.1%
Excluding Unusual Items	19.5%	17.8%	18.2%
Five-Year Average	19.0%	19.2%	19.9%
-----			
RETURN ON AVERAGE COMMON STOCKHOLDERS' EQUITY			
As Reported	30.1%	20.4%	20.4%
Five-Year Average	23.1%	20.4%	22.1%
Excluding Unusual Items	30.1%	23.6%	20.7%
Five-Year Average	23.8%	22.5%	23.1%



## FINANCIAL REVIEW

Brown-Forman's most important financial objective is to increase the value of its stockholders' investment. Financial strategies have been developed for managing assets and include return on investment targets which have enabled the company to invest in brands and projects that promise the most favorable return. The long-term growth in the market value of the company's stock is a good indication of the total return to shareholders. A \$100 investment in Brown-Forman's Class B stock ten years ago would have grown to more than \$580 by the end of fiscal 1995, assuming reinvestment of all dividends and ignoring personal taxes and transaction costs. This is a market value increase in excess of 19% annually over the ten year period. In fiscal 1995 and 1994, the company experienced an increase in its return on average common stockholders' equity, excluding unusual items, in part due to the purchase of its common stock.

### WINES AND SPIRITS SEGMENT

#### Summary of Operating Performance

(Expressed in thousands, except percentage amounts)

	1995	1994	1993
NET SALES	\$1,137,834	\$1,104,817	\$1,121,292
% Change	3.0%	(1.4%)	13.2%
NET SALES LESS EXCISE TAXES	\$ 878,416	\$ 841,124	\$ 844,140
% Change	4.4%	(.4%)	15.4%
OPERATING INCOME	\$ 243,713	\$ 235,004	\$ 245,693
% Change	3.7%	(4.4%)	11.2%

The wines and spirits business is Brown-Forman's largest segment representing 68% of net sales in 1995, 69% in 1994, and 68% in 1993. Net sales, excluding brands which have been sold, discontinued, acquired, or developed internally during the periods reported, increased 2% in fiscal 1995, 1% in fiscal 1994, and 3% in fiscal 1993.

#### SALES:

1995 VERSUS 1994: Sales in fiscal 1995 were higher due to increased sales of Jack Daniel's, Korbel Champagne, Fetzer California wines, and the national introduction of Tropical Freezes. Country Cocktails sales continued a decline from fiscal 1994; however, it continues to provide high margins, while broadening the consumer franchise for Jack Daniel's Tennessee Whiskey. Canadian Mist, Southern Comfort, and Early Times continued to experience sales declines in the U.S. market in fiscal 1995. However, these declines moderated from declines registered in fiscal 1994. The sales declines primarily reflect consumption trends as well as a reduction in trade inventory levels. Domestic volume declines were more than offset by price increases on most major brands.

Sales outside the U.S. continue to grow to record levels. The major overseas brands, Jack Daniel's, Southern Comfort, and Fetzer, experienced sales growth with increases registered in most major overseas markets. Jack Daniel's continues to grow at double-digit rates in most overseas markets, although volume declines in Japan and Germany slowed the brand's worldwide growth rate.

1994 VERSUS 1993: In fiscal 1994, Jack Daniel's and Early Times experienced double-digit sales volume growth internationally with increases registered in most major overseas markets. Southern Comfort sales volume overseas was unchanged from 1993. Sales in fiscal 1994 were lower due to the very successful introduction of Jack Daniel's Country Cocktails in fiscal 1993. Typical of most successful new products, introductory sales of Country Cocktails in 1993 were enhanced by high rates of initial consumer trial and the establishment of trade inventory levels. Volumes for Country Cocktails moderated in fiscal 1994. Sales for the wines and spirits segment were increased by the full-year effect of Fetzer Vineyards acquired in August 1992. Canadian Mist, Southern Comfort, and Early Times all experienced sales volume declines in the U.S. market in fiscal 1994, following growth in fiscal 1993. The declines in volume primarily reflected consumption trends as well as a reduction of trade inventory levels.

#### OPERATING INCOME:

1995 VERSUS 1994: Wines and spirits segment operating income improved in fiscal 1995 due to increased worldwide sales of Jack Daniel's, lower advertising expense in the cocktails category, and higher gross margins. The increase was partially offset by higher selling, general, and administrative expenses, which are primarily the result of investments required to achieve the full benefit of international sales opportunities.

1994 VERSUS 1993: In 1994 the decline in operating income was due to lower shipments of Jack Daniel's Country Cocktails in the first half of the year, partially offset by the full-year effect of Fetzer Vineyards and increased worldwide sales of Jack Daniel's.

**ORGANIZATION:** In May 1994, the company created Brown-Forman Beverages Worldwide, a new global beverage organization designed to accelerate overseas growth for the company's beverage brands. This organization began achieving its objectives in fiscal 1995 by strengthening its existing domestic and non-U.S. distribution channels, establishing business opportunities in advancing overseas markets, and building brand awareness and loyalty throughout the domestic and international markets. The investments required to realize the full potential of this new company will moderate near-term earnings growth. However, these investments are expected to help the company achieve even greater long-term results than would be possible without them.

**BUSINESS ENVIRONMENT:** The sale of beverage alcohol both in the U.S. and abroad takes place in the context of long-standing public debate over the role of drinking in society. The public, especially in the U.S., is concerned over alcohol abuse, especially drunk driving and teenage drinking. Brown-Forman, with other beverage alcohol companies, strongly opposes abusive drinking and contributes significant amounts of money to programs aimed at curbing alcohol abuse.

Critics of beverage alcohol, however, seek to restrict overall alcohol consumption, not just alcohol abuse. Brown-Forman strongly defends the traditional freedom of adults to choose whether or not to drink and opposes efforts to restrict sales, through punitive taxation, advertising restrictions, or otherwise.

## Brown-Forman Corporation

Beverage alcohol sales are sensitive to higher rates of tax, which increase the shelf price to the consumer. If such taxes were imposed, they would adversely affect the U.S. wines and spirits business. However, higher taxes on distilled spirits are a proven failure as a device to increase federal collections. In 1991, the federal government increased the excise tax rate on distilled spirits by 8%, only to see tax collections from distilled spirits decline by almost \$90 million from the prior year. While there are periodic efforts to raise the federal excise tax on beverage alcohol, the company is not aware of any such legislative proposal currently pending in Congress.

### CONSUMER DURABLES SEGMENT

Summary of Operating Performance (Expressed in thousands, except percentage amounts)			
	1995	1994	1993
Net Sales	\$541,796	\$513,612	\$519,038
% Change	5.5%	(1.0%)	5.5%
Operating Income			
As Reported	\$ 38,206	\$ 18,953	\$ 24,454
% Change	101.6%	(22.5%)	(39.4%)
Excluding Unusual Items	\$ 38,206	\$ 27,133	\$ 28,284
% Change	40.8%	(4.1%)	(29.9%)

The consumer durables segment represented 32% of net sales in fiscal 1995, and 31% in both fiscal 1994 and fiscal 1993. Excluding divisions acquired or divested, net sales increased 5% in fiscal 1995, decreased 1% in fiscal 1994 and increased 2% in fiscal 1993.

#### Sales:

1995 versus 1994: Net sales for fiscal 1995 increased due to strong sales performance from Lenox China, Lenox retail operations, Lenox Collectibles, and Dansk. These increases were the result of successful new product introductions, primarily in the Home Decor section of Lenox Collections and Lenox China, and a significant increase in retail same-store sales. Net sales for the segment benefited from significant increases in volume, as major divisions shifted sales mix to a lower priced product line. This trend positively affected sales as it broadened many consumer markets.

1994 versus 1993: Net sales for fiscal 1994 decreased due primarily to significantly lower sales at Lenox Collections, partially offset by increased sales at Lenox China and Hartmann Luggage.

#### Operating Income:

1995 versus 1994: Operating income increased in fiscal 1995 due to lower per-unit manufacturing costs for Lenox wholesale and retail operations and lower selling, general, and administrative cost throughout the consumer durables segment in addition to the strong sales performance. These gains are the result of productivity programs placed in service during fiscal 1994 which should continue to provide competitive benefits for this segment in the future.

1994 versus 1993: Operating income for fiscal 1994, excluding the \$8.2 million charge associated with closing or reformatting certain retail stores, decreased slightly due largely to lower sales at Lenox Collections and investments to improve communications and logistics at Lenox.

### OTHER SEGMENT

Summary of Operating Performance (Expressed in thousands, except percentage amounts)			
	1995	1994	1993
Net Sales	(N/A)	\$10,053	\$18,096
% Change		(44.4%)	44.1%
Operating Income/(Loss)	(N/A)	\$ 453	\$(1,917)
% Change		(N/A)	87.0%

Effective November 1, 1993, the company discontinued the use of this segment. See Note 3, on page 33, for information related to the sale of the company's credit card processing business during fiscal 1994.

The increase in operating income in fiscal 1994 and the significant decline in the operating loss for fiscal 1993 was primarily due to a reduction in the scope of the company's aquaculture business and increased operating revenues from the company's credit card processing business.

### CONSOLIDATED FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

Brown-Forman's cash flow continues to provide more than adequate capital to meet operating and capital expenditure requirements, to pay record dividends, and to fund acquisition opportunities. The following table is included to assist the reader in understanding the cash flows.

(Expressed in thousands; amounts in brackets are reductions of cash)

	1995	1994	1993
Cash Provided by			
(Used for)			
Operating Activities	\$197,295	\$220,853	\$192,855
Cash Outlays for Acquisitions & Investments in Businesses	--	--	(14,125)
Gross Proceeds from Sale of Business	--	31,837	--
Gross Additions to Property, Plant, and Equipment	(51,056)	(27,433)	(33,616)
Other Investing Activities	8,852	14,508	408
Dividends paid	(67,356)	(73,838)	(71,562)
Acquisition of Treasury Stock	--	(407,659)	--
Debt & Other Financing Activities	(55,801)	197,360	(49,078)
Increase (Decrease) in Cash and Cash Equivalents	\$ 31,934	\$(44,372)	\$ 24,882
Short-term Investments	\$ --	--	\$ 18,146
Net Working Capital	\$412,302	\$368,850	\$509,894

## FINANCIAL REVIEW

Cash generated from operating activities for the combined three-year period of 1995, 1994, and 1993 has been higher than amounts needed for ongoing capital expenditure requirements, dividends, and debt repayments. Cash requirements have increased over the past three years reflecting the company's common stock repurchase in fiscal 1994, acquisition activity, investments in production facilities, and increases in dividend payments. Cash generated by operations decreased 11% in fiscal 1995 and increased 15% and 23% in fiscal 1994 and fiscal 1993, respectively.

Net working capital increased \$43 million in fiscal 1995 due to increased inventory and cash and cash equivalents in addition to lower commercial paper and accrued taxes on income. Inventories increased in anticipation of expected demand as the company continues its expansion into overseas markets. Working capital increases were partially offset by lower accounts receivable resulting from fewer days sales outstanding. Fiscal 1994 net working capital, excluding the sale of the company's credit card processing business, decreased \$160 million primarily from a reduction in cash and cash equivalents resulting from the stock repurchase, lower finished goods inventory, and increased accounts payable and commercial paper. These reductions were partially offset by an increase in barreled whisky. Fiscal 1993 net working capital, excluding acquisitions of businesses, increased \$92 million, reflecting an increase in cash and cash equivalents, higher accounts receivable, a reduction in short-term debt and accrued taxes on income, partially offset by a reduction in inventories.

During fiscal 1995, the company entered into a \$300 million revolving credit agreement that expires in fiscal 2000. This agreement replaces a \$150 million revolving credit agreement that was scheduled to expire in fiscal 1998. At April 30, 1995, the company had no outstanding borrowings under this agreement. Also, at April 30, 1995, the company had available for issuance \$250 million of debt securities under a shelf registration filing with the Securities and Exchange Commission.

The company uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest and foreign exchange rates. While these hedging instruments are subject to fluctuations in value, such fluctuations are generally offset by the value of the underlying exposures being hedged. The company is not a party to leveraged derivatives and does not hold or issue financial instruments for speculative purposes. The company sold an option to swap interest rates that effectively eliminated the call feature on the \$100,000,000 9 3/8% notes for the period April 1, 1995 to April 1, 1998. This option was exercised April 1, 1995 effectively converting \$100,000,000 commercial paper from floating interest rate obligations to 9 3/8% fixed rate obligations from April 1, 1995 to April 1, 1998. The option on this swap was sold in order to manage the level of fixed and floating rate debt. The premium received on the sale of this option is being amortized as a reduction of interest expense through April 1, 1998.

The U.S. dollar is the functional currency for substantially all of the company's consolidated operations. For these operations, all gains and losses from currency transactions are included in income currently. For certain foreign equity investments, the functional currency is the local currency. The cumulative translation effects for the few equity investments using functional currencies other than the U.S. dollar are included in the cumulative translation adjustment in stockholders' equity.

Foreign currency forwards and options, which typically expire within one year, are used to hedge payments and receipts of foreign currencies related to the purchase and sale of goods overseas. Realized gains and losses on these contracts are recognized in the same period as the hedged transactions. While these hedges are subject to the risk of loss from fluctuations in exchange rates, these losses would be offset by gains on the transactions being hedged. The effect of foreign currency transactions on fiscal 1995, 1994, and 1993 results of operations and financial condition were immaterial. The company had foreign exchange contracts on hand at April 30, 1995 and 1994, primarily hedging German Mark, British Pound and Japanese Yen revenues, totaling \$11 million and \$27 million, respectively.

### CAPITAL EXPENDITURES

Brown-Forman invested \$51 million in property, plant, and equipment in fiscal 1995, \$27 million in fiscal 1994, and \$34 million in fiscal 1993. These expenditures primarily reflect the modernization of company-wide production facilities.

Capital expenditures for fiscal 1996 are expected to be approximately \$60 million, primarily for upgrading and expansion of production facilities in the wines and spirits segment and relocating the Fetzer winery. In fiscal 1996, capital expenditure requirements are expected to be met with internally generated funds.

### DIVIDENDS

Fiscal 1995 dividends per common share were at record levels and increased 4% to \$.97 from \$.93 in fiscal 1994. The increase is based on the expectations of continued strong and stable cash flow. Quarterly dividends were increased in fiscal 1995 from \$.237 to \$.248, which results in an indicated annual dividend of \$.992 per common share. Cash dividends per common share increased from \$.86 in fiscal 1993 to \$.927 in fiscal 1994, an increase of 8%. The percentage of cash dividends paid to net income was 45% in fiscal 1995, compared to 58% and 46% for fiscal 1994 and fiscal 1993, respectively. Brown-Forman has paid regular cash dividends for 50 consecutive years.

### ENVIRONMENTAL

The company, along with other responsible parties, faces environmental claims resulting from the cleanup of several waste deposit sites. The company has accrued its estimated portion of cleanup costs and expects other responsible parties and insurance coverage to cover the remaining

costs. The company believes that any additional costs incurred by the company will not have a material adverse effect on the company's financial condition or results of operations.

Brown-Forman Corporation  
CONSOLIDATED STATEMENT OF INCOME

(Expressed in thousands, except per share amounts)

Year Ended April 30,	1995	1994	1993
Net sales	\$1,679,630	\$1,628,482	\$1,658,426
Excise taxes	259,418	263,693	277,152
Cost of sales	596,308	574,544	589,784
Gross profit	823,904	790,245	791,490
Selling, general, and administrative expenses	355,185	347,638	331,409
Advertising expenses	200,934	202,246	204,699
Operating income	267,785	240,361	255,382
Gain on sale of business before income taxes	--	30,077	--
Interest income	1,903	3,984	3,113
Interest expense	22,630	17,195	15,918
Income before income taxes and cumulative effect of accounting changes	247,058	257,227	242,577
Taxes on income	98,429	96,158	86,387
Income before cumulative effect of accounting changes	148,629	161,069	156,190
Cumulative effect of accounting changes	--	(32,542)	--
Net income	\$ 148,629	\$ 128,527	\$ 156,190
Earnings per common share:			
Income before cumulative effect of accounting changes	\$ 2.15	\$ 2.04	\$ 1.88
Cumulative effect of accounting changes	--	(.41)	--
Net income	\$ 2.15	\$ 1.63	\$ 1.88

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

CONSOLIDATED BALANCE SHEET

(Expressed in thousands, except per share amounts)

April 30,	1995	1994	1993
<b>Assets</b>			
Cash and cash equivalents	\$ 62,474	\$ 30,540	\$ 74,912
Short-term investments	--	--	18,146
Accounts receivable, less allowance for doubtful accounts of \$14,061 in 1995, \$12,006 in 1994, and \$10,432 in 1993	234,165	240,580	238,921
<b>Inventories:</b>			
Barreled whisky	163,200	143,785	137,880
Finished goods	122,690	122,976	142,640
Work in process	58,991	59,984	56,857
Raw materials and supplies	37,042	31,697	28,139
Total inventories	381,923	358,442	365,516
Other current assets	19,348	20,344	22,759
<b>Total Current Assets</b>	<b>697,910</b>	<b>649,906</b>	<b>720,254</b>
<b>Property, plant, and equipment, at cost:</b>			
Land	16,552	17,604	17,466
Buildings	163,719	167,500	164,134
Equipment	350,336	325,271	309,647
	530,607	510,375	491,247
Less accumulated depreciation	(278,390)	(264,397)	(233,807)
Net property, plant, and equipment	252,217	245,978	257,440
Intangible assets, less accumulated amortization of \$97,894 in 1995, \$89,471 in 1994, and \$80,036 in 1993	262,475	276,358	279,681
Other assets	72,957	61,607	53,623
<b>Total Assets</b>	<b>\$1,285,559</b>	<b>\$1,233,849</b>	<b>\$1,310,998</b>

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

## Brown-Forman Corporation

April 30,	1995	1994	1993
<b>Liabilities</b>			
Commercial paper	\$ 50,000	\$ 54,229	--
Accounts payable and accrued expenses	221,347	216,175	\$ 180,664
Current portion of long-term debt	5,514	4,867	6,389
Accrued taxes on income	--	3,815	7,424
Deferred income taxes	8,747	1,970	15,883
<b>Total Current Liabilities</b>	<b>285,608</b>	<b>281,056</b>	<b>210,360</b>
Long-term debt	246,842	299,061	154,408
Deferred income taxes	114,420	102,267	108,971
Accrued postretirement benefits	50,776	47,223	--
Other liabilities and deferred income	42,066	40,555	19,136
<b>Total Liabilities</b>	<b>739,712</b>	<b>770,162</b>	<b>492,875</b>
<b>Stockholders' Equity</b>			
<b>Capital Stock:</b>			
Preferred \$.40 cumulative, \$10 par value, redeemable at company's option at \$10.25 per share plus unpaid accrued dividends; 1,177,948 shares authorized and outstanding	11,779	11,779	11,779
Class A common stock, voting, \$.15 par value; authorized shares, 30,000,000; issued shares, 28,988,091	4,348	4,348	1,809
Class B common stock, nonvoting, \$.15 par value; authorized shares, 60,000,000; issued shares, 40,008,147	6,001	6,001	4,000
Capital in excess of par value of common stock	--	--	89,735
Retained earnings	526,877	445,643	1,057,461
Cumulative translation adjustment	(3,158)	(4,084)	(2,421)
Less common treasury stock, at cost: (1993: Class A, 4,463,163 shares; Class B, 29,051,280 shares)	--	--	(344,240)
<b>Common Stockholders' Equity</b>	<b>534,068</b>	<b>451,908</b>	<b>806,344</b>
<b>Total Stockholders' Equity</b>	<b>545,847</b>	<b>463,687</b>	<b>818,123</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$1,285,559</b>	<b>\$1,233,849</b>	<b>\$1,310,998</b>

Brown-Forman Corporation  
CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in thousands; amounts in brackets are reductions of cash)

Year Ended April 30,	1995	1994	1993
<b>Cash flows from operating activities:</b>			
Net income	\$ 148,629	\$ 128,527	\$ 156,190
Adjustments to reconcile net income to net cash provided by (used for) operations:			
Cumulative effect of changes in accounting principles	--	32,542	--
Depreciation	34,589	36,588	35,114
Amortization of intangible assets	8,903	9,435	8,641
Deferred income taxes	18,930	6,405	587
Gain on sale of business, net of income taxes	--	(18,350)	--
Other	957	384	(3,510)
Change in assets and liabilities, excluding the effects of businesses acquired and sold:			
Accounts receivable	6,415	(1,659)	(21,033)
Inventories	(23,481)	7,073	18,234
Other current assets	996	3,715	1,419
Accounts payable and accrued expenses	5,172	31,528	6,491
Accrued taxes on income	(3,815)	(15,335)	(9,278)
Cash provided by operating activities	197,295	220,853	192,855
<b>Cash flows from investing activities:</b>			
Proceeds from sale of business	--	31,837	--
Investments in businesses	--	--	(14,125)
Additions to property, plant, and equipment	(51,056)	(27,433)	(33,616)
Disposals of property, plant, and equipment	10,228	1,788	2,045
Net sales (purchases) of short-term investments	--	18,146	(1,241)
Other	(1,376)	(5,426)	(396)
Cash provided by (used for) investing activities	(42,204)	18,912	(47,333)
<b>Cash flows from financing activities:</b>			
Commercial paper	50,045	204,229	(20,772)
Proceeds from long-term debt	200	--	2,744
Reduction of long-term debt	(106,046)	(6,869)	(5,317)
Reduction of debt assumed in acquisition of business	--	--	(17,708)
Retirement of notes payable	--	--	(8,025)
Acquisition of treasury stock	--	(407,659)	--
Dividends paid	(67,356)	(73,838)	(71,562)
Cash (used for) financing activities	(123,157)	(284,137)	(120,640)
Net increase (decrease) in cash and cash equivalents	31,934	(44,372)	24,882
Cash and cash equivalents, beginning of year	30,540	74,912	50,030
Cash and cash equivalents, end of year	\$ 62,474	\$ 30,540	\$ 74,912

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

**Brown-Forman Corporation**

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

For the years Ended April 30, 1995, 1994, and 1993 (Expressed in thousands, except per share amounts)

	Total	Preferred Stock	Common Stock		Capital in Excess of Par Value	Retained Earnings	Cumulative Translation Adjustment	Treasury Stock
			Class A	Class B				
Balance, April 30, 1992	\$ 735,158	\$11,779	\$1,809	\$ 4,000	\$89,717	\$ 972,833	\$ (740)	\$ (344,240)
Net income	156,190					156,190		
Cash dividends								
Preferred, per share \$.40	(471)					(471)		
Common, per share \$.86	(71,091)					(71,091)		
Foreign currency translation adjustment	(1,681)						(1,681)	
Other	18				18			
Balance, April 30, 1993	818,123	11,779	1,809	4,000	89,735	1,057,461	(2,421)	(344,240)
Net income	128,527					128,527		
Cash dividends								
Preferred, per share \$.40	(471)					(471)		
Common, per share \$.93	(73,367)					(73,367)		
Acquisition of treasury stock (Class A, 2,734,452 shares and Class B, 10,933,518 shares)	(407,659)							(407,659)
Retirement of treasury stock (Class A, 7,197,615 shares and Class B, 39,984,798 shares)	--		(360)	(1,999)	(89,822)	(659,718)		751,899
Issuance of shares in connection with 3-for-1 stock split	--		2,899	4,000		(6,899)		
Foreign currency translation adjustment	(1,663)						(1,663)	
Other	197				87	110		
Balance, April 30, 1994	463,687	11,779	4,348	6,001	--	445,643	(4,084)	--
Net income	148,629					148,629		
Cash dividends								
Preferred, per share \$.40	(471)					(471)		
Common, per share \$.97	(66,885)					(66,885)		
Foreign currency translation adjustment	926						926	
Other	(39)					(39)		
Balance, April 30, 1995	\$ 545,847	\$11,779	\$4,348	\$ 6,001	\$ --	\$ 526,877	\$(3,158)	\$ --

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

**Principles of Consolidation** The consolidated financial statements include the accounts of all subsidiaries.

#### Cash Equivalents

Cash equivalents include demand deposits with banks and all highly liquid investments with original maturities of three months or less.

#### Short-Term Investments

Short-term interest bearing investments are those with maturities of less than one year, but greater than three months, when purchased. These investments are readily convertible to cash and are stated at cost, which approximates fair value.

#### Inventories

Inventories are stated at the lower of cost or market. Approximately 84% at April 30, 1995 and 1994, and 83% at April 30, 1993 of the total amount of consolidated inventories are stated on the basis of the last-in, first-out (LIFO) method. All remaining inventories are valued using the first-in, first-out and average cost methods.

If the LIFO method had not been used, inventories would have been \$70,497,000, \$71,626,000, and \$62,347,000 higher than reported at April 30, 1995, 1994, and 1993, respectively.

A substantial portion of barreled whisky will not be sold within one year because of the duration of the aging process. All barreled whisky is classified in current assets in accordance with industry practice. Bulk wine inventories are classified as work in process.

Warehousing, insurance, ad valorem taxes, and other carrying charges applicable to barreled whisky held for aging are included in inventory costs.

#### Depreciation

Provision for depreciation is made on the basis of estimated useful lives of depreciable assets, principally using the straight-line method.

#### Deferred Income

Deferred income represents proceeds received from a multi-year agreement for the distribution rights of certain of the company's spirits brands in the export market. These proceeds are being recognized over a ten-year period.

#### Revenue Recognition

The company recognizes revenue when goods are shipped or services are performed.

#### Intangible Assets

Intangible assets, principally the excess of purchase price over the fair value of identifiable net assets of acquired businesses, are stated at cost less accumulated amortization. These assets are amortized using the straight-line method over their estimated useful lives, not exceeding forty years.

Subsequent to its acquisition, the company continually evaluates whether events and changes in circumstances have occurred that indicate the remaining estimated useful life of an intangible asset may warrant revision or that the remaining balance of an intangible asset may not be fully recoverable. When factors indicate that an intangible asset should be evaluated for possible impairment, the company uses an estimate of the related business' undiscounted future cash flows over the remaining life of the asset in measuring whether the intangible asset has been impaired.

#### Foreign Currency and Hedging Activities

The U.S. dollar is the functional currency for substantially all of the company's consolidated operations. For these operations, all gains and losses from currency transactions are included in income currently. For certain foreign equity investments, the functional currency is the local currency. The cumulative translation effects for the few equity investments using functional currencies other than the U.S. dollar are included in the cumulative translation adjustment in stockholders' equity.

The company uses foreign currency forwards and options to hedge payments and receipts of foreign currencies related to the purchase and sale of goods overseas. The purpose of these hedges is to protect against the risk that currency movements would adversely affect the company's revenues and product costs. While these hedges are subject to the risk of loss from fluctuations in exchange rates, these losses would be offset by gains on the transactions being hedged. Realized gains and losses on these hedging instruments are recognized in income in the same period as the underlying transaction. The company does not engage in currency speculation.

#### Earnings Per Common Share

Earnings per common share are based upon the weighted average common shares outstanding of 68,996,238 in 1995, 78,657,432 in 1994, and 82,664,208 in 1993, after recognition of dividend requirements on preferred stock.

#### Reclassifications

Discounts related to promotional programs in the wines and spirits segment, which were previously included in the consolidated income statement under the caption "Selling, general, and administrative expenses," have been reclassified as a reduction of "Net sales" for all periods presented. This reclassification conforms the company's presentation to industry practice.

## 2. ACCOUNTING CHANGES

Effective May 1, 1993, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," and Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made."

The cumulative effect of these changes in accounting principles was recognized in 1994 as follows (in thousands):

	FAS Statement No.			
	106	112	116	Total
Pretax charge	\$43,684	\$2,817	\$6,721	\$53,222
Income taxes	16,955	1,104	2,621	20,680
Net charge	\$26,729	\$1,713	\$4,100	\$32,542
Net charge per common share	\$ .34	\$ .02	\$ .05	\$ .41

Effective January 31, 1994, the company adopted Statement of Position 93-7, "Reporting on Advertising Costs." This statement was issued by the American Institute of Certified Public Accountants and requires the company to prospectively capitalize and amortize direct-response advertising to better match revenues with expenses. The company continues to expense other advertising costs as incurred.

On May 1, 1993, the company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

The adoption of these standards did not materially affect 1994 earnings before the cumulative effect of accounting changes.

## 3. CHANGES IN OPERATIONS

### Acquisition of Fetzer Vineyards

On August 31, 1992, the company purchased all of the outstanding stock of Fetzer Vineyards of Mendocino County, California. The cost of acquiring the stock was approximately \$64,200,000 and included, among other costs, \$4,600,000 in cash, \$47,500,000 in notes to the previous owners and four annual payments of \$2,800,000 per year beginning fiscal 1996. In addition, the company assumed approximately \$27,000,000 of Fetzer Vineyards debt. The acquisition has been accounted for as a purchase, and accordingly, the operating results of Fetzer have been consolidated with the company since the acquisition date. The excess of the acquisition cost over the fair value of the net assets acquired is approximately \$47,000,000 which is being amortized over forty years.

### Swift and Moore

During 1993, the company acquired a 20% interest in Swift and Moore Pty. Limited, an importer and marketer of spirits and wines in Australia for \$9,512,000.

### Sale of Credit Card Operations

On October 15, 1993, the company sold substantially all the assets of its credit card processing operations. The sale resulted in a pretax gain of approximately \$30,077,000 (\$18,350,000 after-tax or \$.23 per share).

## 4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are composed of the following (in thousands):

April 30,	1995	1994	1993
Accounts payable, trade	\$ 67,775	\$ 55,084	\$ 38,725
Accrued expenses:			
Compensation and commissions	45,561	37,840	35,453
Excise and other non- income taxes	20,702	16,183	17,576

Interest	6,777	9,042	8,476
Advertising	31,384	39,356	35,401
Other	49,148	58,670	45,033
	153,572	161,091	141,939
	\$221,347	\$216,175	\$180,664

## 5. CREDIT FACILITIES

The company has a \$300,000,000 revolving credit agreement with various domestic and international banks that expires in fiscal 2000. The most restrictive of the agreement's covenants requires the company to maintain a minimum level of net worth. At April 30, 1995, net worth exceeded the required level, as defined in the agreement, by \$195,847,000. At April 30, 1995, the company had no outstanding borrowings under this agreement. At April 30, 1995, the company also had available for issuance \$250,000,000 of debt securities under a shelf registration filing with the Securities and Exchange Commission.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. DEBT At April 30, the company's long-term debt consisted of the following (in thousands, except percentage amounts):

April 30,	1995	1994	1993
Commercial paper	\$204,274	\$150,000	--
9.375% notes	--	99,880	\$ 99,850
11.25% notes, due through 1999	33,886	38,753	44,632
Variable rate industrial revenue bonds, due through 2026	13,840	13,840	13,840
Other	356	1,455	2,475
	252,356	303,928	160,797
Less current portion	5,514	4,867	6,389
	\$246,842	\$299,061	\$154,408

At April 30, 1995, the company had an interest rate agreement to convert \$100,000,000 of its commercial paper from variable rates to a fixed rate of 9 3/8%. This contract matures in 1998. See Note 7 for a description of the financial instrument.

At April 30, 1995 and 1994, \$204,274,000 and \$150,000,000, respectively, of commercial paper is classified as long-term debt due to the credit available under the long-term credit facilities discussed in Note 5 on page 33 and the company's intent to refinance these borrowings on a long-term basis. Long-term debt payment requirements for the five fiscal years after April 30, 1995 are as follows: 1996 - \$5,514,000; 1997 - \$6,023,000; 1998 - \$6,701,000; 1999 - \$7,455,000; 2000 - \$212,567,000. Cash paid for interest was \$24,895,000 in 1995, \$16,629,000 in 1994, and \$17,771,000 in 1993. Excluding the effect of the interest rate agreement discussed above, the weighted average interest rates on commercial paper were 4.9% and 3.8% at April 30, 1995 and 1994, respectively. The weighted average interest rates on the variable rate industrial revenue bonds were 4.9% and 3.4% at April 30, 1995 and 1994, respectively.

## 7. FINANCIAL INSTRUMENTS

The company uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest and foreign exchange rates. While these hedging instruments are subject to fluctuations in value, such fluctuations are generally offset by the value of the underlying exposures being hedged. The company is not a party to leveraged derivatives and does not hold or issue financial instruments for speculative purposes.

### Interest Rate Management

The company sold an option to swap interest rates that effectively eliminated the call feature on the \$100,000,000 9 3/8% notes for the period April 1, 1995 to April 1, 1998. This option was exercised April 1, 1995 effectively converting \$100,000,000 commercial paper from floating interest rate obligations to 9 3/8% fixed rate obligations from April 1, 1995 to April 1, 1998. The option on this swap was sold in order to manage the level of fixed and floating rate debt. The premium received on the sale of this option is being amortized as a reduction of interest expense through April 1, 1998.

### Foreign Currency Management

The U.S. dollar is the functional currency for substantially all of the company's consolidated operations. For these operations, all gains and losses from currency transactions are included in income currently. For certain foreign equity investments, the functional currency is the local currency. The cumulative translation effects for equity investments using functional currencies other than the U.S. dollar are included in the cumulative translation adjustment in stockholders' equity.

The company uses foreign currency forwards and options, which typically expire within one year, to hedge payments and receipts of foreign currencies related to the purchase and sale of goods overseas. Realized gains and losses on these contracts are recognized in the same period as the hedged transactions. The company had foreign exchange forward contracts on hand at April 30, 1995 and 1994, primarily hedging German Mark, British Pound, and Japanese Yen revenues, totaling \$10,600,000 and \$26,500,000, respectively.

### Carrying Amount and Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, short-term investments, and commercial paper approximates fair value due to the short maturities of these instruments. The value of long-term debt is estimated using discounted cash flows based on the company's incremental borrowing rates for similar types of borrowings. The value of interest rate and foreign currency contracts are based on quoted market prices. A comparison of the carrying value and fair value of these instruments is as follows (in thousands):

	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets:</b>				
Cash and cash equivalents	\$ 62,474	\$ 62,474	\$ 30,540	\$ 30,540
<b>Liabilities:</b>				
Commercial paper	50,000	50,000	54,229	54,229
Long-term debt	252,356	252,356	303,928	308,248
Interest rate instrument	680	6,500	913	5,650
Foreign currency instruments	--	1,048	--	813

## Brown-Forman Corporation

### 8. COMMITMENTS

Rentals of real estate, office and data processing equipment, vehicles, and manufacturing equipment under operating leases amounted to approximately \$20,800,000, \$20,700,000, and \$19,200,000, for 1995, 1994, and 1993, respectively. The company has commitments related primarily to minimum lease payments totaling \$23,400,000 in 1996; \$18,400,000 in 1997; \$14,100,000 in 1998; \$11,200,000 in 1999; \$8,900,000 in 2000; and \$7,600,000 after 2000.

9. TAXES ON INCOME The provision for taxes on income is composed of the following (in thousands):

	1995	1994	1993
-----			
	1995	1994	1993
=====			
Currently payable:			
-----			
Federal	\$62,707	\$69,539	\$64,667
-----			
Foreign	1,705	3,877	4,222
-----			
State and Local	15,087	16,594	14,688
-----			
	79,499	90,010	83,577
=====			
-----			
Deferred:			
-----			
Federal	14,757	6,401	3,659
-----			
Foreign	1,373	(27)	(699)
-----			
State and Local	2,800	(226)	(150)
-----			
	18,930	6,148	2,810
=====			
	\$98,429	\$96,158	\$86,387
=====			

United States and foreign components of income before income taxes and the cumulative effect of accounting changes are as follows (in thousands):

	1995	1994	1993
-----			
	1995	1994	1993
=====			
United States	\$227,107	\$236,226	\$222,124
-----			
Foreign	19,951	21,001	20,453
-----			
	\$247,058	\$257,227	\$242,577
=====			

Taxes on income for fiscal 1994 includes a \$5,300,000 charge resulting from an increase in the corporate income tax rate. Included in this amount is a charge of \$3,580,000 for the retroactive effect of a higher tax rate on earnings from January 1, 1993 to April 30, 1993, and a noncash charge to restate the deferred tax liability at the new corporate tax rate.

The following is a reconciliation of the effective tax rates with the United States statutory rates

	Percent of Income Before Taxes		
	1995	1994	1993
-----			
Statutory rate	35.0%	35.0%	34.0%
-----			
State taxes, net of U.S.			
Federal tax benefit	4.6	4.1	4.0
-----			
Income taxed at other than U.S.			
Federal statutory rate	(.7)	(1.5)	(1.2)
-----			
Tax benefit of Foreign Sales Corporation	(1.1)	(1.3)	(.9)
-----			

Nondeductible amortization	1.2	1.1	1.2
Adjustment of prior years' accruals (.3)	(2.1)	(1.7)	(1.7)
Adjustment of prior years' rate	--	1.2	--
Other, net	1.1	.9	.2
	39.8%	37.4%	35.6%

Deferred tax assets and liabilities for 1995 and 1994 are composed of the following (in thousands):

April 30,	1995	1994
Deferred tax assets:		
Postretirement and other benefits	\$ 31,988	\$ 30,527
Accrued liabilities and other	19,591	31,400
Total deferred tax assets	51,579	61,927
Deferred tax liabilities:		
Intercompany transactions	120,449	112,116
Depreciation	19,802	22,068
Undistributed foreign earnings	17,318	17,318
Pension plans	16,278	13,857
Other	899	805
Total deferred tax liabilities	174,746	166,164
Net deferred tax liability	\$123,167	\$104,237

The 1993 deferred provision arose principally from \$3,473,000 related to undistributed foreign earnings, \$677,000 related to deferred income, partially offset by \$2,396,000 related to intercompany transactions. Deferred income taxes were not provided on certain undistributed earnings (\$58,980,000 at April 30, 1995) of certain foreign subsidiaries because such undistributed earnings are expected to be reinvested indefinitely overseas. If these amounts were not considered permanently reinvested, additional deferred taxes of approximately \$20,173,000 would have been provided.

Cash paid for income taxes was \$85,852,000 in 1995, \$93,618,000 in 1994, and \$73,055,000 in 1993.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 10. PENSION PLANS

The company has defined benefit pension plans covering certain employees. The benefits for these plans are based primarily on years of service and employees' pay near retirement for the salaried employees and stated amounts for each year of service for the union and hourly employees. The company also has unfunded plans that provide retirement benefits in excess of qualified plan formulas or regulatory limitations for certain employees.

Net pension income (expense) for 1995, 1994, and 1993 includes the following components (in thousands):

	1995	1994	1993
Benefit cost for service during the year	\$ (8,176)	\$ (7,775)	\$ (6,187)
Interest cost on projected benefit obligation	(14,546)	(14,555)	(13,668)
Actual return (loss) on plan assets	(4,597)	33,580	23,293
Net amortization and deferral	27,253	(12,346)	(3,091)
Net pension income (expense)	\$ (66)	\$ (1,096)	\$ 347

The amounts included in the accompanying consolidated balance sheet were based on the funded status of the plans at January 31, 1995 and 1994 and are as follows (in thousands):

	1995		1994	
	Plan Assets Exceed Obligations	Obligations Exceed Plan Assets	Plan Assets Exceed Obligations	Obligations Exceed Plan Assets
Actuarial present value of benefit obligations:				
Vested benefit obligations	\$140,764	\$ 13,767	\$152,849	\$ 16,280
Nonvested benefit obligations	8,593	1,105	10,243	1,475
Accumulated benefit obligations	149,357	14,872	163,092	17,755
Additional amounts related to assumed pay increases	31,069	5,965	29,123	2,944
Projected benefit obligations	180,426	20,837	192,215	20,699
Plan assets at fair value	232,337	3,327	246,793	2,873
Plan assets in excess of (less than) benefit obligations	51,911	(17,510)	54,578	(17,826)
Unamortized net (assets) obligations at date of adoption	(28,310)	3,045	(31,900)	3,462
Unrecognized net (gain) loss resulting from experience different from that assumed and changes in actuarial assumptions	16,400	(2,476)	13,888	(1,484)
Unrecognized prior service cost	2,374	5,468	2,879	5,684
Adjustment required to recognize minimum liability	--	(2,006)	--	(5,458)
Contributions subsequent to measurement date	--	331	--	270
Prepaid (accrued) pension cost	\$ 42,375	\$(13,148)	\$ 39,445	\$(15,352)

The projected benefit obligation was determined using a weighted average discount rate of 8.5% for 1995, 7% for 1994, and 8% for 1993. The weighted average rate of future compensation increases was 5.5% for 1995, 4% for 1994, and 5% for 1993. The expected rate of return on plan assets was 9.5% for these years. The plans' assets consist primarily of stocks and bonds.

The company's policy for funded plans is to make contributions equal to or greater than the requirements prescribed by the Employee Retirement Income Security Act (ERISA).

11. BUSINESS SEGMENT INFORMATION The company's operations have been classified into three business segments: wines and spirits, consumer durables, and other. The wines and spirits segment includes the production, importing, and marketing of wines and distilled spirits. The consumer durables segment includes the manufacture and sale of china, crystal, ceramic and crystal collectibles, silver, pewter, and luggage. Through October 1993, the other segment included a credit card transaction processing business and an aquaculture business. The credit card transaction processing business was sold in October 1993 and the use of this segment was discontinued. Summarized financial information by business segment for 1995, 1994, and 1993 is as follows (in thousands):

1995 1994 1993

Net sales:

**Wines and Spirits \$1,137,834 \$1,104,817 \$1,121,292**  
**Consumer Durables 541,796 513,612 519,038**  
**Other -- 10,053 18,096**

\$1,679,630 \$1,628,482 \$1,658,426

Operating income:

**Wines and Spirits \$ 243,713 \$ 235,004 \$ 245,693**  
**Consumer Durables 38,206 18,953 24,454**  
**Other -- 453 (1,917)**  
**Corporate (14,134) (14,049) (12,848)**

\$ 267,785 \$ 240,361 \$ 255,382

Total assets:

**Wines and Spirits \$ 715,394 \$ 676,086 \$ 659,911**  
**Consumer Durables 480,322 500,707 539,682**  
**Other -- -- 8,536**  
**Corporate 89,843 57,056 102,869**

\$1,285,559 \$1,233,849 \$1,310,998

Depreciation and amortization:

**Wines and Spirits \$ 22,865 \$ 22,108 \$ 19,981**  
**Consumer Durables 20,398 23,436 22,982**  
**Other -- 271 597**  
**Corporate 229 208 195**

\$ 43,492 \$ 46,023 \$ 43,755

Capital expenditures:

**Wines and Spirits \$ 38,330 \$ 19,699 \$ 15,968**  
**Consumer Durables 12,627 7,464 17,148**  
**Other -- 168 355**  
**Corporate 99 102 145**

\$ 51,056 \$ 27,433 \$ 33,616

Consumer durables' operating income was reduced by \$8,180,000 (\$5,350,000 after-tax) for the closing or reformatting of seven retail stores in 1994 and reduced by \$3,830,000 (\$2,500,000 after-tax) for the write-down of slow-moving and obsolete assets in 1993.

There were no significant intersegment sales or transfers during 1995, 1994, and 1993. Operating income by business segment excludes interest income, interest expense, and net unallocated corporate expenses. Corporate assets consist principally of cash and cash equivalents, short-term investments, certain corporate receivables, and other assets.

Sales outside the United States, consisting principally of exports of wines and spirits, amounted to approximately \$221,389,000, \$212,897,000, and \$190,026,000 in 1995, 1994, and 1993, respectively.

12. CONTINGENCIES In the normal course of business, various suits and claims are brought against the company, some of which seek significant damages. Many of these suits and claims take years to adjudicate and it is difficult to predict their outcome. In the opinion of management, based on advice from legal counsel, none of these suits or claims will have a material adverse effect on the company's financial position or results of operations.

13. ENVIRONMENTAL The company, along with other responsible parties, faces environmental claims resulting from the cleanup of several waste deposit sites. The company has accrued its estimated portion of cleanup costs and expects other responsible parties and insurance coverage to cover the remaining costs. The company believes that any additional costs incurred by the company will not have a material adverse effect on the company's financial condition or results of operations.

14. QUARTERLY RESULTS (UNAUDITED) The 1995 and 1994 unaudited quarterly results are presented on the highlights page.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 15. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The company provides certain health care and life insurance benefits for eligible retirees. Effective May 1, 1993, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Under SFAS No. 106, the company accrues the cost of these benefits over employees' active service periods.

The company elected to recognize this change in accounting on the immediate recognition basis. The adoption of this standard resulted in a one-time pretax charge totaling \$43,684,000 (\$26,729,000 after-tax or \$.34 per share).

The postretirement benefit expense for 1995 and 1994 includes the following components (in thousands):

	1995	1994
Service cost of benefits earned	\$1,902	\$1,898
Interest cost on accumulated postretirement benefit obligation	3,370	3,495
Postretirement benefit expense	\$5,272	\$5,393

The 1995 and 1994 postretirement benefit liability includes the following components (in thousands):

	1995	1994
Actuarial present value of accumulated postretirement obligation:		
Retirees	\$20,612	\$25,525
Fully eligible active plan participants	693	3,878
Other active plan participants	15,543	20,040
	36,848	49,443
Unrecognized net gain (loss)	13,929	(2,220)
Accrued postretirement benefit liability	\$50,777	\$47,223
Assumptions:		
Discount Rate	8.5%	7.0%
Healthcare cost trend rates:		
Present rate before age 65	8.0%	13.5%
Present rate age 65 and after	7.0%	12.5%
Ultimate rate in ten years	5.0%	5.0%

A one-percentage point increase in the assumed health care cost trend rate would have increased the accumulated postretirement benefit obligation as of April 30, 1995 by \$5,026,000 and the postretirement benefit expense by \$758,000. For 1993, retiree health care and life insurance benefits were expensed as paid and totaled \$1,950,000.

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## REPORT OF INDEPENDENT ACCOUNTANTS

### BROWN-FORMAN CORPORATION

We have audited the accompanying consolidated balance sheets of Brown-Forman Corporation and Subsidiaries as of April 30, 1995, 1994, and 1993, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit

to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Brown-Forman Corporation and Subsidiaries at April 30, 1995, 1994, and 1993, and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Notes 2 and 15 to the consolidated financial statements, in 1994 the company adopted changes in its methods of accounting for postretirement benefits other than pensions, postemployment benefits, and contributions.

*/s/ Coopers & Lybrand LLP  
Louisville, Kentucky  
June 8, 1995*

**Exhibit 21**

**SUBSIDIARIES OF THE REGISTRANT**

**SUBSIDIARIES**

Name -----	Percentage of Voting Securities Owned -----	State or Jurisdiction of Incorporation -----
Brown-Forman International F.S.C., Ltd.	100%	U.S. Virgin Islands
Canadian Mist Distillers, Limited	100%	Ontario, Canada
Early Times Distillers Company	100%	Delaware
Fetzer Vineyards	90.1%	California
Jack Daniel Distillery, Lem Motlow, Prop., Inc.	100%	Kentucky
Lenox, Incorporated	100%	New Jersey
Dansk International Designs Ltd.	100%/(1)/	New York
Brooks & Bentley Limited	100%/(1)/	United Kingdom
Brooks & Bentley S.A.R.L.	100%/(1)/	France
Brooks & Bentley A.F.	100%/(1)/	Norway
Longnorth, Limited	100%/(2)/	Ireland
Brown-Forman - W.S. Karoulias S.A.	75%/(3)/	Greece
Chissick Limited	100%/(2)(3)/	Ireland
Clintock, Limited	100%/(2)(3)/	Ireland
Lantone, Limited	100%/(2)(3)/	Ireland
Pitts Bay Trading Limited	75%/(3)/	Bermuda
Lantone Delaware, Inc.	100%/(4)/	Delaware
L-H Limited	100%	United Kingdom
Mt. Eagle Corporation	100%	Delaware
The Jos. Garneau Co., S.A.	100%/(2)/	Switzerland
Thoroughbred Plastics Corporation	100%	Kentucky
Brown-Forman Beverages Worldwide, Comercio de Bebidas Ltd.	100%/(5)/	Brazil
Brown-Forman Worldwide, L.L.C.	100%/(5)/	Delaware

The above companies are included in the consolidated financial statements. The names of certain subsidiaries have been omitted which, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

/(1)/ Owned by Lenox, Incorporated.

/(2)/ Includes qualifying shares assigned to Brown-Forman Corporation. /(3)/ Owned by Longnorth, Limited.

/(4)/ Owned by Lantone Limited.

/(5)/ Owned 99% by Brown-Forman Corporation and 1% by Early Times Distillery Company.

**Exhibit 23**

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We consent to the incorporation by reference in the registration statement of Brown-Forman Corporation on Form S-3, (File No. 33-52551) of our report which includes an explanatory paragraph for the company's adoption of changes in its methods of accounting for postretirement benefits other than pensions, postemployment benefits, and contributions, dated June 8, 1995, on our audits of the consolidated financial statements and financial statement schedules of Brown-Forman Corporation as of April 30, 1995, 1994, and 1993, and for the years ended April 30, 1995, 1994, and 1993, which report is included in this Annual Report on Form 10-K.

*/s/ Coopers & Lybrand L.L.P.  
Coopers & Lybrand L.L.P.  
Louisville, Kentucky  
July 17, 1995*

## ARTICLE 5

This schedule contains summary financial information extracted from the company's April 30, 1995 Annual Report and is qualified in its entirety by reference to such financial statements.

MULTIPLIER: 1000

PERIOD TYPE	12 MOS
FISCAL YEAR END	APR 30 1995
PERIOD END	APR 30 1995
CASH	62,474
SECURITIES	0
RECEIVABLES	234,165
ALLOWANCES	14,061
INVENTORY	381,923
CURRENT ASSETS	697,910
PP&E	530,607
DEPRECIATION	278,390
TOTAL ASSETS	1,285,559
CURRENT LIABILITIES	285,608
BONDS	246,842
COMMON	534,068
PREFERRED MANDATORY	0
PREFERRED	11,779
OTHER SE	0
TOTAL LIABILITY AND EQUITY	1,285,559
SALES	1,679,630
TOTAL REVENUES	1,679,630
CGS	855,726 <sup>1</sup>
TOTAL COSTS	855,726 <sup>1</sup>
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	22,630
INCOME PRETAX	247,058
INCOME TAX	98,429
INCOME CONTINUING	148,629
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	148,629
EPS PRIMARY	2.15
EPS DILUTED	2.15

<sup>1</sup> Cost of goods sold and total costs include excise taxes of \$259.418 million.

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