

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2000

OR

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

Commission File Number 1-3970

HARSCO CORPORATION

-----  
(Exact name of registrant as specified in its charter)

Delaware

23-1483991

-----  
(State of incorporation)

(I.R.S. Employer Identification No.)

Camp Hill, Pennsylvania

17001-8888

-----  
(Address of principal executive offices)

(Zip Code)

Registrant's Telephone Number (717) 763-7064  
-----

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

Title of Each Class

Outstanding Shares at October 31, 2000

-----  
Common Stock Par Value \$1.25  
Preferred Stock Purchase Rights

-----  
39,917,297  
39,917,297

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(Unaudited)

| (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)                | Three Months Ended<br>September 30 |                  | Nine Months Ended<br>September 30 |                  |
|---|------------------------------------|------------------|-----------------------------------|------------------|
|   | 2000                               | 1999             | 2000                              | 1999             |
| <b>REVENUES:</b>  |                                    |                  |                                   |                  |
| Service sales   | \$ 330,957                         | \$ 214,129       | \$ 817,670                        | \$ 632,126       |
| Product sales   | 201,854                            | 209,798          | 621,314                           | 627,110          |
| Other   | 404                                | 641              | 843                               | 899              |
| <b>TOTAL REVENUES</b>                                   | <b>533,215</b>                     | <b>424,568</b>   | <b>1,439,827</b>                  | <b>1,260,135</b> |
| <b>COSTS AND EXPENSES:</b>                              |                                    |                  |                                   |                  |
| Cost of services sold                                   | 241,419                            | 165,718          | 610,102                           | 488,960          |
| Cost of products sold                                   | 156,129                            | 161,318          | 489,496                           | 490,009          |
| Selling, general, and administrative expenses           | 84,593                             | 49,814           | 194,652                           | 153,631          |
| Research and development expenses                       | 1,338                              | 1,885            | 4,426                             | 5,013            |
| Other expense   | 1,004                              | 1,305            | 728                               | 4,026            |
| <b>TOTAL COSTS AND EXPENSES</b>                         | <b>484,483</b>                     | <b>380,040</b>   | <b>1,299,404</b>                  | <b>1,141,639</b> |
| <b>OPERATING INCOME</b>                                 | <b>48,732</b>                      | <b>44,528</b>    | <b>140,423</b>                    | <b>118,496</b>   |
| Equity in income (loss) of affiliates, net (1)          | (582)                              | 1,430            | (1,020)                           | 2,390            |
| Interest income   | 1,611                              | 1,222            | 4,061                             | 3,458            |
| Interest expense  | (16,653)                           | (6,117)          | (32,870)                          | (19,195)         |
| <b>INCOME BEFORE INCOME TAXES AND MINORITY INTEREST</b> | <b>33,108</b>                      | <b>41,063</b>    | <b>110,594</b>                    | <b>105,149</b>   |
| Provision for income taxes                              | 9,376                              | 13,731           | 36,496                            | 36,802           |
| <b>INCOME BEFORE MINORITY INTEREST</b>                  | <b>23,732</b>                      | <b>27,332</b>    | <b>74,098</b>                     | <b>68,347</b>    |
| Minority interest in net income                         | 1,420                              | 1,220            | 3,353                             | 3,613            |
| <b>NET INCOME</b>                                       | <b>\$ 22,312</b>                   | <b>\$ 26,112</b> | <b>\$ 70,745</b>                  | <b>\$ 64,734</b> |
| Average shares of common stock outstanding              | 39,992                             | 40,740           | 39,990                            | 41,161           |
| <b>BASIC EARNINGS PER COMMON SHARE</b>                  | <b>\$ .56</b>                      | <b>\$ .64</b>    | <b>\$ 1.77</b>                    | <b>\$ 1.57</b>   |
| Diluted average shares of common shares outstanding     | 40,073                             | 40,854           | 40,069                            | 41,299           |
| <b>DILUTED EARNINGS PER COMMON SHARE</b>                | <b>\$ .56</b>                      | <b>\$ .64</b>    | <b>\$ 1.77</b>                    | <b>\$ 1.57</b>   |

(1) Equity in income (loss) of affiliates is now separately reported. Previously these amounts were included in operating income as other revenues. Amounts previously reported as operating income for the three months and nine months ended September 30, 1999 were \$45,958 and \$120,886, respectively.

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED BALANCE SHEET  
(Unaudited)

| (IN THOUSANDS)  | SEPTEMBER 30<br>2000 | December 31<br>1999 |
|---|----------------------|---------------------|
| <hr style="border-top: 1px dashed black;"/>   |                      |                     |
| ASSETS  |                      |                     |
| CURRENT ASSETS:   |                      |                     |
| Cash and cash equivalents   | \$ 87,907            | \$ 51,266           |
| Receivables, less allowance for doubtful accounts of<br>\$27,509 in 2000 and \$13,339 in 1999 | 424,059              | 331,123             |
| Inventories   | 233,990              | 172,198             |
| Other current assets  | 65,126               | 58,368              |
| <hr style="border-top: 1px dashed black;"/>   |                      |                     |
| TOTAL CURRENT ASSETS  | 811,082              | 612,955             |
| <hr style="border-top: 1px dashed black;"/>   |                      |                     |
| Property, plant and equipment, at cost  | 1,727,310            | 1,499,823           |
| Allowance for depreciation  | 854,100              | 828,277             |
| <hr style="border-top: 1px dashed black;"/>   |                      |                     |
| Cost in excess of net assets of businesses acquired, net                                      | 873,210              | 671,546             |
| Other assets  | 353,570              | 258,698             |
|   | 207,789              | 116,624             |
| <hr style="border-top: 1px dashed black;"/>   |                      |                     |
| TOTAL ASSETS  | \$ 2,245,651         | \$ 1,659,823        |
| <hr style="border-top: 3px double black;"/>   |                      |                     |
| LIABILITIES   |                      |                     |
| CURRENT LIABILITIES:  |                      |                     |
| Notes payable and current maturities  | \$ 63,417            | \$ 36,607           |
| Accounts payable  | 195,776              | 132,394             |
| Accrued compensation  | 50,366               | 46,615              |
| Income taxes  | 43,053               | 44,154              |
| Other current liabilities   | 211,767              | 170,746             |
| <hr style="border-top: 1px dashed black;"/>   |                      |                     |
| TOTAL CURRENT LIABILITIES   | 564,379              | 430,516             |
| <hr style="border-top: 1px dashed black;"/>   |                      |                     |
| Long-term debt  | 824,755              | 418,504             |
| Deferred income taxes   | 95,106               | 52,932              |
| Other liabilities   | 107,337              | 107,750             |
| <hr style="border-top: 1px dashed black;"/>   |                      |                     |
| TOTAL LIABILITIES   | 1,591,577            | 1,009,702           |
| <hr style="border-top: 1px dashed black;"/>   |                      |                     |
| COMMITMENTS AND CONTINGENCIES   |                      |                     |
| SHAREHOLDERS' EQUITY  |                      |                     |
| Common stock and additional paid-in capital   | 172,848              | 170,878             |
| Accumulated other comprehensive income (expense)  | (116,894)            | (80,538)            |
| Retained earnings   | 1,198,148            | 1,155,586           |
| Treasury stock  | (600,028)            | (595,805)           |
| <hr style="border-top: 1px dashed black;"/>   |                      |                     |
| TOTAL SHAREHOLDERS' EQUITY  | 654,074              | 650,121             |
| <hr style="border-top: 1px dashed black;"/>   |                      |                     |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY  | \$ 2,245,651         | \$ 1,659,823        |
| <hr style="border-top: 3px double black;"/>   |                      |                     |

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

| (IN THOUSANDS)   | NINE MONTHS ENDED<br>SEPTEMBER 30 |                  |
|--|-----------------------------------|------------------|
|  | 2000                              | 1999             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                                   |                  |
| Net income   | \$ 70,745                         | \$ 64,734        |
| Adjustments to reconcile net income to net cash provided by operating activities:      |                                   |                  |
| Depreciation   | 103,443                           | 91,437           |
| Amortization   | 12,104                            | 9,768            |
| Equity in (income) loss of affiliates, net   | 1,020                             | (2,390)          |
| Dividends or distributions from affiliates   | 702                               | 1,292            |
| Deferred income taxes  | 13,342                            | 1,347            |
| Other, net   | 2,654                             | 170              |
| Changes in assets and liabilities, net of acquisitions and dispositions of businesses: |                                   |                  |
| Accounts receivable  | 1,072                             | (29,030)         |
| Inventories  | (29,121)                          | 7,916            |
| Accounts payable   | 13,380                            | (15,526)         |
| Net disbursements related to discontinued defense business                             | (11,862)                          | (13,777)         |
| Other assets and liabilities   | (16,566)                          | (14,905)         |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                       | <b>160,913</b>                    | <b>101,036</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                                   |                  |
| Purchases of property, plant and equipment   | (132,044)                         | (122,402)        |
| Purchase of businesses, net of cash acquired   | (301,557)                         | (4,296)          |
| Proceeds from sales of businesses  | 10,572                            | 12,224           |
| Proceeds from sale of property, plant and equipment                                    | 7,020                             | 9,952            |
| Other investing activities   | 878                               | (1,650)          |
| <b>NET CASH (USED) BY INVESTING ACTIVITIES</b>   | <b>(415,131)</b>                  | <b>(106,172)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                                   |                  |
| Short-term borrowings, net   | 196,652                           | (24,910)         |
| Current maturities and long-term debt:   |                                   |                  |
| Additions  | 246,976                           | 168,411          |
| Reductions   | (112,478)                         | (32,747)         |
| Cash dividends paid on common stock  | (28,201)                          | (27,997)         |
| Common stock issued-options  | 1,754                             | 1,490            |
| Common stock acquired for treasury   | (3,768)                           | (68,644)         |
| Other financing activities   | (3,807)                           | (1,766)          |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>                                       | <b>297,128</b>                    | <b>13,837</b>    |
| Effect of exchange rate changes on cash  | (6,269)                           | (261)            |
| Net increase in cash and cash equivalents  | 36,641                            | 8,440            |
| Cash and cash equivalents at beginning of period                                       | 51,266                            | 41,562           |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                                      | <b>\$ 87,907</b>                  | <b>\$ 50,002</b> |

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(Unaudited)

| (IN THOUSANDS)                           | THREE MONTHS ENDED<br>SEPTEMBER 30 |                  | NINE MONTHS ENDED<br>SEPTEMBER 30 |                  |
|--|------------------------------------|------------------|-----------------------------------|------------------|
|  | 2000                               | 1999             | 2000                              | 1999             |
| Net income                               | \$ 22,312                          | \$ 26,112        | \$ 70,745                         | \$ 64,734        |
| Other comprehensive income (expense):    |                                    |                  |                                   |                  |
| Foreign currency translation adjustments | (17,733)                           | 6,802            | (36,356)                          | (22,260)         |
| <b>TOTAL COMPREHENSIVE INCOME</b>        | <b>\$ 4,579</b>                    | <b>\$ 32,914</b> | <b>\$ 34,389</b>                  | <b>\$ 42,474</b> |

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

REVIEW OF OPERATIONS BY SEGMENT  
(Unaudited)

(IN MILLIONS)

| THREE MONTHS ENDED SEPTEMBER 30, 2000      | HARSCO<br>MILL<br>SERVICES | HARSCO<br>GAS AND<br>FLUID CONTROL | HARSCO<br>INFRASTRUCTURE | S3NETWORKS<br>LLC | GENERAL<br>CORPORATE | CONSOLIDATED<br>TOTALS |
|--|----------------------------|------------------------------------|--------------------------|-------------------|----------------------|------------------------|
| Net sales to unaffiliated customers        | \$ 186.0                   | \$ 132.3                           | \$ 214.5                 | \$ -              | \$ -                 | \$ 532.8               |
| Operating income (loss)                    | \$ 22.6                    | \$ 13.3                            | \$ 13.5                  | \$ -              | \$ (0.7)             | \$ 48.7                |
| Equity in income (loss) of affiliates, net | 0.2                        | -                                  | 0.5                      | (1.3)             | -                    | (0.6)                  |
| Interest income                            | 1.1                        | -                                  | 0.4                      | -                 | 0.1                  | 1.6                    |
| Interest expense                           | (3.0)                      | (1.0)                              | (9.2)                    | -                 | (3.4)                | (16.6)                 |
| Income tax (expense) benefit               | (4.5)                      | (4.3)                              | (1.2)                    | 0.5               | 0.1                  | (9.4)                  |
| Minority interest in net (income) loss     | (1.3)                      | -                                  | (0.1)                    | -                 | -                    | (1.4)                  |
| <b>SEGMENT NET INCOME (LOSS)</b>           | <b>\$ 15.1</b>             | <b>\$ 8.0</b>                      | <b>\$ 3.9</b>            | <b>\$ (0.8)</b>   | <b>\$ (3.9)</b>      | <b>\$ 22.3</b>         |

| THREE MONTHS ENDED SEPTEMBER 30, 1999   | HARSCO<br>MILL<br>SERVICES | HARSCO<br>GAS AND<br>FLUID CONTROL | HARSCO<br>INFRASTRUCTURE | S3NETWORKS<br>LLC | GENERAL<br>CORPORATE | CONSOLIDATED<br>TOTALS |
|---|----------------------------|------------------------------------|--------------------------|-------------------|----------------------|------------------------|
| Net sales to unaffiliated customers     | \$ 184.3                   | \$ 138.2                           | \$ 101.4                 | \$ -              | \$ -                 | \$ 423.9               |
| Operating income (loss)                 | \$ 20.8                    | \$ 13.1                            | \$ 11.3                  | \$ -              | \$ (0.6)             | \$ 44.6                |
| Equity in income of affiliates, net (1) | 1.4                        | -                                  | -                        | -                 | -                    | 1.4                    |
| Interest income                         | 1.1                        | -                                  | -                        | -                 | -                    | 1.1                    |
| Interest expense                        | (2.7)                      | (0.8)                              | (1.5)                    | -                 | (1.1)                | (6.1)                  |
| Income tax (expense) benefit            | (7.0)                      | (4.7)                              | (3.5)                    | -                 | 1.5                  | (13.7)                 |
| Minority interest in net (income) loss  | (1.2)                      | -                                  | -                        | -                 | -                    | (1.2)                  |
| <b>SEGMENT NET INCOME (LOSS)</b>        | <b>\$ 12.4</b>             | <b>\$ 7.6</b>                      | <b>\$ 6.3</b>            | <b>\$ -</b>       | <b>\$ (0.2)</b>      | <b>\$ 26.1</b>         |

(1) Equity in income (loss) of affiliates is now separately reported. Previously, these amounts were included in operating income. Amounts previously reported as operating income for the three months ended September 30, 1999 were \$22.2 million for HarSCO Mill Services Segment and a consolidated total of \$46.0 million. Reported operating income amounts for the other segments are unchanged.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

REVIEW OF OPERATIONS BY SEGMENT  
(Unaudited)

(IN MILLIONS)

| NINE MONTHS ENDED SEPTEMBER 30, 2000       | HARSCO<br>MILL<br>SERVICES | HARSCO<br>GAS AND<br>FLUID CONTROL | HARSCO<br>INFRASTRUCTURE | S3NETWORKS<br>LLC | GENERAL<br>CORPORATE | CONSOLIDATED<br>TOTALS |
|--|----------------------------|------------------------------------|--------------------------|-------------------|----------------------|------------------------|
| Net sales to unaffiliated customers        | \$ 572.8                   | \$ 393.1                           | \$ 473.1                 | \$ -              | \$ -                 | \$ 1,439.0             |
| Operating income (loss)                    | \$ 69.7                    | \$ 35.1                            | \$ 36.8                  | \$ -              | \$ (1.2)             | \$ 140.4               |
| Equity in income (loss) of affiliates, net | 0.7                        | -                                  | 0.5                      | (2.2)             | -                    | (1.0)                  |
| Interest income                            | 3.2                        | 0.1                                | 0.7                      | -                 | 0.1                  | 4.1                    |
| Interest expense                           | (7.4)                      | (3.0)                              | (13.4)                   | -                 | (9.1)                | (32.9)                 |
| Income tax (expense) benefit               | (19.9)                     | (11.6)                             | (8.1)                    | 0.8               | 2.3                  | (36.5)                 |
| Minority interest in net (income) loss     | (3.2)                      | -                                  | (0.2)                    | -                 | -                    | (3.4)                  |
| <b>SEGMENT NET INCOME (LOSS)</b>           | <b>\$ 43.1</b>             | <b>\$ 20.6</b>                     | <b>\$ 16.3</b>           | <b>\$ (1.4)</b>   | <b>\$ (7.9)</b>      | <b>\$ 70.7</b>         |

| NINE MONTHS ENDED SEPTEMBER 30, 1999    | HARSCO<br>MILL<br>SERVICES | HARSCO<br>GAS AND<br>FLUID CONTROL | HARSCO<br>INFRASTRUCTURE | S3NETWORKS<br>LLC | GENERAL<br>CORPORATE | CONSOLIDATED<br>TOTALS |
|---|----------------------------|------------------------------------|--------------------------|-------------------|----------------------|------------------------|
| Net sales to unaffiliated customers     | \$ 539.7                   | \$ 411.4                           | \$ 308.1                 | \$ -              | \$ -                 | \$ 1,259.2             |
| Operating income (loss)                 | \$ 55.9                    | \$ 31.6                            | \$ 31.4                  | \$ -              | \$ (0.4)             | \$ 118.5               |
| Equity in income of affiliates, net (1) | 2.4                        | -                                  | -                        | -                 | -                    | 2.4                    |
| Interest income                         | 3.1                        | 0.1                                | 0.1                      | -                 | 0.1                  | 3.4                    |
| Interest expense                        | (8.4)                      | (3.5)                              | (4.5)                    | -                 | (2.8)                | (19.2)                 |
| Income tax (expense) benefit            | (17.3)                     | (10.7)                             | (9.8)                    | -                 | 1.0                  | (36.8)                 |
| Minority interest in net (income) loss  | (3.7)                      | 0.1                                | -                        | -                 | -                    | (3.6)                  |
| <b>SEGMENT NET INCOME (LOSS)</b>        | <b>\$ 32.0</b>             | <b>\$ 17.6</b>                     | <b>\$ 17.2</b>           | <b>\$ -</b>       | <b>\$ (2.1)</b>      | <b>\$ 64.7</b>         |

(1) Equity in income (loss) of affiliates is now separately reported. Previously these amounts were included in operating income. Amounts previously reported as operating income for the nine months ended September 30, 1999 were \$58.3 million for HarSCO Mill Services Segment and a consolidated total of \$120.9 million. Reported operating income amounts for the other segments are unchanged.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Inventories

| (in thousands)                    | SEPTEMBER 30<br>2000 | December 31<br>1999 |
|-----------------------------------|----------------------|---------------------|
| Finished goods                    | \$ 87,723            | \$ 37,715           |
| Work-in-process                   | 43,035               | 37,198              |
| Raw materials and purchased parts | 82,701               | 76,911              |
| Stores and supplies               | 20,531               | 20,374              |
|                                   | \$ 233,990           | \$ 172,198          |

## COMMITMENTS AND CONTINGENCIES

## DISCONTINUED DEFENSE BUSINESS - CONTINGENCIES

## FEDERAL EXCISE TAX AND OTHER MATTERS RELATED TO THE FIVE-TON TRUCK CONTRACT

In 1995, the Company, the United States Army ("Army"), and the United States Department of Justice concluded a settlement of Harsco's previously reported claims against the Army relating to Federal Excise Tax ("FET") arising under a completed 1986 contract for the sale of five-ton trucks to the Army. On September 27, 1995, the Army paid the Company \$49 million in accordance with the settlement terms. The Company released the Army from any further liability for those claims, and the Department of Justice released the Company from a threatened action for damages and civil penalties based on an investigation conducted by the Department's Commercial Litigation Branch that had been pending for several years.

The settlement preserves the rights of the parties to assert claims and defenses under the Internal Revenue Code, and rights of the Army and the Company to claim certain amounts that may be owed by either party to reconcile possible underpayments or overpayments on the truck contract as part of the formal contract close-out process.

The settlement does not resolve the claim by the Internal Revenue Service ("IRS") that, contrary to the Company's position, certain cargo truck models sold by the Company should be considered to have gross vehicle weights in excess of the 33,000 pound threshold under FET law, are not entitled to an exemption from FET under any other theory, and therefore are taxable. In 1999, the IRS assessed an increase in FET of \$30.4 million plus penalties of \$10.9 million and applicable interest currently estimated to be \$51.9 million. In October 1999, the Company posted an \$80 million bond required as security by the IRS. This increase in FET takes into account offsetting credits of \$9.2 million, based on a partial allowance of the Company's \$31.9 million claim that certain truck components are exempt from FET. The IRS



HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

-----  
COMMITMENTS AND CONTINGENCIES (CONTINUED)

disallowed in full the Company's additional claim that it is entitled to the entire \$52 million of FET (plus applicable interest currently estimated by the Company to be \$46.5 million) the Company has paid on the five-ton trucks, on the grounds that such trucks qualify for the FET exemption applicable to certain vehicles specially designed for the primary function of off-highway transportation. In the event that the Company ultimately receives from the IRS a refund of tax (including applicable interest) with respect to which the Company has already received reimbursement from the Army, the refund would be allocated between the Company and the Army. In August 2000, the Company filed legal action against the Government in the U.S. Court of Federal Claims challenging the assessment and seeking a refund of all FET that the Company has paid on five-ton trucks. Although there is risk of an adverse outcome, both the Company and the Army believe that the cargo trucks are not taxable. No recognition has been given in the accompanying financial statements for the Company's claims with the IRS.

The settlement agreement with the Army preserved the Company's right to seek reimbursement of after-imposed tax from the Army in the event that the cargo trucks are determined to be taxable, but the agreement limited the reimbursement to a maximum of \$21 million. Additionally, in an earlier contract modification, the Army accepted responsibility for \$3.6 million of the potential tax, bringing its total potential responsibility up to \$24.6 million. As of September 30, 2000, the Army has paid Harsco this entire amount and Harsco has paid those funds to the IRS, subject to its pending refund claim. Thus, the Company has satisfied a portion of the disputed tax assessment. If the Company succeeds in its refund claim against the IRS, it will owe the Army the amount recovered that corresponds to the \$24.6 million.

Even if the cargo trucks are ultimately held to be taxable, the Army's contribution of \$24.6 million toward payment of the tax (but not interest or penalty, if any), would result in a net maximum liability for the Company of \$5.8 million plus penalties and applicable interest currently estimated to be \$10.9 million and \$51.9 million, respectively. The Company believes it is unlikely that resolution of this matter will have a material adverse effect on the Company's financial position; however, it could have a material effect on quarterly or annual results of operations.

## OTHER DEFENSE BUSINESS LITIGATION

In 1992, the United States Government through its Defense Contract Audit Agency commenced an audit of certain contracts for sale of tracked vehicles by the Company to foreign governments, which were financed by the United States Government through the Defense Security Assistance Agency. In September 1994, the Company received a subpoena issued by the Department of Defense Inspector General seeking various documents relating to issues raised in the audit.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

-----  
COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Government subsequently subpoenaed a number of former employees of the Company's divested defense business to testify before a grand jury and issued grand jury subpoenas to the Company for additional documents. On December 22, 1999, the Company announced that it reached agreement with the U.S. Government on behalf of its former BMY Combat Systems Division to settle the matter. Under the agreement, BMY Combat Systems pled guilty to a one-count misdemeanor relating to submitting advance payment certifications which resulted in BMY receiving a portion of the payments for the contract prematurely. In June 2000, the U.S. District Court gave final approval to the settlement. In accordance with the settlement, Harsco paid the Government a \$200,000 fine in June 2000 and in July 2000 paid the \$10.8 million in damages for a total of \$11 million.

The settlement ends the Government's investigation and releases Harsco and BMY from further liability for the issues under investigation. Harsco charged the payment against an existing reserve, resulting in no charge to the Company's earnings.

## CONTINUING OPERATIONS - CONTINGENCIES

## ENVIRONMENTAL

The Company is involved in a number of environmental remediation investigations and clean-ups and, along with other companies, has been identified as a "potentially responsible party" for certain waste disposal sites. While each of these matters is subject to various uncertainties, it is probable that the Company will agree to make payments toward funding certain of these activities and it is possible that some of these matters will be decided unfavorably to the Company. The Company has evaluated its potential liability, and its financial exposure is dependent upon such factors as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the allocation of cost among potentially responsible parties, the years of remedial activity required and the remediation methods selected. The Consolidated Balance Sheet at September 30, 2000, and December 31, 1999 includes an accrual of \$5.8 million and \$3.0 million, respectively, for environmental matters. The increase from December 31, 1999 principally relates to environmental liabilities of acquired companies. The amounts affecting pre-tax earnings related to environmental matters totaled \$1.3 million of expense for the first nine months of 2000, and \$0.2 million of income for the first nine months of 1999.

The liability for future remediation costs is evaluated on a quarterly basis. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. The Company does not expect that any sum it may have to pay in connection with environmental matters in excess of the amounts recorded or disclosed above would have a material adverse effect on its financial position or results of operations.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

-----  
COMMITMENTS AND CONTINGENCIES (CONTINUED)

In the first quarter of 2000 the U.S. Environmental Protection Agency issued a Notice of Violation to the Company for violations of the Clean Air Act arising from slag dust emissions at one of the Company's mill services locations. The Agency is seeking abatement of dust emissions at the site and has advised that it is seeking financial penalties which exceed \$100,000. The Company is cooperating with the mill and the Agency to abate the dust emissions and is in settlement discussions with the Agency.

## OTHER

The Company is subject to various other claims, legal proceedings, and investigations covering a wide range of matters that arose in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or by accruals, and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a material adverse effect on the financial position or results of operations of the Company.

## FINANCIAL INSTRUMENTS AND HEDGING

## OFF BALANCE SHEET RISK

The Company has subsidiaries principally operating in North America, Latin America, Europe and Asia-Pacific. These operations are exposed to fluctuations in related foreign currencies in the normal course of business. The Company seeks to reduce exposure to foreign currency fluctuations through the use of forward exchange contracts. The Company does not hold or issue financial instruments for trading purposes, and it is the Company's policy to prohibit the use of derivatives for speculative purposes. The Company has a Foreign Currency Risk Management Committee that meets periodically to monitor foreign currency risks.

The Company enters into foreign currency forward exchange contracts to hedge transactions of its non-U.S. subsidiaries, for firm commitments to purchase equipment and for export sales denominated in foreign currencies. These contracts generally are for 90 to 180 days or less. For those contracts that hedge an identifiable transaction, gains or losses are deferred and accounted for as part of the underlying transactions. The cash flows from these contracts are classified consistent with the cash flows from the transaction being hedged. The Company also enters into forward exchange contracts for intercompany foreign currency commitments. These forward exchange contracts do not qualify as hedges, therefore, gains and losses are recognized in income based on fair market value. As of September 30, 2000, the total of all forward exchange contracts amounted to \$23.9 million.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

## Reconciliation of Basic and Diluted Shares

| (In thousands, except amounts per share)  | Three Months Ended<br>September 30 |           | Nine Months Ended<br>September 30 |           |
|---|------------------------------------|-----------|-----------------------------------|-----------|
|   | 2000                               | 1999      | 2000                              | 1999      |
| Net income  | \$ 22,312                          | \$ 26,112 | \$ 70,745                         | \$ 64,734 |
| Average shares of common stock<br>outstanding used to compute basic<br>earnings per common share                    | 39,992                             | 40,740    | 39,990                            | 41,161    |
| Additional common shares to be<br>issued assuming exercise of<br>stock options, net of shares<br>assumed reacquired | 81                                 | 114       | 79                                | 138       |
| Shares used to compute dilutive<br>effect of stock options  | 40,073                             | 40,854    | 40,069                            | 41,299    |
| Basic earnings per common share   | \$ .56                             | \$ .64    | \$ 1.77                           | \$ 1.57   |
| Diluted earnings per common share   | \$ .56                             | \$ .64    | \$ 1.77                           | \$ 1.57   |

## New Financial Accounting Standards Issued

In June 1998, the Financial Accounting Standard Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), with an amended date effective for fiscal years beginning after June 15, 2000. SFAS No. 133 was further amended by SFAS No. 138. SFAS 133 requires that an entity recognize all derivative instruments as either assets or liabilities on its balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction, and, if it is, the type of hedge transaction. The Company will adopt SFAS 133 by the first quarter of 2001. Due to the Company's limited use of derivative instruments, SFAS 133 is not expected to have a material effect on the financial position or results of operations of the Company.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140), which replaces SFAS No. 125 with the same title. It revises the standards for securitizations and other transfers of financial assets and collateral and requires additional disclosures, but otherwise retains most of SFAS No. 125's provisions. The Company will adopt SFAS No. 140 in the second quarter of 2001. The adoption of SFAS No. 140 is not expected to have a material effect on the Company's financial position and results of operations.

## ITEM 1. FINANCIAL STATEMENTS (Continued)

## New Staff Accounting Bulletin Issued

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the Commission. In June 2000, the SEC issued SAB No. 101B, "Second Amendment: Revenue Recognition in Financial Statements". SAB 101B delays the implementation of SAB 101 until no later than the fourth fiscal quarter of fiscal years beginning after December 15, 1999. Based on a review of the Company's policies and practices and current interpretations of SAB 101, the Company believes it is in general compliance with SAB 101.

## New Emerging Issues Task Force (EITF) Consensus

In July and September 2000, the EITF reached a consensus in EITF Issue No. 00-10, "Accounting for Shipping and Handling Fees and Cost," by agreeing that shipping and handling fees billed to a customer in a sales transaction must be classified as revenues and that shipping costs should not be netted against sales. The EITF also requires that all costs incurred for shipping and handling be classified as expenses, preferably in cost of sales.

It has been determined that certain operations of the Company currently net shipping and handling costs against revenues. The Company is required to reclassify these costs to cost of sales. Information is currently being gathered and it is expected that the reclassification will increase sales and cost of sales by approximately \$30 million per year. There will be no effect on net income or earnings per share. However, calculated margin percentages may be reduced.

The EITF consensus is effective for the fourth quarter of 2000 and reclassification of prior period financial statements is required.

## Acquisitions

In May 2000, the Company launched a conditional tender offer for the outstanding shares of SGB Group PLC (SGB). In June, the Company made its offer unconditional and by August 31 had acquired 100% of the outstanding shares. SGB, based in the UK, is one of Europe's largest suppliers of scaffolding, forming and related access products and services. SGB also has operations in North America, the Middle East and the Asia Pacific region. SGB had 1999 sales of pound sterling 283 million (approximately \$414 million U.S. dollars using a September 30, 2000 exchange rate). Through September 30, 2000 the Company had borrowed \$288.6 million to finance the acquisition.

The acquisition of SGB has been accounted for using the purchase method of accounting and accordingly, the operating results of SGB have been included in the consolidated results of the Company from June 16, 2000, the date of acquisition. The purchase price allocation is based upon appraisal values and management estimates and is subject to reclassifications and adjustments in the future.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

The purchase price of SGB has been allocated as follows:

|                                      |          |
|--------------------------------------|----------|
| (in millions)                        |          |
| Working capital, other than cash     | \$ 31.9  |
| Property, plant and equipment        | 208.9    |
| Other assets                         | 71.7     |
| Goodwill                             | 112.9    |
| Non-current liabilities              | (153.4)  |
|                                      | -----    |
| Purchase price, net of cash received | \$ 272.0 |
|                                      | =====    |

Harsco's management is in the process of finalizing fair value adjustments, reorganization actions, and its plan to exit certain activities of SGB. Estimates of the associated costs have been included in the opening balance sheet. Management expects to finalize its plans and the associated estimates by December 31, 2000.

The following unaudited pro forma summary combines the consolidated results of operations of the Company and SGB as if the acquisition had occurred on January 1, 2000 for the nine months ending September 30, 2000 and January 1, 1999 for the nine months ending September 30, 1999:

|                            | NINE MONTHS ENDED SEPTEMBER 30    |                   |
|----------------------------|-----------------------------------|-------------------|
|                            | (thousands except per share data) |                   |
|                            | PRO FORMA<br>2000                 | PRO FORMA<br>1999 |
| Total Revenues             | \$ 1,640,291                      | \$ 1,588,614      |
| Net Income                 | *64,753                           | 75,799            |
| Diluted Earnings per Share | \$ 1.62                           | \$ 1.84           |
|                            | -----                             | -----             |

\* Net income is after approximately \$4 million of non-tax deductible costs incurred by SGB in defense of the takeover.

In May 2000, the Company completed the acquisitions of Bergslagen Steelservice AB and Bergslagen Suomi Oy (collectively Bergslagen). The two companies provide specialized slag processing and metal recovery services to steel mills in Sweden and Finland, respectively. The two organizations together recorded 1999 sales of nearly \$10 million.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

In April 2000, the company agreed to invest \$20 million for a 49 percent ownership interest in S3Networks, LLC, a start-up company providing internet and e-business infrastructure consulting services primarily to Fortune 1000 corporations. Cash of \$10 million has been invested through September 30, 2000 with an additional \$10 million to be paid over a period not to exceed fifteen months from the initial investment date. The investment is being accounted for under the equity method. Since the Company is the principal provider of initial capital for S3Networks, LLC, the Company is recording 100% of net losses to the extent of its initial \$20 million investment. However, the Company will also record 100% of subsequent net income until the entire initial investment amount is reinstated. Subsequent to reinstatement of the initial investment amount, the company will record net income to the extent of its ownership percentage of S3Networks, LLC.

## Pending Divestitures

The Company announced September 27, 2000 that its Board of Directors has approved plans to divest three non-core operations as part of Harsco's continuing strategic repositioning as a leading worldwide industrial services company.

The operations include Capitol Manufacturing, which produces pipe fittings and related products for the industrial plumbing, electrical, and other markets; Patterson-Kelley, a manufacturer of industrial and commercial boilers, water heaters, and blenders; and Faber Prest Distribution, a UK-based materials transport businesses which Harsco acquired in 1998 as part of mill services provider Faber Prest Plc.

## Opinion of Management

In the opinion of management, financial information furnished herein, which is unaudited, reflects all adjustments (all of which are of a recurring nature) that are necessary to present a fair statement of the interim period.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS  
OF OPERATIONS (Continued)

LIQUIDITY AND CAPITAL RESOURCES

The major changes in the liquidity and capital resources of the Company are as follows:

| (DOLLARS ARE IN MILLIONS)               | SEPTEMBER 30<br>2000 | DECEMBER 31<br>1999 | INCREASE/<br>(DECREASE) |
|---|----------------------|---------------------|-------------------------|
| Current assets                          | \$ 811.1             | \$ 612.9            | \$ 198.2                |
| Current liabilities                     | 564.4                | 430.5               | 133.9                   |
| Working capital                         | \$ 246.7             | \$ 182.4            | \$ 64.3                 |
| Current ratio                           | 1.4:1                | 1.4:1               |                         |
| Notes payable and<br>current maturities | \$ 63.4              | \$ 36.6             | \$ 26.8                 |
| Long-term debt                          | 824.8                | 418.5               | 406.3                   |
| Total debt                              | 888.2                | 455.1               | \$ 433.1                |
| Total equity                            | 654.1                | 650.1               | 4.0                     |
| Total capital                           | \$ 1,542.3           | \$ 1,105.2          | \$ 437.1                |
| Total debt to<br>total capital          | 57.6%                | 41.2%               |                         |

The change in the Company's working capital position during the first nine months of 2000 is due principally to the acquisition of SGB Group PLC (SGB) in June 2000. Current assets at September 30 include SGB's current assets of \$194.4 million, which consists of \$34.6 million in cash, \$105.0 million in receivables, \$41.8 million of inventories and \$13.0 million of other current assets. The \$133.9 million increase in current liabilities is due principally to the \$153.1 million current liabilities of SGB. SGB current liabilities as of September 30, 2000 include short-term borrowings of \$22.1 million, accounts payable of \$59.1 million, accrued liabilities of \$40.5 million and other liabilities of \$31.4 million.

The Company is continuing its strategic focus on the reduction of capital employed including inventory and receivable levels. As a result of this focus, excluding the recent SGB acquisition, the Company improved its accounts receivable turnover ratio from 5.3 to 5.6, for the first nine months of 1999 compared to the first nine months of 2000.

Long-term debt increased in the first nine months of 2000 principally as a result of financing the acquisitions of SGB, Bergslagen Steelservice AB and Bergslagen Suomi Oy (collectively Bergslagen), and to a lesser extent, capital investments. SGB was temporarily financed with a 190 million British pounds (approximately \$278.0 million at September 30, 2000) bridge loan. The Bergslagen acquisition was financed through a temporary bridge loan which was refinanced by a Swedish private placement bond issued in June, also classified as long-term.

In October, the Company refinanced the acquisition of SGB with a 200 million British pound bond offering, equivalent to approximately \$293 million in cash. Details of this transaction are discussed later in this section.



HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Capital investments for the first nine months of 2000 were a record \$132.0 million. Capital investments were made for new mill services contracts, SGB and other business growth initiatives, new processes, and for productivity improvements.

The capital investments, acquisitions, share repurchases, and cash dividends, paid at the same or increased rates for the 201st consecutive quarter in August 2000, demonstrate the Company's continued commitment to creating value through strategic acquisitions and investments and return of capital to shareholders.

| Cash Utilization:<br>(In millions) | FOR THE PERIOD             | FOR THE YEAR ENDED DECEMBER 31 |         |         |         |         |
|------------------------------------|----------------------------|--------------------------------|---------|---------|---------|---------|
|                                    | ENDED SEPTEMBER 30<br>2000 | 1999                           | 1998    | 1997    | 1996    | 1995    |
| Capital investments                | \$ 132.0                   | \$175.2                        | \$159.8 | \$143.4 | \$150.3 | \$113.9 |
| Strategic acquisitions             | 301.6                      | 48.9                           | 158.3   | 8.5     | 21.1    | 4.1     |
| Share repurchases                  | 3.8                        | 71.9                           | 169.3   | 113.2   | 30.7    | 14.1    |
| Cash dividends                     | 28.2                       | 37.0                           | 40.3    | 39.1    | 37.9    | 37.4    |
| Total                              | \$ 465.6                   | \$333.0                        | \$527.7 | \$304.2 | \$240.0 | \$169.5 |

The Company's debt as a percent of total capital increased as a result of greater debt. Also contributing to the increase in the debt to total capital is a \$36.4 million decrease in equity from foreign currency translation adjustments. The foreign currency translation adjustments are principally due to a 13% decrease in the translated value of the euro, a 9% decrease in the British pound and a 16% decrease in the South African rand from December 31, 1999 to September 30, 2000. The Company has initiated a debt reduction program that is further described later in this section.

| Nine Month Financial Statistics      | FOR THE NINE MONTHS        | FOR THE NINE MONTHS        |
|--------------------------------------|----------------------------|----------------------------|
|                                      | ENDED SEPTEMBER 30<br>2000 | ENDED SEPTEMBER 30<br>1999 |
| Harsco stock price high-low          | \$31.63 - \$21.25          | \$34.375 - \$23.06         |
| Annualized return on average equity  | 14.4%                      | 13.4%                      |
| Annualized return on average assets  | 10.0%                      | 10.3%                      |
| Annualized return on average capital | 9.4%                       | 9.5%                       |

Higher annualized return on average equity is due principally to increased income in the first nine months of 2000 compared with the first nine months of 1999. Lower annualized returns on average assets and capital are due to the effect of the recent SGB acquisition. The company's book value per share increased to \$16.35 per share at September 30, 2000 from \$16.22 at December 31, 1999 due principally to an increase in retained earnings partially offset by foreign currency translation adjustments recorded as part of other comprehensive income (loss).

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS (Continued)

| (In millions)                    | FOR THE PERIOD<br>ENDED SEPTEMBER 30<br>2000 | FOR THE PERIOD<br>ENDED SEPTEMBER 30<br>1999 |
|----------------------------------|--|--|
| -----                            |  |  |
| Net cash provided by operations: | \$160.9                                      | \$101.0                                      |

Operating cash flows were \$59.9 million greater in the first nine months of 2000 than the first nine months of 1999. The increase in cash from operating activities was due principally to the timing of receipts and payments for accounts receivable and accounts payable, for \$30.1 million and \$28.9 million, respectively. Also affecting cash from operations was an increase in income before depreciation and amortization of \$20.4 million for the nine months ended September 30, 2000 over the comparable period in 1999, and a \$12.0 million increase in deferred income taxes. Partially offsetting these favorable variances was a \$37.0 million decrease in operating cash flow due to the timing of payments for inventories.

The Company has a U.S. commercial paper borrowing program under which it can issue up to \$350 million of short-term notes in the U.S. commercial paper market. In addition, the Company has a three billion Belgian franc commercial paper program, equivalent to approximately U.S. \$65 million at September 30, 2000. The Belgian program provides the capacity for the Company to borrow euros to fund its European operations more efficiently. The Company limits the aggregate commercial paper and syndicated credit facility borrowings at any one time to a maximum \$350 million. At September 30, 2000, the Company had \$232.7 million of U.S. commercial paper debt outstanding, and \$54.1 million of commercial paper debt outstanding under the Belgian program.

In September 2000, the Company renewed its revolving credit facility in the amount of \$350 million through a syndicate of 13 banks. This facility serves as back-up to the Company's U.S. commercial paper program. The facility is in two parts. One part amounts to \$131,250,000 and is referred to as a 364-day credit agreement that extends maturity of any borrowings for up to two years. The second part is for \$218,750,000 and is referred to as a 5-year credit agreement, that extends the maturity date of the facility for up to five years. As of September 30, 2000 there were no borrowings outstanding under this facility.

A Form S-3 shelf registration is on file with the Securities and Exchange Commission for the possible issuance of up to an additional \$200 million of new debt securities, preferred stock or common stock.

The Company financed the purchase of SGB with temporary bridge loan financing from Chase Manhattan Bank. The bridge loan was 190.0 million British pounds, equivalent to approximately \$278 million as of September 30, 2000. In October 2000 the Company issued 200 million of 7.25% British pound notes due 2010. The issue pays a coupon of 7.25% and has been priced at 98.463%. The net proceeds of the issue have been used to refinance the temporary bridge loan used for the SGB acquisition.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS (Continued)

Due to the Company's increased debt level resulting from the June 16, 2000 SGB acquisition, Standard & Poor's and Fitch lowered the Company's credit ratings slightly. The Company's outstanding long-term notes are now rated A- by Standard & Poor's, A- by Fitch and A-3 by Moody's. The Company's commercial paper is rated A-2 by Standard & Poor's, F-2 by Fitch and P-2 by Moody's. The Company has undertaken a debt reduction program that includes significant working capital reductions, divestitures of non-core businesses, other asset sales, and a complete evaluation of its capital expenditure program. These actions are expected to enable the company to reduce its debt levels in 2001.

The Company's financial position and debt capacity should enable it to meet current and future requirements. As additional resources are needed, the Company should be able to obtain funds readily and at competitive costs. The Company is positioned to continue to invest strategically in high return projects, and to pay cash dividends as a means to enhance shareholder value. The Company intends to use future discretionary cash flow principally for debt reduction.

RESULTS OF OPERATIONS

THIRD QUARTER OF 2000 COMPARED WITH THIRD QUARTER OF 1999

| (DOLLARS ARE IN MILLIONS, EXCEPT PER SHARE) | 2000    | 1999    | AMOUNT<br>INCREASE | PERCENT<br>INCREASE |
|---|---------|---------|--------------------|---------------------|
| -----                                       | ---     | ---     | -----              | -----               |
| Revenues                                    | \$533.2 | \$424.6 | \$108.6            | 26%                 |
| Operating income                            | 48.7    | 44.5    | 4.2                | 9%                  |
| Net income                                  | 22.3    | 26.1    | (3.8)              | (15)%               |
| Basic earnings per common share             | .56     | .64     | (.08)              | (13)%               |
| Diluted earnings per common share           | .56     | .64     | (.08)              | (13)%               |

SUMMARY ANALYSIS OF RESULTS

All three operating segments contributed to the increase in operating income.

Operating income was above last year's comparable period due to two business acquisitions in the Harsco Infrastructure Segment, as well as improved demand for mill services resulting from more favorable conditions in the steel industry. On a comparative basis, increased steel production and capacity utilization favorably affected results for many mills in the United States and certain other countries. However, the domestic and certain international steel industries began experiencing softening demand in the third quarter of 2000. Income was unfavorably affected by higher fuel costs in 2000 and the unfavorable effects of foreign currency translation.

Interest expense was significantly greater than last year's comparative period. The increase more than offset the increase in operating income. The increase in interest expense was due principally to the strategic acquisition of SGB Group, PLC (SGB) in the second quarter of 2000.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATIONITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS (Continued)

## COMPARATIVE ANALYSIS OF CONSOLIDATED RESULTS

## REVENUES

As noted above, revenues for 2000 increased significantly from last year's comparable period. The improvement results from increased volume for the Harsco Infrastructure Segment due principally to two business acquisitions, SGB and Pandrol Jackson. Sales of grating products also increased. Adjusting for the unfavorable effect of foreign exchange translation, sales would have increased 29%.

## COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Cost of services and products sold increased but at a lower rate than the increase in total revenues despite the increase in fuel costs. Selling, general and administrative expenses increased due to the costs related to acquired companies. The Company's continuing cost reduction, process improvement and reorganization efforts contributed towards slowing the rate of growth of these costs. Excluding the effects of business acquisitions less divestitures of non-core businesses, selling, general and administrative expenses decreased slightly.

## EQUITY IN INCOME (LOSS) OF AFFILIATES

Equity in income of affiliates decreased from \$1.4 million in income in the third quarter of 1999 to a loss of \$0.6 million in the comparable period of 2000. This is due principally to the losses incurred by S3 Networks LLC, a 49% owned information technology infrastructure services company in which Harsco plans to invest a total of \$20 million in start-up capital. The Company has invested \$10.0 million in S3 Networks as of September 30, 2000.

## INTEREST EXPENSE

Interest expense was higher than last year's comparable period due to additional borrowings principally as a result of the SGB acquisition, and increased capital expenditures. Increased interest rates also affected interest expense.

## PROVISION FOR INCOME TAXES

The effective income tax rate for the third quarter of 2000 was 28.3% versus 33.4% for the comparable period in 1999. The reduction in the income tax rate is due principally to lower effective income tax rates on international earnings as well as a year-to-date adjustment to reduce the effective income tax rate to 33%.

## NET INCOME

Net income of \$22.3 million was 15% below 1999 due to the factors previously disclosed.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS (Continued)

SEGMENT ANALYSIS

HARSCO MILL SERVICES SEGMENT

| (DOLLARS ARE IN MILLIONS)<br>----- | THREE MONTHS<br>ENDING SEPTEMBER 30 |          | AMOUNT<br>INCREASE<br>----- | PERCENT<br>INCREASE<br>----- |
|------------------------------------|-------------------------------------|----------|-----------------------------|------------------------------|
|                                    | 2000                                | 1999     |                             |                              |
|                                    | ----                                | ----     |                             |                              |
| Sales                              | \$ 186.0                            | \$ 184.3 | \$ 1.7                      | 1%                           |
| Operating income                   | 22.6                                | 20.8     | 1.8                         | 9%                           |
| Segment net income                 | 15.1                                | 12.4     | 2.7                         | 22%                          |

Third quarter sales of the Harsco Mill Services Segment were slightly above last year's comparable period. Sales increases resulted from new contracts and additional services on existing contracts particularly for certain operations in North and South America. Sales increases were partially offset by divestitures of non-core businesses in September 1999 and June 2000. Excluding the unfavorable effect of foreign currency translation, sales would have increased 8% on a comparable basis.

Operating income of the Harsco Mill Services Segment was 9% above 1999. Increased demand for mill services, as well as the favorable effects of continuous process improvement programs and reorganization actions, more than offset the unfavorable effects of higher fuel costs in 2000 and foreign currency translation. During the third quarter of 2000 demand for mill services in certain markets began to soften in comparison to the strong demand experienced earlier in 2000.

Net income of the Harsco Mill Services Segment was significantly above 1999 due in part to a lower effective income tax rate.

HARSCO GAS AND FLUID CONTROL SEGMENT

| (DOLLARS ARE IN MILLIONS)<br>----- | THREE MONTHS<br>ENDING SEPTEMBER 30 |         | AMOUNT<br>INCREASE<br>(DECREASE)<br>----- | PERCENT<br>INCREASE<br>(DECREASE)<br>----- |
|------------------------------------|-------------------------------------|---------|---|--|
|                                    | 2000                                | 1999    |   |  |
|                                    | ----                                | ----    |   |  |
| Sales                              | \$132.3                             | \$138.2 | \$ (5.9)                                  | (4)%                                       |
| Operating income                   | 13.3                                | 13.1    | 0.2                                       | 2%   |
| Segment net income                 | 8.0                                 | 7.6     | 0.4                                       | 5%   |

Sales of the Harsco Gas and Fluid Control Segment were below last year's comparable period due to the divestitures of two non-core businesses and soft market conditions affecting gas control and containment equipment.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating income of the Harsco Gas and Fluid Control Segment was slightly above 1999 due principally to one-time benefits totaling \$2.2 million as a result of cost containment actions and a gain due to the sale of a non-core business.

HARSCO INFRASTRUCTURE SEGMENT

| (DOLLARS ARE IN MILLIONS) | THREE MONTHS<br>ENDING SEPTEMBER 30 |          | AMOUNT<br>INCREASE | PERCENT<br>INCREASE |
|---------------------------|-------------------------------------|----------|--------------------|---------------------|
|                           | 2000                                | 1999     |                    |                     |
| Sales                     | \$ 214.5                            | \$ 101.4 | \$ 113.1           | 112%                |
| Operating income          | 13.5                                | 11.3     | 2.2                | 19%                 |
| Segment net income        | 3.9                                 | 6.3      | (2.4)              | (38)%               |

The significant sales increase is due principally to the June 2000 acquisition of SGB. Sales of railway maintenance-of-way services and equipment, resulting principally from the fourth quarter 1999 acquisition of Pandrol Jackson also contributed to the increase.

Operating income of the Harsco Infrastructure Segment increased 19% due to the acquisitions of SGB and Pandrol Jackson. The operating income improvement was partially offset by lower income for railway maintenance-of-way services and equipment due to reduced demand of certain products and a pre-tax non-recurring asset writedown of \$3.0 million. Lower income for the grating product line reflected higher material costs.

Segment net income decreased from the third quarter of 1999 due principally to higher interest expense resulting from financing the SGB acquisition. Operating income from the SGB acquisition, which was slightly accretive to net income in the third quarter of 2000, was more than offset by the other factors previously discussed.

SERVICES AND ENGINEERED PRODUCTS ANALYSIS

The Company is a diversified services and engineered products company. The Company is committed to increasing its presence and strategic growth in services-related businesses. This is evidenced by the June 2000 acquisition of SGB, which is principally a service business. The acquisitions of Bergslagen and Pandrol Jackson have also increased the Company's service revenue base. The Company has committed substantial capital investments in service businesses. These investments, principally in scaffolding, forming and shoring services; mill services; and railway maintenance-of-way services have contributed to higher levels of sales and income. Approximately 90% of the Company's capital expenditures in the third quarter of 2000 were investments in services.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS (Continued)

| (DOLLARS ARE IN MILLIONS)      | THREE MONTHS ENDED<br>SEPTEMBER 30, 2000 |         | THREE MONTHS ENDED<br>SEPTEMBER 30, 1999 |         |
|--------------------------------|--|---------|--|---------|
|                                | AMOUNT                                   | PERCENT | AMOUNT                                   | PERCENT |
| SALES                          |  |         |  |         |
| Services                       | \$ 331.0                                 | 62%     | \$ 214.1                                 | 51%     |
| Engineered products            | 201.8                                    | 38      | 209.8                                    | 49      |
| Total sales                    | \$ 532.8                                 | 100%    | \$ 423.9                                 | 100%    |
| OPERATING INCOME               |  |         |  |         |
| Services                       | \$ 28.9                                  | 59%     | \$ 22.2                                  | 49%     |
| Engineered products            | 20.5                                     | 41      | 22.9                                     | 51      |
| Total segment operating income | \$ 49.4                                  | 100%    | \$ 45.1                                  | 100%    |
| EBITDA*                        |  |         |  |         |
| Services                       | \$ 63.5                                  | 69%     | \$ 50.2                                  | 63%     |
| Engineered products            | 27.9                                     | 31      | 29.8                                     | 37      |
| Total segment EBITDA           | \$ 91.4                                  | 100%    | \$ 80.0                                  | 100%    |

\* Earnings before interest, income taxes, minority interest, depreciation and amortization (EBITDA) is not a measure of performance under generally accepted accounting principles, however, the Company and the investment community consider it an important calculation.

Third quarter 2000 sales, operating income and EBITDA for services increased substantially from the comparable period in 1999. The increases reflect business acquisitions, principally SGB, as well as, improved economic conditions in certain markets served by the company and the favorable effects of cost reductions, process improvements and reorganization efforts.

Results for engineered products were down from the third quarter of 1999 due to higher material costs associated with the grating product line and reduced demand for railway maintenance-of-way equipment.

Third quarter 1999 operating income and EBITDA have been restated to exclude equity in income (loss) of affiliates, which is consistent with the third quarter of 2000.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS  
NINE MONTHS OF 2000 COMPARED WITH NINE MONTHS OF 1999

| (DOLLARS ARE IN MILLIONS, EXCEPT PER SHARE) | 2000      | 1999      | AMOUNT<br>INCREASE | PERCENT<br>INCREASE |
|---|-----------|-----------|--------------------|---------------------|
| -----                                       | ----      | ----      | -----              | -----               |
| Revenues                                    | \$1,439.8 | \$1,260.1 | \$179.7            | 14%                 |
| Operating income                            | 140.4     | 118.5     | 21.9               | 18%                 |
| Net income                                  | 70.7      | 64.7      | 6.0                | 9%                  |
| Basic earnings per common share             | 1.77      | 1.57      | .20                | 13%                 |
| Diluted earnings per common share           | 1.77      | 1.57      | .20                | 13%                 |

SUMMARY ANALYSIS OF RESULTS

The Company's revenues, operating income, net income and operating income margins improved for the first nine months of 2000 compared with the first nine months of 1999. These results improved despite the negative impact on sales and earnings of the foreign currency translation effect of the strong U.S. dollar, the sale of five non-core businesses in 1999 and 2000, and the unfavorable effect of higher fuel costs.

Increased sales and income were due in part to increased demand for mill services resulting from improved conditions in the steel industry. The improvement reflected increased steel production and capacity utilization for many mills in the United States. Steel production also increased in several other countries where the Company conducts business. However, the domestic and certain international steel industries began experiencing softening demand in the third quarter of 2000. Results for mill services also include the Bergslagen acquisition in May of 2000.

Sales and operating income for the first nine months of 2000 benefited significantly from the results of the Pandrol Jackson acquisition in the fourth quarter of 1999 and the SGB Group PLC (SGB) acquisition in the second quarter of 2000. Additionally, increased demand for services and products in the domestic non-residential construction market favorably affected sales and income.

Interest expense was significantly greater than last year's comparative period. The increase offset a significant portion of the increase in operating income. Most of the increase in interest expense resulted from financing the SGB and Pandrol Jackson acquisitions.



HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

COMPARATIVE ANALYSIS OF CONSOLIDATED RESULTS

REVENUES

Revenues for the first nine months of 2000 were significantly above the comparable period in 1999. The principal reason for increased sales is the addition of sales of acquired companies, net of disposition of non-core businesses. The improvement also resulted from increased demand for services and products in principally the steel and the domestic non-residential construction markets. Excluding the unfavorable foreign currency translation effect of the strengthening U.S. dollar, particularly relative to the euro, revenues increased by more than 16%.

COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Cost of services and products sold increased but at a lower rate than the increase in total revenues despite a significant increase in fuel costs. Selling, general and administrative expenses increased due to the costs related to acquired companies. The company's continuing cost reduction, process improvement and reorganization efforts contributed towards slowing the rate of growth of these costs. Excluding the effects of business acquisitions less divestitures of non-core businesses, selling, general and administrative expenses decreased slightly.

INTEREST EXPENSE

Interest expense was higher than last year's comparable period due to additional borrowings as a result of acquisitions, principally SGB and Pandrol Jackson, as well as increased capital expenditures. Higher interest rates also contributed to the rise in interest expense.

PROVISION FOR INCOME TAXES

The effective income tax rate for the first nine months of 2000 was 33% versus 35% for the comparable period in 1999. The reduction in the income tax rate is due principally to lower effective income tax rates on international earnings.

NET INCOME AND EARNINGS PER SHARE

Net income of \$70.7 million and earnings per share of \$1.77 were significantly above 1999 due to the factors previously disclosed.

SEGMENT ANALYSIS

HARSCO MILL SERVICES SEGMENT

| (DOLLARS ARE IN MILLIONS) | NINE MONTHS<br>ENDED SEPTEMBER 30 |          | AMOUNT<br>INCREASE | PERCENT<br>INCREASE |
|---------------------------|-----------------------------------|----------|--------------------|---------------------|
|                           | 2000                              | 1999     |                    |                     |
| -----                     | -----                             | -----    | -----              | -----               |
|                           | 2000                              | 1999     |                    |                     |
|                           | ----                              | ----     |                    |                     |
| Sales                     | \$ 572.8                          | \$ 539.7 | \$33.1             | 6%                  |
| Operating income          | 69.7                              | 55.9     | 13.8               | 25%                 |
| Segment net income        | 43.1                              | 32.0     | 11.1               | 35%                 |

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Sales of the Harsco Mill Services Segment were above 1999's first nine months despite the unfavorable effect of foreign exchange translation and the disposition of two non-core businesses. Increased demand for services resulted from improved United States steel industry production levels and capacity utilization. Additionally, steel production levels and the demand for mill services increased at certain international locations. In the third quarter of 2000 the domestic and certain international steel industries began experiencing softening demand. Excluding the unfavorable foreign currency translation effect of the strengthening U.S. dollar and the disposition of two non-core businesses, sales increased by 13%.

Operating income of the Harsco Mill Services Segment was significantly above 1999. The increase reflected the improved operating and economic environment for mill services and the favorable effects of continuous process improvement programs and reorganization efforts which more than offset significantly higher fuel costs. On a comparative basis, 1999 included a foreign currency translation pre-tax gain in Brazil of \$1.6 million.

Net income of the Harsco Mill Services Segment was also significantly above 1999. The increase reflects the conditions previously discussed. Additionally, a lower effective income tax rate was experienced on international earnings.

HARSCO GAS AND FLUID CONTROL SEGMENT

(DOLLARS ARE IN MILLIONS)

|                    | NINE MONTHS<br>ENDED SEPTEMBER 30 |         | AMOUNT<br>INCREASE<br>(DECREASE) | PERCENT<br>INCREASE<br>(DECREASE) |
|--------------------|-----------------------------------|---------|----------------------------------|-----------------------------------|
|                    | 2000                              | 1999    |                                  |                                   |
| Sales              | \$393.1                           | \$411.4 | \$(18.3)                         | (4)%                              |
| Operating income   | 35.1                              | 31.6    | 3.5                              | 11%                               |
| Segment net income | 20.6                              | 17.6    | 3.0                              | 17%                               |

The decrease in sales was due principally to the unfavorable effect of lower sales due to the disposition of three non-core businesses. Increased sales for industrial fittings reflected improved demand in the industrial gas and oil markets. Excluding the unfavorable effect of dispositions of three non-core businesses, sales decreased by only 1%.

Operating income of the Harsco Gas and Fluid Control Segment was significantly above 1999 due in part to the inclusion of \$1.8 million of pre-tax gains on the sale of two non-core businesses, as well as cost reductions and improved efficiencies.

The increase in net income of the Harsco Gas and Fluid Control Segment reflects the conditions previously discussed.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS (Continued)

HARSCO INFRASTRUCTURE SEGMENT

(DOLLARS ARE IN MILLIONS)  
-----

|                    | NINE MONTHS<br>ENDED SEPTEMBER 30 |         | AMOUNT<br>INCREASE | PERCENT<br>INCREASE |
|--------------------|-----------------------------------|---------|--------------------|---------------------|
|                    | 2000                              | 1999    |                    |                     |
|                    | -----                             | -----   | -----              | -----               |
| Sales              | \$473.1                           | \$308.1 | \$165.0            | 54%                 |
| Operating income   | 36.8                              | 31.4    | 5.4                | 17%                 |
| Segment net income | 16.3                              | 17.2    | (0.9)              | (5)%                |

The significant increase in sales of the Harsco Infrastructure Segment is due to the inclusion of the SGB acquisition late in the second quarter of 2000 and the inclusion of the Pandrol Jackson acquisition in the fourth quarter of 1999. The acquisitions resulted in increased sales of scaffolding, shoring, and forming services and railway maintenance-of-way contract services and equipment. Sales of grating products also increased.

Operating income of the Harsco Infrastructure Segment increased significantly. The improvement reflects the inclusion of two acquisitions as discussed above and the favorable effects of reorganization efforts. Income for the railway track maintenance business was unfavorably affected by a pre-tax non-recurring asset write-down of \$3.0 million and the deferral of service and parts purchases by certain major domestic railroads.

Net income of the Harsco Infrastructure Segment decreased due to increased interest expense as a result of additional borrowings associated with the SGB Group PLC and Pandrol Jackson acquisitions.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS (Continued)

SERVICES AND ENGINEERED PRODUCTS ANALYSIS

The Company is a diversified services and engineered products company. Sales and operating income for the nine months of 2000 and 1999 are presented in the following table:

| (DOLLARS ARE IN MILLIONS)      | NINE MONTHS ENDED<br>SEPTEMBER 30, 2000 |                  | NINE MONTHS ENDED<br>SEPTEMBER 30, 1999 |                  |
|--------------------------------|---|------------------|---|------------------|
|                                | AMOUNT<br>-----                         | PERCENT<br>----- | AMOUNT<br>-----                         | PERCENT<br>----- |
| SALES                          |   |                  |   |                  |
| Services                       | \$ 817.7                                | 57%              | \$ 632.1                                | 50%              |
| Engineered products            | 621.3<br>-----                          | 43<br>----       | 627.1<br>-----                          | 50<br>----       |
| Total sales                    | \$ 1,439.0<br>=====                     | 100%<br>=====    | \$ 1,259.2<br>=====                     | 100%<br>=====    |
| OPERATING INCOME               |   |                  |   |                  |
| Services                       | \$ 85.4                                 | 60%              | \$ 61.2                                 | 51%              |
| Engineered products            | 56.2<br>-----                           | 40<br>--         | 57.7<br>-----                           | 49<br>--         |
| Total segment operating income | \$ 141.6<br>=====                       | 100%<br>=====    | \$ 118.9<br>=====                       | 100%<br>=====    |
| EBITDA*                        |   |                  |   |                  |
| Services                       | \$ 175.4                                | 69%              | \$ 140.5                                | 64%              |
| Engineered products            | 78.9<br>-----                           | 31<br>--         | 78.6<br>-----                           | 36<br>----       |
| Total segment EBITDA           | \$ 254.3<br>=====                       | 100%<br>=====    | \$ 219.1<br>=====                       | 100%<br>=====    |

\* Earnings before interest, income taxes, minority interest, depreciation and amortization (EBITDA) is not a measure of performance under generally accepted accounting principles, however, the Company and the investment community consider it an important calculation

Sales, operating income and EBITDA for services increased significantly from the first nine months of 1999. The increases reflect the effects of acquisitions as well as improved economic conditions in certain markets served by the company. Additionally, results benefited from the favorable effects of cost reductions, process improvements and reorganization efforts.

Results for engineered products were down from the first nine months of 1999 due to reduced demand for certain products principally rail equipment as well as certain product lines in the Harsco Gas and Fluid Control segment.

The first nine months of 1999's operating income and EBITDA have been restated to exclude equity in income (loss) of affiliates on a basis consistent with 2000.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATIONITEM 2. MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS (Continued)

## FORWARD LOOKING STATEMENTS

The nature of the Company's operations and the many countries in which it operates subject it to changing economic, competitive, regulatory, and technological conditions, risks, and uncertainties. In accordance with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary remarks regarding important factors which, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. These include statements about our management confidence and strategies for performance; expectations for new and existing products, technologies, and opportunities; and expectations for market segment and industry growth, sales, and earnings.

These factors include, but are not limited to: (1) changes in the worldwide business environment in which the Company operates, including import, licensing and trade restrictions, currency exchange rates, interest rates, and capital costs; (2) changes in governmental laws and regulations, including taxes; (3) market and competitive changes, including market demand and acceptance for new products, services, and technologies; (4) effects of unstable governments and business conditions in emerging economies; and (5) other risk factors listed from time to time in the Company's SEC reports. The Company does not intend to update this information and disclaims any legal liability to the contrary.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to foreign currency risk in its international operations. The Company conducts business in over thirty foreign countries and approximately 36%, 37% and 36% of the Company's net revenues for the years ended December 31, 1999, 1998 and 1997, respectively, were derived from the Company's operations outside the United States. The June 2000 SGB acquisition has increased the Company's foreign currency exposure. As an example of the effect of foreign currency risk, in the first nine months of 2000 the British pound has decreased 9% and the euro has declined 13% in relation to the U.S. dollar. These and other foreign currency exposures increase the risk of income statement, balance sheet and cash flow volatility.

To illustrate the recent effect of foreign currency exchange rate changes due to the strengthening of the U.S. dollar, in the first nine months of 2000 sales would have been 2.0 percent greater using the average exchange rates for the first nine months of 1999. A similar comparison for the year 1999, shows that sales would have increased an additional 2.0 percent, if the average exchange rates for 1999 would have been the same as in 1998.

The Company seeks to reduce exposures to foreign currency fluctuations through the use of forward exchange contracts. At September 30, 2000, these contracts amounted to \$23.9 million and 93% of the amount will mature in 2000. The Company does not hold or issue financial instruments for trading purposes, and it is the Company's policy to prohibit the use of derivatives for speculative purposes.

Also, the Company's cash flows and earnings are subject to changes in interest rates. Total debt was \$888.2 million as of September 30, 2000. The weighted average interest rate of total debt was approximately 6.6%. At current debt levels, a one percentage increase in interest rates would increase interest expense by approximately \$7.2 million per year on variable interest rate debt.

Harsco Mill Services Segment provides services at steel mills worldwide, with approximately 75% of its revenues generated outside the U.S. The Company is exposed to risks related to changing economic conditions and their effect on the markets it serves and on the Company's supply chain, and related costs. As an example, in 1998 and early 1999 the worldwide steel industry experienced selling price reductions and production curtailments at many steel producers, particularly in the United States. The United States steel industry was unfavorably affected by imports of low-priced foreign steel. Additionally, certain steel producers in the U.S. were forced to file for bankruptcy protection. The situation improved in the second half of 1999. However, as of September 30, 2000, there appears to be a moderation in domestic and certain international steel mill activity. There is a risk that the Company's future results of operations or financial condition could be adversely affected if the steel industry's problems recur. The future financial impact on the Company associated with the risks cannot be estimated.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

On April 6, 2000, the Company agreed to invest \$20 million for a 49% interest in S3Networks, LLC, a start-up company providing internet and e-business infrastructure consulting services primarily to Fortune 1000 companies. This investment is subject to market risks inherent in any start-up company. Such risks include the ability to develop a revenue base sufficient to offset fixed expenses; the ability to hire and retain qualified employees; the ability to secure market share from established companies, etc. Since the Company is principal provider of initial capital for S3 Network, LLC, the Company records 100% of the net losses to the extent of its initial \$20 million investment. There is no obligation for the Company to fund the venture beyond its \$20 million investment.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

Information on legal proceedings is included under Part I, Item 1., the section labeled "Commitments and Contingencies."

## ITEM 5. OTHER INFORMATION

## DIVIDEND INFORMATION

On September 26, 2000, the Board of Directors declared a quarterly cash dividend of 23.5 cents per share, payable November 15, 2000, to shareholders of record on October 16, 2000.

## ITEM 6(a). EXHIBITS

The following exhibits are attached:

Exhibit No. 4 Harsco Finance B.V. pound sterling 200,000,000, 7.25% Guaranteed Notes due 2010

Exhibit No. 10(a) 364-Day Credit Agreement

Exhibit No. 10(b) Five Year Credit Agreement

Exhibit No. 12 Computation of Ratios of Earnings to Fixed Charges

Exhibit No. 27 Financial Data Schedule

## ITEM 6(b). REPORTS ON FORM 8-K

A report on Form 8-K/A dated June 16, 2000 was filed on August 29, 2000. The report presents financial statements of SGB Group PLC, and pro forma information incorporating SGB Group PLC results.



HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART II - OTHER INFORMATION

## SIGNATURES

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

HARSCO CORPORATION

-----  
(Registrant)DATE                    November 13, 2000  
-----/S/ Salvatore D. Fazzolari  
-----Salvatore D. Fazzolari  
Senior Vice President, Chief  
Financial Officer and TreasurerDATE                    November 13, 2000  
-----/S/ Stephen J. Schnoor  
-----Stephen J. Schnoor  
Vice President and Controller

[LOGO] harsco  
corporation

HARSCO FINANCE B.V.  
(incorporated with limited liability under the laws of The Netherlands)

-----

(pound)200,000,000

7.25 per cent. Guaranteed Notes due 2010

guaranteed by

HARSCO CORPORATION  
(incorporated with limited liability under the laws of the State of Delaware)

Issue Price: 98.463 per cent.

-----

The (pound)200,000,000 7.25 per cent. Guaranteed Notes due 2010 (the "Notes") will be issued by Harsco Finance B.V. (the "Issuer"). Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 27 October, 2010. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Netherlands or the United States of America. See "Terms and Conditions of the Notes - Redemption and Purchase".

The Notes will bear interest from 27 October, 2000 at the rate of 7.25 per cent. per annum payable annually in arrear on 27 October each year commencing on 27 October, 2001. Payments on the Notes will be made in sterling without deduction for or on account of taxes imposed or levied by The Netherlands or the United States of America to the extent described under "Terms and Conditions of the Notes - Taxation". Harsco Corporation (the "Guarantor") will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Managers (as defined in "Subscription and Sale") in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons, subject to certain exemptions.

The Notes will be in bearer form and in the denominations of (pound)1,000, (pound)10,000 and (pound)100,000 each. The Notes will initially be in the form of a temporary global note (the "Temporary Global Note"), without interest coupons, which will be deposited on or around 27 October, 2000 (the "Closing Date") with a common depository for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "Permanent Global Note"), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denominations of (pound)1 (pound)10,000 and (pound)100,000 each and with interest coupons attached. See "y of Provisions Relating to the Notes in Global Form".

The Royal Bank of Scotland, Chase Manhattan International Limited  
Financial Markets

J. P. Morgan Securities Ltd.

25 October 2000

Each of the Issuer and the Guarantor has confirmed to the Managers named under "Subscription and Sale" that this Offering Circular contains all information regarding the Issuer, the Guarantor and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Offering Circular on the part of the Issuer or (as the case may be) the Guarantor are honestly held or made and are not misleading in any material respect; this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing. Each of the Issuer and the Guarantor accepts responsibility for the information contained in this document.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Notes other than as contained in this Offering Circular or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Managers.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Offering Circular and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Offering Circular and other offering material relating to the Notes, see "Subscription and Sale".

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered in the United States or to U.S. persons. In addition, neither the Issuer nor the Guarantor has authorised any offer of Notes to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the "Regulations"). Notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

In this Offering Circular, unless otherwise specified, references to "sterling" and "(pound)" are to the lawful currency of the United Kingdom; "U.S.\$", "U.S. dollars" or "dollars" are to United States dollars and references to "euro" and "A" are to the currency introduced at the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union. References to "billions" are to thousands of millions.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with this issue, The Royal Bank of Scotland plc may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

## CONTENTS

| Clause   | Page |
|--|------|
| TERMS AND CONDITIONS OF THE NOTES                          | 4    |
| SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM | 18   |
| USE OF PROCEEDS  | 19   |
| DESCRIPTION OF THE ISSUER                                  | 20   |
| DESCRIPTION OF THE GUARANTOR                               | 21   |
| TAXATION   | 38   |
| SUBSCRIPTION AND SALE                                      | 41   |
| GENERAL INFORMATION  | 43   |
| FINANCIAL STATEMENTS AND AUDITORS' REPORT                  | 44   |

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The (pound)200,000,000 7.25 per cent. Guaranteed Notes due 2010 (the "Notes", which expression includes any further notes issued pursuant to Condition 14 (Further issues) and forming a single series therewith) of Harsco Finance B.V. (the "Issuer") are subject to, and have the benefit of, a trust deed dated 27 October, 2000 (as amended or supplemented from time to time, the "Trust Deed") between the Issuer, Harsco Corporation (the "Guarantor") and Chase Manhattan Trustees Limited as trustee (the "Trustee" which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of a paying agency agreement dated 27 October, 2000 (as amended or supplemented from time to time, the "Paying Agency Agreement") between the Issuer, the Guarantor, the Trustee, The Chase Manhattan Bank as principal paying agent (the "Principal Paying Agent", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Principal Paying Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are summaries of the Trust Deed and the Paying Agency Agreement and subject to their detailed provisions. The holders of the Notes (the "Noteholders") and the holders of the related interest coupons (the "Couponholders" and the "Coupons", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Paying Agency Agreement applicable to them. Copies of the Trust Deed and the Paying Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Paying Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 1. Form, Denomination and Title

The Notes are in bearer form in the denominations of (pound)1,000, (pound)10,000 and (pound)100,000 with Coupons attached at the time of issue. Notes of one denomination will not be exchangeable for Notes of another denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

### 2. Status and Guarantee

- (a) Status of the Notes: The Notes constitute direct, general, unsecured, unsubordinated and unconditional obligations of the Issuer which will at all times rank pari passu among themselves and at least pari passu with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) Guarantee of the Notes: The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the "Guarantee") constitutes the direct, general, unsecured, unsubordinated and unconditional obligation of the Guarantor which will at all times rank at least pari passu with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

### 3. Negative Pledge and Covenants

- (a) Restrictions on creation of Secured Debt: So long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer and the Guarantor and any Restricted Subsidiaries of the Guarantor are prohibited from creating, incurring, assuming or guaranteeing any Secured Debt, without equally and rateably securing the Notes then outstanding and any other indebtedness of or guaranteed by the Issuer, the Guarantor or the Restricted Subsidiaries of the Guarantor then entitled thereto, except that this restriction will not apply to: (i) any Security Interest upon any property acquired or constructed by the Issuer, the Guarantor or a Restricted Subsidiary after 25 October, 2000 which is created

contemporaneously with, or within twelve months after such acquisition or construction to secure or provide for the payment of all or any part of the purchase price of such property or construction, as the case may be; (ii) the acquisition of property subject to any Security Interest upon such property existing at the time of the acquisition thereof, whether or not the obligation secured thereby is assumed by the Issuer, the Guarantor or such Restricted Subsidiary; (iii) Security Interests existing on the property, shares or indebtedness of a corporation at the time it becomes a Restricted Subsidiary of the Guarantor; (iv) any Security Interest on property of a corporation existing at the time such corporation is merged into or consolidated with the Issuer, the Guarantor or a Restricted Subsidiary of the Guarantor; (v) mechanics' and other statutory liens arising in the ordinary course of business; (vi) liens for taxes not yet due and for contested taxes against which adequate reserves have been established, and judgment liens if the judgment is being contested and for so long as execution thereof is stayed; (vii) leases and certain landlords' liens; (viii) certain governmental liens arising in connection with contracts or other transactions, including Security Interests arising in connection with the financing of pollution control facilities or the issuance of industrial development bonds, or in connection with any governmental regulation, privilege or licence; and (ix) any extension, renewal or replacement of (i) through (viii) above.

Notwithstanding the foregoing restrictions, the Guarantor and Restricted Subsidiaries may issue, assume or guarantee Secured Debt not otherwise permitted without equally and rateably securing the Notes if the sum of (a) the amount of such Secured Debt plus (b) the aggregate value of Sale and Leaseback Transactions permitted by Condition 3(b) below, does not exceed 5 per cent. of Consolidated Net Tangible Assets as certified by the Guarantor in accordance with Condition 18. In this Condition, "Consolidated Net Tangible Assets" means (i) the aggregate amount of assets (less applicable reserves and other properly deductible items) appearing on the balance sheet of the Guarantor and its consolidated Subsidiaries, except good will and similar intangible assets, less (ii) the consolidated current liabilities (excluding all indebtedness for money borrowed having a maturity of less than 12 months but by its terms being renewable or extendable beyond 12 months from the date of such balance sheet at the option of the borrower) of the Guarantor and its consolidated Subsidiaries.

In these Conditions, unless stated otherwise:

"Restricted Subsidiary" means (a) any Subsidiary of the Guarantor other than an Unrestricted Subsidiary and (b) any Subsidiary of the Guarantor which, after the date of the Offering Circular relating to the Notes, was an Unrestricted Subsidiary but which is designated by any two executive officers of the Guarantor to be a Restricted Subsidiary;

"Secured Debt" means indebtedness (other than indebtedness of the Issuer, the Guarantor, or a Restricted Subsidiary owed to the Guarantor or another Restricted Subsidiary) for money borrowed or on which interest is by the terms of such indebtedness paid or payable, which (a) is secured by a Security Interest on any Principal Facility or on the stock or indebtedness of a Restricted Subsidiary, or (b) in the case of indebtedness of the Guarantor, is guaranteed by a Restricted Subsidiary;

"Security Interests" means any mortgage, pledge, lien, encumbrance or other security interest which secures payment or performance of an obligation;

"Subsidiary" means any corporation of which the Issuer or the Guarantor, directly or indirectly, owns voting securities entitling it to elect a majority of the directors; and

"Unrestricted Subsidiary" means (a) any Subsidiary of the Guarantor acquired or incorporated after the date of the Offering Circular relating to the Notes, provided that such Subsidiary is not a successor, directly or indirectly, to any Restricted Subsidiary (as defined) on the date of the Offering Circular relating to the Notes, (b) any Subsidiary the principal business and assets of which are located outside the United States of America, its territories and possessions and (c) any Subsidiary substantially all the assets of which consist of stock or other securities of a Subsidiary or Subsidiaries of the character described in (a) and (b), above, in each case unless and until such Subsidiary or Subsidiaries shall have been designated by any two executive officers of the Guarantor to be a Restricted Subsidiary.

- (b) Restrictions on Sales and Leasebacks: The Guarantor and the Restricted Subsidiaries of the Guarantor are prohibited from engaging in any Sale and Leaseback Transaction with respect to a Principal

Facility, unless (i) the Guarantor and the Restricted Subsidiaries of the Guarantor would on the date of such Sale and Leaseback Transaction be entitled to incur, without the benefit of the exceptions referred to under Condition 3(a) (i) to (ix) above, Secured Debt equal to the amount realised upon the sale or transfer involved in such transaction without equally and rateably securing the Notes or (ii) an amount equal to the value of the property leased is applied to (a) the purchase or construction of properties, facilities or equipment used for operating purposes, (b) the repayment of Funded Debt of the Guarantor or any Restricted Subsidiary of the Guarantor other than Funded Debt owed to the Guarantor or a Restricted Subsidiary of the Guarantor, provided, however, that the amount required by (ii) (b) to be applied to the repayment of Funded Debt of the Guarantor shall be reduced by (A) the principal amount of any Notes purchased and cancelled in accordance with Conditions 6(e) and 6(f) within 120 days after such sale or transfer, and (B) the principal amount of Funded Debt, other than the Notes, voluntarily repaid by the Guarantor within 120 days after such sale or transfer. Notwithstanding the foregoing, repayment referred to in clause (b) above does not include payment of Funded Debt at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision.

In this Condition:

"Funded Debt" means all indebtedness for money borrowed maturing more than one year from the date of the most recent balance sheet of the Guarantor and its consolidated Subsidiaries or maturing less than one year but by its term being renewable or extendible beyond one year from such date at the Guarantor's option;

"Principal Facility" means any manufacturing plant, warehouse, office building or other operating facility of the Guarantor or any Restricted Subsidiary, owned at or acquired after May 1, 1985, other than any such facility which the Board of Directors of the Guarantor by duly adopted resolution deems not to be of material importance to the business conducted by the Guarantor and its Subsidiaries, taken as a whole;

"Sale and Leaseback Transaction" means any sale or transfer of any Principal Facility in operation for more than 120 days prior to such sale or transfer if the sale or transfer is made with the intention of, or as part of an arrangement involving, the lease of such property to the Guarantor or a Restricted Subsidiary of the Guarantor (except a lease for a period not exceeding 36 months with the intention that the use of such property by the Guarantor or such Restricted Subsidiary will be discontinued on or before the expiration of such period); and

"Value" means, with respect to a Sale and Leaseback Transaction, as of any particular time, the amount equal to the greater of (i) the net proceeds of the sale of the property leased pursuant to such Sale and Leaseback Transaction or (ii) the fair value of such property at the time of entering into such Sale and Leaseback Transaction, as determined by any two executive officers of the Guarantor, in either case divided first by the number of full years of such term remaining at the time of determination, without regard to any renewal or extension options contained in the lease.

- (c) **Restriction on Transfer of Principal Facility to Unrestricted Subsidiary:** The Guarantor and its Restricted Subsidiaries will be prohibited from transferring any Principal Facility to an Unrestricted Subsidiary unless, within 120 days of such transfer, it applies an amount equal to the fair value (as determined by any two executive officers of the Guarantor) of such Principal Facility to one of the alternatives set forth in Condition 3(b) above with respect to Sale and Leaseback Transactions.
- (d) **Merger and Consolidation:** No merger or consolidation of the Guarantor with or into any other corporation and no sale, or conveyance or lease of its property as an entirety, or substantially as an entirety, may be made without the consent of the Noteholders or Couponholders to another corporation unless the Trustee is satisfied that immediately after such transaction the successor corporation, if not the Guarantor, (i) will be organised and existing under the laws of the United States of America or a State thereof, (ii) will expressly assume the payment of principal and premium and interest, if any, in respect of the Notes and Coupons and the performance and observance of all covenants and conditions to be performed and kept by the Guarantor in respect of the Notes, Coupons and the Trust Deed and (iii) will not be in default in the performance or observance of any of the covenants and conditions to be performed and kept by the Guarantor in respect of the Notes, Coupons and the Trust Deed and (iv) certain other conditions set out in the Trust Deed are complied with. No Noteholder or Couponholder

shall, in connection with any merger, consolidation, sale, conveyance or lease as contemplated by this Condition 3(d), be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case may be) Couponholder except as provided for in Condition 7 (Taxation).

- (e) Gearing: The Guarantor will not permit Total Debt at any time on or after 25 October, 2000 whilst any of the Notes remains outstanding (as defined in the Trust Deed), to exceed 60 per cent. of Total Capital.

In this Condition 3(e):

"Capital Lease Obligations" means, at any time, the obligations of the Guarantor or any Subsidiary to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of the Guarantor or any Subsidiary under United States generally accepted accounting principles ("U.S. GAAP") and for the purposes of these Notes, the amount of such obligations at any time shall be the capitalised amount thereof at such time determined in accordance with U.S. GAAP;

"Guarantee" means any obligation, contingent or otherwise, of the Guarantor or any Subsidiary, guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the Guarantor or any Subsidiary, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (ii) to purchase property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment of such Indebtedness, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness; provided however that the term "Guarantee" shall not include endorsements for collection or deposit, in either case in the ordinary course of business;

"Indebtedness" of the Guarantor or any Subsidiary means, without duplication,:

- (i) all obligations of the Guarantor or any Subsidiary for borrowed money or with respect to deposits or advances of any kind;
- (ii) all obligations of the Guarantor or any Subsidiary evidenced by bonds, debentures, notes or similar instruments;
- (iii) all obligations of the Guarantor or any Subsidiary upon which interest charges are customarily paid;
- (iv) all obligations of the Guarantor or any Subsidiary under conditional sale or other title retention agreements relating to property or assets purchased by the Guarantor or any Subsidiary;
- (v) all obligations of the Guarantor or any Subsidiary issued or assumed as the deferred purchase price of property or services;
- (vi) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by the Guarantor or any Subsidiary, whether or not the obligations secured thereby have been assumed;
- (vii) all Guarantees by the Guarantor or any Subsidiary of Indebtedness of others;
- (viii) all Capital Lease Obligations of the Guarantor or any Subsidiary;
- (ix) all obligations of the Guarantor or any Subsidiary in respect of interest rate protection agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements; and
- (x) all obligations of the Guarantor or any Subsidiary as an account party in respect of letters of credit and bankers' acceptances



provided however that Indebtedness shall not include trade accounts payable in the ordinary course of business. The Indebtedness of any person shall include the Indebtedness of any partnership of which the Guarantor or any Subsidiary is a general partner.

"Lien" means with respect to any asset, (i) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (ii) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset and (iii) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities;

"Net Worth" means, as at any date, the sum for the Guarantor and its subsidiaries (determined on a consolidated basis without duplication in accordance with U.S. GAAP) of the following:

- (i) the amount of common stock; plus
- (ii) the amount of any preferred stock that does not have any requirement for the Guarantor to purchase, redeem, retire or otherwise acquire the same; plus
- (iii) the amount of additional paid-in capital and retained earnings (or, in the case of an additional paid - in capital or retained earnings deficit, minus the amount of such deficit); plus
- (iv) cumulative translation adjustments (or, in the case of negative adjustments, minus the amount of such adjustments); plus
- (v) cumulative pension liability adjustments (or, in the case of negative adjustments, minus the amount of such adjustments); minus
- (vi) the cost of treasury stock;

"Subsidiary" means any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, owned, controlled or held by the Guarantor, or (b) which is, at the time any determination is being made, otherwise controlled by the Guarantor or one or more subsidiaries of the Guarantor or by the Guarantor and one or more subsidiaries of the Guarantor;

For the purpose of this definition, "controlled" means possessing, directly or indirectly, the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise.

"Total Capital" means, at any time whilst any of the Notes remains outstanding (as defined in the Trust Deed), Net Worth plus Total Debt; and

"Total Debt" means, at any time whilst any of the Notes remains outstanding (as defined in the Trust Deed), the aggregate outstanding principal amount of all Indebtedness of the Guarantor and its subsidiaries at such time (other than Indebtedness described in clause (ix) or (x) of the definition of the term "Indebtedness") determined on a consolidated basis (without duplication) in accordance with U.S. GAAP; provided that the term "Total Debt" shall include any preferred stock that provides for the mandatory purchase, retirement, redemption or other acquisition of the same by the Guarantor or any Subsidiary (other than preferred stock held by the Guarantor or any Subsidiary).

#### 4. Interest

The Notes bear interest from 27 October, 2000 at the rate of 7.25 per cent. per annum, payable in arrears on 27 October in each year, subject as provided in Condition 6 (Payments).

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (as well after as before judgement) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has

notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

If interest is required to be calculated for any period of less than a year, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

5. Redemption and Purchase

- (a) Scheduled redemption: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 27 October, 2010, subject as provided in Condition 6 (Payments).
- (b) Redemption for tax reasons: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if immediately before giving such notice, the Issuer satisfies the Trustee that:
- (i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (Taxation) as a result of any change in, or amendment to, the laws or regulations of The Netherlands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 25 October, 2000 and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (ii) (A) the Guarantor has or (if a demand was made under the Guarantee) would become obliged to pay additional amounts as provided or referred to in Condition 7 (Taxation) as a result of any change in, or amendment to, the laws or regulations of the United States of America or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 25 October, 2000 and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (1) a certificate signed by two directors of the Issuer stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by any two executive officers of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out the details of such circumstances and (2) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) above or (as the case may be) (ii)(A) and (ii)(B) above, in which event they shall be conclusive and binding on the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

- (c) Event Risk - Redemption at the option of the Noteholders: if whilst any Note remains outstanding (as defined in the Trust Deed), there occurs a Restructuring Event and within the Restructuring Period (i) (if at the time that Restructuring Event occurs there are Rated Securities) a Rating Downgrade in respect of that Restructuring Event occurs or (ii) (if at such time there are no Rated Securities) a Negative Rating Event in respect of that Restructuring Event occurs (that Restructuring Event and Rating Downgrade or Negative Rating Event, as the case may be, occurring within the Restructuring Period together called a "Put Event"), each Noteholder will have the option (unless, prior to the giving

of the Put Event Notice referred to below, the Issuer gives notice under Condition 5(b) (Redemption for tax reasons)) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) any of its Notes on the Put Date (as defined below) at their principal amount together with (or, where purchased, together with an amount equal to) accrued interest to the Put Date.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall, and if so requested by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders the Trustee shall, give notice (a "Put Event Notice") to the Noteholders in accordance with Condition 15 (Notices) specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 5(c).

In order to exercise the option to require redemption of a Note under this Condition 5(c) the Noteholder must deliver such Note, on any business day falling within the period (the "Put Period") of 45 days after a Put Event Notice is given, to the Specified Office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "Put Notice") and in which the holder may specify a bank account to which payment is to be made under this Condition 5(c). The Note should be delivered together with all Coupons appertaining thereto maturing after the date (the "Put Date") seven days after the expiry of the Put Period, failing which the Paying Agent will require payment of an amount equal to the face value of any such missing Coupon. Any amount so paid will be reimbursed in the manner provided in Condition 6 (Payments) against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 10 (Replacement of Notes and Coupons)) at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Note and Put Notice are delivered will issue to the Noteholder concerned a non-transferable duly completed receipt in respect of the Note so delivered ("Put Receipt"). Payment in respect of any Note so delivered will be made, if the holder duly specified in the Put Notice a bank account to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the Specified Office of any Paying Agent. The Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Notes on the Put Date unless previously redeemed or purchased.

No Note, once deposited with a duly completed Put Notice in accordance with this Condition 5(c), may be withdrawn; provided, however, that if, prior to the Put Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the Put Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 5(c), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

For the purposes of Condition 6 and the Trust Deed, receipts issued pursuant to this Condition 5(c) shall be treated as if they were Notes.

For the purpose of these Conditions:

"Consolidated Operating Profit" means the consolidated operating profits on ordinary activities before tax and interest and before taking account of depreciation and amortisation of goodwill (for the avoidance of doubt, exceptional items shall not be included) of the Guarantor determined in accordance with United States generally accepted accounting principles ("U.S. GAAP") by reference to the Relevant Accounts;

"Disposal Percentage" means, in relation to each consecutive period of 12 months (each a "Relevant Period") comprised in any period of 36 months, the ratio of (i) the aggregate Operating Profit for that Relevant Period to (ii) the Consolidated Operating Profit for that Relevant Period, expressed as a percentage;

"Disposed Assets" means, where the Guarantor and/or any of its Subsidiaries sells, transfers, leases or otherwise disposes of or is dispossessed of, by any means, otherwise than to a wholly-owned Subsidiary of the Guarantor or to the Guarantor, the whole or any part (whether by a single transaction or by a number of transactions whether related or not) of its undertaking or (except in the ordinary course of business of the Guarantor and its Subsidiaries taken as a whole) property or assets, the undertaking, property or assets sold, transferred, leased or otherwise disposed of or of which it is so dispossessed;

"Group" means the Guarantor and any of its Subsidiaries;

A "Negative Rating Event" shall occur (i) if the Guarantor does not, either prior to or not later than 21 days after the relevant Restructuring Event, seek, and thereupon use all reasonable endeavours to obtain, a rating of the Notes or any other unsecured and unsubordinated debt of the Guarantor (or of any Subsidiary which is guaranteed on an unsecured and unsubordinated basis by the Guarantor) having an initial maturity of five years or more ("Rateable Debt") from a Rating Agency or (ii) if it does so seek and use such endeavours, but it is unable, as a result of such Restructuring Event, to obtain such a rating of at least investment grade (BBB-/Baa3, or their respective equivalents for the time being), provided that a Negative Rating Event shall not occur in respect of a particular Restructuring Event if the Rating Agency declining to assign a rating of at least investment grade (as described above) does not announce or publicly confirm that its declining to assign a rating of at least investment grade (as described above) was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Restructuring Event (whether or not the Restructuring Event shall have occurred at the time such investment grade rating is declined);

"Operating Profit", in relation to any Disposed Assets, means the operating profits on ordinary activities before tax and interest and before taking account of depreciation and amortisation of goodwill (for the avoidance of doubt, exceptional items shall not be included) of the Guarantor attributable to such Disposed Assets as determined in accordance with U.S. GAAP by reference to the Relevant Accounts, provided that if any of the Disposed Assets sold, transferred, leased or otherwise disposed of or dispossessed during any Relevant Period was acquired after the date of the Relevant Accounts, then the Operating Profit of such Disposed Assets shall be determined in respect of the period from the date of such acquisition to the date of such disposal or dispossession;

"Rated Securities" means the Notes so long as they shall have an effective rating from any Rating Agency and otherwise any Rateable Debt which is rated by either of the Rating Agencies; provided that if there shall be no such Rateable Debt outstanding prior to the maturity of the Notes, the holders of not less than one-quarter of the nominal amount of outstanding Notes may request the Trustee to require the Guarantor to obtain and thereafter update on an annual basis a rating of the Notes from one Rating Agency. In addition, the Guarantor may at any time obtain and thereafter update on an annual basis a rating of the Notes from either Rating Agency, provided that, except as provided above, the Guarantor shall not have any obligation to obtain such a rating of the Notes;

"Rating Agency" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and its successors or Moody's Investors Service, Limited and its successors or any rating agency substituted for either of them (or any permitted substitute of them) by the Guarantor from time to time with the prior written approval of the Trustee;

A "Rating Downgrade" shall occur in respect of a Restructuring Event if the current rating whether provided by a Rating Agency at the invitation of the Guarantor or by its own volition assigned to the Rated Securities by any Rating Agency is withdrawn or reduced from an investment grade rating BBB-/Baa3 (or their respective equivalents for the time being) or better to a non-investment grade rating BB+/Ba1 (or their respective equivalents for the time being) or worse; provided that a Rating Downgrade otherwise arising by virtue of a particular reduction in rating shall not occur in respect of a particular Restructuring Event if the Rating Agency making the withdrawal or reduction in rating to which this definition would otherwise apply does not publicly announce or publicly confirm that the reduction was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Restructuring Event (whether or not the applicable Restructuring Event shall have occurred at the time of the Rating Downgrade);

"Relevant Accounts" means, in respect of each Relevant Period, the most recent annual audited consolidated financial accounts of the Guarantor preceding the first sale, transfer, lease or other disposal or dispossession of any Disposed Assets occurring during such Relevant Period;

A "Restructuring Event" shall occur at each time (whether or not approved by the Board of Directors of the Guarantor) that:

- (a) any person or any persons acting in concert with each other or any persons acting on behalf of any such person(s), at any time become(s) legally or beneficially entitled to (A) more than 50 per cent. of the issued or allotted common stock of the Guarantor or (B) such number of stock in the capital of the Guarantor carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Guarantor, or
- (b) the sum of Disposal Percentages within any period of 36 months is greater than 30 per cent (as certified by the Guarantor pursuant to Condition 18);

"Restructuring Period" means the period ending 90 days after the occurrence of the Restructuring Event (or such longer period in which the Rated Securities or Rateable Debt, as the case may be, is or are under consideration (announced publicly by a Rating Agency within the first mentioned period) for rating review or, as the case may be, rating by a Rating Agency); and

"Subsidiary" means, for the purposes of this Condition 5(c) only, in relation to the Guarantor, any entity whose affairs are required by law or in accordance with U.S. GAAP to be consolidated in the consolidated accounts of the Guarantor.

- (d) No other redemption: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (c) above.
- (e) Purchase: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith.
- (f) Cancellation: All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

#### 6. Payments

- (a) Principal: Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank to which sterling may be credited or transferred.
- (b) Interest: Payments of interest shall, subject to paragraph (f) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) Payments subject to fiscal laws: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 7 (Taxation). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) Deduction for unmatured Coupons: If a Note is presented without all unmatured Coupons relating thereto, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the principal amount of such Note, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the principal amount of such Note. Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

- (e) Payments on business days: If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "business day" means, in respect of any place of presentation, any day on which banks are open for business in such place of presentation and, in the case of payment by transfer to a sterling account as referred to above, a day on which dealings in foreign currencies may be carried on both in London and in such place of presentation.
- (f) Payments other than in respect of matured Coupons: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (g) Partial payments: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

## 7. Taxation

All payments of principal and interest in respect of the Notes and the Coupons (including payments by the Guarantor under the Guarantee) shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by The Netherlands or the United States of America or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) by a holder which is liable for such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with The Netherlands or (as the case may be) the United States of America other than the mere holding of such Note or Coupon;
- (b) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days;
- (c) where such tax, duty, assessment or other governmental charge is an estate, inheritance, gift, sales, transfer or personal property tax or any similar tax assessment or governmental charge;
- (d) where such tax, duty, assessment or other governmental charge would not have been imposed but for the failure of the Noteholder or Couponholder to comply with certification, information or other reporting requirements concerning the nationality, residence or identity of such Noteholder or Couponholder, if such compliance is required by statute or by regulation of The Netherlands or (as the case may be) the United States of America or of any political subdivision or taxing authority thereof or therein as a precondition to relief or exemption from such tax, duty, assessment or other governmental charge; or
- (e) where such tax, duty, assessment or other governmental charge is payable otherwise than by withholding from payments on or in respect of a Note or Coupon.

In these Conditions, "Relevant Date" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this

Condition 7 or any undertaking given in addition to or in substitution of this Condition 7 pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than The Netherlands or the United States of America respectively, references in these Conditions to The Netherlands or the United States of America shall be construed as references to The Netherlands or (as the case may be) the United States of America and/or such other jurisdiction.

#### 8. Events of Default

If any of the following events occurs then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter in principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified or provided with security to its satisfaction) give written notice to the Issuer declaring or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) Non-payment: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or
- (b) Breach of other obligations: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer and the Guarantor; or
- (c) Cross-acceleration of Issuer, Guarantor or Subsidiary: any indebtedness for money borrowed of the Issuer, the Guarantor or any of their respective Subsidiaries is, under the terms of the instrument or instruments under which such indebtedness is issued or secured, duly accelerated so that the same shall be or become due and payable prior to the date on which the same would otherwise have become due and payable, provided that any such acceleration is not rescinded or annulled or such indebtedness discharged within ten days after written notice thereof, requiring the Issuer, the Guarantor or the Subsidiary to remedy the same having first been given and provided that the amount of such indebtedness individually or in the aggregate exceeds U.S.\$10,000,000 (or its equivalent in any other currency or currencies); or
- (d) Security enforced: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Subsidiaries; or
- (e) Insolvency etc: (i) the Issuer, the Guarantor or any of their respective Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantor or any of their respective Subsidiaries or the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Subsidiaries is appointed (or application for any such appointment is made), (iii) the Issuer, the Guarantor or any of their respective Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or (iv) the Issuer, the Guarantor or any of their respective Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (f) Winding up etc: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor except pursuant to Condition 3(d) or any of their respective Subsidiaries (otherwise than, in the case of a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

- (g) Analogous event: any event occurs which under the laws of The Netherlands or the United States of America has an analogous effect to any of the events referred to in paragraphs (d) to (f) above.

9. Prescription

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

10. Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent and the Paying Agent having its Specified Office in Luxembourg, subject to all applicable laws, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11. Trustee and Paying Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Paying Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; provided, however, that the Issuer and the Guarantor shall at all times maintain a paying agent in Luxembourg and a principal paying agent. Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Trustee and Noteholders.

12. Meetings of Noteholders; Modification and Waiver

- (a) Meetings of Noteholders: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee, the Issuer or the Guarantor or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to



pass an Extraordinary Resolution (each, a "Reserved Matter") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) Modification and waiver: The Trustee may, without the consent of the Noteholders or Couponholders agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders or Couponholders authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

### 13. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one quarter in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

### 14. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

### 15. Notices

Notices to the Noteholders shall be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

### 16. Governing Law and Jurisdiction

- (a) Governing law: The Trust Deed and the Notes are governed by, and shall be construed in accordance with, English law.

- (b) Jurisdiction: Each of the Issuer and the Guarantor has in the Trust Deed (i) submitted irrevocably to the jurisdiction of the courts of England for the purposes of hearing and determining any suit, action or proceedings or settling any disputes arising out of or in connection with the Trust Deed or the Notes; (ii) waived any objection which it might have to any such courts being nominated as the forum to hear and determine any such suit, action or proceedings or to settle any such disputes and agreed not to claim that any such court is not a convenient or appropriate forum; (iii) designated a person in England to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

#### 17. Rights of Third Parties

No person shall have any right to enforce any term or condition of any Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

#### 18. Certificates of the Guarantor

The Guarantor has undertaken in the Trust Deed to certify compliance with the Conditions in the manner set out in the Trust Deed.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying Agents as set out at the end of this Offering Circular.

## SUMMARY OF PROVISIONS

## RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("Definitive Notes") in the denominations of (pound)1,000, (pound)10,000 and (pound)100,000 each at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying Agent if either of the following events (each, an "Exchange Event") occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (Events of Default) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

**Payments:** All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

**Notices:** Notwithstanding Condition 15 (Notices), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 15 (Notices) on the day seven days after the date of delivery to Euroclear and Clearstream, Luxembourg; provided, however, that, so long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort).

In relation to Notes represented by a Global Note, and where such Global Note is held on behalf of Euroclear and/or Clearstream, Luxembourg, in order to exercise the option to require redemption of a Note represented by such Global Note under this Condition 5(c), the beneficial owner of the Note must instruct its accountholder to deliver, on any business day falling within the Put Period, at the Specified Office of any Paying Agent, a duly signed and completed Put Notice and in which the accountholder shall specify on behalf of such beneficial owner a bank account to which payment is to be made under this Condition 5(c). Payment in respect of any Note the subject of such a Put Notice so delivered will be made, if the relevant beneficial owner duly specified a bank account in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account specified in the Put Notice against presentation and endorsement on or before the Put Date of the Global Note at the Specified Office of the Principal Paying Agent to reflect the redemption of the relevant Notes and, in every other case, on or after the Put Date against presentation and endorsement of the Global Note at the Specified Office of the Principal Paying Agent.

## USE OF PROCEEDS

The net proceeds of the issue of the Notes, which will be approximately (pound)195,926,000 after deduction of the combined management and underwriting commission and the selling concession and expenses incurred in connection with the issue of the Notes, will be on-lent to the Guarantor or its subsidiaries principally for the repayment of short-term and/ or long-term indebtedness.

## DESCRIPTION OF THE ISSUER

## Incorporation, Registered Office and Purpose

The Issuer, which was incorporated in The Netherlands on 31 May, 2000 with registered number 34135128, is a wholly owned subsidiary of the Guarantor. Its registered office is Wenckebachstraat 1, 1951 JZ Velsen-Noord, Postbus 83, 1970 AB IJmuiden, The Netherlands.

The objects of the Issuer as set out in Article 2 of its Deed of Incorporation are to act as a funding vehicle in the international capital markets for the Guarantor and to engage in other related activities. The Issuer has no employees and no subsidiaries.

## Financial Statements

The Issuer has appointed PricewaterhouseCoopers as its auditor. Since the date of incorporation, no financial statements of the Issuer have been prepared and no dividends have been declared or paid. The Issuer's financial year runs from 1 January to 31 December and its first financial statements, for the period from its date of incorporation to 31 December, 2000, are expected to be available in April 2001.

## Board of Directors

The following are directors of the Issuer:

D. Hathaway  
W.A. Weisel  
S.D. Fazzolari

## Capitalisation of Harsco Finance B.V.

The following table sets out the short-term liabilities, long-term liabilities and stockholders' equity of the Issuer as at 30 September, 2000. The authorised capital of the Issuer is euro 10,000,000, divided into 100 common shares with a par value of euro 100,000 each, of which 20 are fully-paid and have been issued to the Guarantor.

Since 30 September, 2000, there has been no material change in its shareholders' funds, borrowings or debts, except for this issue of (pound)200,000,000 Guaranteed 7.25 per cent. Notes due 2010.

|                                 | As at<br>September 30,<br>2000<br>----- |
|---------------------------------|---|
|                                 | (in Euro)                               |
| Indebtedness                    |   |
| Short-term liabilities.....     | 4,427                                   |
| Long-term liabilities.....      | 0                                       |
|                                 | -----                                   |
| Total indebtedness.....         | 4,427                                   |
|                                 | -----                                   |
| Stockholders' equity.....       |   |
| Share capital.....              | 2,000,000                               |
| Reserves.....                   | 0                                       |
| Retained earnings.....          | 8,360                                   |
|                                 | -----                                   |
| Total stockholders' equity..... | 2,008,360                               |
|                                 | -----                                   |
| Total capitalisation.....       | 2,012,787                               |
|                                 | =====                                   |

## DESCRIPTION OF THE GUARANTOR

## Incorporation, Registered Office and Purpose:

Harsco Corporation (the "Company" or "Harsco") was incorporated in the State of Delaware, U.S.A. on 28 February, 1956 with registration number 0497602. The Company's registered office is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801 U.S.A. and its principal administrative office is at 350 Poplar Church Road, PO Box 8888, Camp Hill, Pennsylvania 17011 U.S.A. In accordance with Article 3 of its Certificate of Incorporation, the Company operates as a manufacturing and trading business.

## Share Capital:

As at 31 December, 1999 the Company's authorised share capital consisted of 150,000,000 Common Stock of U.S.\$1.25 each, 66,221,544 of which were in issue, and 4,000,000 Series A Junior Preferred Stock of U.S.\$1.25 each, none of which were in issue. See also "Capitalisation of Harsco Corporation" on page 31.

## Overview of Business:

Harsco is a diversified provider of industrial services and products to customers in the steel, gas and energy, and infrastructure development industries. Harsco's principal lines of business are: mill services that are provided to steel and non-ferrous metal producers in over 30 countries, including the United States; gas control and containment products for customers worldwide; scaffolding services to the industrial maintenance and construction markets principally in North America, the United Kingdom and Europe; railway maintenance-of-way services and equipment that are provided to worldwide railroads; and several other lines of business including, but not limited to, process equipment, industrial grating and bridge decking, industrial pipe fittings, slag abrasives and roofing granules. The Company's operations fall into three operating segments: Harsco Mill Services, Harsco Gas and Fluid Control and Harsco Infrastructure. The Company has over 400 locations in 38 countries, including the United States.

Harsco furnishes building products and materials and a wide variety of specialized equipment for commercial, industrial, public works and non-residential construction which are seasonal in nature. In 1999, construction-related operations accounted for 12 per cent. of total sales. The raw materials used for this and other services include principally steel and to a lesser extent aluminium which usually are readily available.

## Description of Businesses:

The Company's operations fall into three operating segments: Harsco Mill Services, Harsco Gas and Fluid Control and Harsco Infrastructure.

## Harsco Mill Services

This segment is the world leader in providing on-site highly specialized services and technology under long-term contracts to steel producers and non-ferrous metal industries. The Company's flame and recycling technologies along with computerized scrap handling are several examples of the specialized services the Company provides. These highly specialized services and technologies include: scarfing, ferrocut, carbofer, briquetting and scrap management. The Company provides in-plant transportation and other specialized services, including slab management systems, general plant services, and other recycling technology. Other services provided include metal reclamation; slag processing, marketing and utilization; raw material management and handling; by-product recovery and recycling; and finished product handling and transport. Highly specialized recovery and cleaning equipment, installed and operated on the property of steel producers, together with standard material handling equipment are employed to reclaim metal and handle material. The customer uses this reclaimed metal in its steel production process. The nonmetallic residual slag is graded into various sizes at on-site Company-owned processing facilities and then sold commercially. It is used as an aggregate material in asphalt paving applications, railroad ballast and building blocks. Similar services are also provided to non-ferrous metal industries, such as aluminum, copper, and nickel.

This segment also produces roofing granules and slag abrasives. The Company's slag abrasives and roofing granules are produced from utility coal slag and natural rock materials at a number of locations throughout the United States. The Company's Black Beauty(TM) abrasives are used for industrial surface preparation, such as rust removal and cleaning of bridges, ship hulls, and various structures. Roofing granules are sold to residential roofing shingle manufacturers.

This segment operates at more than 170 sites in over 30 countries through Heckett MultiServ and Reed Minerals.

#### Heckett MultiServ

Heckett MultiServ is the world's premier provider of specialist services to the steel industry and other metal producers. It operates on-site within customers' premises and plants, typically under renewable long-term contracts, providing tailor-made services that include the recovery and recycling of production by-products, materials management and handling, material transport, and slag processing and marketing.

Heckett MultiServ operates at over 160 mills in more than 30 countries.

#### Reed Minerals

Reed Minerals has supplied superior quality aggregates to manufacturers of roofing products and industrial air abrasive users for more than 60 years. With sixteen processing facilities throughout the U.S., Reed supplies both coal slag and rock products to the market place. Roofing products include headlap, colored granules and back-surfacing materials. Reed's industrial abrasive products are marketed under the Black Beauty trade name. Black Beauty is a silica-d low abrasive which is environmentally friendly.

#### Harsco Gas and Fluid Control

Major product classes in this segment are gas containment and control equipment, industrial pipe fittings, and process equipment, principally air-cooled heat exchangers.

Gas containment products include cryogenic gas storage tanks, high pressure and acetylene cylinders, propane tanks, and composite vessels for industrial and commercial gases and other products. Gas control products include valves and regulators serving a variety of markets, including the industrial gas, commercial refrigeration, life support, and outdoor recreation industries. Products are used in applications such as scuba diving equipment and outdoor barbecue grills.

The segment provides custom designed and manufactured air-cooled heat exchangers, principally for applications on field-sited natural gas compression packages, for both domestic and international locations.

The segment is a major supplier of industrial pipe fittings and related products for the plumbing, hardware and energy industries and operates through the following units:

#### Taylor-Wharton

Taylor-Wharton is one of America's oldest industrial companies (founded in 1742) producing the broadest selection of gas containment products in the world. Its products include cryogenic containers and high pressure and acetylene cylinders. Taylor-Wharton cryogenic equipment serves a diverse array of industrial gas storage and delivery applications in global markets. Taylor-Wharton liquid cylinders are built to rugged construction standards designed for transportable applications.

#### Sherwood

Sherwood is a premier producer of gas control valves and other products for industrial, commercial and recreational use, including Superior Refrigeration Products. Sherwood is the only totally integrated brass valve manufacturer in North America. Sherwood's diverse product lines of compressed gas, propane, refrigerant gas, scuba diving and life support equipment have enabled it to develop broad technical expertise in the full range of gas control requirements.

#### American Welding & Tank

American Welding & Tank ("AWT") has served the propane industry since 1917 and is North America's largest producer of domestic propane tanks. AWT has four propane tank manufacturing operations: Bloomfield, Iowa; Jesup, Georgia; Salt Lake City, Utah; and Fremont, Ohio.

#### Structural Composites Industries

Founded in 1971, Structural Composites Industries ("SCI") is the world's leading producer of lightweight, filament-wound composite cylinders, pressure vessels and structures used in gas storage. SCI's composite products offer design, fabrication and performance opportunities not possible with conventional materials. SCI developed the technology to make ultra-light air tanks for fire fighters, while commercial airlines use SCI's composite cylinders for oxygen supply and inflatable emergency escape systems.

#### Air-x-changers

Air-x-changers is the leading international supplier of air-cooled heat exchangers for the natural gas and compression industries. One of the oldest and largest companies in this industry, Air-x-changers also has the broadest air cooler product line in the marketplace. Its Type EH Air Cooled Heat Exchanger is the most widely used cooler in the world for cooling natural gas compressors and engines. Air-x-changers has constructed over 100,000 air coolers, including units as large as 22ft. wide x 50ft. long, and with test pressures up to 17,000 psig.

#### Harsco Infrastructure

Major product classes in this segment are scaffolding, shoring and concrete forming services, railway maintenance-of-way services and equipment, and industrial grating and bridge decking products.

The segment's scaffolding, shoring and concrete forming service products include steel and aluminum support systems that are leased or sold to customers through a North American network of some 50 branch service centers, a UK network of 68 branches and through various locations in 20 other countries. The Company also provides design engineering services, on-site installation, and equipment management services.

The segment's railway maintenance-of-way services provide high technology comprehensive track maintenance and new track construction support to railroad customers. The railway maintenance-of-way services and equipment product class includes specialized track maintenance equipment used by private and government-owned railroads and urban transit systems worldwide. The equipment manufactured by the Company includes a comprehensive range of specially-designed systems used in the construction and maintenance of track and railbeds.

The segment manufactures a varied line of industrial grating products at several plants in North America. The Company produces a full range of riveted, pressure-locked and welded grating in steel, aluminum and fiberglass, used mainly in industrial flooring, safety, and security applications for power, paper, chemical, refining and processing applications. The Company also produces bridge decking and related products for bridge surfaces.

This segment also produces commercial and industrial boilers and hot water heaters, and blenders, dryers and mixers for the chemical and food processing industries. The segment operates through the following businesses:

#### Harsco Track Technologies

Harsco Track Technologies is a major international supplier of railway track maintenance equipment and services for private and government-owned railways worldwide. Harsco Track Technologies combines Pandrol Jackson and Fairmont Tamper, two leading railway track maintenance companies, to create one of the largest and most comprehensive track maintenance organizations in the world. Harsco Track Technologies designs and manufactures an extensive line of equipment, including rail grinders, used to reshape the rail profile; tampers, which realign and surface track; and ultrasonic flaw detection equipment.



Major railway maintenance services include track renewal, resurfacing, and replacement, including Harsco Track Technologies' unique Tie Masters(R) program.

#### Patent Group

Founded in 1909, Patent Construction Systems is North America's oldest and most complete supplier of state-of-the-art scaffolding, concrete forming and shoring products. Patent also offers a full range of services including product engineering and on-site installation, including specialized scaffolding contracting and management services to the petrochemical and refining industries. Patent Construction Systems operates some 50 fully stocked, company-owned branch offices and equipment centers throughout North America.

IKG Industries is America's leading producer of industrial grating products. IKG manufactures every type of grating available on the market today, including welded, riveted, pressure locked, closed mesh, and special configurations. IKG's Deck Span is familiar as the diamond plank-type safety grating used for pedestrian applications, such as ramps, walkways, and work platforms. Its Weldforged(R) grating is the recommended style for general installation, while the IKG Borden line of heavy duty grating serves areas where heavy rolling or static loads are encountered, such as highways, airports, and industrial trench cover applications. IKG's fiberglass reinforced plastic grating is designed to withstand corrosive environments. IKG also produces grid-reinforced concrete deck and open grid deck for bridge surfaces.

#### SGB Group

In existence for over 75 years, SGB is the UK market leader in construction scaffolding and forming equipment and services. In addition to the UK, SGB has operations in 19 countries in Europe, the Middle East, South East Asia and the U.S.

#### General

##### Product Classes:

The products and services of Harsco include a number of classes. The product classes that contributed 10% or more as a percentage of consolidated net sales in any of the last three fiscal years are as set forth in the following table.

|                                       | 1999 | 1998 | 1997 |
|---------------------------------------|------|------|------|
| Mill Services                         | 39%  | 40%  | 38%  |
| Gas Control and Containment Equipment | 24%  | 21%  | 21%  |

##### New Products:

New products and services are added from time to time; however, in 1999 none required the investment of a material amount of the Company's assets.

##### Raw Materials:

The manufacturing requirements of the Company's operations are such that no unusual sources of supply for raw materials are required. The raw materials used by the Company include principally steel and to a lesser extent aluminum which usually are readily available.

##### Intellectual Property:

While Harsco has a number of trademarks, patents and patent applications, it does not consider that any material part of its business is dependent upon them.

##### Building Products:

Harsco furnishes building products and materials and a wide variety of specialized equipment for commercial, industrial, public works and non-residential construction which are seasonal in nature. In 1999,

construction-related operations accounted for 12% of total sales.

#### Working Capital:

The practices of the Company relating to working capital items are not unusual compared with those practices of other service providers or manufacturers servicing mainly industrial and commercial markets.

#### Customers:

No material part of the business of the Company is dependent upon a single customer or a few customers, the loss of any one of which would have a material adverse effect upon the Company.

#### Backlog of Orders:

Backlog of orders was \$231.6 million and \$188.6 million as of 31 December, 1999 and 1998, respectively. It is expected that approximately 18% of the total backlog at 31 December, 1999, will not be filled during 2000. There is no significant seasonal aspect to the Company's backlog. Backlog for scaffolding, shoring and forming services, and for roofing granules and slag abrasives is not included in the total backlog, because it is generally not quantifiable due to the nature of the products and services provided. Contracts for the Harsco Mill Services Segment are also excluded from the total backlog. These contracts had an estimated value of \$3.6 billion at 31 December, 1999.

#### Material Contracts:

At 31 December, 1999, the Company had no material contracts that were subject to renegotiation of profits or termination at the election of the United States Government.

#### Competition:

The various businesses in which the Company operates are highly competitive and the Company encounters active competition in all of its activities from both larger and smaller companies who produce the same or similar products or services or who produce different products appropriate for the same uses.

#### Product Development:

The expense for product development activities was \$7,759,000, \$6,977,000, and \$6,090,000 in 1999, 1998, and 1997, respectively.

#### Environmental Regulation:

The Company has become subject, as have others, to increasingly stringent air and water quality control legislation. In general, the Company has not experienced substantial difficulty in complying with these environmental regulations in the past and does not anticipate making any major capital expenditures for environmental control facilities. While the Company expects that environmental regulations may expand, and its expenditures for air and water quality control will continue, it cannot predict the effect on its business of such expanded regulations. For additional information regarding environmental matters see Note 10 to the Consolidated Financial Statements headed "Commitments and Contingencies".

#### Employees:

As of 31 December, 1999, the Company had approximately 15,700 employees.

#### Recent Developments

On 16 May, 2000, Harsco agreed with UK-based John Mowlem & Company PLC ("Mowlem") to acquire Mowlem's 51 per cent. interest in SGB Group PLC ("SGB"), and on 20 May, 2000, Harsco launched a tender offer to acquire all of the remaining shares of SGB. Once final regulatory approvals were received, Harsco took control of SGB with effect from 16 June, 2000. Following UK takeover regulations, Harsco paid for the SGB shares in a series of payments from 30 June to 23 August. The transaction valued SGB at (pound)188

million (approximately \$269 million) for 100 per cent. of the outstanding shares plus the assumption of SGB's indebtedness for a total consideration of (pound)222 million (approximately \$334 million). SGB, based in the UK, is one of Europe's largest suppliers of scaffolding, form and related access products and services. SGB also has operations in North America, the Middle East and the Asia Pacific region. SGB had 1999 sales of (pound)283 million.

On 27 September, 2000 Harsco announced its intention to sell three non-core business operations, being: Capitol Manufacturing, which produces pipe fittings and related products for the industrial plumbing, electrical and other markets and recorded 1999 sales of approximately \$96 million; Patterson-Kelley, which manufactures industrial and commercial boilers, water heaters and blenders and recorded 1999 sales of approximately \$27 million; and Faber Prest Distribution, a materials transport business which recorded 1999 sales of approximately \$33 million. All of the businesses are profitable and none has any shared manufacturing, purchasing or inter-company sales with other Harsco operations.

Harsco announced on 26 July, 2000 that President and Chief Operating Officer Leonard Campanaro resigned as part of a realignment. He also resigned from the company board. Chairman and Chief Executive Derek Hathaway, 56, will assume the added post of president.

Harsco announced on 13 July, 2000 that its Heckett MultiServ division, the world's leading provider of on-site outsourced services to steel mills and other metallurgical producers, won a multi-year contract valued at more than \$115 million to provide expanded services to existing steel mill customers in Italy and Saudi Arabia.

Harsco announced on 26 May, 2000 that it has acquired Bergslagen Stalservice AB and Bergslagen Suomi Oy, privately-held providers of specialized slag processing and metal recovery services to steel mills in Sweden and Finland, respectively. The two organizations, part of Swedish-based Bergslagen Recycling Industries AB, together recorded 1999 sales of nearly \$10 million. Terms of the cash transaction were not disclosed.

Harsco will integrate the Bergslagen operations into its Heckett MultiServ division, the world's leading provider of on-site, outsourced services to steel mills and other metallurgical producers. Heckett MultiServ currently operates at more than 160 mills in over 30 countries, providing services to over 25 per cent. of the world's steel making capacity.

On 6 April, 2000 the Company agreed to invest \$20 million for a 49 per cent. ownership interest in S3Networks, LLC, a start-up company providing internet and e-business infrastructure consulting services to Fortune 1000 corporations. Cash of \$6 million has been invested with an additional \$14 million to be paid over a period not to exceed fifteen months from the initial investment date. The investment will be accounted for under the equity method. Since the Company is the principal provider of initial capital for S3Networks, LLC, the Company will record 100 per cent. of net losses to the extent of its initial \$20 million investment. However, the Company will also record 100 per cent. of subsequent net income until the entire initial investment amount is reinstated. Subsequent to reinstatement of the initial investment amount, the Company will record net income to the extent of its ownership percentage of S3Networks, LLC.

In the first quarter of 2000 the U.S. Environmental Protection Agency (the "Agency") issued a Notice of Violation to the Company for violations of the Clean Air Act arising from slag dust emissions at one of the Company's mill services locations. The Agency is seeking abatement of dust emissions at the site and has advised that it is seeking financial penalties which exceed \$100,000. The Company is cooperating with the mill and the Agency to abate the dust emissions and is in settlement discussions with the Agency.

## Properties:

Information as to the principal plants owned and operated by the Company is summarized in the following table:

| Location                             | Floor Space<br>(square feet) | Principal Products                 |
|--------------------------------------|------------------------------|------------------------------------|
| <b>Harsco Infrastructure:</b>        |                              |                                    |
| E. Syracuse, New York                | 48,000                       | Railroad Equipment                 |
| Ludington, Michigan                  | 159,000                      | Railroad Equipment                 |
| Fairmont, Minnesota                  | 312,000                      | Railroad Equipment                 |
| West Columbia, South Carolina        | 224,000                      | Railroad Equipment                 |
| Brendale, Australia                  | 20,000                       | Railroad Equipment                 |
| Nashville, Tennessee                 | 246,000                      | Grating                            |
| Nashville, Tennessee                 | 87,000                       | Grating                            |
| Charlotte, North Carolina            | 23,000                       | Grating                            |
| Madera, California                   | 48,000                       | Grating                            |
| Leeds, Alabama                       | 51,000                       | Grating                            |
| Cheswick, Pennsylvania               | 56,000                       | Grating                            |
| Channelview, Texas                   | 86,000                       | Grating                            |
| Marlboro, New Jersey                 | 30,000                       | Grating                            |
| Queretaro, Mexico                    | 63,000                       | Grating                            |
| Marion, Ohio                         | 135,000                      | Construction Equipment             |
| Thame, England                       | 115,000                      | Construction Site Mobile Buildings |
| <b>Harsco Mill Services:</b>         |                              |                                    |
| Moundsville, West Virginia           | 12,000                       | Roofing Granules/Abrasives         |
| Drakesboro, Kentucky                 | 41,000                       | Roofing Granules                   |
| Gary, Indiana                        | 19,000                       | Roofing Granules/Abrasives         |
| Ione, California                     | 33,000                       | Roofing Granules                   |
| <b>Harsco Gas and Fluid Control:</b> |                              |                                    |
| West Jefferson, Ohio                 | 148,000                      | Pipe Fittings                      |
| Crowley, Louisiana                   | 172,000                      | Pipe Fittings                      |
| Houston, Texas                       | 26,000                       | Pipe Fittings                      |
| Chicago, Illinois                    | 35,000                       | Pipe Fittings                      |
| Hamden, Connecticut                  | 47,000                       | Pipe Fittings                      |
| Vanastra, Ontario, Canada            | 55,000                       | Pipe Fittings                      |
| East Stroudsburg, Pennsylvania       | 172,000                      | Process Equipment                  |
| Port of Catoosa, Oklahoma            | 131,000                      | Heat Exchangers                    |
| Sapulpa, Oklahoma                    | 83,000                       | Heat Exchangers                    |
| Lockport, New York                   | 104,000                      | Valve Manufacturing                |
| Niagara Falls, New York              | 66,000                       | Valve Manufacturing                |
| Washington, Pennsylvania             | 112,000                      | Valve Manufacturing                |
| Jesup, Georgia                       | 87,000                       | Propane Tanks                      |
| Jesup, Georgia                       | 65,000                       | Propane Tanks                      |
| Jesup, Georgia                       | 63,000                       | Cryogenic Storage Vessels          |
| Bloomfield, Iowa                     | 48,000                       | Propane Tanks                      |
| West Jordan, Utah                    | 36,000                       | Propane Tanks                      |
| Fremont, Ohio                        | 69,000                       | Propane Tanks                      |
| Pomona, California                   | 56,000                       | Composite Pressure Vessels         |
| Gardena, California                  | 26,000                       | Composite Pressure Vessels         |
| Harrisburg, Pennsylvania             | 245,000                      | Cylinders                          |
| Hunstville, Alabama                  | 220,000                      | Acetylene Tanks                    |
| Theodore, Alabama                    | 305,000                      | Cryogenic Storage Vessels          |
| Husum, Germany                       | 61,000                       | Cryogenic Storage Vessels          |
| Shah Alam, Malaysia                  | 25,000                       | Cryogenic Storage Vessels          |
| Shah Alam, Malaysia                  | 29,000                       | Cylinders                          |
| Beijing, China                       | 134,000                      | Cryogenic Storage Vessels          |

The Company also operates the following plants which are leased:

| Location               | Floor Space<br>(Square feet) | Principal Products | Expiration Date<br>of Lease |
|------------------------|------------------------------|--------------------|-----------------------------|
| Harsco Infrastructure: |                              |                    |                             |
| Nottingham, England    | 30,000                       | Railroad Equipment | 23/10/00                    |
| Danbury, Connecticut   | 16,000                       | Railroad Equipment | 30/11/01                    |
| Tulsa, Oklahoma        | 10,000                       | Grating            | 28/04/01                    |
| Cosley, England        | 142,000                      | Scaffolding        | 24/03/19                    |
| Maldon, England        | 255,000                      | Access Products    | 28/09/17                    |

Harsco Gas and Fluid Control:

|                 |        |                |          |
|-----------------|--------|----------------|----------|
| Lansing, Ohio   | 67,000 | Pipe Fittings  | 31/01/03 |
| Cleveland, Ohio | 50,000 | Brass Castings | 30/09/00 |

The Company operates from a number of other plants, branches, warehouses and offices in addition to the above. The Company has over 160 locations related to mill services in over thirty countries; however, since these facilities are on the property of the steel mill being serviced, they are not listed. The Company considers all of its properties, at which operations are currently performed, to be in satisfactory condition.

Management of the Guarantor:

Set forth below are the executive officers (this excludes one corporate officer who is not deemed an "executive officer" within the meaning of applicable Securities and Exchange Commission regulations) of the Company and certain information with respect to each of them. The executive officers were elected to their respective offices on 25 April, 2000, or at various times during the year as noted. All terms expire on 24 April, 2001. There are no family relationships between any of the officers.

| Name | Age | Principal Occupation or Employment |
|------|-----|------------------------------------|
|------|-----|------------------------------------|

Corporate Officers:

|                 |    |   |
|-----------------|----|---|
| D. C. Hathaway  | 55 | Mr. Hathaway has been Chairman and Chief Executive Officer since 1 January, 1998. He served as Chairman, President and Chief Executive Officer from 1 April, 1994 to 31 December, 1997, and President and Chief Executive Officer from 1 January, 1994 to 1 April, 1994. From 1991 to 1993, he served as President and Chief Operating Officer. From 1986 to 1991 he served as Senior Vice President-Operations, as Group Vice President from 1984 to 1986 and as President of the Dartmouth Division of the Company from 1979 until 1984. Mr. Hathaway is President of the Company, following Mr. Campanaro's resignation in July 2000 |
| P. C. Coppock   | 49 | Mr. Coppock has been Senior Vice President, Chief Administrative Officer, General Counsel and Secretary of the Company since January 1, 1994. He served as Vice President, General Counsel and Secretary of the Company from 1 May, 1991 to 31 December, 1993 and was Secretary and Corporate Counsel from 1989 to 1991. Mr. Coppock was also Assistant Secretary and Corporate Counsel from 1986 to 1989, and also served in various Corporate Attorney positions for the Company since 1981.  |
| S. D. Fazzolari | 47 | Mr. Fazzolari has been Senior Vice President, Chief Financial Officer and Treasurer of the Company since 24 August, 1999. He has served as Senior Vice President and Chief Financial Officer from January 1998 to August 1999, Vice President and Controller from January 1994 to December 1997 and as Controller from January 1993 to January 1994. Mr. Fazzolari has previously served as Director of Auditing from 1985 to 1993, and held various auditing positions from 1980 to 1985.  |

- R. W. Kaplan 48 Mr. Kaplan has been Senior Vice President of Operations of the Company since 1 July, 1998. Concurrently he holds the position of President of the Harsco Gas & Fluid Control Group and was President of the Taylor-Wharton Gas Equipment Division from 1 February, 1994 to 16 November, 1999. He has served as Vice President and Treasurer of the Company from January 1992 to February 1994 and as Treasurer of the Company from May 1991 to December 1992. Mr. Kaplan was Vice President and General Manager of the Plant City Steel/Taylor-Wharton Division from 1987 to 1991 and Vice President and Controller of the Division from 1985 to 1987. Previously, he served in various corporate treasury and financial positions since 1979.
- S. J. Schnoor 46 Mr. Schnoor has been Vice President and Controller of the Company since 15 May, 1998. He has been the Vice President and Controller of the Patent Construction Systems Division from February 1996 to May 1998 and Controller of the Patent Construction Systems Division from January 1993 to February 1996. Previously, he served in various auditing positions for the Company from 1988 to 1993.

## SELECTED CONSOLIDATED FINANCIAL DATA OF HARSCO CORPORATION

## Five Year Statistical Summary

(All dollars in thousands, except per share amounts)

|  | 1999       | 1998       | 1997       | 1996       | 1995       |
|--|------------|------------|------------|------------|------------|
| <b>Income Statement Information</b>  |            |            |            |            |            |
| Income Statement Information   | \$         | \$         | \$         | \$         | \$         |
| Net sales  | 1,716,688  | 1,733,458  | 1,627,478  | 1,557,643  | 1,495,466  |
| Income from continuing operations before interest, income taxes, and minority interest | 169,736    | 191,901    | 179,888    | 166,057    | 131,019    |
| Income from continuing operations  | 90,713     | 107,513    | 100,400    | 83,903     | 61,318     |
| Income from discontinued defense business  | --         | --         | 28,424(a)  | 35,106     | 36,059     |
| Gain on disposal of discontinued defense business                                      | --         | --         | 150,008    | --         | --         |
| Net income   | 90,713     | 107,513    | 278,832    | 119,009    | 97,377     |
| <b>Financial Position Information</b>  |            |            |            |            |            |
| Financial Position Information   | \$         | \$         | \$         | \$         | \$         |
| Working capital  | 182,439    | 112,619    | 341,160    | 214,519    | 145,254    |
| Total assets   | 1,659,823  | 1,623,581  | 1,477,188  | 1,324,419  | 1,310,662  |
| Long-term debt   | 418,504    | 309,131    | 198,898    | 227,385    | 179,926    |
| Total debt   | 455,111    | 363,738    | 225,375    | 253,567    | 288,673    |
| Depreciation and amortisation  | 135,853    | 131,381    | 116,539    | 109,399    | 104,863    |
| Capital expenditures   | 175,248    | 159,816    | 143,444    | 150,294    | 113,895    |
| Cash provided by operating activities  | 213,953    | 189,260    | 148,541    | 217,202    | 258,815    |
| Cash provided (used) by investing activities   | (194,674)  | (233,490)  | 196,545    | (153,225)  | (97,331)   |
| Cash (used) by financing activities  | (8,928)    | (134,324)  | (167,249)  | (92,944)   | (128,068)  |
| <b>Ratios</b>  |            |            |            |            |            |
| Return on net sales(1)   | 5.3%       | 6.2%       | 6.2%       | 5.4%       | 4.1%       |
| Return on average equity(2)  | 13.9%      | 14.3%      | 15.1%      | 14.0%      | 10.7%      |
| Return on average assets(3)  | 10.7%      | 12.9%      | 14.3%      | 13.7%      | 10.8%      |
| Current ratio  | 1.4:1      | 1.2:1      | 1.9:1      | 1.7:1      | 1.4:1      |
| Total debt to total capital(4)   | 41.2%      | 34.7%      | 22.4%      | 27.1%      | 31.6%      |
| <b>Per Share Information(b)</b>  |            |            |            |            |            |
| Per Share Information(b)   | \$         | \$         | \$         | \$         | \$         |
| Diluted - Income from continuing operations  | 2.21       | 2.34       | 2.04       | 1.67       | 1.20       |
| - Income from discontinued defense business  | --         | --         | .58(a)     | .70        | .71        |
| - Gain on disposal of discontinued defense business                                    | --         | --         | 3.05       | --         | --         |
| - Net income   | 2.21       | 2.34       | 5.67       | 2.37       | 1.91       |
| Book value   | 16.22      | 16.22      | 16.64      | 13.73      | 12.49      |
| Cash dividends declared  | .91        | .885       | .82        | .77        | .75        |
| <b>Other Information</b>   |            |            |            |            |            |
| Basic average number of shares outstanding(b)  | 40,882,153 | 45,568,256 | 48,754,212 | 49,894,515 | 50,504,707 |
| Diluted average number of shares outstanding(b)  | 41,017,067 | 45,910,531 | 49,191,872 | 50,317,664 | 50,856,929 |
| Number of employees  | 15,700     | 15,300     | 14,600     | 14,200     | 13,200     |
| Backlog(c)   | \$ 231,557 | \$ 188,594 | \$ 225,575 | \$ 211,734 | \$ 157,129 |

(a) Includes income through August 1997 (the measurement date) from the discontinued defense business.

(b) Reflects two-for-one stock split to shareholders of record 15 January, 1997

(c) Excludes the estimated value of long-term mill service contracts, which had an estimated value of \$3.6 billion at 31 December 1999

(1) "Return on net sales" is calculated by dividing income from continuing operations by net sales.

(2) "Return on average equity" is calculated by dividing income from continuing operations by quarterly weighted average equity.

(3) "Return on average assets" is calculated by dividing income from continuing operations before interest expense, income taxes and minority interest by quarterly weighted average assets.

(4) "Total debt to total capital" is calculated by dividing the sum of debt (short-term borrowings and long-term debt including current maturities) by the sum of equity and debt.

## Capitalisation of Harsco Corporation

The following table sets out the consolidated short-term liabilities, long-term liabilities and stockholders' equity of the Guarantor as at 30 September, 2000, adjusted to give effect to the issue of the Notes and the application of the proceeds as described above under "Use of Proceeds", and is derived from the unaudited consolidated financial statements of the Guarantor as at 30 September, 2000. There has been no material change in the capitalisation of the Guarantor since 30 September, 2000 except for the guarantee of this issue of (pound)200,000,000 Guaranteed 7.25 per cent. Notes due 2010.

As at 30 September, 2000  
(in thousands of dollars)

| LIABILITIES  |              |
|--|--------------|
| Current Liabilities:                                   |              |
| Notes payable and current maturities .....             | \$ 63,417    |
| Accounts payable .....                                 | 195,776      |
| Accrued compensation .....                             | 50,366       |
| Income taxes .....                                     | 43,053       |
| Other current liabilities .....                        | 211,767      |
|  | -----        |
| Total current liabilities .....                        | 564,379      |
|  | -----        |
| Long-term debt .....                                   | 824,755      |
| Deferred income taxes .....                            | 95,106       |
| Other liabilities .....                                | 107,337      |
|  | -----        |
| Total liabilities .....                                | 1,591,577    |
|  | -----        |
| SHAREHOLDERS' EQUITY                                   |              |
| Common stock and additional paid-in capital .....      | 172,848      |
| Accumulated other comprehensive income (expense) ..... | (116,894)    |
| Retained earnings .....                                | 1,198,148    |
| Treasury stock .....                                   | (600,028)    |
|  | -----        |
| Total shareholders' equity .....                       | 654,074      |
|  | -----        |
| Total liabilities and shareholders' equity .....       | \$ 2,245,651 |
|  | -----        |

## Selected Financial Information relating to Harsco Corporation

The following tables set out balance sheet and income statement information relating to the Guarantor. Such information is derived from the audited consolidated financial statements of the Guarantor as at and for the years ended 1998 and 1999. Such financial statements, together with the reports of PricewaterhouseCoopers LLP and the accompanying notes, appear elsewhere in this Offering Circular. The financial information presented below should be read in conjunction with such financial statements, reports and the notes thereto.



## CONSOLIDATED BALANCE SHEET

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

| as at December 31  | 1999         | 1998         |
|--|--------------|--------------|
|  | -----        | -----        |
| ASSETS   | \$           | \$           |
| Current Assets   |              |              |
| Cash and cash equivalents .....  | 51,266       | 41,562       |
| Accounts receivable, net .....   | 331,123      | 310,935      |
| Inventories .....  | 172,198      | 175,804      |
| Other current assets .....   | 58,368       | 59,140       |
| TOTAL CURRENT ASSETS .....   | 612,955      | 587,441      |
| Property, plant and equipment, net .....   | 671,546      | 626,194      |
| Cost in excess of net assets of businesses acquired, net   | 258,698      | 273,708      |
| Other assets .....   | 116,624      | 136,238      |
| TOTAL ASSETS .....   | \$ 1,659,823 | \$ 1,623,581 |
| LIABILITIES  |              |              |
| Current Liabilities  |              |              |
| Short-term borrowings .....  | 32,014       | 46,766       |
| Current maturities of long-term debt .....   | 4,593        | 7,841        |
| Accounts payable .....   | 132,394      | 142,681      |
| Accrued compensation .....   | 46,615       | 43,938       |
| Income taxes .....   | 44,154       | 42,908       |
| Dividends payable .....  | 9,417        | 9,506        |
| Other current liabilities .....  | 161,329      | 181,182      |
| TOTAL CURRENT LIABILITIES .....  | 430,516      | 474,822      |
| Long-term debt .....   | 418,504      | 309,131      |
| Deferred income taxes .....  | 52,932       | 55,195       |
| Insurance liabilities .....  | 37,097       | 30,019       |
| Other liabilities .....  | 70,653       | 69,115       |
| TOTAL LIABILITIES .....  | 1,009,702    | 938,282      |
| COMMITMENTS AND CONTINGENCIES  |              |              |
| SHAREHOLDERS' EQUITY   |              |              |
| Preferred stock, Series A junior participating cumulative preferred stock .....  | --           | --           |
| Common stock, par value \$1.25, issued 66,221,544 and 66,075,380 shares as of December 31, 1999 and 1998, respectively ..... | 82,777       | 82,594       |
| Additional paid-in capital .....   | 88,101       | 85,384       |
| Accumulated other comprehensive income (expense) .....   | (80,538)     | (55,045)     |
| Retained earnings .....  | 1,155,586    | 1,101,828    |
| Treasury stock, at cost (26,149,759 and 23,825,458 shares, respectively) .....   | (595,805)    | (529,462)    |
| TOTAL SHAREHOLDERS' EQUITY .....   | 650,121      | 685,299      |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY .....   | \$ 1,659,823 | \$ 1,623,581 |
|  | =====        | =====        |

## CONSOLIDATED STATEMENT OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

| Years Ended December 31  | 1999             | 1998              | 1997              |
|--|------------------|-------------------|-------------------|
| REVENUES   |                  |                   |                   |
| Service sales  | \$ 864,035       | \$ 866,404        | \$ 782,406        |
| Product sales  | 852,653          | 867,054           | 845,072           |
| Other  | 4,123            | 1,936             | 1,643             |
| <b>TOTAL REVENUES</b>  | <b>1,720,811</b> | <b>1,735,394</b>  | <b>1,629,121</b>  |
| COSTS AND EXPENSES   |                  |                   |                   |
| Cost of services sold  | 666,560          | 666,806           | 584,290           |
| Cost of products sold  | 662,972          | 660,536           | 645,044           |
| Selling, general, and administrative expenses  | 207,765          | 213,438           | 211,231           |
| Research and development expenses  | 7,759            | 6,977             | 6,090             |
| Other (income) and expenses  | 6,019            | (4,264)           | 2,578             |
| <b>TOTAL COSTS AND EXPENSES</b>  | <b>1,551,075</b> | <b>1,543,493</b>  | <b>1,449,233</b>  |
| INCOME FROM CONTINUING OPERATIONS BEFORE INTEREST, INCOME TAXES, AND MINORITY INTEREST | 169,736          | 191,901           | 179,888           |
| Interest income  | 4,662            | 8,378             | 8,464             |
| Interest expense   | (26,968)         | (20,504)          | (16,741)          |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST            | 147,430          | 179,775           | 171,611           |
| Provision for income taxes   | 51,599           | 67,361            | 65,213            |
| INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST                             | 95,831           | 112,414           | 106,398           |
| Minority interest in net income  | 5,118            | 4,901             | 5,998             |
| <b>INCOME FROM CONTINUING OPERATIONS</b>   | <b>90,713</b>    | <b>107,513</b>    | <b>100,400</b>    |
| Discontinued operations:   |                  |                   |                   |
| Equity in income of defense business (net of income taxes of \$14,082)                 | --               | --                | 28,424            |
| Gain on disposal of defense business (net of income taxes of \$100,006)                | --               | --                | 150,008           |
| <b>NET INCOME</b>  | <b>\$ 90,713</b> | <b>\$ 107,513</b> | <b>\$ 278,832</b> |
| Basic earnings per common share:   |                  |                   |                   |
| Income from continuing operations  | \$ 2.22          | \$ 2.36           | \$ 2.06           |
| Income from discontinued operations  | --               | --                | .58               |
| Gain on disposal of discontinued operations  | --               | --                | 3.08              |
| <b>BASIC EARNINGS PER COMMON SHARE</b>   | <b>\$ 2.22</b>   | <b>\$ 2.36</b>    | <b>\$ 5.72</b>    |
| Average shares of common stock outstanding   | 40,882           | 45,568            | 48,754            |
| Diluted earnings per common share:   |                  |                   |                   |
| Income from continuing operations  | \$ 2.21          | \$ 2.34           | \$ 2.04           |
| Income from discontinued operations  | --               | --                | .58               |
| Gain on disposal of discontinued operations  | --               | --                | 3.05              |
| <b>DILUTED EARNINGS PER COMMON SHARE</b>   | <b>\$ 2.21</b>   | <b>\$ 2.34</b>    | <b>\$ 5.67</b>    |
| Diluted average shares of common stock outstanding                                     | 41,017           | 45,911            | 49,192            |

## CONSOLIDATED STATEMENT OF CASH FLOWS

(IN THOUSANDS)

| Years Ended December 31  | 1999             | 1998             | 1997             |
|--|------------------|------------------|------------------|
|  | -----            | -----            | -----            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                  |                  |                  |
| Net income .....   | \$ 90,713        | \$ 107,513       | \$ 278,832       |
| Adjustments to reconcile net income to net cash provided by operating activities:      |                  |                  |                  |
| Depreciation .....   | 122,777          | 119,044          | 107,350          |
| Amortization .....   | 13,076           | 12,337           | 9,189            |
| Gain on disposal of defense business .....   | --               | --               | (250,014)        |
| Equity in income of unconsolidated entities .....                                      | (3,004)          | (1,354)          | (43,549)         |
| Dividends or distributions from unconsolidated entities .....                          | 3,369            | 1,494            | 49,142           |
| Deferred income taxes .....  | 193              | 3,893            | (8,175)          |
| Other (income) and expenses .....  | 6,019            | 24,843           | 4,198            |
| Gain on sale of non-defense businesses .....   | --               | (29,107)         | (1,620)          |
| Other, net .....   | 5,205            | 5,260            | (8,192)          |
| Changes in assets and liabilities, net of acquisitions and dispositions of businesses: |                  |                  |                  |
| Accounts receivable .....  | (28,157)         | (15,718)         | (1,812)          |
| Inventories .....  | 15,934           | (24,991)         | (13,042)         |
| Accounts payable .....   | (1,238)          | 8,379            | 4,840            |
| Disbursements related to discontinued defense business .....                           | (14,605)         | (13,642)         | (951)            |
| Other assets and liabilities .....   | 3,671            | (8,691)          | 22,345           |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES(1)</b> .....                              | <b>213,953</b>   | <b>189,260</b>   | <b>148,541</b>   |
|  | -----            | -----            | -----            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                  |                  |                  |
| Purchases of property, plant and equipment .....                                       | (175,248)        | (159,816)        | (143,444)        |
| Purchase of businesses, net of cash acquired* .....                                    | (48,907)         | (158,291)        | (8,508)          |
| Proceeds from sale of businesses .....   | 17,718           | 39,500           | 345,189          |
| Proceeds from sale of property, plant and equipment .....                              | 14,381           | 13,033           | 14,433           |
| Investments available-for-sale:  |                  |                  |                  |
| Purchases .....  | --               | --               | (39,346)         |
| Maturities .....   | --               | 40,000           | --               |
| Investments held-to-maturity:  |                  |                  |                  |
| Purchases .....  | --               | --               | (42,241)         |
| Maturities .....   | --               | 4,010            | 71,469           |
| Other investing activities .....   | (2,618)          | (11,926)         | (1,007)          |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b> .....                          | <b>(194,674)</b> | <b>(233,490)</b> | <b>196,545</b>   |
|  | -----            | -----            | -----            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                  |                  |                  |
| Short-term borrowings, net .....   | (10,546)         | 16,131           | 8,291            |
| Current maturities and long-term debt:   |                  |                  |                  |
| Additions .....  | 214,133          | 172,709          | 61,310           |
| Reductions .....   | (103,410)        | (116,163)        | (88,523)         |
| Cash dividends paid on common stock .....  | (37,022)         | (40,287)         | (39,120)         |
| Common stock issued-options .....  | 2,272            | 3,885            | 5,939            |
| Common stock acquired for treasury .....   | (71,860)         | (169,258)        | (113,161)        |
| Other financing activities .....   | (2,495)          | (1,341)          | (1,985)          |
| <b>NET CASH (USED) BY FINANCING ACTIVITIES</b> .....                                   | <b>(8,928)</b>   | <b>(134,324)</b> | <b>(167,249)</b> |
|  | -----            | -----            | -----            |

## CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(IN THOUSANDS)

| Years Ended December 31                              | 1999        | 1998         | 1997       |
|--|-------------|--------------|------------|
|  | -----       | -----        | -----      |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH              | (647)       | (1,449)      | (2,134)    |
|  | -----       | -----        | -----      |
| Net increase (decrease) in cash and cash equivalents | 9,704       | (180,003)    | 175,703    |
| Cash and cash equivalents at beginning of year ..... | 41,562      | 221,565      | 45,862     |
|  | -----       | -----        | -----      |
| CASH AND CASH EQUIVALENTS AT END OF YEAR .....       | \$ 51,266   | \$ 41,562    | \$ 221,565 |
|  | -----       | -----        | -----      |
| *PURCHASE OF BUSINESSES, NET OF CASH ACQUIRED        |             |              |            |
| Working capital, other than cash .....               | \$ 18,078   | \$ 11,159    | \$ 2,807   |
| Property, plant and equipment .....                  | (36,417)    | (89,182)     | (833)      |
| Other noncurrent assets and liabilities, net .....   | (30,568)    | (80,268)     | (10,482)   |
|  | -----       | -----        | -----      |
| NET CASH USED TO ACQUIRE BUSINESSES .....            | \$ (48,907) | \$ (158,291) | \$ (8,508) |
|  | =====       | =====        | =====      |

-----  
(1) Cash provided by operating activities for 1997 includes approximately \$100 million of income taxes paid related to the gain on the disposal of the defense business, whereas the pre-tax cash proceeds are included under investing activities.

CONSOLIDATED STATEMENT OF  
SHAREHOLDERS' EQUITY  
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

|  | ACCUMULATED OTHER<br>COMPREHENSIVE INCOME (EXPENSE) |                   |                                  |             |  |                      |            |
|--|---|-------------------|----------------------------------|-------------|--|----------------------|------------|
|  | Common<br>Issued                                    | Stock<br>Treasury | Additional<br>paid-in<br>capital | Translation | Net Un-<br>realised<br>Investment<br>Gains<br>(Losses) | Pension<br>Liability | Total      |
| BALANCES, JANUARY 1, 1997 .....  | \$81,823  | \$(238,065)       | \$69,151                         | \$(25,476)  |  | \$ (619)             | \$(26,095) |
| Net income .....   |   |                   |                                  |             |  |                      |            |
| Cash dividends declared, \$.82 per share ....                                  |   |                   |                                  |             |  |                      |            |
| Translation adjustments .....  |   |                   |                                  | (24,201)    |  |                      | (24,201)   |
| Unrealized investment (losses), net of \$18<br>deferred income taxes .....     |   |                   |                                  |             | (28)   |                      | (28)       |
| Pension liability adjustments, net of \$412<br>deferred income taxes .....     |   |                   |                                  |             |  | (650)                | (650)      |
| Acquired during the year, 3,080,642 shares .                                   |   | (125,841)         | 34                               |             |  |                      |            |
| Stock options exercised, 395,885 shares ....                                   | 495   |                   | 9,299                            |             |  |                      |            |
| Restricted stock, net, 57,487 shares .....                                     |   | 1,117             | 846                              |             |  |                      |            |
| Other, 1,048 shares .....  |   | 17                | 30                               |             |  |                      |            |
| BALANCES, DECEMBER 31, 1997 .....  | 82,318  | (362,772)         | 79,360                           | (49,677)    | (28)   | (1,269)              | (50,974)   |
| Net income .....   |   |                   |                                  |             |  |                      |            |
| Cash dividends declared, \$.885 per share ...                                  |   |                   |                                  | (1,714)     |  |                      | (1,714)    |
| Translation adjustments .....  |   |                   |                                  |             |  |                      |            |
| Unrealized investment gains, net of (\$18)<br>deferred income taxes .....      |   |                   |                                  |             | 28   |                      | 28         |
| Pension liability adjustments, net of \$1,544<br>deferred income taxes .....   |   |                   |                                  |             |  | (2,385)              | (2,385)    |
| Acquired during the year, 4,989,483 shares .                                   |   | (168,405)         |                                  |             |  |                      |            |
| Stock options exercised, 221,293 shares ....                                   | 276   |                   | 5,913                            |             |  |                      |            |
| Restricted stock, net, 40,324 shares .....                                     |   | 1,649             | 110                              |             |  |                      |            |
| Other, 1,658 shares .....  |   | 66                | 1                                |             |  |                      |            |
| BALANCES, DECEMBER 31, 1998 .....  | 82,594  | (529,462)         | 85,384                           | (51,391)    | --   | (3,654)              | (55,045)   |
| Net income .....   |   |                   |                                  |             |  |                      |            |
| Cash dividends declared, \$.91 per share ....                                  |   |                   |                                  |             |  |                      |            |
| Translation adjustments .....  |   |                   |                                  | (27,273)    |  |                      | (27,273)   |
| Pension liability adjustments,<br>net of (\$1,277) deferred income taxes ..... |   |                   |                                  |             |  | 1,780                | 1,780      |
| Acquired during the year, 2,326,798 shares .                                   |   | (66,441)          |                                  |             |  |                      |            |
| Stock options exercised, 146,164 shares ....                                   | 183   |                   | 2,740                            |             |  |                      |            |
| Other, 2,497 shares .....  |   | 98                | (23)                             |             |  |                      |            |
| BALANCES, DECEMBER 31, 1999 .....  | \$82,777  | \$(595,805)       | \$88,101                         | \$(78,664)  | --   | \$(1,874)            | \$(80,538) |

|  | Retained<br>Earnings |
|--|----------------------|
| BALANCES, JANUARY 1, 1997 .....  | \$ 794,473           |
| Net income .....   | 278,832              |
| Cash dividends declared, \$.82 per share ....                                | (39,535)             |
| Translation adjustments .....  |                      |
| Unrealized investment (losses), net of \$18<br>deferred income taxes .....   |                      |
| Pension liability adjustments, net of \$412<br>deferred income taxes .....   |                      |
| Acquired during the year, 3,080,642 shares .                                 |                      |
| Stock options exercised, 395,885 shares ....                                 |                      |
| Restricted stock, net, 57,487 shares .....                                   |                      |
| Other, 1,048 shares .....  |                      |
| BALANCES, DECEMBER 31, 1997 .....  | 1,033,770            |
| Net income .....   | 107,513              |
| Cash dividends declared, \$.885 per share ...                                | (39,455)             |
| Translation adjustments .....  |                      |
| Unrealized investment gains, net of (\$18)<br>deferred income taxes .....    |                      |
| Pension liability adjustments, net of \$1,544<br>deferred income taxes ..... |                      |
| Acquired during the year, 4,989,483 shares .                                 |                      |
| Stock options exercised, 221,293 shares ....                                 |                      |
| Restricted stock, net, 40,324 shares .....                                   |                      |
| Other, 1,658 shares .....  |                      |
| BALANCES, DECEMBER 31, 1998 .....  | 1,101,828            |
| Net income .....   | 90,713               |
| Cash dividends declared, \$.91 per share ....                                | (36,955)             |

|  |             |
|--|-------------|
| Translation adjustments .....  |             |
| Pension liability adjustments,<br>net of (\$1,277) deferred income taxes ..... |             |
| Acquired during the year, 2,326,798 shares .                                   |             |
| Stock options exercised, 146,164 shares ....                                   |             |
| Other, 2,497 shares .....  |             |
|  | -----       |
| BALANCES, DECEMBER 31, 1999 .....  | \$1,155,586 |
|  | =====       |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(IN THOUSANDS)

|   | Years Ended December 31 |            |            |
|---|-------------------------|------------|------------|
|   | 1999                    | 1998       | 1997       |
|   | -----                   | -----      | -----      |
| Net Income .....  | \$ 90,713               | \$ 107,513 | \$ 278,832 |
|   | -----                   | -----      | -----      |
| Other comprehensive income (expense):                                       |                         |            |            |
| Foreign currency translation adjustments .....                              | (27,273)                | (1,714)    | (24,201)   |
| Unrealized investment gains (losses), net of deferred<br>income taxes ..... | --                      | 28         | (28)       |
| Pension liability adjustments, net of deferred income taxes                 | 1,780                   | (2,385)    | (650)      |
|   | -----                   | -----      | -----      |
| Other comprehensive income (expense) .....                                  | (25,493)                | (4,071)    | (24,879)   |
|   | -----                   | -----      | -----      |
| Total comprehensive income .....  | \$ 65,220               | \$ 103,442 | \$ 253,953 |
|   | =====                   | =====      | =====      |

The following is a general description of certain tax considerations in The Netherlands and the United States of America relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of The Netherlands and the United States of America of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

#### The Netherlands

##### General

The following is a summary of certain principal Netherlands income tax, corporate income tax and certain estate tax consequences to a beneficial owner that is a non-Netherlands Holder of the purchase, ownership and disposition of a Note. This summary is based on the Corporate Income Tax Act 1969 ("Wet Vennootschapsbelasting 1969"), the Income Tax Act 1964 ("Wet op de Inkomstenbelasting 1964") and the Act on Estate Duties ("Successiewet 1956") all in effect as of the date hereof. Prospective purchasers of the Notes should consult their own tax advisors in determining the Netherlands tax consequences of whatever nature imposed to them of the purchase, ownership and/or disposition of the Notes.

For purposes of this discussion, a holder is a non-Netherlands Holder if the Holder is not:

- (i) an individual resident of the Netherlands for tax purposes;
- (ii) a company or other entity taxable as a company resident of The Netherlands;
- (iii) otherwise subject to Netherlands tax of whatever nature imposed in respect of the Notes.

If a partnership holds Notes, tax treatment of a partner generally will depend upon the type of partnership involved, the status of tax partner and upon the activities. Partners of partnerships holding Notes should consult their tax advisors.

The Issuer has been advised that under the existing laws of The Netherlands:

- (a) payments of principal and interest under the Notes can be made free of withholding or deduction for, or on account of, any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein; and
- (b) A holder of a Note who derives income from a Note or who realises a gain on the disposal or redemption of a Note will not be subject to Netherlands taxation on income or capital unless:
  - (i) such Holder is, or is deemed to be resident in The Netherlands for tax purposes;
  - (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in The Netherlands; or
  - (iii) such Holder has a substantial interest or a deemed substantial interest in the Issuer and such interest does not form part of the assets of an enterprise.

Generally, a holder of a Note will not have a substantial interest if he, his spouse, certain other relatives (including foster children) or certain persons sharing his household, do not hold, alone or together, whether directly or indirectly, the ownership of, or certain other rights over, shares representing 5 per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or rights to acquire shares, whether or not currently issued, that represent 5 per cent or more of the total currently issued and outstanding capital (or the currently issued and outstanding capital of any class of shares) of the Issuer. A deemed substantial interest is present if part of a substantial interest has been disposed of, or is deemed to have been disposed of, on a non-recognition basis. The (prospective) Holder of a Note who is or is deemed to be a resident in The Netherlands for the purpose of any relevant provision or who has



a substantial interest or who is subject to specific rules should consult his own tax advisor at all times in determining any liability to The Netherlands taxation of whatever nature imposed in relation to the purchase, ownership and disposition of the Notes.

- (c) Dutch net wealth tax will not be levied on a holder of a Note unless such holder is an individual and:
- (i) is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
  - (ii) such Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in The Netherlands.
- (d) Dutch gift, estate or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift, or on the death of a Holder, unless:
- (i) the Holder is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
  - (ii) in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands; or
  - (iii) such Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in The Netherlands.
- (e) There is no Dutch registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty, other than court fees and contributions for the registration with the Trade Register of the Chamber of Commerce, payable in The Netherlands in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgement in the courts of The Netherlands) of the Notes or the performance of the Issuer's obligations under the Notes, with the exception of deemed capital contributions and capital tax that may be due from the Issuer on capital contributions made or deemed to be made to the Issuer under the Guarantee.
- (f) There is no Dutch value added tax (VAT) payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes.
- (g) A holder of a Note will not become resident or deemed to be resident, or otherwise subject to taxation in the Netherlands, by reason only of the holding of the Note or the execution, performance and/or enforcement of the Notes.

As of January 1, 2001 the income tax and wealth tax system will change considerably if legislation pending at present in The Netherlands (known as Tax Plan 2001 - Belastingplan 2001) is adopted. A Holder of the Notes should consult his own tax advisor in determining any possible change in tax consequences in respect of any such change.

#### United States of America

##### General

In accordance with prevailing market practices, the Issuer and the Guarantor will treat the Permanent Global Note as the definitive form of the obligations of the Issuer and the Guarantor for United States federal income tax purposes. Based on this treatment, the following is a summary of certain principal United States federal income and certain estate tax consequences to a beneficial owner that is a Non-U.S. Holder (as defined below) of the purchase, ownership and disposition of a Note. This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed U.S. Treasury Regulations (the "Treasury Regulations") promulgated thereunder, published rulings by the U.S. Internal Revenue Service ("IRS"), and administrative and judicial decisions, all in effect as of the date hereof, all of which authorities are subject to change or differing interpretations, possibly with retroactive effect. Neither the Issuer nor the Guarantor has sought (or will seek) a ruling from the IRS relating to the United States federal tax treatment of the Notes and there can be no assurance that the IRS or a reviewing

court would agree with the conclusions set forth below. Prospective purchasers of the Notes should consult their own tax advisors in determining the United States federal, as well as any state, local or foreign, tax consequences to them of the purchase, ownership and disposition of the Notes.

The discussion below is intended to address the general tax consequences of ownership of a Note and does not address taxpayers subject to special circumstances or special tax regimes. A person acquiring a Note should consult a tax adviser as to the tax consequences relating to the purchase, ownership and disposition of a Note. For purposes of this discussion, a holder is a Non-U.S. Holder if the holder is not (i) a citizen or resident of the United States, (ii) a corporation, partnership or other business entity created or organized in or under the laws of the United States or any State or political subdivision thereof; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; (iv) a trust if a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons have the authority to control all of its substantial decisions; or (v) otherwise subject to U.S. federal income tax on a net income basis in respect of the Notes.

Subject to certain exceptions, an individual generally will be a resident of the United States in a given year by reason of (i) being present in the United States for at least 183 days during such year, or (ii) being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year).

#### Treatment of Interest

Under United States federal income tax laws in effect as of the date of this Offering Circular, and subject to the discussion below concerning information reporting and backup withholding, payments of principal and interest on the Notes and Coupons made outside the United States by the Issuer, the Guarantor or any of its paying agents to any Non-U.S. Holder will not be subject to United States federal income tax or withholding tax, provided that the following conditions are met: (1) the holder does not actually or constructively own 10 percent or more of the total combined voting power of all classes of stock of the issuer entitled to vote within the meaning of section 871(h)(3) of the Code and the Treasury Regulations thereunder, (2) the holder is not a controlled foreign corporation that is related to the issuer actually or constructively through stock ownership, and (3) the holder is not a bank receiving interest on an extension of credit made pursuant to a loan entered into in the ordinary course of its trade or business.

#### Proceeds from Sale or other Dispositions of Notes

Under United States federal income tax laws in effect as of the date of this Offering Circular, and subject to the discussion below concerning information reporting and backup withholding, a holder of a Note or Coupon who is a Non-U.S. Holder generally will not be subject to United States federal income tax or withholding tax on any gain or income realized on the sale, exchange or redemption of such Note or Coupon unless (1) such gain or income is effectively connected with the conduct by such holder of a trade or business in the United States or (2) such holder is an individual and is present in the United States for at least 183 days during the year in which the individual disposes of the Note and certain other conditions are satisfied.

#### United States Federal Estate Tax

A Note or Coupon held or beneficially owned by an individual at the time of death who at that time is not a citizen or resident of the United States will not be subject to United States federal estate tax, provided the Non-U.S. Holder is not at the time of death a "10-percent shareholder" (after giving effect to certain constructive ownership rules) of the Guarantor and payments of interest on such Notes would not have been considered effectively connected with a US trade or business.

#### Information Reporting and Backup Withholding

Under certain circumstances, United States federal income tax law requires "information reporting" annually to the IRS and "backup withholding" at a rate of 31% with respect to certain payments.

Information reporting and backup withholding will generally not apply to payments of principal and interest made outside the United States by the Issuer, the Guarantor or any of its paying agents to a Non-U.S. Holder. For these purposes, payment made to an address in the United States or by transfer to an account maintained by the holder in the United States will not be considered made outside the United States. In addition, if interest or principal payments are collected by a foreign office of a custodian, nominee or other agent acting on behalf of a beneficial owner of a Note and such custodian, nominee, other agent or broker is a United States person or is deemed a "U.S. payor" or "U.S. middleman" (as defined below) information reporting would be required with respect to payments made to the Non-U.S. Holder unless, generally, the Holder certifies its status as a Non-U.S. Holder under penalties of perjury or the broker has certain documentary evidence in its files as to the Non-U.S. Holder's foreign status and the broker has no actual knowledge to the contrary.

The payment of the proceeds on the disposition of a Note by a Non-U.S. Holder to or through a non-U.S. office of a non-U.S. broker will not be subject to backup withholding or information reporting unless the non-U.S. broker is deemed a "U.S. payor" or "U.S. middleman". The payment of proceeds on the disposition of a Note by a Non-U.S. Holder to or through a non-U.S. office of a U.S. broker or a "U.S. payor" or "U.S. middleman" generally will be subject to information reporting and backup withholding unless the Holder certifies its status as a Non-U.S. Holder under penalties of perjury or the broker has certain documentary evidence in its files as to the Non-U.S. Holder's foreign status and the broker has no actual knowledge to the contrary. For this purpose, a "U.S. payor" or "U.S. middleman" is: (1) a "controlled foreign corporation" (as defined for U.S. federal income tax purposes); (2) a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment (or for such part of the period that the broker has been in existence) is derived from activities that are effectively connected with the conduct of a U.S. trade or business; or for payments made on or after January 1, 2001, a foreign partnership if, at any time during its tax year, one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a U.S. trade or business.

The U.S. Treasury Department issued final Treasury Regulations relating to withholding, information reporting and backup withholding that unify current certification procedures and forms and clarify reliance standards. These final Regulations generally will be effective with respect to payments made after 31 December, 2000. Prospective purchasers of the Notes should consult their own tax advisors concerning the effect of these Regulations on their purchase, ownership and disposition of the Notes.

## SUBSCRIPTION AND SALE

The Royal Bank of Scotland plc and Chase Manhattan International Limited (the "Lead Managers") and J.P. Morgan Securities Ltd. (together with the Lead Managers, the "Managers") have, in a subscription agreement dated 25 October, 2000 (the "Subscription Agreement") and made between the Issuer, the Guarantor and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe and pay for the Notes at their issue price of 98.463 per cent. of their principal amount less a combined management and underwriting commission of 0.30 per cent. of their principal amount and a selling concession of 0.15 per cent. of their principal amount. The Issuer (failing which, the Guarantor) has also agreed to reimburse the Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986, as amended, and regulations thereunder.

In addition, each of the Managers has represented in the Subscription Agreement, with respect to itself and with respect to any of its affiliates that acquire from it Notes for the purpose of offering and selling such Notes during the restricted period, that it has in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted under U.S. Treasury Regulations section 1.163-5(c) (2) (1) (D) (the "D Rules"); that, if it is a United States person, it is acquiring the Notes for resale in connection with their original issuance; and that it has not offered and will not during the restricted period offer or sell the Notes to a person who is within the United States or its possessions or to a United States person and that it has not delivered and will not deliver within the United States or its possessions Notes in bearer form during the restricted period, except to the extent permitted under the D Rules.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each Manager has further represented and agreed that:

- (a) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to the expiry of the period six months from the Closing Date except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

- (c) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended, or is a person to whom such document may otherwise lawfully be issued or passed on.

In addition, each Manager has further represented and agreed that the Notes have not been offered, made available, sold, delivered, or transferred and will not be offered, made available, sold, delivered, or transferred in The Netherlands, or to Dutch residents as part of their initial distribution or otherwise, either directly or indirectly, other than to companies or persons which or who trade or invest in securities in the conduct of a business or profession in The Netherlands.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or any Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

## GENERAL INFORMATION

1. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 19 October, 2000. The giving of the Guarantee of the Notes has been authorised by a resolution of the Board of Directors of the Guarantor dated 26 September, 2000.
2. Save as disclosed in this Offering Circular, there are no litigation or arbitration proceedings against or affecting the Issuer, the Guarantor, any of their respective subsidiaries or any of their respective assets, nor is the Issuer or the Guarantor aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Notes.
3. Save as disclosed in this Offering Circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer or the Guarantor since 31 December 1999 (in the case of the Guarantor) and its date of incorporation (in the case of the Issuer) that is material in the context of the issue of the Notes.
4. For so long as any of the Notes are outstanding, copies of the following documents may be inspected during normal business hours at the Specified Office of each Paying Agent:
  - (a) the Paying Agency Agreement; and
  - (b) the Trust Deed.
5. For so long as any of the Notes are outstanding, copies of the following documents may be obtained during normal business hours at the Specified Office of each Paying Agent:
  - (a) the audited consolidated financial statements of the Guarantor for the years December 31, 1998 and 1999;
  - (b) the unaudited consolidated financial statements of the Guarantor for the six months ended June 30, 2000; and
  - (c) the latest published unaudited quarterly consolidated interim and audited year-end consolidated financial statements of the Guarantor and audited year-end unconsolidated financial statements of the Issuer. The Issuer does not publish interim financial statements nor consolidated financial statements.

The Guarantor publishes quarterly unaudited consolidated interim financial statements. The Guarantor does not publish unconsolidated financial statements. The Issuer does not publish interim financial statements.
6. In connection with the application for the Notes to be listed on the Luxembourg Stock Exchange, copies of the constitutive documents of the Issuer and the Guarantor (together, in the case of the Issuer, with an English translation thereof) and a legal notice relating to the issue of the Notes will be deposited prior to listing with the Greffier en Chef du Tribunal d'Arrondissement de et a Luxembourg, where they may be inspected and copies obtained upon request.
7. The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0119504776 and the common code is 11950477.

## FINANCIAL STATEMENTS AND AUDITORS' REPORT

## Content

|  |      |
|--|------|
| Auditors' report and consolidated financial statements of the Guarantor as at and for the year ended 31 December 1998 and 31 December 1999 | F-1  |
| Unaudited consolidated financial statements of the Guarantor as at and for the six months ended 30 June 1999 and 30 June 2000              | F-21 |
| Unaudited consolidated financial statements of the Guarantor as at and for the nine months ended 30 September 1999 and 30 September 2000   | F-30 |

## Report of Independent Accountants

To the Shareholders of Harsco Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of shareholders' equity, of comprehensive income and of cash flows present fairly, in all material respects, the financial position of Harsco Corporation and Subsidiary Companies at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
January 27, 2000



(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

| DECEMBER 31  | 1999                   | 1998                   |
|--|------------------------|------------------------|
| <b>ASSETS</b>  |                        |                        |
| <b>CURRENT ASSETS</b>  |                        |                        |
| Cash and cash equivalents  | \$ 51,266              | \$ 41,562              |
| Accounts receivable, net   | 331,123                | 310,935                |
| Inventories  | 172,198                | 175,804                |
| Other current assets   | 58,368                 | 59,140                 |
| <b>TOTAL CURRENT ASSETS</b>  | <b>612,955</b>         | <b>587,441</b>         |
| Property, plant and equipment, net   | 671,546                | 626,194                |
| Cost in excess of net assets of businesses acquired, net   | 258,698                | 273,708                |
| Other assets   | 116,624                | 136,238                |
| <b>TOTAL ASSETS</b>  | <b>\$ 1,659,823</b>    | <b>\$ 1,623,581</b>    |
| <b>LIABILITIES</b>   |                        |                        |
| <b>CURRENT LIABILITIES</b>   |                        |                        |
| Short-term borrowings  | \$ 32,014              | \$ 46,766              |
| Current maturities of long-term debt   | 4,593                  | 7,841                  |
| Accounts payable   | 132,394                | 142,681                |
| Accrued compensation   | 46,615                 | 43,938                 |
| Income taxes   | 44,154                 | 42,908                 |
| Dividends payable  | 9,417                  | 9,506                  |
| Other current liabilities  | 161,329                | 181,182                |
| <b>TOTAL CURRENT LIABILITIES</b>   | <b>430,516</b>         | <b>474,822</b>         |
| Long-term debt   | 418,504                | 309,131                |
| Deferred income taxes  | 52,932                 | 55,195                 |
| Insurance liabilities  | 37,097                 | 30,019                 |
| Other liabilities  | 70,653                 | 69,115                 |
| <b>TOTAL LIABILITIES</b>   | <b>1,009,702</b>       | <b>938,282</b>         |
| <b>COMMITMENTS AND CONTINGENCIES</b>   |                        |                        |
| <b>SHAREHOLDERS' EQUITY</b>  |                        |                        |
| Preferred stock, Series A junior participating cumulative preferred stock  | --                     | --                     |
| Common stock, par value \$1.25, issued 66,221,544 and 66,075,380 shares as of December 31, 1999 and 1998, respectively | 82,777                 | 82,594                 |
| Additional paid-in capital   | 88,101                 | 85,384                 |
| Accumulated other comprehensive income (expense)   | (80,538)               | (55,045)               |
| Retained earnings  | 1,155,586              | 1,101,828              |
| Treasury stock, at cost (26,149,759 and 23,825,458 shares, respectively)   | 1,245,926<br>(595,805) | 1,214,761<br>(529,462) |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  | <b>650,121</b>         | <b>685,299</b>         |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <b>\$ 1,659,823</b>    | <b>\$ 1,623,581</b>    |

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION  
CONSOLIDATED STATEMENT OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)  
YEARS ENDED DECEMBER 31

|  | 1999             | 1998              | 1997              |
|--|------------------|-------------------|-------------------|
| <b>REVENUES</b>  |                  |                   |                   |
| Service sales  | \$ 864,035       | \$ 866,404        | \$ 782,406        |
| Product sales  | 852,653          | 867,054           | 845,072           |
| Other  | 4,123            | 1,936             | 1,643             |
| <b>NET SERVICES AND SALES</b>  | <b>1,720,811</b> | <b>1,735,394</b>  | <b>1,629,121</b>  |
| <b>COSTS AND EXPENSES</b>  |                  |                   |                   |
| Cost of services sold  | 666,560          | 666,806           | 584,290           |
| Cost of products sold  | 662,972          | 660,536           | 645,044           |
| Selling, general, and administrative expenses  | 207,765          | 213,438           | 211,231           |
| Research and development expenses  | 7,759            | 6,977             | 6,090             |
| Other (income) and expenses  | 6,019            | (4,264)           | 2,578             |
| <b>TOTAL COSTS AND EXPENSES</b>  | <b>1,551,075</b> | <b>1,543,493</b>  | <b>1,449,233</b>  |
| <b>INCOME FROM CONTINUING OPERATIONS BEFORE INTEREST, INCOME TAXES AND MINORITY INTEREST</b> |                  |                   |                   |
| Interest income  | 169,736          | 191,901           | 179,888           |
| Interest expense   | 4,662            | 8,378             | 8,464             |
|  | (26,968)         | (20,504)          | (16,741)          |
| <b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST</b>           |                  |                   |                   |
| Provision for income taxes   | 147,430          | 179,775           | 171,611           |
|  | 51,599           | 67,361            | 65,213            |
| <b>INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST</b>                            |                  |                   |                   |
| Minority interest in net income  | 95,831           | 112,414           | 106,398           |
|  | 5,118            | 4,901             | 5,998             |
| <b>INCOME FROM CONTINUING OPERATIONS</b>   | <b>90,713</b>    | <b>107,513</b>    | <b>100,400</b>    |
| <b>Discontinued operations:</b>  |                  |                   |                   |
| Equity in income of defense business (net of income taxes of \$14,082)                       | --               | --                | 28,424            |
| Gain on disposal of defense business (net of income taxes of \$100,006)                      | --               | --                | 150,008           |
| <b>NET INCOME</b>  | <b>\$ 90,713</b> | <b>\$ 107,513</b> | <b>\$ 278,832</b> |
| <b>Basic earnings per common share:</b>  |                  |                   |                   |
| Income from continuing operations  | \$ 2.22          | \$ 2.36           | \$ 2.06           |
| Income from discontinued operations  | --               | --                | .58               |
| Gain on disposal of discontinued operations  | --               | --                | 3.08              |
| <b>BASIC EARNINGS PER COMMON SHARE</b>   | <b>\$ 2.22</b>   | <b>\$ 2.36</b>    | <b>\$ 5.72</b>    |
| Average shares of common stock outstanding   | 40,882           | 45,568            | 48,754            |
| <b>Diluted earnings per common share:</b>  |                  |                   |                   |
| Income from continuing operations  | \$ 2.21          | \$ 2.34           | \$ 2.04           |
| Income from discontinued operations  | --               | --                | .58               |
| Gain on disposal of discontinued operations  | --               | --                | 3.05              |
| <b>DILUTED EARNINGS PER COMMON SHARE</b>   | <b>\$ 2.21</b>   | <b>\$ 2.34</b>    | <b>\$ 5.67</b>    |
| Diluted average shares of common stock outstanding   | 41,017           | 45,911            | 49,192            |

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION  
CONSOLIDATED STATEMENT OF CASH FLOWS

(IN THOUSANDS)

YEARS ENDED DECEMBER 31

|  | 1999               | 1998               | 1997              |
|--|--------------------|--------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                    |                    |                   |
| Net income   | \$ 90,713          | \$ 107,513         | \$ 278,832        |
| Adjustments to reconcile net income to net cash provided by operating activities:      |                    |                    |                   |
| Depreciation   | 122,777            | 119,044            | 107,350           |
| Amortization   | 13,076             | 12,337             | 9,189             |
| Gain on disposal of defense business   | --                 | --                 | (250,014)         |
| Equity in income of unconsolidated entities  | (3,004)            | (1,354)            | (43,549)          |
| Dividends or distributions from unconsolidated entities                                | 3,369              | 1,494              | 49,142            |
| Deferred income taxes  | 193                | 3,893              | (8,175)           |
| Other (income) and expenses  | 6,019              | 24,843             | 4,198             |
| Gain on sale of non-defense businesses   | --                 | (29,107)           | (1,620)           |
| Other, net   | 5,205              | 5,260              | (8,192)           |
| Changes in assets and liabilities, net of acquisitions and dispositions of businesses: |                    |                    |                   |
| Accounts receivable  | (28,157)           | (15,718)           | (1,812)           |
| Inventories  | 15,934             | (24,991)           | (13,042)          |
| Accounts payable   | (1,238)            | 8,379              | 4,840             |
| Disbursements related to discontinued defense business                                 | (14,605)           | (13,642)           | (951)             |
| Other assets and liabilities   | 3,671              | (8,691)            | 22,345            |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES(1)</b>                                    | <b>213,953</b>     | <b>189,260</b>     | <b>148,541</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                    |                    |                   |
| Purchases of property, plant and equipment   | (175,248)          | (159,816)          | (143,444)         |
| Purchase of businesses, net of cash acquired*  | (48,907)           | (158,291)          | (8,508)           |
| Proceeds from sale of businesses   | 17,718             | 39,500             | 345,189           |
| Proceeds from sale of property, plant and equipment                                    | 14,381             | 13,033             | 14,433            |
| Investments available-for-sale: Purchases  | --                 | --                 | (39,346)          |
| Maturities   | --                 | 40,000             | --                |
| Investments held-to-maturity: Purchases  | --                 | --                 | (42,241)          |
| Maturities   | --                 | 4,010              | 71,469            |
| Other investing activities   | (2,618)            | (11,926)           | (1,007)           |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>                                | <b>(194,674)</b>   | <b>(233,490)</b>   | <b>196,545</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                    |                    |                   |
| Short-term borrowings, net   | (10,546)           | 16,131             | 8,291             |
| Current maturities and long-term debt: Additions                                       | 214,133            | 172,709            | 61,310            |
| Reductions   | (103,410)          | (116,163)          | (88,523)          |
| Cash dividends paid on common stock  | (37,022)           | (40,287)           | (39,120)          |
| Common stock issued-options  | 2,272              | 3,885              | 5,939             |
| Common stock acquired for treasury   | (71,860)           | (169,258)          | (113,161)         |
| Other financing activities   | (2,495)            | (1,341)            | (1,985)           |
| <b>NET CASH (USED) BY FINANCING ACTIVITIES</b>   | <b>(8,928)</b>     | <b>(134,324)</b>   | <b>(167,249)</b>  |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>   | <b>(647)</b>       | <b>(1,449)</b>     | <b>(2,134)</b>    |
| Net increase (decrease) in cash and cash equivalents                                   | 9,704              | (180,003)          | 175,703           |
| Cash and cash equivalents at beginning of year   | 41,562             | 221,565            | 45,862            |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b>\$ 51,266</b>   | <b>\$ 41,562</b>   | <b>\$ 221,565</b> |
| <b>*PURCHASE OF BUSINESSES, NET OF CASH ACQUIRED</b>                                   |                    |                    |                   |
| Working capital, other than cash   | \$ 18,078          | \$ 11,159          | \$ 2,807          |
| Property, plant and equipment  | (36,417)           | (89,182)           | (833)             |
| Other noncurrent assets and liabilities, net   | (30,568)           | (80,268)           | (10,482)          |
| <b>NET CASH USED TO ACQUIRE BUSINESSES</b>   | <b>\$ (48,907)</b> | <b>\$(158,291)</b> | <b>\$ (8,508)</b> |

(1) Cash provided by operating activities for 1997 includes approximately \$100 million of income taxes paid related to the gain on the disposal of the defense business, whereas the pre-tax cash proceeds are included under investing activities.

See accompanying notes to consolidated financial statements.

50  
HARSCO CORPORATION  
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

| (IN THOUSANDS, EXCEPT SHARE AMOUNTS)                                     | COMMON STOCK       |              | ADDITIONAL<br>PAID-IN<br>CAPITAL |
|--|--------------------|--------------|----------------------------------|
|  | ISSUED<br>EARNINGS | TREASURY     |                                  |
| BALANCES, JANUARY 1, 1997  | \$ 81,823          | \$ (238,065) | \$ 69,151                        |
| Net income   |                    |              |                                  |
| Cash dividends declared, \$.82 per share                                 |                    |              |                                  |
| Translation adjustments  |                    |              |                                  |
| Unrealized investment (losses), net of<br>\$18 deferred income taxes     |                    |              |                                  |
| Pension liability adjustments, net of<br>\$412 deferred income taxes     |                    |              |                                  |
| Acquired during the year, 3,080,642 shares                               |                    | (125,841)    | 34                               |
| Stock options exercised, 395,885 shares                                  | 495                |              | 9,299                            |
| Restricted stock, net, 57,487 shares                                     |                    | 1,117        | 846                              |
| Other, 1,048 shares  |                    | 17           | 30                               |
| BALANCES, DECEMBER 31, 1997  | 82,318             | (362,772)    | 79,360                           |
| Net income   |                    |              |                                  |
| Cash dividends declared, \$.885 per share                                |                    |              |                                  |
| Translation adjustments  |                    |              |                                  |
| Unrealized investment gains, net of<br>(\$18) deferred income taxes      |                    |              |                                  |
| Pension liability adjustments, net of<br>\$1,544 deferred income taxes   |                    |              |                                  |
| Acquired during the year, 4,989,483 shares                               |                    | (168,405)    |                                  |
| Stock options exercised, 221,293 shares                                  | 276                |              | 5,913                            |
| Restricted stock, net, 40,324 shares                                     |                    | 1,649        | 110                              |
| Other, 1,658 shares  |                    | 66           | 1                                |
| BALANCES, DECEMBER 31, 1998  | 82,594             | (529,462)    | 85,384                           |
| Net income   |                    |              |                                  |
| Cash dividends declared, \$.91 per share                                 |                    |              |                                  |
| Translation adjustments  |                    |              |                                  |
| Pension liability adjustments, net of<br>(\$1,277) deferred income taxes |                    |              |                                  |
| Acquired during the year, 2,326,798 shares                               |                    | (66,441)     |                                  |
| Stock options exercised, 146,164 shares                                  | 183                |              | 2,740                            |
| Other, 2,497 shares  |                    | 98           | (23)                             |
| BALANCES, DECEMBER 31, 1999  | \$ 82,777          | \$ (595,805) | \$ 88,101                        |

| (IN THOUSANDS, EXCEPT SHARE AMOUNTS)                                   | ACCUMULATED OTHER<br>COMPREHENSIVE INCOME (EXPENSE) |  |                      |             |                      |
|--|---|--|----------------------|-------------|----------------------|
|  | TRANSLATION   | NET<br>UNREALIZED<br>INVESTMENT<br>GAINS<br>(LOSSES) | PENSION<br>LIABILITY | TOTAL       | RETAINED<br>EARNINGS |
| BALANCES, JANUARY 1, 1997  | \$ (25,476)   | \$ --  | \$ (619)             | \$ (26,095) | \$ 794,473           |
| Net income   |   |  |                      |             | 278,832              |
| Cash dividends declared, \$.82 per share                               |   |  |                      |             | (39,535)             |
| Translation adjustments  | (24,201)  |  |                      | (24,201)    |                      |
| Unrealized investment (losses), net of<br>\$18 deferred income taxes   |   | (28)   |                      | (28)        |                      |
| Pension liability adjustments, net of<br>\$412 deferred income taxes   |   |  | (650)                | (650)       |                      |
| Acquired during the year, 3,080,642 shares                             |   |  |                      |             |                      |
| Stock options exercised, 395,885 shares                                |   |  |                      |             |                      |
| Restricted stock, net, 57,487 shares                                   |   |  |                      |             |                      |
| Other, 1,048 shares  |   |  |                      |             |                      |
| BALANCES, DECEMBER 31, 1997  | (49,677)  | (28)   | (1,269)              | (50,974)    | 1,033,770            |
| Net income   |   |  |                      |             | 107,513              |
| Cash dividends declared, \$.885 per share                              |   |  |                      |             | (39,455)             |
| Translation adjustments  | (1,714)   |  |                      | (1,714)     |                      |
| Unrealized investment gains, net of<br>(\$18) deferred income taxes    |   | 28   |                      | 28          |                      |
| Pension liability adjustments, net of<br>\$1,544 deferred income taxes |   |  | (2,385)              | (2,385)     |                      |
| Acquired during the year, 4,989,483 shares                             |   |  |                      |             |                      |
| Stock options exercised, 221,293 shares                                |   |  |                      |             |                      |
| Restricted stock, net, 40,324 shares                                   |   |  |                      |             |                      |
| Other, 1,658 shares  |   |  |                      |             |                      |
| BALANCES, DECEMBER 31, 1998  | (51,391)  | --   | (3,654)              | (55,045)    | 1,101,828            |
| Net income   |   |  |                      |             | 90,713               |
| Cash dividends declared, \$.91 per share                               |   |  |                      |             | (36,955)             |

|   |             |       |            |                        |
|---|-------------|-------|------------|------------------------|
| Translation adjustments   | (27,273)    |       | (27,273)   |                        |
| Pension liability adjustments, net of (\$1,277) deferred income taxes |             | 1,780 | 1,780      |                        |
| Acquired during the year, 2,326,798 shares                            |             |       |            |                        |
| Stock options exercised, 146,164 shares                               |             |       |            |                        |
| Other, 2,497 shares   |             |       |            |                        |
| -----   |             |       |            |                        |
| BALANCES, DECEMBER 31, 1999   | \$ (78,664) | \$ -- | \$ (1,874) | \$(80,538) \$1,155,586 |
| =====   |             |       |            |                        |

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (IN THOUSANDS)<br>YEARS ENDED DECEMBER 31                          | 1999      | 1998       | 1997       |
|--|-----------|------------|------------|
| -----  |           |            |            |
| Net Income   | \$ 90,713 | \$ 107,513 | \$ 278,832 |
| -----  |           |            |            |
| Other comprehensive income (expense):                              |           |            |            |
| Foreign currency translation adjustments                           | (27,273)  | (1,714)    | (24,201)   |
| Unrealized investment gains (losses), net of deferred income taxes | --        | 28         | (28)       |
| Pension liability adjustments, net of deferred income taxes        | 1,780     | (2,385)    | (650)      |
| -----  |           |            |            |
| Other comprehensive income (expense)                               | (25,493)  | (4,071)    | (24,879)   |
| -----  |           |            |            |
| Total comprehensive income   | \$ 65,220 | \$ 103,442 | \$ 253,953 |
| =====  |           |            |            |

See accompanying notes to consolidated financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## CONSOLIDATION

The consolidated financial statements include the accounts of Harsco Corporation and its majority-owned subsidiaries ("Company"). Investments in unconsolidated entities (all of which are 20-50% owned) are accounted for under the equity method.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments which are highly liquid in nature and have an original maturity of three months or less.

## INVENTORIES

Inventories are stated at the lower of cost or market. Inventories in the United States are accounted for using principally the last-in, first-out (LIFO) method. Other inventories are accounted for using the first-in, first-out (FIFO) or average cost methods.

## DEPRECIATION

Property, plant and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using principally the straight-line method. When property is retired from service, generally the cost of the retirement is charged to the allowance for depreciation to the extent of the accumulated depreciation, and the balance is charged to income. Long-lived assets to be disposed are not depreciated while they are held for disposal.

## INTANGIBLE ASSETS

Intangible assets consist principally of cost in excess of net assets of businesses acquired, which is amortized on a straight line basis over a period not to exceed 30 years. Accumulated amortization was \$74.9 and \$58.6 million at December 31, 1999 and 1998, respectively.

## IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, including cost in excess of net assets of businesses acquired and other intangible assets, used in the Company's operations are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. The Company's policy is to record an impairment loss when it is determined that the carrying amount of the asset exceeds the sum of the expected undiscounted future cash flows resulting from use of the asset and its eventual disposition. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed are reported at the lower of the carrying amount or fair value less cost to sell.

## REVENUE RECOGNITION

Revenue is recognized for product sales generally when title and risk of loss transfer. Service sales are recognized over the contractual period or as services are performed.

## INCOME TAXES

United States federal and state income taxes and non-U.S. income taxes are provided currently on the undistributed earnings of international subsidiaries and unconsolidated affiliated entities, giving recognition to current tax rates and applicable foreign tax credits, except when management has specific plans for reinvestment of undistributed earnings which will result in the indefinite postponement of their remittance. Deferred taxes are provided using the asset and liability method for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

## ACCRUED INSURANCE AND LOSS RESERVES

The Company retains a significant portion of the risk for workers' compensation, automobile, general, and product liability losses. Reserves have been recorded which reflect the undiscounted estimated liabilities including claims incurred but not reported. Changes in the estimates of the reserves are included in net income in the period determined. Amounts estimated to be paid within one year have been classified as Other current liabilities, with the remainder included in Insurance liabilities.

## FOREIGN CURRENCY TRANSLATION

The financial statements of the Company's subsidiaries outside the United States, except for those subsidiaries located in highly inflationary economies, are principally measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rates as of the balance sheet date. Resulting translation adjustments are recorded in the cumulative translation adjustment, a separate component of Other comprehensive income (expense). Income and expense items are translated at average monthly exchange rates. Gains and losses from foreign currency transactions are included in net income. For subsidiaries operating in highly inflationary economies, gains and losses on foreign currency transactions and balance sheet translation adjustments are included in net income.

Effective January 1997, the Company's operations in Mexico were accounted for as a highly inflationary economy since the three-year cumulative rate of inflation at December 31, 1996 exceeded 100%. The functional currency for the Company's operations in Mexico was the U.S. dollar for 1997 and 1998. Effective January 1999, the three-year cumulative rate of inflation fell below 100%. As of January 1, 1999, the Company measures the financial statements of its Mexican entities using the Mexican new peso as the functional currency.

Effective January 1998, the Company's operations in Brazil were no longer accounted for as a highly inflationary economy, because the three-year cumulative rate of inflation fell below 100%. The Company measures the financial statements of its Brazilian entities using the Brazilian real as the functional currency.

**FINANCIAL INSTRUMENTS AND HEDGING**

The Company has subsidiaries principally operating in North America, South America, Europe, and Asia-Pacific. These operations are exposed to fluctuations in related foreign currencies in the normal course of business. The Company seeks to reduce exposure to foreign currency fluctuations, through the use of forward exchange contracts. The Company does not hold or issue financial instruments for trading purposes, and it is the Company's policy to prohibit the use of derivatives for speculative purposes. The Company has a Foreign Currency Risk Management Committee that meets periodically to monitor foreign currency risks.

The Company executes forward foreign exchange contracts to hedge transactions of its non-U.S. subsidiaries for firm purchase commitments and for export sales denominated in foreign currencies. These contracts generally are for 90 to 180 days or less. For those contracts that hedge an identifiable transaction, gains or losses are deferred and accounted for as part of the underlying transaction. The cash flows from these contracts are classified consistent with the cash flows from the transaction being hedged. The Company also enters into forward foreign exchange contracts for intercompany foreign currency commitments. These foreign exchange contracts do not qualify as hedges. Therefore, gains and losses are recognized in income based on fair market value.

**OPTIONS FOR COMMON STOCK**

The Company uses the intrinsic value based method to account for options granted for the purchase of common stock. No compensation expense is recognized on the grant date, since at that date, the option price equals the market price of the underlying common stock. The Company discloses the pro-forma effect of accounting for stock options under the fair value method.

**EARNINGS PER SHARE**

Basic earnings per share is calculated using the average shares of common stock outstanding, while diluted earnings per share reflects the potential dilution that could occur if stock options were exercised.

**USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS**

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

**RECLASSIFICATIONS**

Certain reclassifications have been made to prior years' amounts to conform with current year classifications.



## NEW FINANCIAL ACCOUNTING STANDARDS NOT YET ADOPTED

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), with an amended effective date for fiscal years beginning after June 15, 2000. SFAS 133 requires that an entity recognize on its balance sheet all derivative instruments as either assets or liabilities at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or Other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction, and, if it is, the type of hedge transaction. The Company will adopt SFAS 133 as of January 1, 2001. Due to the Company's limited use of derivative instruments, SFAS 133 is not expected to have a material effect on the financial position or results of operations of the Company.

## 2. DISCONTINUED DEFENSE BUSINESS

On August 25, 1997, the Company and FMC Corporation signed an agreement to sell United Defense, L.P. for \$850 million, and the sale was completed on October 6, 1997. Prior to the sale, FMC had been the managing general partner and 60% owner of United Defense, L.P., while the Company owned the balance of 40% as the limited partner. United Defense supplies ground combat and naval weapons systems for the U.S. and military customers worldwide.

On the Consolidated Statement of Income under Discontinued Operations, "Equity in income of defense business" includes equity income through August 1997 (the measurement date) from the Company's 40% interest in United Defense, L.P. The sale resulted in pre-tax cash proceeds to the Company in 1997 of \$344 million and resulted in an after tax gain on the sale of \$150 million or \$3.08 per share after taking into account certain retained liabilities from the partnership and estimated post-closing net worth adjustments, as well as pre-partnership formation contingencies and other defense business contingencies.

On the Consolidated Statement of Cash Flows for 1997, equity in income of the defense business and distributions from the defense business through the measurement date are included in "Equity in income of unconsolidated entities" and "Dividends or distributions from unconsolidated entities", respectively. Disbursements related to the discontinued defense business, principally legal fees and settlements, are shown separately on the Consolidated Statement of Cash Flows for 1997, 1998, and 1999.

## 3. ACQUISITIONS AND DISPOSITIONS

## ACQUISITIONS

In October 1999, the Company acquired Charter plc's Pandrol Jackson railway track maintenance business. The transaction was completed for approximately \$48 million in cash plus assumption of liabilities, for a total consideration of approximately \$65 million. Pandrol Jackson manufactures and markets worldwide a wide range of equipment and services used in railway track maintenance. In December 1999, the Company completed the sale of the railway switch, crossing and transit grinding business obtained as part of the Pandrol Jackson railway maintenance acquisition. This business with annual sales of approximately \$6 million was divested in accordance with an agreement with the Department of Justice as a condition to the acquisition of Pandrol Jackson.

In July 1999, the Company acquired certain assets and assumed certain liabilities of Structural Accessories, Inc. The total consideration was approximately \$2 million. Structural Accessories, Inc. manufactures and sells bridge bearings and expansion joints.

In February 1999, the Company acquired certain assets and assumed certain liabilities of Natural Gas Vehicle Systems, Inc. Total consideration was approximately \$3 million. Natural Gas Vehicle Systems, Inc. manufactures cylinders used in vehicles which use natural gas.

In October 1998, the Company acquired Superior Valve Company from Amcast Industrial Corporation. Superior Valve designs, manufactures, and sells high pressure, precision valves for a range of commercial and industrial applications.

In June 1998, the Company acquired Chemi-Trol Chemical Co. for approximately \$46 million. Chemi-Trol's principal business is the production and distribution of steel pressure tanks for the storage of propane gas and anhydrous ammonia.

In April 1998, the Company acquired Faber Prest Plc for approximately \$98 million. Faber Prest is a UK-based provider of mill services to worldwide steel producers and integrated logistics services to the steel industry and other market sectors.

In February 1998, the Company acquired EFI Corporation (EFIC) from Racal Electronics Plc for approximately \$7.2 million. EFIC produces lightweight composite cylinders used extensively in firefighter breathing apparatus as well as other industrial and commercial applications.

All acquisitions have been accounted for using the purchase method of accounting with cost in excess of net assets of businesses acquired totaling \$9.4 million in 1999 and \$94.6 million in 1998. Results of operations are included in income since the dates of acquisition.

## 3. ACQUISITIONS AND DISPOSITIONS (CONTINUED)

The following unaudited pro-forma consolidated net sales, net income, and earnings per share data are presented as if the above businesses had been acquired at the beginning of the periods presented.

(IN MILLIONS, EXCEPT PER SHARE DATA)

| PRO-FORMA INFORMATION FOR YEARS ENDED DECEMBER 31 | 1999     | 1998     |
|---|----------|----------|
| Net sales   | \$ 1,767 | \$ 1,929 |
| Net income  | 90       | 97       |
| Basic earnings per share                          | 2.20     | 2.13     |
| Diluted earnings per share                        | 2.19     | 2.12     |

The unaudited pro-forma information is not necessarily indicative of the results of operations that would have occurred had the purchases been made at the beginning of the periods presented, or of the future results of the combined operations.

The pro-forma information includes the actual results of the acquired businesses prior to the acquisition dates. These results do not reflect the effect of reorganization actions, synergies, cost reductions and other benefits resulting from the combinations. Additionally, the pro-forma information reflects amortization of the cost in excess of net assets acquired and interest expense on assumed borrowings for acquisitions for the full periods presented.

## DISPOSITIONS

In October 1998, the Company completed the sale of Nutter Engineering to the Sulzer Chemtech division of Swiss-based Sulzer Technology Corporation. Nutter had sales of approximately \$25 million and \$24 million in 1998 and 1997, respectively.

The sale of HydroServ SAS was completed in December 1998. The Company completed the sales of Astralloy Wear Technology in March 1999; the pavement marking and vegetation control business of Chemi-Trol in August 1999; and the Manchester truck dealership in September 1999. Additionally, the Company plans to dispose of its investments in Bio-Oxidation Services Inc., Guinness Wharf Limited and Flixborough Wharf Limited.

## 4. ACCOUNTS RECEIVABLE AND INVENTORIES

Accounts receivable are net of an allowance for doubtful accounts of \$13.3 million and \$13.6 million at December 31, 1999 and 1998, respectively.

Inventories consist of:

(IN THOUSANDS)

|                                    | 1999       | 1998       |
|------------------------------------|------------|------------|
| Finished goods                     | \$ 37,715  | \$ 45,259  |
| Work-in-process                    | 37,198     | 36,060     |
| Raw materials and purchased parts  | 76,911     | 71,576     |
| Stores and supplies                | 20,374     | 22,909     |
|                                    | \$ 172,198 | \$ 175,804 |
| Valued at lower of cost or market: |            |            |
| LIFO basis                         | \$ 132,366 | \$ 129,708 |
| FIFO basis                         | 16,483     | 28,473     |
| Average cost basis                 | 23,349     | 17,623     |
|                                    | \$ 172,198 | \$ 175,804 |

Inventories valued on the LIFO basis at December 31, 1999 and 1998 were approximately \$28.4 million and \$32.5 million, respectively, less than the amounts of such inventories valued at current costs.

As a result of reducing certain inventory quantities valued on the LIFO basis, net income increased from that which would have been recorded under the FIFO basis of valuation, by \$1.1 million, \$0.2 million and \$0.1 million in 1999, 1998, and 1997, respectively.

## 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of:

| (IN THOUSANDS)                | 1999       | 1998       |
|-------------------------------|------------|------------|
| Land and improvements         | \$ 28,847  | \$ 31,048  |
| Buildings and improvements    | 147,742    | 147,291    |
| Machinery and equipment       | 1,243,437  | 1,196,223  |
| Uncompleted construction      | 79,797     | 63,540     |
|                               | 1,499,823  | 1,438,102  |
| Less accumulated depreciation | 828,277    | 811,908    |
|                               | \$ 671,546 | \$ 626,194 |

The estimated useful lives of different types of assets are generally:

|   |                |
|---|----------------|
| Land improvements   | 10 years       |
| Buildings and improvements  | 10 to 50 years |
| Certain plant, buildings and installations<br>(Principally Mill Services Segment) | 3 to 15 years  |
| Machinery and equipment   | 3 to 20 years  |

## 6. DEBT AND CREDIT AGREEMENTS

The Company has a \$400 million Five-Year Competitive Advance and Revolving Credit Facility ("credit facility") maturing in July 2001. Borrowings under this agreement are available in U.S. dollars or Eurocurrencies and the credit facility serves as back-up to the Company's U.S. commercial paper program. Interest rates are either negotiated, based upon the U.S. federal funds interbank market, prime, or based upon the London Interbank Offered Rate (LIBOR) plus a margin. The Company pays a facility fee (0.08% per annum as of December 31, 1999) that varies based upon its credit ratings. At December 31, 1999 and 1998, there were no borrowings outstanding.

The Company can also issue up to \$400 million of short-term notes in the U.S. commercial paper market. In addition, the Company has a three billion Belgian franc commercial paper program (approximately U.S. \$75 million at December 31, 1999) which is used to fund the Company's international operations. The Company limits the aggregate commercial paper and credit facility borrowings at any one time to a maximum of \$400 million. Commercial paper interest rates, which are based on market conditions, have been lower than on comparable borrowings under the credit facility. At December 31, 1999 and 1998, \$233.7 million and \$108.8 million of commercial paper was outstanding, respectively. Commercial paper is classified as long-term debt at December 31, 1999 and 1998, because the Company has the ability and intent to refinance it on a long-term basis through existing long-term credit facilities.

Short-term debt amounted to \$32.0 million and \$46.8 million at December 31, 1999 and 1998, respectively. The weighted average interest rate for short-term borrowings at December 31, 1999 and 1998 was 4.6% and 7.9%, respectively.

## 6. DEBT AND CREDIT AGREEMENTS (CONTINUED)

Long-term debt consists of:

| (IN THOUSANDS)   | 1999       | 1998       |
|--|------------|------------|
| 6.0% notes due September 15, 2003  | \$ 150,000 | \$ 150,000 |
| Commercial paper borrowings, with a weighted average interest rate of 5.8% as of December 31, 1999   | 233,746    | 108,784    |
| Faber Prest loan notes due October 31, 2008 with interest based on Sterling LIBOR minus .75% (5.4% at December 31, 1999)                         | 16,285     | 19,222     |
| Industrial development bonds, payable in varying amounts from 2001 to 2005 with a weighted average interest rate of 6.4% as of December 31, 1999 | 11,400     | 11,400     |
| Other financing payable in varying amounts to 2005 with a weighted average interest rate of 7.3% as of December 31, 1999                         | 11,666     | 27,566     |
|  | 423,097    | 316,972    |
| Less current maturities  | 4,593      | 7,841      |
|  | \$ 418,504 | \$ 309,131 |

The credit facility and certain notes payable agreements contain covenants restricting, among other things, the amount of debt as defined in the agreement that can be issued. At December 31, 1999, the Company was in compliance with these covenants.

The maturities of long-term debt for the four years following December 31, 2000, are:

| (IN THOUSANDS) |            |      |            |
|----------------|------------|------|------------|
| 2001           | \$ 242,927 | 2003 | \$ 150,967 |
| 2002           | \$ 2,049   | 2004 | \$ 4,778   |

Cash payments for interest on all debt were (in millions) \$25.0, \$20.0, and \$16.3 in 1999, 1998 and 1997, respectively. Capitalized interest was \$893 thousand, \$10 thousand, and zero in 1999, 1998, and 1997, respectively.

The Company has on file with the Securities and Exchange Commission, a Form S-3 shelf registration for the possible issuance of up to an additional \$200 million of new debt securities, preferred stock, or common stock.

## 7. LEASES

The Company leases certain property and equipment under noncancelable operating leases. Rental expense under such operating leases was (in millions) \$16.9, \$17.6, and \$13.5 in 1999, 1998 and 1997, respectively.

Future minimum payments under operating leases with noncancelable terms are:

(IN THOUSANDS)

|            |          |
|------------|----------|
| 2000       | \$15,703 |
| 2001       | 12,534   |
| 2002       | 9,399    |
| 2003       | 7,268    |
| 2004       | 13,309   |
| After 2004 | 16,598   |



## 8. EMPLOYEE BENEFIT PLANS

## PENSION BENEFITS

The Company has pension and profit sharing retirement plans, most of which are noncontributory, covering substantially all of its employees. The benefits for salaried employees generally are based on years of service and the employee's level of compensation during specified periods of employment. Plans covering hourly employees generally provide benefits of stated amounts for each year of service. The multi-employer plans in which the Company participates provide benefits to certain unionized employees. The Company's funding policy for qualified plans is consistent with statutory regulations and customarily equals the amount deducted for income tax purposes. The Company's policy is to amortize prior service costs over the average future service period of active plan participants.

| (IN THOUSANDS)                   | 1999      | 1998      | 1997       |
|----------------------------------|-----------|-----------|------------|
| -----                            |           |           |            |
| PENSION EXPENSE                  |           |           |            |
| Defined benefit plans:           |           |           |            |
| Service cost                     | \$ 15,882 | \$ 13,785 | \$ 9,519   |
| Interest cost                    | 23,048    | 21,367    | 15,129     |
| Expected return on plan assets   | (36,848)  | (39,859)  | (27,604)   |
| Recognized prior service costs   | 2,052     | 1,307     | 1,368      |
| Recognized (gains) or losses     | 278       | (4,034)   | (3,517)    |
| Amortization of transition asset | (2,447)   | (2,453)   | (2,457)    |
| Curtailment (gains) or losses    | --        | 542       | (5,468)    |
| -----                            |           |           |            |
|                                  | 1,965     | (9,345)   | (13,030)   |
| Multi-employer plans             | 4,922     | 4,054     | 4,457      |
| Defined contribution plans       | 4,466     | 6,043     | 4,131      |
| -----                            |           |           |            |
| Pension (income) expense         | \$ 11,353 | \$ 752    | \$ (4,442) |
| =====                            |           |           |            |

In 1997, the curtailment gain of \$5.5 million was the result of a sizable reduction in the number of employees under a plan related to a discontinued facility. This gain, along with certain costs, was recorded under Other (income) and expenses in the Consolidated Statement of Income.

## 8. EMPLOYEE BENEFIT PLANS (CONTINUED)

The change in the financial status of the pension plans and amounts recognized in the Consolidated Balance Sheet at December 31, 1999 and 1998 are:

| (IN THOUSANDS)  | PENSION BENEFITS |            |
|---|------------------|------------|
|   | 1999             | 1998       |
| <b>CHANGE IN BENEFIT OBLIGATION</b>                                     |                  |            |
| Benefit obligation at beginning of year                                 | \$ 371,454       | \$ 220,428 |
| Service cost  | 15,882           | 13,785     |
| Interest cost   | 23,048           | 21,367     |
| Plan participants' contributions  | 1,887            | 1,452      |
| Amendments  | 5,416            | 11,048     |
| Actuarial (gain) loss   | (42,466)         | (3,824)    |
| Curtailement (gain) loss  | -                | 542        |
| Benefits paid   | (15,229)         | (16,126)   |
| Obligations of acquired companies                                       | 8,574            | 122,388    |
| Effect of foreign currency  | (5,598)          | 394        |
| Benefit obligation at end of year                                       | \$ 362,968       | \$ 371,454 |
| <b>CHANGE IN PLAN ASSETS</b>  |                  |            |
| Fair value of plan assets at beginning of year                          | \$ 458,241       | \$ 335,106 |
| Actual return on plan assets  | 67,692           | (16,342)   |
| Employer contributions  | 1,425            | 2,370      |
| Plan participants' contributions  | 1,887            | 1,452      |
| Benefits paid   | (15,103)         | (16,007)   |
| Plan assets of acquired companies                                       | 8,057            | 151,346    |
| Effect of foreign currency  | (6,270)          | 316        |
| Fair value of plan assets at end of year                                | \$ 515,929       | \$ 458,241 |
| <b>FUNDED STATUS</b>  |                  |            |
| Funded status at end of year  | \$ 152,961       | \$ 86,787  |
| Unrecognized net (gain) loss  | (92,817)         | (19,683)   |
| Unrecognized transition (asset) obligation                              | (13,222)         | (15,657)   |
| Unrecognized prior service cost   | 25,534           | 22,446     |
| Net amount recognized   | \$ 72,456        | \$ 73,893  |
| <b>AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET CONSIST OF:</b> |                  |            |
| Prepaid benefit cost  | \$ 85,914        | \$ 84,251  |
| Accrued benefit liability   | (18,907)         | (19,576)   |
| Intangible asset  | 2,588            | 3,297      |
| Accumulated other comprehensive income                                  | 2,861            | 5,921      |
| Net amount recognized   | \$ 72,456        | \$ 73,893  |

Plan assets include equity and fixed-income securities. At December 31, 1999 and 1998, 732,640 shares of the Company's common stock with a fair market value of \$23.3 million and \$22.3 million, respectively, are included in plan assets. Dividends paid on such stock amounted to \$0.7 million and \$0.6 million in 1999 and 1998.

## 8. EMPLOYEE BENEFIT PLANS (CONTINUED)

The actuarial assumptions used for the defined benefit pension plans, including international plans, are:

|  | 1999 | 1998 | 1997 |
|--|------|------|------|
| Weighted average assumed discount rates                            | 6.9% | 6.3% | 7.4% |
| Weighted average expected long-term rates of return on plan assets | 8.4% | 8.2% | 9.1% |
| Rates of compensation increase                                     | 4.2% | 4.4% | 4.5% |

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were \$33.6 million, \$32.4 million, and \$15.7 million, respectively, as of December 31, 1999, and \$32.1 million, \$30.1 million, and \$11.6 million, respectively, as of December 31, 1998.

## POSTRETIREMENT BENEFITS

The Company has postretirement life insurance benefits for a majority of employees, and postretirement health care benefits for a limited number of employees mainly under plans related to acquired companies. The cost of life insurance and health care benefits are accrued for current and future retirees and are recognized as determined under the projected unit credit actuarial method. Under this method, the Company's obligation for postretirement benefits is to be fully accrued by the date employees attain full eligibility for such benefits. The Company's postretirement health care and life insurance plans are unfunded.

The postretirement benefit expense (health care and life insurance) was \$0.4 million in 1999, \$0.3 million in 1998, and \$0.2 million in 1997. The components of these expenses are not shown separately as they are not material.

The changes in the postretirement benefit liability recorded in the Consolidated Balance Sheet are:

| (IN THOUSANDS)                                     | POSTRETIREMENT BENEFITS |            |
|--|-------------------------|------------|
|  | 1999                    | 1998       |
| CHANGE IN BENEFIT OBLIGATION                       |                         |            |
| Benefit obligation at beginning of year            | \$ 6,421                | \$ 6,220   |
| Service cost                                       | 129                     | 107        |
| Interest cost                                      | 466                     | 431        |
| Actuarial loss (gain)                              | 319                     | 49         |
| Benefits paid                                      | (325)                   | (386)      |
| Obligation of acquired company                     | 3,294                   | -          |
| Benefit obligation at end of year                  | \$ 10,304               | \$ 6,421   |
| FUNDED STATUS                                      |                         |            |
| Funded status at end of year                       | \$ (10,304)             | \$ (6,421) |
| Unrecognized prior service cost                    | (39)                    | (42)       |
| Unrecognized net actuarial (gain)                  | (1,328)                 | (1,861)    |
| Net amount recognized as accrued benefit liability | \$ (11,671)             | \$ (8,324) |

## 8. EMPLOYEE BENEFIT PLANS (CONTINUED)

The actuarial assumptions used for postretirement benefit plans are:

| (DOLLARS IN THOUSANDS)   | 1999   | 1998   | 1997   |
|--|--------|--------|--------|
| Assumed discount rate  | 7.75%  | 6.75%  | 7.25%  |
| Health care cost trend rate                                    | 7.50%  | 8.30%  | 8.70%  |
| Decreasing to ultimate rate                                    | 6.50%  | 5.50%  | 5.50%  |
| Effect of one percent increase in health care cost trend rate: |        |        |        |
| On cost components   | \$ 21  | \$ 21  | \$ 47  |
| On accumulated benefit obligation                              | \$ 415 | \$ 185 | \$ 192 |

For 1999, a one percent decrease in the health care cost trend rate would decrease the cost component by \$19 thousand and decrease the accumulated benefit obligation by \$405 thousand.

It is anticipated that the health care cost trend rate will decrease from 7.5% in 2000 to 6.5% in the year 2003.

## SAVINGS PLAN

The Company has a 401(k) savings plan which covers substantially all U.S. employees with the exception of employees represented by a collective bargaining agreement, unless the agreement expressly provides otherwise. Employee contributions are generally determined as a percentage of covered employee's compensation. The expense for contributions to the plan by the Company was (in millions) \$4.4, \$4.8, and \$4.5 for 1999, 1998, and 1997, respectively.

## EXECUTIVE INCENTIVE COMPENSATION PLAN

Under the 1995 Executive Incentive Compensation Plan, the Management Development and Compensation Committee awarded 60% of the value of any earned annual incentive compensation award to be paid to participants in the form of cash and 40% in the form of restricted shares of the Company's common stock. Upon the request of the participant, the Committee was authorized to make the incentive award payable all in cash, subject to a 25% reduction in the total amount of the award. Awards were made in February of the following year. The Company accrued amounts based on performance reflecting the value of cash and common stock which was anticipated to be earned for the year. Compensation expense relating to these awards was (in millions) \$3.8, \$3.7, and \$5.1 in 1999, 1998 and 1997, respectively.

Effective January 1, 1999 the restricted stock portion of the compensation plan was discontinued and the terms of the plan were amended to provide for payment of the incentive compensation all in cash. On January 6, 1999 the Company repurchased from the participants, at the original award value, the restricted shares awarded in 1998. For all other shares, the restrictions were removed effective January 6, 1999.

## 9. INCOME TAXES

Income from continuing operations before income taxes and minority interest in the Consolidated Statement of Income consists of:

| (IN THOUSANDS)              | 1999       | 1998       | 1997       |
|-----------------------------|------------|------------|------------|
| United States               | \$ 78,689  | \$ 121,091 | \$ 93,386  |
| International               | 68,741     | 58,684     | 78,225     |
|                             | \$ 147,430 | \$ 179,775 | \$ 171,611 |
| =====                       |            |            |            |
| Provision for income taxes: |            |            |            |
| Currently payable:          |            |            |            |
| Federal                     | \$ 22,474  | \$ 37,297  | \$ 21,627  |
| State                       | 1,743      | 2,835      | 4,309      |
| International               | 25,203     | 23,468     | 30,538     |
|                             | 49,420     | 63,600     | 56,474     |
| Deferred federal and state  | 3,890      | 6,552      | 9,426      |
| Deferred international      | (1,711)    | (2,791)    | (687)      |
|                             | \$ 51,599  | \$ 67,361  | \$ 65,213  |
| =====                       |            |            |            |

Cash payments for income taxes were (in millions) \$50.7, \$38.8, and \$167.0, for 1999, 1998, and 1997, respectively. Approximately \$5.4 million of the taxes paid in 1998 and \$100.0 million of the taxes paid in 1997 are related to the gain on the disposal of the defense business.

## 9. INCOME TAXES (CONTINUED)

The following is a reconciliation of the normal expected statutory U.S. federal income tax rate to the effective rate as a percentage of Income from continuing operations before income taxes and minority interest as reported in the Consolidated Statement of Income:

|   | 1999  | 1998  | 1997  |
|---|-------|-------|-------|
| U.S. federal income tax rate  | 35.0% | 35.0% | 35.0% |
| State income taxes, net of federal income tax benefit                       | 1.6   | 1.6   | 2.1   |
| Export sales corporation benefit  | (.5)  | (.6)  | (.4)  |
| Losses for which no tax benefit was recorded                                | .3    | 1.3   | .4    |
| Difference in effective tax rates on international earnings and remittances | (1.9) | (1.3) | (.2)  |
| Nondeductible acquisition costs   | 2.1   | 2.0   | 1.8   |
| Other, net  | (1.6) | (.5)  | (.7)  |
| Effective income tax rate   | 35.0% | 37.5% | 38.0% |

The tax effects of the primary temporary differences giving rise to the Company's deferred tax assets and liabilities for the years ended December 31, 1999 and 1998 are:

| (IN THOUSANDS)                 | 1999      |           | 1998      |           |
|--------------------------------|-----------|-----------|-----------|-----------|
| DEFERRED INCOME TAXES          | ASSET     | LIABILITY | Asset     | Liability |
| Depreciation                   | \$ --     | \$36,580  | \$ --     | \$42,284  |
| Expense accruals               | 34,975    | --        | 43,015    | --        |
| Inventories                    | 5,294     | --        | 3,783     | --        |
| Provision for receivables      | 3,867     | --        | 2,986     | --        |
| Postretirement benefits        | 4,221     | --        | 3,235     | --        |
| Deferred revenue               | --        | 4,196     | --        | 4,447     |
| Unrelieved foreign tax losses  | 6,694     | --        | 3,729     | --        |
| Unrelieved domestic tax losses | 2,424     | --        | 3,079     | --        |
| Pensions                       | --        | 22,923    | --        | 18,917    |
| Other                          | --        | 1,913     | --        | 2,120     |
|                                | 57,475    | 65,612    | 59,827    | 67,768    |
| Valuation allowance            | (4,045)   | --        | (6,293)   | --        |
| Total deferred income taxes    | \$ 53,430 | \$65,612  | \$ 53,534 | \$67,768  |

At December 31, 1999 and 1998, Other current assets included deferred income tax benefits of \$35.0 million and \$37.2 million, respectively.

## 9. INCOME TAXES (CONTINUED)

At December 31, 1999, certain of the Company's subsidiaries had total available net operating loss carryforwards ("NOLs") of approximately \$27.8 million, of which approximately \$17.9 million may be carried forward indefinitely and \$9.9 million have varying expiration dates. Included in the total are \$8.7 million of preacquisition NOLs.

During 1999 and 1998, \$2.3 million and \$4.4 million, respectively, of preacquisition NOLs were utilized by the Company, resulting in tax benefits of \$0.8 million and \$1.7 million, respectively.

The valuation allowance of \$4.0 million and \$6.3 million at December 31, 1999 and 1998, respectively, relates principally to cumulative unrelieved tax losses which are uncertain as to realizability. To the extent that the preacquisition NOLs are utilized in the future and the associated valuation allowance reduced, the tax benefit will be allocated to reduce the cost in excess of net assets of businesses acquired.

The change in the valuation allowances for 1999 and 1998 results primarily from the utilization of international tax loss carryforwards and the release of valuation allowances in certain international jurisdictions based on the Company's reevaluation of the realizability of future benefits. The release of valuation allowances in certain jurisdictions was allocated to reduce the cost in excess of net assets of businesses acquired by \$0.3 million in 1999. There was no reduction in 1998.

## DISCONTINUED DEFENSE BUSINESS - CONTINGENCIES

## FEDERAL EXCISE TAX AND OTHER MATTERS RELATED TO THE FIVE-TON TRUCK CONTRACT

In 1995, the Company, the United States Army ("Army"), and the United States Department of Justice concluded a settlement of Harsco's previously reported claims against the Army relating to Federal Excise Tax ("FET") arising under a completed 1986 contract for the sale of five-ton trucks to the Army. On September 27, 1995, the Army paid the Company \$49 million in accordance with the settlement terms. The Company released the Army from any further liability for those claims, and the Department of Justice released the Company from a threatened action for damages and civil penalties based on an investigation conducted by the Department's Commercial Litigation Branch that had been pending for several years.

The settlement preserves the rights of the parties to assert claims and defenses under the Internal Revenue Code, and rights of the Army and the Company to claim certain amounts that may be owed by either party to reconcile possible underpayments or overpayments on the truck contract as part of the formal contract close-out process.

The settlement does not resolve the claim by the Internal Revenue Service ("IRS") that, contrary to the Company's position, certain cargo truck models sold by the Company should be considered to have gross vehicle weights in excess of the 33,000 pound threshold under FET law, are not entitled to an exemption from FET under any other theory, and therefore are taxable. In 1999, the IRS assessed an increase in FET of \$30.4 million plus penalties of \$9.3 million and applicable interest currently estimated to be \$45.5 million. In October 1999, the Company posted an \$80 million bond required as security by the IRS. This increase in FET takes into account offsetting credits of \$9.2 million, based on a partial allowance of the Company's \$31.9 million claim that certain truck components are exempt from FET. The IRS disallowed in full the Company's additional claim that it is entitled to the entire \$52 million of FET (plus applicable interest currently estimated by the Company to be \$41.7 million) the Company has paid on the five-ton trucks, on the grounds that such trucks qualify for the FET exemption applicable to certain vehicles specially designed for the primary function of off-highway transportation. In the event that the Company ultimately receives from the IRS a refund of tax (including applicable interest) with respect to which the Company has already received reimbursement from the Army, the refund would be allocated between the Company and the Army. The Company plans to vigorously contest the IRS assessment in the U.S. Court of Federal Claims. Although there is risk of an adverse outcome, both the Company and the Army believe that the cargo trucks are not taxable. No recognition has been given in the accompanying financial statements for the Company's claims with the IRS.



## 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The settlement agreement with the Army preserves the Company's right to seek reimbursement of after-imposed tax from the Army in the event that the cargo trucks are determined to be taxable, but the agreement limits the reimbursement to a maximum of \$21 million. Additionally, in an earlier contract modification, the Army accepted responsibility for \$3.6 million of the potential tax, bringing its total potential responsibility up to \$24.6 million.

Under the settlement, the Army agreed that if the cargo trucks are determined to be taxable, the 1993 decision of the Armed Services Board of Contract Appeals (which ruled that the Company is entitled to a price adjustment to the contract for reimbursement of FET paid on vehicles that were to be delivered after October 1, 1988) will apply to the question of the Company's right to reimbursement from the Army for after-imposed taxes on the cargo trucks. In the Company's view, application of the 1993 decision will favorably resolve the principal issues regarding any such future claim by the Company. Therefore, the Company believes that even if the cargo trucks are ultimately held to be taxable, the Army would be obligated to reimburse the Company for a majority of the tax, (but not interest or penalty, if any), resulting in a net maximum liability for the Company of \$5.8 million plus penalties and applicable interest currently estimated to be \$9.3 million and \$45.5 million, respectively. The Company believes it is unlikely that resolution of this matter will have a material adverse effect on the Company's financial position, however, it could have a material effect on quarterly or annual results of operations.

**OTHER DEFENSE BUSINESS LITIGATION**

In 1992, the U.S. Government filed a counterclaim against the Company in a civil suit alleging violations of the False Claims Act and breach of a contract to supply M109A2 Self-Propelled Howitzers. In May 1999, the Company and the U.S. Government settled. Under the settlement agreement, Harsco paid the U.S. Government \$11 million and both parties released all claims in the case. The settlement payment was charged against an existing reserve in the second quarter of 1999.

In 1992, the United States Government through its Defense Contract Audit Agency commenced an audit of certain contracts for sale of tracked vehicles by the Company to foreign governments, which were financed by the United States Government through the Defense Security Assistance Agency. In September 1994, the Company received a subpoena issued by the Department of Defense Inspector General seeking various documents relating to issues raised in the audit.

## 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Government subsequently subpoenaed a number of former employees of the Company's divested defense business to testify before a grand jury and issued grand jury subpoenas to the Company for additional documents. On December 22, 1999, the Company announced that it reached agreement with the U.S. Government on behalf of its former BMY Combat Systems Division to settle the matter. Under the agreement, BMY Combat Systems pled guilty to a one-count misdemeanor relating to submitting advance payment certifications which resulted in BMY receiving a portion of the payments for the contract prematurely. Harsco will pay the Government a \$200,000 fine plus \$10.8 million in damages for a total of \$11 million.

The settlement, which is subject to acceptance by the U.S. District Court, ends the Government's investigation and releases Harsco and BMY from further liability for the issues under investigation. Harsco will charge the payment against an existing reserve, resulting in no charge to the Company's earnings. Based on the terms of the settlement, the Company expects to pay the \$11 million in the second quarter of 2000, following the Court's entry of judgment.

## CONTINUING OPERATIONS - CONTINGENCIES

## ENVIRONMENTAL

The Company is involved in a number of environmental remediation investigations and clean-ups and, along with other companies, has been identified as a "potentially responsible party" for certain waste disposal sites. While each of these matters is subject to various uncertainties, it is probable that the Company will agree to make payments toward funding certain of these activities and it is possible that some of these matters will be decided unfavorably to the Company. The Company has evaluated its potential liability, and its financial exposure is dependent upon such factors as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the allocation of cost among potentially responsible parties, the years of remedial activity required and the remediation methods selected. The Consolidated Balance Sheet at December 31, 1999, and 1998 includes an accrual of \$3.0 million and \$4.9 million, respectively, for environmental matters. The amounts affecting pre-tax earnings related to environmental matters totaled \$0.7 million of income for the year 1999, \$0.8 million of expense for the year 1998 and \$1.7 million of expense for the year 1997.

The liability for future remediation costs is evaluated on a quarterly basis. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. The Company does not expect that any sum it may have to pay in connection with environmental matters in excess of the amounts recorded or disclosed above would have a material adverse effect on its financial position or results of operations.

## 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

## OTHER

The Company is subject to various other claims, legal proceedings, and investigations covering a wide range of matters that arose in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or by accruals, and if not so covered, are without merit or are of such kind, or involve such amounts, that would not have a material adverse effect on the financial position or results of operations of the Company.

## 11. CAPITAL STOCK

The authorized capital stock consists of 150,000,000 shares of common stock and 4,000,000 shares of preferred stock, both having a par value of \$1.25 per share. The preferred stock is issuable in series with terms as fixed by the Board of Directors. None of the preferred stock has been issued. On June 24, 1997, the Company adopted a revised Shareholder Rights Plan to replace the Company's 1987 Plan which expired on September 28, 1997. Under the new Plan, the Board declared a dividend to shareholders of record on September 28, 1997, of one right for each share of common stock. The rights may only be exercised if, among other things, a person or group has acquired 15% or more, or intends to commence a tender offer for 20% or more, of the Company's common stock. Each right entitles the holder to purchase 1/100th share of a new Harsco Junior Participating Cumulative Preferred Stock at an exercise price of \$150. Once the rights become exercisable, if any person acquires 20% or more of the Company's common stock, the holder of a right will be entitled to receive common stock calculated to have a value of two times the exercise price of the right. The rights, which expire on September 28, 2007, do not have voting power, and may be redeemed by the Company at a price of \$.05 per right at any time until the 10th business day following public announcement that a person or group has accumulated 15% or more of the Company's common stock. At December 31, 1999, 750,000 shares of \$1.25 par value preferred stock were reserved for issuance upon exercise of the rights.

In November 1998, the Board of Directors authorized the purchase, over a one-year period, of 2,000,000 shares of the Company's common stock. The Company purchased 877,500 shares of this authorization in 1998. The Board of Directors subsequently increased the authorization by 2,000,000 shares in January 1999. Through December 31, 1999, 3,143,646 shares of common stock were purchased under these authorizations. This leaves 856,354 shares remaining under the authorization. In January 2000, the Board of Directors extended the share purchase authorization through January 25, 2001.

In 1999, additional share repurchases of 58,155, net of issues, were made principally as part of the 1995 Executive Compensation Plan.

## COMMON STOCK SUMMARY

| BALANCES          | SHARES<br>ISSUED | TREASURY<br>SHARES | SHARES<br>OUTSTANDING |
|-------------------|------------------|--------------------|-----------------------|
| December 31, 1996 | 65,458,202       | 15,855,850         | 49,602,352            |
| December 31, 1997 | 65,854,087       | 18,877,957         | 46,976,130            |
| December 31, 1998 | 66,075,380       | 23,825,458         | 42,249,922            |
| DECEMBER 31, 1999 | 66,221,544       | 26,149,759         | 40,071,785            |

## 11. CAPITAL STOCK (CONTINUED)

The following is a reconciliation of the average shares of common stock used to compute basic earnings per common share to the shares used to compute diluted earnings per common share as shown on the Consolidated Statement of Income:

| (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)  | 1999       | 1998       | 1997       |
|--|------------|------------|------------|
| Income from continuing operations  | \$ 90,713  | \$ 107,513 | \$ 100,400 |
| Average shares of common stock outstanding used to compute basic earnings per common share                 | 40,882,153 | 45,568,256 | 48,754,212 |
| Additional common shares to be issued assuming exercise of stock options, net of shares assumed reacquired | 134,914    | 342,275    | 437,660    |
| Shares used to compute dilutive effect of stock options  | 41,017,067 | 45,910,531 | 49,191,872 |
| Basic earnings per common share from continuing operations   | \$ 2.22    | \$ 2.36    | \$ 2.06    |
| Diluted earnings per common share from continuing operations   | \$ 2.21    | \$ 2.34    | \$ 2.04    |

## 12. STOCK-BASED COMPENSATION

The Company's net income and net income per common share would have been reduced to the pro forma amounts indicated below if compensation cost for the Company's stock option plan had been determined based on the fair value at the grant date for awards in accordance with the provisions of SFAS No. 123.

| (IN THOUSANDS, EXCEPT PER SHARE) | 1999     | 1998      | 1997      |
|----------------------------------|----------|-----------|-----------|
| Net income:                      |          |           |           |
| As reported                      | \$90,713 | \$107,513 | \$278,832 |
| Pro forma                        | 89,113   | 105,736   | 277,101   |
| Basic earnings per share:        |          |           |           |
| As reported                      | 2.22     | 2.36      | 5.72      |
| Pro forma                        | 2.18     | 2.32      | 5.68      |
| Diluted earnings per share:      |          |           |           |
| As reported                      | 2.21     | 2.34      | 5.67      |
| Pro forma                        | 2.17     | 2.30      | 5.63      |

The fair value of the options granted during 1999, 1998, and 1997 is estimated on the date of grant using the binomial option pricing model. The weighted-average assumptions used and the estimated fair value are as follows:

|                           | 1999    | 1998    | 1997    |
|---------------------------|---------|---------|---------|
| Expected term             | 4 YEARS | 4 YEARS | 4 YEARS |
| Expected stock volatility | 25.0%   | 16.0%   | 16.0%   |
| Risk free interest rate   | 4.65%   | 5.65%   | 6.46%   |
| Dividend                  | \$ .91  | \$ .88  | \$ .80  |
| Rate of dividend increase | 5%      | 5%      | 5%      |
| Fair value                | \$5.18  | \$6.68  | \$6.55  |

The Company has granted stock options to officers, certain key employees, and directors for the purchase of its common stock under two shareholder approved plans. The 1995 Executive Incentive Compensation Plan authorizes the issuance of up to 4,000,000 shares of the Company's common stock for use in paying incentive compensation awards in the form of restricted stock and stock options. The 1995 Non-Employee Directors' Stock Plan authorizes the issuance of up to 300,000 shares of the Company's common stock for stock option awards. Options are granted at fair market value at date of grant and become exercisable commencing one year later. The options expire ten years from the date of grant. Upon shareholder approval of these two plans in 1995, the Company terminated the use of the 1986 stock option plan for granting of stock option awards. At December 31, 1999, there were 2,729,158 and 220,000 shares available for granting stock options under the 1995 Executive Incentive Compensation Plan and the 1995 Non-Employee Directors' Stock Plan, respectively.

## 12. STOCK-BASED COMPENSATION (CONTINUED)

Changes during 1999, 1998, and 1997 in options outstanding were:

|                                | SHARES UNDER<br>OPTION<br>----- | WEIGHTED AVERAGE<br>EXERCISE PRICE<br>----- |
|--------------------------------|---------------------------------|---|
| Outstanding, January 1, 1997   | 1,202,026                       | \$22.24                                     |
| Granted                        | 294,600                         | 34.41                                       |
| Exercised                      | (395,885)                       | 20.81                                       |
| Terminated and expired         | (15,280)                        | 22.90                                       |
|                                | -----                           | -----                                       |
| Outstanding, December 31, 1997 | 1,085,461                       | 26.06                                       |
| Granted                        | 275,100                         | 38.30                                       |
| Exercised                      | (221,293)                       | 24.93                                       |
| Terminated and expired         | (16,500)                        | 35.73                                       |
|                                | -----                           | -----                                       |
| Outstanding, December 31, 1998 | 1,122,768                       | 29.14                                       |
| Granted                        | 428,400                         | 26.92                                       |
| Exercised                      | (146,164)                       | 19.06                                       |
| Terminated and expired         | (68,400)                        | 31.36                                       |
|                                | -----                           | -----                                       |
| OUTSTANDING, DECEMBER 31, 1999 | 1,336,604                       | \$28.97                                     |
|                                | =====                           | =====                                       |

Options to purchase 932,704 shares, 857,168 shares and 793,061 shares were exercisable at December 31, 1999, 1998, and 1997, respectively. The following table summarizes information concerning outstanding and exercisable options at December 31, 1999.

| RANGE OF<br>EXERCISABLE PRICES<br>----- | OPTIONS OUTSTANDING<br>-----   |  |   | OPTIONS EXERCISABLE<br>-----   |   |
|---|--------------------------------|--|---|--------------------------------|---|
|   | NUMBER<br>OUTSTANDING<br>----- | REMAINING<br>CONTRACTUAL LIFE<br>IN YEARS<br>----- | WEIGHTED AVERAGE<br>EXERCISE PRICE<br>----- | NUMBER<br>EXERCISABLE<br>----- | WEIGHTED AVERAGE<br>EXERCISE PRICE<br>----- |
| \$11.81 - \$17.63                       | 34,778                         | 1.8  | \$15.39                                     | 34,778                         | \$15.39                                     |
| 20.69 - 29.47                           | 793,726                        | 7.0  | 25.61                                       | 407,826                        | 24.62                                       |
| 32.81 - 46.16                           | 508,100                        | 7.6  | 36.31                                       | 490,100                        | 36.44                                       |
|   | -----                          | ---  | -----                                       | -----                          | -----                                       |
|   | 1,336,604                      |  |   | 932,704                        |   |
|   | =====                          |  |   | =====                          |   |

During 1999, 1998, and 1997, the Company had non-cash transactions related to stock option exercises of \$0.5 million, \$1.6 million, and \$2.3 million, respectively, whereby old shares were exchanged for new shares.

## 12. STOCK-BASED COMPENSATION (CONTINUED)

As of January 1, 1999, the restricted stock portion of the 1995 Executive Incentive Compensation Plan was discontinued.

The following table summarizes the restricted stock activity for 1998 and 1997:

|  | 1998<br>---- | 1997<br>---- |
|--|--------------|--------------|
| Restricted shares awarded                            | 40,702       | 57,622       |
| Restricted shares forfeited                          | 378          | 135          |
| Weighted average market value of stock on grant date | \$43.22      | \$36.69      |

During 1998 and 1997, the Company recorded \$1.1 million and \$1.9 million respectively, in compensation expense related to restricted stock.

## 13. FINANCIAL INSTRUMENTS

## OFF-BALANCE SHEET RISK

As collateral for performance and to ceding insurers, the Company is contingently liable under standby letters of credit and bonds in the amount of \$165.9 million and \$38.7 million at December 31, 1999 and 1998, respectively. These standby letters of credit and bonds are generally in force for up to four years. Certain issues have no scheduled expiration date. The Company pays fees to various banks and insurance companies that range from 0.08 to 1.9 percent per annum of their face value. If the Company were required to obtain replacement standby letters of credit and bonds as of December 31, 1999 for those currently outstanding, it is the Company's opinion that the replacement costs would not vary significantly from the present fee structure.

At December 31, 1999 and 1998, the Company had \$19.2 million and \$18.3 million, respectively, of forward foreign currency exchange contracts outstanding. These contracts are part of a worldwide program to minimize foreign currency exchange operating income and balance sheet exposure. The unsecured contracts mature within 12 months and are with major financial institutions. The Company is exposed to credit loss in the event of non-performance by the other parties to the contracts. The Company evaluates the credit worthiness of the counterparties' financial condition and does not expect default by the counterparties.

## FOREIGN EXCHANGE RISK MANAGEMENT

The Company generally has currency exposures in thirty-two countries. The Company's primary foreign currency exposures are in United Kingdom, France, Canada, South Africa, Brazil, Germany, Australia, and Mexico.

Forward foreign currency exchange contracts are used to hedge commitments, such as foreign currency debt, firm purchase commitments, and foreign currency cash flows for certain export sales transactions.

## 13. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables summarize by major currency the contractual amounts of the Company's forward exchange contracts in U.S. dollars as of December 31, 1999 and 1998. The "Buy" amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies, and the "Sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies.

(IN THOUSANDS)

AS OF DECEMBER 31, 1999

|                                | TYPE | U.S. DOLLAR<br>EQUIVALENT | MATURITY         | RECOGNIZED<br>GAIN (LOSS) | UNREALIZED<br>GAIN (LOSS) |
|--------------------------------|------|---------------------------|------------------|---------------------------|---------------------------|
| FORWARD EXCHANGE<br>CONTRACTS: |      |                           |                  |                           |                           |
| EUROS                          | BUY  | \$17,339                  | JANUARY 18, 2000 | \$(661)                   | \$ --                     |
| BRITISH POUNDS                 | BUY  | 1,506                     | VARIOUS IN 2000  | 79                        | --                        |
| FRENCH FRANCS                  | BUY  | 229                       | VARIOUS IN 2000  | --                        | (13)                      |
| BRITISH POUNDS                 | BUY  | 93                        | VARIOUS IN 2000  |                           | (2)                       |
|                                |      | \$19,167                  |                  | \$(582)                   | \$(15)                    |

At December 31, 1999, the Company had entered into forward exchange contracts in euros and British pounds, which were used to hedge certain future payments between the Company and its various subsidiaries. These forward contracts do not qualify as hedges for financial reporting purposes. At December 31, 1999, the Company had recorded net losses of \$0.6 million on these contracts. These losses were generally offset by gains on the hedged items. In January 2000, the euro contract was extended to March 18, 2000. The Company also had forward exchange contracts in French francs and British pounds, which were used to hedge equipment purchases. Since these contracts hedge identifiable foreign currency firm commitments, the losses were deferred and will be accounted for as part of the underlying transactions.

(IN THOUSANDS)

AS OF DECEMBER 31, 1998

|                                | TYPE | U.S. DOLLAR<br>EQUIVALENT | MATURITY        | RECOGNIZED<br>GAIN (LOSS) | UNREALIZED<br>GAIN (LOSS) |
|--------------------------------|------|---------------------------|-----------------|---------------------------|---------------------------|
| Forward exchange<br>contracts: |      |                           |                 |                           |                           |
| Belgian francs                 | Sell | \$ 806                    | Various in 1999 | \$ 9                      | --                        |
| British pounds                 | Sell | 1,466                     | Various in 1999 | 12                        | --                        |
| French francs                  | Sell | 15,798                    | Various in 1999 | 46                        | --                        |
| Norwegian kronor               | Sell | 199                       | Various in 1999 | 2                         | --                        |
|                                |      | \$18,269                  |                 | \$ 69                     | --                        |

At December 31, 1998, the Company had entered into forward exchange contracts in Belgian francs, British pounds, French francs, and Norwegian kronor, which were used to hedge certain future payments between the Company and its various subsidiaries. These forward contracts did not qualify as hedges for financial reporting purposes. At December 31, 1998, the Company had recorded net gains of \$0.1 million on these contracts.



## 13. FINANCIAL INSTRUMENTS (CONTINUED)

## CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents, investments, and accounts receivable. The Company places its cash and cash equivalents with high quality financial institutions and, by policy, limits the amount of credit exposure to any one institution. Concentrations of credit risk with respect to accounts receivable are limited due to the Company's large number of customers and their dispersion across different industries and geographies. The Company generally does not require collateral or other security to support customer receivables.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

The major methods and assumptions used in estimating the fair values of financial instruments are:

## CASH AND CASH EQUIVALENTS

The carrying amount approximates fair value due to the relatively short period to maturity of these instruments.

## LONG-TERM DEBT

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

## FOREIGN CURRENCY EXCHANGE CONTRACTS

The fair value of foreign currency exchange contracts are estimated by obtaining quotes from brokers.

The carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 1999 and 1998 are:

| (IN THOUSANDS)                      | 1999            |            | 1998            |            |
|-------------------------------------|-----------------|------------|-----------------|------------|
|                                     | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| Cash and cash equivalents           | \$ 51,266       | \$ 51,266  | \$ 41,562       | \$ 41,562  |
| Long-term debt                      | 423,097         | 416,925    | 316,972         | 317,530    |
| Foreign currency exchange contracts | 19,167          | 18,571     | 18,269          | 18,336     |

## 14. INFORMATION BY SEGMENT AND GEOGRAPHIC AREA

The Company reports information about its operating segments according to the "management approach". The management approach is based on the way management organizes the segments within the enterprise for making operating decisions and assessing performance.

The Company's reportable segments are identified based upon differences in products, services, and markets served. The Company's business units are aggregated into three reportable segments. The three reportable segments and the type of products and services offered include:

**HARSCO MILL SERVICES**

This segment provides metal reclamation and other mill services, principally for the global steel industry. Mill services include slag processing, marketing, and disposal; slab management systems; materials handling and scrap management programs; in-plant transportation; and a variety of environmental services. Similar services are provided to non-ferrous metallurgical industries, such as aluminum, nickel, and copper. Also, slag recovery services are provided to electric utilities from which granules for asphalt roofing shingles and slag abrasives for industrial surface preparation are derived.

**HARSCO GAS AND FLUID CONTROL**

Major products and services are gas containment cylinders and tanks, including cryogenic equipment; valves, regulators, and gauges, including scuba and life support equipment; industrial pipe fittings; and air-cooled heat exchangers.

Major customers include various industrial markets; hardware, plumbing, and petrochemical sectors; natural gas and process industries; propane, compressed gas, life support, scuba, and refrigerant gas industries; gas equipment companies; welding distributors; medical laboratories; beverage carbonation users; and the animal husbandry industry.

**HARSCO INFRASTRUCTURE**

Major products and services include railway maintenance-of-way equipment and services; scaffolding, shoring, and concrete forming products and erection and dismantling services; bridge decking and industrial grating; process equipment, including industrial blenders, dryers, mixers, water heaters, boilers, and heat transfer equipment.

Products and services are provided to private and government-owned railroads worldwide; urban mass transit operators; public utilities; industrial plants; the oil, chemical, petrochemical, and process industries; bridge repair companies; commercial and industrial construction firms; and infrastructure repair and maintenance markets. Other customers include the chemical, food processing, and pharmaceutical industries; and institutional building and retrofit markets.

## 14. INFORMATION BY SEGMENT AND GEOGRAPHIC AREA (CONTINUED)

## OTHER INFORMATION

The measurement basis of segment profit or loss is income after taxes from continuing operations. Interest income is recorded by each segment as incurred. Interest expense is allocated to the segments based on actual interest expense incurred by international operations and based on internal borrowings at an estimated weighted average interest rate for domestic operations. Income taxes are allocated to the segments based on actual income tax expense incurred, or where aggregated for tax purposes, based on the effective income tax rates for the countries in which they operate. The operations of the Company in any one country, except the United States, do not account for more than 10% of sales and no single customer represented 10% or more of the Company's sales, during 1999, 1998, and 1997. There are no significant intersegment sales.

Corporate assets include principally cash, investments, prepaid pension costs, and United States deferred taxes. Assets in the United Kingdom represent 12% of total segment assets as of December 31, 1999 and 1998 and are disclosed separately in the geographic area information.

## SEGMENT INFORMATION (1)(2)

| SEGMENTS<br>(IN MILLIONS)          | NET SALES TO UNAFFILIATED CUSTOMERS |           |           | INCOME FROM CONTINUING OPERATIONS |         |         |
|------------------------------------|-------------------------------------|-----------|-----------|-----------------------------------|---------|---------|
|                                    | 1999                                | 1998      | 1997      | 1999                              | 1998    | 1997    |
| Harsco Mill Services (3)(4)        | \$ 729.6                            | \$ 751.9  | \$ 672.7  | \$45.1                            | \$43.3  | \$50.3  |
| Harsco Gas and Fluid Control       | 560.9                               | 588.7     | 558.3     | 27.0                              | 40.9    | 29.5    |
| Harsco Infrastructure (5)          | 426.2                               | 392.9     | 396.5     | 22.5                              | 18.6    | 15.5    |
| Segment totals                     | \$1,716.7                           | \$1,733.5 | \$1,627.5 | 94.6                              | 102.8   | 95.3    |
| General corporate income (expense) |                                     |           |           | (3.9)                             | 4.7     | 5.1     |
| Income from continuing operations  |                                     |           |           | \$90.7                            | \$107.5 | \$100.4 |

| SEGMENTS<br>(IN MILLIONS)    | ASSETS    |           |           | DEPRECIATION AND AMORTIZATION |          |         | CAPITAL EXPENDITURES |         |         |
|------------------------------|-----------|-----------|-----------|-------------------------------|----------|---------|----------------------|---------|---------|
|                              | 1999      | 1998      | 1997      | 1999                          | 1998     | 1997    | 1999                 | 1998    | 1997    |
| Harsco Mill Services(4)      | \$ 934.6  | \$ 922.7  | \$ 715.3  | \$ 99.5                       | \$ 98.2  | \$ 87.2 | \$ 134.9             | \$102.7 | \$ 94.8 |
| Harsco Gas and Fluid Control | 347.9     | 380.9     | 249.3     | 18.1                          | 16.1     | 11.4    | 21.4                 | 30.6    | 19.8    |
| Harsco Infrastructure(5)     | 325.7     | 241.1     | 222.6     | 17.0                          | 15.9     | 16.7    | 17.9                 | 26.1    | 27.3    |
| Segment totals               | 1,608.2   | 1,544.7   | 1,187.2   | 134.6                         | 130.2    | 115.3   | 174.2                | 159.4   | 141.9   |
| Corporate                    | 51.6      | 78.9      | 290.0     | 1.3                           | 1.2      | 1.2     | 1.0                  | .4      | 1.5     |
| Total                        | \$1,659.8 | \$1,623.6 | \$1,477.2 | \$135.9                       | \$ 131.4 | \$116.5 | \$175.2              | \$159.8 | \$143.4 |

(1) The 1997 segment information has been restated in accordance with the Financial Accounting Standards Board SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information."

(2) Segment information reflects the first quarter 1999 reorganization of the Patterson-Kelley division. Segment information for 1998 and 1997 has been restated to reflect this change. The reorganization resulted in the realignment of the heat transfer and industrial blending equipment product lines from the Harsco Gas and Fluid Control Segment to the Harsco Infrastructure Segment. Sales of these product lines were \$26.9 million, \$29.2 million, and \$28.2 million for the years 1999, 1998, and 1997, respectively.

(3) For the years ended December 31, 1999, 1998, and 1997 the Harsco Mill Services Segment included equity in income of unconsolidated entities of \$3.0 million, \$1.4 million, and \$1.0 million, respectively.

(4) A non-cash amount of \$26.6 million of loan notes was issued for the Faber Prest acquisition related to the Harsco Mill Services Segment in 1998.

(5) The Pandrol Jackson railway maintenance-of-way business was acquired in October 1999 and is included as part of the Harsco Infrastructure Segment. Pandrol Jackson sales were \$12.4 million in 1999, and assets were \$69.2 million as of December 31, 1999.

## 14. INFORMATION BY SEGMENT AND GEOGRAPHIC AREA (CONTINUED)

## RECONCILIATION OF REPORTED INCOME BEFORE INTEREST, INCOME TAXES, AND MINORITY INTEREST TO SEGMENT INCOME

| (IN MILLIONS)   | HARSCO<br>MILL<br>SERVICES | HARSCO<br>GAS AND<br>FLUID<br>CONTROL | HARSCO<br>INFRA-<br>STRUCTURE | GENERAL<br>CORPORATE | CONSOLIDATED<br>TOTAL |
|---|----------------------------|---------------------------------------|-------------------------------|----------------------|-----------------------|
| 1999(1)   |                            |                                       |                               |                      |                       |
| INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INTEREST, INCOME TAXES, AND MINORITY INTEREST | \$81.2                     | \$ 47.5                               | \$ 41.2                       | \$(0.2)              | \$169.7               |
| INTEREST INCOME   | 4.3                        | 0.1                                   | 0.2                           | 0.1                  | 4.7                   |
| INTEREST EXPENSE  | (10.8)                     | (4.8)                                 | (6.3)                         | (5.1)                | (27.0)                |
| INCOME TAX (EXPENSE) BENEFIT  | (24.4)                     | (15.9)                                | (12.6)                        | 1.3                  | (51.6)                |
| MINORITY INTEREST IN NET (INCOME) LOSS  | (5.2)                      | 0.1                                   | --                            | --                   | (5.1)                 |
| =====   |                            |                                       |                               |                      |                       |
| SEGMENT INCOME (LOSS) FROM CONTINUING OPERATIONS  | \$45.1                     | \$ 27.0                               | \$ 22.5                       | \$(3.9)              | \$ 90.7               |
| =====   |                            |                                       |                               |                      |                       |

| (IN MILLIONS)  | HARSCO<br>MILL<br>SERVICES | HARSCO<br>GAS AND<br>FLUID<br>CONTROL | HARSCO<br>INFRA-<br>STRUCTURE | GENERAL<br>CORPORATE | CONSOLIDATED<br>TOTAL |
|--|----------------------------|---------------------------------------|-------------------------------|----------------------|-----------------------|
| 1998(2)  |                            |                                       |                               |                      |                       |
| Income from continuing operations before interest, income taxes, and minority interest | \$ 84.3                    | \$ 72.3                               | \$32.9                        | \$ 2.4               | \$191.9               |
| Interest income  | 4.8                        | 0.2                                   | 0.4                           | 3.0                  | 8.4                   |
| Interest expense   | (11.0)                     | (4.1)                                 | (5.4)                         | --                   | (20.5)                |
| Income tax expense   | (29.9)                     | (27.5)                                | (9.3)                         | (0.7)                | (67.4)                |
| Minority interest in net income  | (4.9)                      | --                                    | --                            | --                   | (4.9)                 |
| =====  |                            |                                       |                               |                      |                       |
| Segment income from continuing operations  | \$ 43.3                    | \$ 40.9                               | \$18.6                        | \$ 4.7               | \$107.5               |
| =====  |                            |                                       |                               |                      |                       |

| (IN MILLIONS)   | HARSCO<br>MILL<br>SERVICES | HARSCO<br>GAS AND<br>FLUID<br>CONTROL | HARSCO<br>INFRA-<br>STRUCTURE | GENERAL<br>CORPORATE | CONSOLIDATED<br>TOTAL |
|---|----------------------------|---------------------------------------|-------------------------------|----------------------|-----------------------|
| 1997(3)   |                            |                                       |                               |                      |                       |
| Income (loss) from continuing operations before interest, income taxes, and minority interest | \$ 99.1                    | \$51.3                                | \$29.7                        | \$(0.2)              | \$179.9               |
| Interest income   | 2.0                        | 0.1                                   | 0.2                           | 6.1                  | 8.4                   |
| Interest expense  | (6.6)                      | (3.1)                                 | (5.9)                         | (1.1)                | (16.7)                |
| Income tax (expense) benefit  | (38.5)                     | (18.5)                                | (8.5)                         | 0.3                  | (65.2)                |
| Minority interest in net income   | (5.7)                      | (0.3)                                 | --                            | --                   | (6.0)                 |
| =====   |                            |                                       |                               |                      |                       |
| Segment income from continuing operations   | \$ 50.3                    | \$29.5                                | \$15.5                        | \$ 5.1               | \$100.4               |
| =====   |                            |                                       |                               |                      |                       |

(1) For 1999, segment income includes pre-tax special charges of \$3.4 million and \$2.5 million for the Harsco Mill Services Segment and Harsco Gas and Fluid Control Segment, respectively.

(2) For 1998, segment income includes pre-tax special charges (gains) of \$15.6 million, (\$18.2) million, and \$4.8 million for the Harsco Mill Services Segment, Harsco Gas and Fluid Control Segment and the Harsco Infrastructure Segment, respectively.

(3) For 1997, segment income includes pre-tax special charges (gains) of \$0.4 million, \$1.8 million, and (\$0.3) million for the Harsco Mill Services Segment, Harsco Gas and Fluid Control Segment and the Harsco Infrastructure Segment, respectively.

See Note 15 for further information on special charges and (gains).

## 14. INFORMATION BY SEGMENT AND GEOGRAPHIC AREA (CONTINUED)

## INFORMATION BY GEOGRAPHIC AREA (4)

| GEOGRAPHIC AREA<br>(IN MILLIONS) | NET SALES TO UNAFFILIATED CUSTOMERS |           |           | SEGMENT ASSETS |           |           |
|----------------------------------|-------------------------------------|-----------|-----------|----------------|-----------|-----------|
|                                  | 1999                                | 1998      | 1997      | 1999           | 1998      | 1997      |
| United States                    | \$1,095.3                           | \$1,085.6 | \$1,044.8 | \$ 797.1       | \$ 721.2  | \$ 569.4  |
| United Kingdom                   | 155.5                               | 126.4     | 61.1      | 186.2          | 180.7     | 51.4      |
| All Other                        | 465.9                               | 521.5     | 521.6     | 624.9          | 642.8     | 566.4     |
| Segment Totals                   | \$1,716.7                           | \$1,733.5 | \$1,627.5 | \$1,608.2      | \$1,544.7 | \$1,187.2 |

(4) Revenues are attributed to individual countries based on the location of the facility generating the revenue.

## 15. OTHER (INCOME) AND EXPENSES AND SPECIAL CHARGES AND (GAINS)

In the years 1999, 1998, and 1997, the Company recorded Other (income) and expenses of \$6.0 million, \$(4.3) million, and \$2.6 million, respectively:

| (IN THOUSANDS)                     | OTHER (INCOME) AND EXPENSES |            |           |
|------------------------------------|-----------------------------|------------|-----------|
|                                    | 1999                        | 1998       | 1997      |
| Net gains                          | \$ (560)                    | \$(29,107) | \$(1,620) |
| Impaired asset write-downs         | 2,878                       | 14,410     | 1,592     |
| Employee termination benefit costs | 2,889                       | 6,543      | (810)     |
| Costs to exit activities           | 502                         | 2,792      | 3,313     |
| Other                              | 310                         | 1,098      | 103       |
| Total                              | \$6,019                     | \$(4,264)  | \$ 2,578  |

Additionally, in 1998 the Company recorded \$6.5 million of other special charges, of which \$2.2 million is included in cost of products sold, \$3.5 million in cost of services sold, and \$.8 million in general and administrative expenses. For 1998, this resulted in net special charges of \$2.2 million which includes Other (income) and expenses. The 1998 amounts were incurred principally in the fourth quarter in which results included \$29.6 million of gains and other credits offset by \$29.5 million of special charges. Other (income) and expenses and special charges and gains consist principally of gains on the sale of businesses, impaired asset write-downs, employee termination benefit costs, costs to exit activities, and other reorganization-related costs. Pre-tax amounts by operating segment include:

| SPECIAL CHARGES AND (GAINS)  |                |                 |                |
|------------------------------|----------------|-----------------|----------------|
| (IN THOUSANDS)               | 1999           | 1998            | 1997           |
| Harsco Mill Services         | \$3,350        | \$ 15,618       | \$ 441         |
| Harsco Gas and Fluid Control | 2,452          | (18,232)        | 1,766          |
| Harsco Infrastructure        | (10)           | 4,826           | (348)          |
| Corporate                    | 227            | (11)            | 719            |
| <b>Total</b>                 | <b>\$6,019</b> | <b>\$ 2,201</b> | <b>\$2,578</b> |

#### NET GAINS

Net gains for 1998 consist principally of a pre-tax net gain of \$27 million recorded on the October 1998 sale of the Nutter Engineering unit of the Harsco Gas and Fluid Control Segment. Such gains are reflected as adjustments to reconcile net income to net cash provided by operating activities in the Consolidated Statement of Cash Flows. Total proceeds associated with 1998 special gains were \$42.9 million and are included in proceeds from the sale of businesses and property, plant and equipment in the investing activities section of the Consolidated Statement of Cash Flows. Other related information concerning dispositions is discussed in Note 3.

#### IMPAIRED ASSET WRITE-DOWNS

Impaired asset write-downs for 1999 include a \$1.9 million pre-tax, non-cash, write-down of the Company's investment in Bio-Oxidation Services Inc. which is included in the Harsco Gas and Fluid Control Segment. The Company's investment in Bio-Oxidation Services Inc. is being held for disposal. The write-down amount was measured on the basis of the lower of carrying amount or fair value less cost to sell. Fair value was determined using available information based upon the estimated amount at which the assets could be sold in a current transaction between willing parties. The investment carrying value as of December 31, 1999 was \$6.6 million. For the year ended December 31, 1999, Bio-Oxidation Services Inc. recorded a pre-tax loss of \$2.3 million which includes the asset write-down of \$1.9 million. The Company estimates that the disposal will occur during 2000.

Impaired asset write-downs for 1998 include a \$6.1 million pre-tax, non-cash, write-down of the Company's investment in Bio-Oxidation Services Inc. The investment carrying value as of December 31, 1998 was \$7.6 million. For the year ended December 31, 1998 Bio-Oxidation Services Inc. recorded a pre-tax loss of \$9.8 million which includes the asset write-down of \$6.1 million.

Impaired asset write-downs for 1998 also include a \$6.1 million pre-tax, non-cash, write-down of assets, principally property, plant and equipment in the Harsco Mill Services Segment. The write-down became necessary as a result of significant adverse changes in the international economic environment and the steel industry. Impairment loss was measured as the amount by which the carrying amount of assets exceeded their estimated fair value. Fair value was estimated based upon the expected future realizable net cash flows. In September 1999, assets associated with a substantial portion of this provision were sold in conjunction with the termination settlement of a contract in Russia.

Non-cash impaired asset write-downs are included in Other (income) and expenses in the Consolidated Statement of Cash Flows as adjustments to reconcile net income to net cash provided by operating activities.

#### EMPLOYEE TERMINATION BENEFIT COSTS

Employee termination benefit costs consist principally of severance arrangements to employees terminated as a result of management reorganization actions. Under these reorganization actions, the Company's management has established and approved specific plans of termination. Details of the termination benefit plans have been communicated to the affected employees prior to recognition of related provisions. Non-cash charges for employee termination benefit costs are included as adjustments to reconcile net income to net cash provided by operating activities in the Consolidated Statement of Cash Flows.

During 1999, \$2.9 million of reorganization expense related to employee termination benefits was incurred, principally in the Harsco Mill Services Segment, primarily in France and the United Kingdom. In 1999, 220 employees were included in employee termination arrangements initiated by the Company and approximately \$1.8 million of cash payments were made under such arrangements. The payments are reflected as uses of operating cash in the Consolidated Statement of Cash Flows.

During 1998, \$6.5 million of reorganization expense related to employee termination benefits was incurred, principally in the Harsco Mill Services Segment primarily in South Africa, United States, France, and Germany. In 1998, approximately 670 employees were included in employee termination arrangements initiated by the Company and approximately \$2.4 million of cash payments were made under such arrangements. An additional \$3.3 million was disbursed in 1999 for the 1998 reorganization actions.

## EMPLOYEE TERMINATION BENEFIT COSTS AND PAYMENTS

|                                       | (IN MILLIONS)       |       |
|---------------------------------------|---------------------|-------|
|                                       | SUMMARY OF ACTIVITY |       |
|                                       | -----               |       |
|                                       | 1999                | 1998  |
| Original reorganization action period |                     |       |
| Employee termination benefits expense | \$2.9               | \$6.5 |
|                                       | ----                | ----  |
| Payments:                             |                     |       |
| Disbursed in 1998                     | --                  | (2.4) |
| Disbursed in 1999 (1)                 | (1.8)               | (3.3) |
|                                       | ----                | ----  |
| Total payments                        | (1.8)               | (5.7) |
| Other                                 | --                  | (0.4) |
|                                       | ----                | ----  |
| Remaining payments as of              |                     |       |
| December 31, 1999 (2)                 | \$1.1               | \$0.4 |
|                                       | ====                | ====  |

(1)- Disbursements in 1999 are categorized according to the original reorganization action period to which they relate (1999 or 1998). Cash severance payments in 1999 occurred principally in the Harsco Mill Services Segment in South Africa principally for 1998 reorganization actions.

(2)- Remaining payments are categorized according to the original reorganization action period to which they relate (1999 or 1998).

## EMPLOYEE TERMINATIONS - NUMBER OF EMPLOYEES

|  | SUMMARY OF ACTIVITY |       |
|--|---------------------|-------|
|  | -----               |       |
|  | 1999                | 1998  |
| Original reorganization action period            |                     |       |
| Employees affected by new reorganization actions | 220                 | 670   |
|  | ----                | ----  |
| Employee terminations:                           |                     |       |
| Terminated in 1998                               | --                  | (349) |
| Terminated in 1999                               | (172)               | (352) |
|  | ----                | ----  |
| Total terminations                               | (172)               | (701) |
| Other  | (9)                 | 35    |
|  | ----                | ----  |
| Remaining terminations as of                     |                     |       |
| December 31, 1999                                | 39                  | 4     |
|  | ====                | ====  |



## COSTS TO EXIT ACTIVITIES

Costs to exit activities consist of incremental direct costs of reorganization actions and lease run-out costs. Such costs are recorded when a specific exit plan is approved by management. Relocation expenses, such as employee moving costs, are classified as exit costs and are expensed as incurred. Other costs classified in this category are generally expensed as incurred.

During 1998, \$1.0 million and \$0.8 million of exit costs, principally relocation expenses, were included in the Harsco Mill Services and Harsco Infrastructure Segments, respectively.

During 1997, \$1.5 million of exit costs were included in the Harsco Mill Services Segment. These costs resulted principally from the expiration or termination of contracts at certain mill sites, as well as facility relocation costs.

CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(Unaudited)

| (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)                | Three Months Ended<br>June 30 |                  | Six Months Ended<br>June 30 |                  |
|---|-------------------------------|------------------|-----------------------------|------------------|
|   | 2000                          | 1999             | 2000                        | 1999             |
| <b>REVENUES:</b>  |                               |                  |                             |                  |
| Service sales   | \$255,854                     | \$217,776        | \$486,713                   | \$417,997        |
| Product sales   | 201,184                       | 212,902          | 419,460                     | 417,312          |
| Other   | 236                           | 147              | 439                         | 258              |
| <b>TOTAL REVENUES</b>                                   | <b>457,274</b>                | <b>430,825</b>   | <b>906,612</b>              | <b>835,567</b>   |
| <b>COSTS AND EXPENSES:</b>                              |                               |                  |                             |                  |
| Cost of services sold                                   | 189,979                       | 167,947          | 368,683                     | 323,242          |
| Cost of products sold                                   | 157,571                       | 165,226          | 333,367                     | 328,691          |
| Selling, general, and administrative expenses           | 56,265                        | 51,022           | 110,059                     | 103,817          |
| Research and development expenses                       | 1,441                         | 1,478            | 3,088                       | 3,128            |
| Other expense (income)                                  | (650)                         | 1,309            | (276)                       | 2,721            |
| <b>TOTAL COSTS AND EXPENSES</b>                         | <b>404,606</b>                | <b>386,982</b>   | <b>814,921</b>              | <b>761,599</b>   |
| <b>OPERATING INCOME</b>                                 | <b>52,668</b>                 | <b>43,843</b>    | <b>91,691</b>               | <b>73,968</b>    |
| Equity in income (loss) of affiliates, net (1)          | (588)                         | 610              | (438)                       | 960              |
| Interest income   | 1,262                         | 1,147            | 2,450                       | 2,236            |
| Interest expense  | (8,727)                       | (6,865)          | (16,217)                    | (13,078)         |
| <b>INCOME BEFORE INCOME TAXES AND MINORITY INTEREST</b> | <b>44,615</b>                 | <b>38,735</b>    | <b>77,486</b>               | <b>64,086</b>    |
| Provision for income taxes                              | 15,615                        | 13,818           | 27,120                      | 23,071           |
| <b>INCOME BEFORE MINORITY INTEREST</b>                  | <b>29,000</b>                 | <b>24,917</b>    | <b>50,366</b>               | <b>41,015</b>    |
| Minority interest in net income                         | 769                           | 1,094            | 1,933                       | 2,393            |
| <b>NET INCOME</b>                                       | <b>\$ 28,231</b>              | <b>\$ 23,823</b> | <b>\$ 48,433</b>            | <b>\$ 38,622</b> |
| Average shares of common stock outstanding              | 39,964                        | 41,125           | 39,989                      | 41,376           |
| <b>BASIC EARNINGS PER COMMON SHARE</b>                  | <b>\$ .71</b>                 | <b>\$ .58</b>    | <b>\$ 1.21</b>              | <b>\$ .93</b>    |
| Diluted average shares of common shares outstanding     | 40,048                        | 41,308           | 40,067                      | 41,525           |
| <b>DILUTED EARNINGS PER COMMON SHARE</b>                | <b>\$ .70</b>                 | <b>\$ .58</b>    | <b>\$ 1.21</b>              | <b>\$ .93</b>    |
| <b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>         | <b>\$ .235</b>                | <b>\$ .225</b>   | <b>\$ .47</b>               | <b>\$ .45</b>    |

(1) Equity in income (loss) of affiliates is now separately reported. Previously, these amounts were included in operating income as other revenues. Amounts previously reported as operating income for the three months and six months ended June 30, 1999 were \$44,453 and \$74,928, respectively.

See accompanying notes to consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET  
(Unaudited)

| (IN THOUSANDS)   | JUNE 30<br>2000    | December 31<br>1999 |
|--|--------------------|---------------------|
| <b>ASSETS</b>  |                    |                     |
| <b>CURRENT ASSETS:</b>   |                    |                     |
| Cash and cash equivalents  | \$ 68,182          | \$ 51,266           |
| Receivables, less allowance for doubtful accounts of \$26,027 in 2000 and \$13,339 in 1999 | 435,609            | 331,123             |
| Inventories  | 231,052            | 172,198             |
| Other current assets   | 63,056             | 58,368              |
| <b>TOTAL CURRENT ASSETS</b>  | <b>797,899</b>     | <b>612,955</b>      |
| Property, plant and equipment, at cost   | 1,744,625          | 1,499,823           |
| Allowance for depreciation   | 854,873            | 828,277             |
|  | 889,752            | 671,546             |
| Cost in excess of net assets of businesses acquired, net                                   | 339,400            | 258,698             |
| Other assets   | 203,983            | 116,624             |
| <b>TOTAL ASSETS</b>  | <b>\$2,231,034</b> | <b>\$1,659,823</b>  |
| <b>LIABILITIES</b>   |                    |                     |
| <b>CURRENT LIABILITIES:</b>  |                    |                     |
| Notes payable and current maturities   | \$ 260,016         | \$ 36,607           |
| Accounts payable   | 229,863            | 132,394             |
| Accrued compensation   | 42,810             | 46,615              |
| Income taxes   | 48,090             | 44,154              |
| Other current liabilities  | 183,498            | 170,746             |
| <b>TOTAL CURRENT LIABILITIES</b>   | <b>764,277</b>     | <b>430,516</b>      |
| Long-term debt   | 600,071            | 418,504             |
| Deferred income taxes  | 91,113             | 52,932              |
| Other liabilities  | 117,625            | 107,750             |
| <b>TOTAL LIABILITIES</b>   | <b>1,573,086</b>   | <b>1,009,702</b>    |
| <b>SHAREHOLDERS' EQUITY</b>  |                    |                     |
| Common stock and additional paid-in capital  | 171,899            | 170,878             |
| Accumulated other comprehensive income (expense)   | (99,483)           | (80,538)            |
| Retained earnings  | 1,185,234          | 1,155,586           |
| Treasury stock   | (599,702)          | (595,805)           |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  | <b>657,948</b>     | <b>650,121</b>      |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <b>\$2,231,034</b> | <b>\$1,659,823</b>  |

See accompanying notes to consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

| (IN THOUSANDS)   | SIX MONTHS ENDED<br>JUNE 30 |           |
|--|-----------------------------|-----------|
|  | 2000                        | 1999      |
| <hr/>  |                             |           |
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                             |           |
| Net income   | \$ 48,433                   | \$ 38,622 |
| Adjustments to reconcile net income to net cash provided by operating activities:      |                             |           |
| Depreciation   | 64,651                      | 59,501    |
| Amortization   | 6,753                       | 6,448     |
| Equity in (income) loss of affiliates, net   | 438                         | (960)     |
| Dividends or distributions from affiliates   | 587                         | 766       |
| Deferred income taxes  | 9,194                       | 1,588     |
| Other, net   | (551)                       | 509       |
| Changes in assets and liabilities, net of acquisitions and dispositions of businesses: |                             |           |
| Accounts receivable  | 4,968                       | (22,200)  |
| Inventories  | (18,332)                    | 2,005     |
| Accounts payable   | (4,976)                     | (10,150)  |
| Disbursements related to discontinued defense business                                 | (617)                       | (13,249)  |
| Other assets and liabilities   | (18,869)                    | (13,786)  |
| <hr/>  |                             |           |
| NET CASH PROVIDED BY OPERATING ACTIVITIES  | 91,679                      | 49,094    |
| <hr/>  |                             |           |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                             |           |
| Purchases of property, plant and equipment   | (78,046)                    | (73,837)  |
| Purchase of business, net of cash acquired   | (263,711)                   | (2,378)   |
| Proceeds from sale of business   | 9,745                       | 8,502     |
| Other investing activities   | 2,503                       | 3,607     |
| <hr/>  |                             |           |
| NET CASH (USED) BY INVESTING ACTIVITIES  | (329,509)                   | (64,106)  |
| <hr/>  |                             |           |
| CASH FLOWS FROM FINANCING ACTIVITIES:  |                             |           |
| Short-term borrowings, net   | 268,561                     | (11,530)  |
| Current maturities and long-term debt:   |                             |           |
| Additions  | 59,971                      | 121,956   |
| Reductions   | (46,212)                    | (21,757)  |
| Cash dividends paid on common stock  | (18,808)                    | (18,752)  |
| Common stock issued-options  | 853                         | 1,296     |
| Common stock acquired for treasury   | (3,768)                     | (42,831)  |
| Other financing activities   | (3,114)                     | (1,767)   |
| <hr/>  |                             |           |
| NET CASH PROVIDED BY FINANCING ACTIVITIES  | 257,483                     | 26,615    |
| <hr/>  |                             |           |
| Effect of exchange rate changes on cash  | (2,737)                     | (980)     |
| <hr/>  |                             |           |
| Net increase in cash and cash equivalents  | 16,916                      | 10,623    |
| Cash and cash equivalents at beginning of period                                       | 51,266                      | 41,562    |
| <hr/>  |                             |           |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD   | \$ 68,182                   | \$ 52,185 |
| <hr/>  |                             |           |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(Unaudited)

| (IN THOUSANDS)                           | THREE MONTHS ENDED<br>JUNE 30 |                 | SIX MONTHS ENDED<br>JUNE 30 |                 |
|--|-------------------------------|-----------------|-----------------------------|-----------------|
|  | 2000                          | 1999            | 2000                        | 1999            |
| Net income                               | \$ 28,231                     | \$23,823        | \$ 48,433                   | \$38,622        |
| Other comprehensive income (expense):    |                               |                 |                             |                 |
| Foreign currency translation adjustments | (11,318)                      | (5,517)         | (18,945)                    | (29,062)        |
| <b>TOTAL COMPREHENSIVE INCOME</b>        | <b>\$ 16,913</b>              | <b>\$18,306</b> | <b>\$ 29,488</b>            | <b>\$ 9,560</b> |

See accompanying notes to consolidated financial statements.

REVIEW OF OPERATIONS BY SEGMENT  
(Unaudited)

| THREE MONTHS ENDED JUNE 30, 2000              | HARSCO<br>MILL<br>SERVICES | HARSCO<br>GAS AND<br>FLUID<br>CONTROL | HARSCO<br>INFRA-<br>STRUCTURE | S3NETWORKS<br>LLC | GENERAL<br>CORPORATE | CONSOLIDATED<br>TOTALS |
|---|----------------------------|---------------------------------------|-------------------------------|-------------------|----------------------|------------------------|
| NET SALES TO UNAFFILIATED CUSTOMERS           | \$195.2                    | \$125.4                               | \$136.4                       | \$ --             | \$ --                | \$457.0                |
| OPERATING INCOME                              | \$ 27.2                    | \$ 10.7                               | \$ 14.5                       | \$ --             | \$ 0.3               | \$ 52.7                |
| EQUITY IN INCOME (LOSS) OF<br>AFFILIATES, NET | 0.3                        | --                                    | --                            | (0.9)             | --                   | (0.6)                  |
| INTEREST INCOME                               | 1.0                        | --                                    | 0.2                           | --                | --                   | 1.2                    |
| INTEREST EXPENSE                              | (2.3)                      | (1.0)                                 | (2.3)                         | --                | (3.1)                | (8.7)                  |
| INCOME TAX (EXPENSE) BENEFIT                  | (8.7)                      | (3.5)                                 | (4.5)                         | 0.3               | 0.8                  | (15.6)                 |
| MINORITY INTEREST IN NET INCOME               | (0.7)                      | --                                    | (0.1)                         | --                | --                   | (0.8)                  |
| SEGMENT NET INCOME (LOSS)                     | \$ 16.8                    | \$ 6.2                                | \$ 7.8                        | \$(0.6)           | \$(2.0)              | \$ 28.2                |

| THREE MONTHS ENDED JUNE 30, 1999       | HARSCO<br>MILL<br>SERVICES | HARSCO<br>GAS AND<br>FLUID<br>CONTROL | HARSCO<br>INFRA-<br>STRUCTURE | S3NETWORKS<br>LLC | GENERAL<br>CORPORATE | CONSOLIDATED<br>TOTALS |
|--|----------------------------|---------------------------------------|-------------------------------|-------------------|----------------------|------------------------|
| Net sales to unaffiliated customers    | \$182.3                    | \$139.1                               | \$109.3                       | \$--              | \$ --                | \$430.7                |
| Operating income                       | \$ 19.0                    | \$ 10.5                               | \$ 13.8                       | \$--              | \$0.5                | \$ 43.8                |
| Equity in income of affiliates, net(1) | 0.6                        | --                                    | --                            | --                | --                   | 0.6                    |
| Interest income                        | 1.1                        | 0.1                                   | --                            | --                | --                   | 1.2                    |
| Interest expense                       | (2.9)                      | (1.3)                                 | (1.6)                         | --                | (1.1)                | (6.9)                  |
| Income tax (expense) benefit           | (5.6)                      | (3.8)                                 | (4.5)                         | --                | 0.1                  | (13.8)                 |
| Minority interest in net income        | (1.1)                      | --                                    | --                            | --                | --                   | (1.1)                  |
| Segment net income (loss)              | \$ 11.1                    | \$ 5.5                                | \$ 7.7                        | \$--              | \$(0.5)              | \$ 23.8                |

- (1) Equity in income (loss) of affiliates is now separately reported. Previously, these amounts were included in operating income. Amounts previously reported as operating income for the three months ended June 30, 1999 were \$19.6 million for HarSCO Mill Services Segment and a consolidated total of \$44.4 million. Reported operating income amounts for the other segments are unchanged.

REVIEW OF OPERATIONS BY SEGMENT  
(Unaudited)

| SIX MONTHS ENDED JUNE 30, 2000             | HARSCO<br>MILL<br>SERVICES | HARSCO<br>GAS AND<br>FLUID<br>CONTROL | HARSCO<br>INFRA-<br>STRUCTURE | S3NETWORKS<br>LLC | GENERAL<br>CORPORATE | CONSOLIDATED<br>TOTALS |
|--|----------------------------|---------------------------------------|-------------------------------|-------------------|----------------------|------------------------|
| NET SALES TO UNAFFILIATED CUSTOMERS        | \$386.8                    | \$260.8                               | \$258.6                       | \$ --             | \$ --                | \$906.2                |
| OPERATING INCOME (LOSS)                    | \$ 47.0                    | \$ 21.8                               | \$ 23.3                       | \$ --             | \$(0.5)              | \$ 91.6                |
| EQUITY IN INCOME (LOSS) OF AFFILIATES, NET | 0.5                        | --                                    | --                            | (0.9)             | --                   | (0.4)                  |
| INTEREST INCOME                            | 2.1                        | 0.1                                   | 0.2                           | --                | --                   | 2.4                    |
| INTEREST EXPENSE                           | (4.4)                      | (2.0)                                 | (4.1)                         | --                | (5.7)                | (16.2)                 |
| INCOME TAX (EXPENSE) BENEFIT               | (15.4)                     | (7.3)                                 | (6.9)                         | 0.3               | 2.2                  | (27.1)                 |
| MINORITY INTEREST IN NET INCOME            | (1.8)                      | --                                    | (0.1)                         | --                | --                   | (1.9)                  |
| SEGMENT NET INCOME (LOSS)                  | \$ 28.0                    | \$ 12.6                               | \$ 12.4                       | \$(0.6)           | \$(4.0)              | \$ 48.4                |

| SIX MONTHS ENDED JUNE 30, 1999          | HARSCO<br>MILL<br>SERVICES | HARSCO<br>GAS AND<br>FLUID<br>CONTROL | HARSCO<br>INFRA-<br>STRUCTURE | S3NETWORKS<br>LLC | GENERAL<br>CORPORATE | CONSOLIDATED<br>TOTALS |
|---|----------------------------|---------------------------------------|-------------------------------|-------------------|----------------------|------------------------|
| Net sales to unaffiliated customers     | \$355.4                    | \$273.2                               | \$206.7                       | \$ --             | \$ --                | \$835.3                |
| Operating income                        | \$ 35.1                    | \$ 18.5                               | \$ 20.1                       | \$ --             | \$ 0.2               | \$ 73.9                |
| Equity in income of affiliates, net (1) | 1.0                        | --                                    | --                            | --                | --                   | 1.0                    |
| Interest income                         | 2.0                        | 0.1                                   | 0.1                           | --                | 0.1                  | 2.3                    |
| Interest expense                        | (5.7)                      | (2.7)                                 | (3.0)                         | --                | (1.7)                | (13.1)                 |
| Income tax (expense) benefit            | (10.3)                     | (6.0)                                 | (6.3)                         | --                | (0.5)                | (23.1)                 |
| Minority interest in net income         | (2.5)                      | 0.1                                   | --                            | --                | --                   | (2.4)                  |
| Segment net income (loss)               | \$ 19.6                    | \$ 10.0                               | \$ 10.9                       | \$ --             | \$(1.9)              | \$ 38.6                |

(1) Equity in income (loss) of affiliates is now separately reported. Previously, these amounts were included in operating income. Amounts previously reported as operating income for the six months ended June 30, 1999 were \$36.1 million for HarSCO Mill Services Segment and a consolidated total of \$74.9 million. Reported operating income amounts for the other segments are unchanged.

## Inventories

Inventories consist of:

| (in thousands)                    | JUNE 30<br>2000 | December 31<br>1999 |
|-----------------------------------|-----------------|---------------------|
| Finished goods                    | \$ 91,057       | \$ 37,715           |
| Work-in-process                   | 40,270          | 37,198              |
| Raw materials and purchased parts | 79,511          | 76,911              |
| Stores and supplies               | 20,214          | 20,374              |
|                                   | \$231,052       | \$172,198           |

## COMMITMENTS AND CONTINGENCIES

## DISCONTINUED DEFENSE BUSINESS - CONTINGENCIES

## FEDERAL EXCISE TAX AND OTHER MATTERS RELATED TO THE FIVE-TON TRUCK CONTRACT

In 1995, the Company, the United States Army ("Army"), and the United States Department of Justice concluded a settlement of Harsco's previously reported claims against the Army relating to Federal Excise Tax ("FET") arising under a completed 1986 contract for the sale of five-ton trucks to the Army. On September 27, 1995, the Army paid the Company \$49 million in accordance with the settlement terms. The Company released the Army from any further liability for those claims, and the Department of Justice released the Company from a threatened action for damages and civil penalties based on an investigation conducted by the Department's Commercial Litigation Branch that had been pending for several years.

The settlement preserves the rights of the parties to assert claims and defenses under the Internal Revenue Code, and rights of the Army and the Company to claim certain amounts that may be owed by either party to reconcile possible underpayments or overpayments on the truck contract as part of the formal contract close-out process.

The settlement does not resolve the claim by the Internal Revenue Service ("IRS") that, contrary to the Company's position, certain cargo truck models sold by the Company should be considered to have gross vehicle weights in excess of the 33,000 pound threshold under FET law, are not entitled to an exemption from FET under any other theory, and therefore are taxable. In 1999, the IRS assessed an increase in FET of \$30.4 million plus penalties of \$10.4 million and applicable interest currently estimated to be \$49.5 million. In October 1999, the Company posted an \$80 million bond required as security by the IRS. This increase in FET takes into account offsetting credits of \$9.2 million, based on a partial allowance of the Company's \$31.9 million claim that certain truck components are exempt from FET. The IRS



## COMMITMENTS AND CONTINGENCIES (CONTINUED)

disallowed in full the Company's additional claim that it is entitled to the entire \$52 million of FET (plus applicable interest currently estimated by the Company to be \$44.8 million) the Company has paid on the five-ton trucks, on the grounds that such trucks qualify for the FET exemption applicable to certain vehicles specially designed for the primary function of off-highway transportation. In the event that the Company ultimately receives from the IRS a refund of tax (including applicable interest) with respect to which the Company has already received reimbursement from the Army, the refund would be allocated between the Company and the Army. The Company plans to vigorously contest the IRS assessment in the U.S. Court of Federal Claims. Although there is risk of an adverse outcome, both the Company and the Army believe that the cargo trucks are not taxable. No recognition has been given in the accompanying financial statements for the Company's claims with the IRS.

The settlement agreement with the Army preserves the Company's right to seek reimbursement of after-imposed tax from the Army in the event that the cargo trucks are determined to be taxable, but the agreement limits the reimbursement to a maximum of \$21 million. Additionally, in an earlier contract modification, the Army accepted responsibility for \$3.6 million of the potential tax, bringing its total potential responsibility up to \$24.6 million.

Under the settlement, the Army agreed that if the cargo trucks are determined to be taxable, the 1993 decision of the Armed Services Board of Contract Appeals (which ruled that the Company is entitled to a price adjustment to the contract for reimbursement of FET paid on vehicles that were to be delivered after October 1, 1988) will apply to the question of the Company's right to reimbursement from the Army for after-imposed taxes on the cargo trucks. In the Company's view, application of the 1993 decision will favorably resolve the principal issues regarding any such future claim by the Company. Therefore, the Company believes that even if the cargo trucks are ultimately held to be taxable, the Army would be obligated to reimburse the Company for a majority of the tax, (but not interest or penalty, if any), resulting in a net maximum liability for the Company of \$5.8 million plus penalties and applicable interest currently estimated to be \$10.4 million and \$49.5 million, respectively. The Company believes it is unlikely that resolution of this matter will have a material adverse effect on the Company's financial position, however, it could have a material effect on quarterly or annual results of operations.

## OTHER DEFENSE BUSINESS LITIGATION

In 1992, the United States Government through its Defense Contract Audit Agency commenced an audit of certain contracts for sale of tracked vehicles by the Company to foreign governments, which were financed by the United States Government through the Defense Security Assistance Agency. In September 1994, the Company received a subpoena issued by the Department of Defense Inspector General seeking various documents relating to issues raised in the audit.

## COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Government subsequently subpoenaed a number of former employees of the Company's divested defense business to testify before a grand jury and issued grand jury subpoenas to the Company for additional documents. On December 22, 1999, the Company announced that it reached agreement with the U.S. Government on behalf of its former BMY Combat Systems Division to settle the matter. Under the agreement, BMY Combat Systems pled guilty to a one-count misdemeanor relating to submitting advance payment certifications which resulted in BMY receiving a portion of the payments for the contract prematurely. In June 2000, the US District Court gave final approval to the settlement. In accordance with the settlement, Harsco paid the Government a \$200,000 fine in June 2000 and in July 2000 paid the \$10.8 million in damages for a total of \$11 million.

The settlement ends the Government's investigation and releases Harsco and BMY from further liability for the issues under investigation. Harsco charged the payment against an existing reserve, resulting in no charge to the Company's earnings.

## CONTINUING OPERATIONS - CONTINGENCIES

## ENVIRONMENTAL

The Company is involved in a number of environmental remediation investigations and clean-ups and, along with other companies, has been identified as a "potentially responsible party" for certain waste disposal sites. While each of these matters is subject to various uncertainties, it is probable that the Company will agree to make payments toward funding certain of these activities and it is possible that some of these matters will be decided unfavorably to the Company. The Company has evaluated its potential liability, and its financial exposure is dependent upon such factors as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the allocation of cost among potentially responsible parties, the years of remedial activity required and the remediation methods selected. The Consolidated Balance Sheet at June 30, 2000, and December 31, 1999 includes an accrual of \$4.7 million and \$3.0 million, respectively, for environmental matters. The increase from December 31, 1999 principally relates to environmental liabilities of acquired companies. The amounts affecting pre-tax earnings related to environmental matters totaled \$1.2 million of expense for the first six months of 2000, and \$0.4 million of income for the first six months of 1999.

The liability for future remediation costs is evaluated on a quarterly basis. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. The Company does not expect that any sum it may have to pay in connection with environmental matters in excess of the amounts recorded or disclosed above would have a material adverse effect on its financial position or results of operations.

## COMMITMENTS AND CONTINGENCIES (CONTINUED)

In the first quarter of 2000 the U.S. Environmental Protection Agency issued a Notice of Violation to the Company for violations of the Clean Air Act arising from slag dust emissions at one of the Company's mill services locations. The Agency is seeking abatement of dust emissions at the site and has advised that it is seeking financial penalties which exceed \$100,000. The Company is cooperating with the mill and the Agency to abate the dust emissions and is in settlement discussions with the Agency.

## OTHER

The Company is subject to various other claims, legal proceedings, and investigations covering a wide range of matters that arose in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or by accruals, and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a material adverse effect on the financial position or results of operations of the Company.

## FINANCIAL INSTRUMENTS AND HEDGING

## OFF BALANCE SHEET RISK

The Company has subsidiaries principally operating in North America, Latin America, Europe and Asia-Pacific. These operations are exposed to fluctuations in related foreign currencies, in the normal course of business. The Company seeks to reduce exposure to foreign currency fluctuations through the use of forward exchange contracts. The Company does not hold or issue financial instruments for trading purposes, and it is the Company's policy to prohibit the use of derivatives for speculative purposes. The Company has a Foreign Currency Risk Management Committee that meets periodically to monitor foreign currency risks.

The Company enters into forward foreign exchange contracts to hedge transactions of its non-U.S. subsidiaries, for firm commitments to purchase equipment and for export sales denominated in foreign currencies. These contracts generally are for 90 to 180 days or less. For those contracts that hedge an identifiable transaction, gains or losses are deferred and accounted for as part of the underlying transactions. The cash flows from these contracts are classified consistent with the cash flows from the transaction being hedged. The Company also enters into forward exchange contracts for intercompany foreign currency commitments. These foreign exchange contracts do not qualify as hedges, therefore, gains and losses are recognized in income based on fair market value. As of June 30, 2000, the total of all forward exchange contracts amounted to \$5.0 million with an unfavorable mark-to-market fluctuation of \$56,000.

## Reconciliation of Basic and Diluted Shares

| (In thousands, except amounts per share)  | Three Months Ended<br>June 30 |          | Six Months Ended<br>June 30 |           |
|---|-------------------------------|----------|-----------------------------|-----------|
|   | 2000                          | 1999     | 2000                        | 1999      |
| Net income  | \$28,231                      | \$23,823 | \$48,433                    | \$ 38,622 |
| Average shares of common stock<br>outstanding used to compute basic<br>earnings per common share                    | 39,964                        | 41,125   | 39,989                      | 41,376    |
| Additional common shares to be<br>issued assuming exercise of<br>stock options, net of shares<br>assumed reacquired | 84                            | 183      | 78                          | 149       |
| Shares used to compute dilutive<br>effect of stock options  | 40,048                        | 41,308   | 40,067                      | 41,525    |
| Basic earnings per common share   | \$ .71                        | \$ .58   | \$ 1.21                     | \$ .93    |
| Diluted earnings per common share   | \$ .70                        | \$ .58   | \$ 1.21                     | \$ .93    |

## New Financial Accounting Standard Issued

In June 1998, the Financial Accounting Standard Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), with an amended date effective for fiscal years beginning after June 15, 2000. SFAS No. 133 was further amended by SFAS No. 138. SFAS 133 requires that an entity recognize all derivative instruments as either assets or liabilities on its balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction, and, if it is, the type of hedge transaction. The Company will adopt SFAS 133 by the first quarter of 2001. Due to the Company's limited use of derivative instruments, SFAS 133 is not expected to have a material effect on the financial position or results of operations of the Company.

## New Staff Accounting Bulletin Issued

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the Commission. In June 2000, the SEC issued SAB No. 101B, "Second Amendment: Revenue Recognition in Financial Statements". SAB 101B delays the implementation of SAB 101 until no later than the fourth fiscal quarter of fiscal years beginning after December 15, 1999. Based on a review of the Company's policies and practices and current interpretations of SAB 101, the Company believes it is in general compliance with SAB 101.

## Acquisitions

In June 2000, the Company made its tender offer for SGB Group PLC (SGB) unconditional and by June 30 had received acceptances for 94.8 percent of the shares of SGB. The Company plans to compulsorily acquire the remaining shares in the third quarter of 2000. SGB, based in the UK, is one of Europe's largest suppliers of scaffolding, forming and related access products and services. SGB also has operations in North America, the Middle East and the Asia Pacific region. SGB had 1999 sales of pound sterling 283 million (approximately \$426 million U.S. dollars). Through June 30, 2000 the Company had borrowed \$255.1 million to finance the acquisition. Approximately \$32 million of additional funds will be borrowed in the third quarter to complete the purchase of SGB's outstanding stock.

The acquisition of SGB has been accounted for using the purchase method of accounting and accordingly, the operating results of SGB have been included in the consolidated results of the Company from June 16, 2000, the date of acquisition. The purchase price allocation is based upon preliminary appraisal values and management estimates and is subject to reclassifications and adjustments in the future. The purchase price has been allocated as follows:

|                                      | (In millions) |
|--------------------------------------|---------------|
| Working capital, other than cash     | \$(54.4)      |
| Property, plant and equipment        | 221.0         |
| Other assets                         | 64.2          |
| Goodwill                             | 85.0          |
| Noncurrent liabilities               | (58.8)        |
| Purchase price, net of cash received | \$257.0       |

Harsco management is in the process of finalizing fair value adjustments, asset write downs, and its plan to exit certain activities of SGB. Estimates of the associated costs have been included in the opening balance sheet. Management expects to finalize the plan and the associated estimates by September 30, 2000.

In May 2000, the Company completed the acquisitions of Bergslagen Steelservice AB and Bergslagen Suomi Oy (collectively Bergslagen). The two companies provide specialized slag processing and metal recovery services to steel mills in Sweden and Finland, respectively. The two organizations together recorded 1999 sales of nearly \$10 million.

In April 2000, the company agreed to invest \$20 million for a 49 percent ownership interest in S3Networks, LLC, a start-up company providing internet and e-business infrastructure consulting services primarily to Fortune 1000 corporations. Cash of \$8 million has been invested through June 30, 2000 with an additional \$12 million to be paid over a period not to exceed fifteen months from the initial investment date. The investment is being accounted for under the equity method. Since the Company is the principal provider of initial capital for S3Networks, LLC, the Company will record 100% of net losses to the extent of its initial \$20 million investment. However, the Company will also record 100% of subsequent net income until the entire initial investment amount is reinstated. Subsequent to reinstatement of the initial investment amount, the company will record net income to the extent of its ownership percentage of S3Networks, LLC.

## Opinion of Management

Financial information furnished herein, which is unaudited, reflects in the opinion of management all adjustments (all of which are of a recurring nature) that are necessary to present a fair statement of the interim period.

REGISTERED  
OFFICE OF THE ISSUER

Harsco Finance B.V.  
Wenckebachstraat 1  
1951 JZ Velsen-Noord  
Postbus 83  
1970 AB IJmuiden  
The Netherlands

PRINCIPAL  
OFFICE OF THE GUARANTOR

Harsco Corporation  
350 Poplar Church Road  
P.O. Box 8888  
Camp Hill, PA 17001-8888

TRUSTEE

Chase Manhattan Trustees Limited  
Trinity Tower  
9 Thomas More Street  
London E1W 1YT

PRINCIPAL PAYING AGENT

The Chase Manhattan Bank  
Trinity Tower  
9 Thomas More Street  
London E1W 1YT

PAYING AGENT

Chase Manhattan Bank Luxembourg S.A.  
5 rue Plaetis  
L-2338 Luxembourg

LEGAL ADVISERS

To the Guarantor as to  
New York law:  
Kirkpatrick & Lockhart LLP  
1251 Avenue Of The Americas  
45th Floor  
New York, New York 10020

To the Issuer as to  
Netherlands law:  
Boekel de Neree  
Atrium Building  
2nd Floor  
Strawinskylaan 3037  
1077 ZX Amsterdam  
The Netherlands

To the Managers and the Trustee as to  
English law:

Clifford Chance  
Limited Liability Partnership  
200 Aldersgate Street  
London EC1A 4JJ

AUDITORS TO THE ISSUER  
AND THE GUARANTOR

PricewaterhouseCoopers LLP  
2400 Eleven Penn Center  
Philadelphia, PA 19103-2962

LISTING AGENT

Kredietbank S.A. Luxembourgeoise  
43, boulevard Royal  
L-2955 Luxembourg

CONFORMED COPY

-----

364-Day Credit Agreement  
Dated as of September 29, 2000

Among  
HARSCO CORPORATION,  
THE LENDERS NAMED HEREIN

and  
THE CHASE MANHATTAN BANK  
as Administrative Agent

-----

BANK ONE, NA  
Syndication Agent  
CITIBANK, N.A.  
Documentation Agent



## TABLE OF CONTENTS

|   | Page |
|---|------|
|   | ---- |
| ARTICLE I. DEFINITIONS.....   | 1    |
| Section 1.01. Defined Terms.....                                      | 1    |
| Section 1.02. Terms Generally.....                                    | 19   |
| Section 1.03. Redenomination of Certain Alternative Currencies.....   | 20   |
| ARTICLE II. THE CREDITS.....  | 20   |
| Section 2.01. Commitments.....  | 20   |
| Section 2.02. Loans.....  | 21   |
| Section 2.03. Competitive Bid Procedure.....                          | 23   |
| Section 2.04. Standby Borrowing Procedure.....                        | 27   |
| Section 2.05. Refinancings.....                                       | 28   |
| Section 2.06. Fees.....   | 28   |
| Section 2.07. Repayment of Loans.....                                 | 30   |
| Section 2.08. Interest on Loans.....                                  | 30   |
| Section 2.09. Default Interest.....                                   | 31   |
| Section 2.10. Alternate Rate of Interest.....                         | 31   |
| Section 2.11. Termination and Reduction of Commitments.....           | 32   |
| Section 2.12. Prepayment.....   | 32   |
| Section 2.13. Reserve Requirements; Change in Circumstances.....      | 33   |
| Section 2.14. Change in Legality.....                                 | 35   |
| Section 2.15. Indemnity.....  | 37   |
| Section 2.16. Pro Rata Treatment.....                                 | 37   |
| Section 2.17. Sharing of Setoffs.....                                 | 38   |
| Section 2.18. Payments.....   | 39   |
| Section 2.19. Taxes.....  | 39   |
| Section 2.20. Assignment of Commitments Under Certain Circumstances.. | 43   |
| Section 2.21. Borrowings by Approved Borrowers.....                   | 44   |
| Section 2.22. Increase in Commitments.....                            | 44   |

ARTICLE III. REPRESENTATIONS AND WARRANTIES..... 44

Part A. Representations and Warranties of the Company..... 44

Section 3.01. Corporate Existence..... 44

Section 3.02. Financial Condition..... 45

Section 3.03. Litigation..... 45

Section 3.04. No Breach..... 46

Section 3.05. Action..... 46

Section 3.06. Approvals..... 46

Section 3.07. Use of Credit..... 46

Section 3.08. ERISA..... 46

Section 3.09. Taxes..... 47

Section 3.10. Investment Company Act..... 47

Section 3.11. Public Utility Holding Company Act..... 47

Section 3.12. Material Agreements and Liens..... 47

Section 3.13. Environmental Matters..... 48

Section 3.14. Subsidiaries, etc..... 48

Section 3.15. True and Complete Disclosure..... 48

Part B. Representations and Warranties of the Approved Borrowers..... 49

Section 3.16. Corporate Existence of Approved Borrower..... 49

Section 3.17. No Breach..... 49

Section 3.18. Action..... 50

Section 3.19. Approvals..... 50

Section 3.20. Taxes on Payments of Approved Borrowers..... 50

ARTICLE IV. CONDITIONS OF LENDING..... 50

Section 4.01. Effective Date..... 50

Section 4.02. First Borrowing by Each Approved Borrower..... 52

Section 4.03. All Borrowings..... 54

ARTICLE V. AFFIRMATIVE COVENANTS..... 55

Section 5.01. Existence; Businesses and Properties..... 55

Section 5.02. Insurance..... 55

|   |   |    |
|---|---|----|
| Section 5.03.                               | Obligations and Taxes.....              | 56 |
| Section 5.04.                               | Financial Statements, Reports, etc..... | 56 |
| Section 5.05.                               | Litigation and Other Notices.....       | 57 |
| Section 5.06.                               | ERISA.....                              | 58 |
| Section 5.07.                               | Maintaining Records.....                | 58 |
| Section 5.08.                               | Use of Proceeds.....                    | 58 |
| ARTICLE VI. NEGATIVE COVENANTS.....         |   | 58 |
| Section 6.01.                               | Liens.....                              | 59 |
| Section 6.02.                               | Sale and Lease-Back Transactions.....   | 60 |
| Section 6.03.                               | Mergers, Sales of Assets, etc.....      | 61 |
| Section 6.04.                               | Lines of Business; Fiscal Year.....     | 61 |
| Section 6.05.                               | Transactions with Affiliates.....       | 62 |
| Section 6.06.                               | Net Worth.....                          | 62 |
| Section 6.07.                               | Total Debt to Total Capital Ratio.....  | 62 |
| ARTICLE VII. EVENTS OF DEFAULT.....         |   | 62 |
| ARTICLE VIII. THE ADMINISTRATIVE AGENT..... |   | 66 |
| ARTICLE IX. GUARANTEE.....                  |   | 69 |
| Section 9.01.                               | Guarantee.....                          | 69 |
| Section 9.02.                               | Obligations Unconditional.....          | 70 |
| Section 9.03.                               | Reinstatement.....                      | 71 |
| Section 9.04.                               | Subrogation.....                        | 71 |
| Section 9.05.                               | Remedies.....                           | 71 |
| Section 9.06.                               | Continuing Guarantee.....               | 72 |
| ARTICLE X. MISCELLANEOUS.....               |   | 72 |
| Section 10.01.                              | Notices.....                            | 72 |
| Section 10.02.                              | Survival of Agreement.....              | 72 |
| Section 10.03.                              | Binding Effect.....                     | 73 |
| Section 10.04.                              | Successors and Assigns.....             | 73 |
| Section 10.05.                              | Expenses; Indemnity.....                | 77 |
| Section 10.06.                              | Right of Setoff.....                    | 78 |
| Section 10.07.                              | Applicable Law.....                     | 78 |
| Section 10.08.                              | Waivers; Amendment.....                 | 78 |
| Section 10.09.                              | Interest Rate Limitation.....           | 79 |

|                |  |    |
|----------------|--|----|
| Section 10.10. | Entire Agreement.....                            | 79 |
| Section 10.11. | Waiver of Jury Trial.....                        | 80 |
| Section 10.12. | Severability.....                                | 80 |
| Section 10.13. | Judgment Currency.....                           | 80 |
| Section 10.14. | Counterparts.....                                | 81 |
| Section 10.15. | Headings.....                                    | 81 |
| Section 10.16. | Jurisdiction; Consent to Service of Process..... | 81 |

## Schedules and Exhibits

Page

----

Schedule 2.01 - Lenders; Commitments  
Schedule 2.21 - Approved Borrowers  
Schedule 3.12 - Material Agreements  
Schedule 3.14 - Subsidiaries

Exhibit A-1 - Form of Competitive Bid Request  
Exhibit A-2 - Form of Notice of Competitive Bid Request  
Exhibit A-3 - Form of Competitive Bid  
Exhibit A-4 - Form of Competitive Bid/Accept Reject Letter  
Exhibit A-5 - Form of Standby Borrowing Request  
Exhibit B - Form of Administrative Questionnaire  
Exhibit C - Form of Assignment and Acceptance  
Exhibit D-1 - Form of Opinion of General Counsel  
Exhibit D-2 - Form of Opinion of Kirkpatrick & Lockhart LLP  
Exhibit E-1 - Form of Designation Letter  
Exhibit E-2 - Form of Termination Letter  
Exhibit F - Form of Accession Agreement

364-DAY CREDIT AGREEMENT dated as of September 29, 2000, among HARSCO CORPORATION, a Delaware corporation (the "Company"), the lenders listed in Schedule 2.01 (the "Lenders"), and THE CHASE MANHATTAN BANK, as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

The Company has requested that the Lenders extend credit to the Company in order to enable it to borrow Standby Loans (such term and all other capitalized terms not otherwise defined have the meanings assigned to them in Article I hereof) on a standby revolving credit basis from time to time during the Availability Period in an aggregate principal amount at any time outstanding not in excess of \$150,000,000 (less the aggregate principal amount of all outstanding Competitive Loans at such time). The Company has also requested the Lenders to provide a procedure pursuant to which the Company may invite the Lenders to bid on an uncommitted basis on short-term borrowings by the Company. The proceeds of all such borrowings are to be used for general corporate purposes, including commercial paper backup. The Lenders are willing to extend such credit to the Company on the terms and subject to the conditions herein set forth.

Accordingly, the Company, the Lenders and the Administrative Agent agree as follows:

#### ARTICLE I. DEFINITIONS

Section 1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"ABR Borrowing" shall mean a Borrowing comprised of ABR Loans.

"ABR Loan" shall mean any Standby Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article II.

"Accession Agreement" shall mean an Accession Agreement substantially in the form of Exhibit F among a Prospective Lender, the Company and the Administrative Agent.

"Adjusted LIBO Rate" shall mean, with respect to any Eurocurrency Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Fees" shall have the meaning assigned to such term in Section 2.06(b).

"Administrative Questionnaire" shall mean an Administrative Questionnaire in the form of Exhibit B hereto.

"Affiliate" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

"Alternate Base Rate" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus -1/2 of 1%. For purposes hereof, "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as effective. "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability of the Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Alternate Base Rate shall be determined without regard to clause (b) of the first sentence of this definition until the circumstances giving rise to such inability no longer exist.

"Alternative Currency" shall mean (a) Euros and Sterling and (b) any other freely available currency which is freely transferable and freely convertible into Dollars and in which dealings in deposits are carried on in the London or other interbank market, which shall be requested by a Borrower in respect of an Alternative Currency Borrowing and approved by each Lender making an Alternative Currency Loan comprising a part of such Borrowing.

"Alternative Currency Borrowing" shall mean a Borrowing comprised of Alternative Currency Loans. All Alternative Currency Borrowings shall be Eurocurrency Borrowings.

"Alternative Currency Equivalent" shall mean, with respect to any amount of Dollars on any date in relation to any specified Alternative Currency, the amount of such specified Alternative Currency that may be purchased with such amount of Dollars at the Spot Exchange Rate with respect to Dollars on such date. The term "Alternative Currency Equivalent" may be preceded by a reference to an Alternative Currency (e.g., "DEM Alternative Currency Equivalent"), in which case the Alternative Currency so referenced shall be the "specified" Alternative Currency.

"Alternative Currency Loan" shall mean any Loan denominated in an Alternative Currency.

"Applicable Margin" shall mean on any date, (A) with respect to ABR Loans, 0% and (B) with respect to Eurocurrency Loans, the applicable spreads set forth below based upon the ratings applicable on such date to senior, unsecured, non-credit enhanced, long-term indebtedness of the Company for borrowed money ("Index Debt"):

|  | Eurocurrency<br>Loan Spread |
|--|-----------------------------|
| -----  |                             |
| Category 1                                     |                             |
| A or higher by S&P;<br>A2 or higher by Moody's | .190%                       |
| -----  |                             |
| Category 2                                     |                             |
| A- by S&P;<br>A3 by Moody's                    | .230%                       |
| -----  |                             |



-----  
Eurocurrency  
Loan Spread  
-----

Category 3

|                 |       |
|-----------------|-------|
| BBB+ by S&P;    | .320% |
| Baa1 by Moody's |       |

-----  
Category 4

|                 |       |
|-----------------|-------|
| BBB by S&P;     | .400% |
| Baa2 by Moody's |       |

-----  
Category 5

|                 |       |
|-----------------|-------|
| BBB- by S&P;    | .600% |
| Baa3 by Moody's |       |

-----  
Category 6

|                         |       |
|-------------------------|-------|
| BB+ or lower by S&P;    | .800% |
| Ba1 or lower by Moody's |       |

-----

For purposes of determining the Applicable Margin for Eurocurrency Loans, (a) if either Moody's or S&P shall not have in effect a rating for Index Debt (other than because such rating agency shall no longer be in the business of rating corporate debt obligations), then such rating agency will be deemed to have established a rating for Index Debt in Category 6; (b) if the ratings established or deemed to have been established by Moody's and S&P shall fall within different Categories, the Applicable Margin shall be determined by reference to the higher (or numerically lower) Category unless one of the ratings is two or more Categories lower (or numerically higher) than the other, in which case the Applicable Margin shall be determined by reference to the Category next above that of the lower of the two ratings; and (c) if any rating established or deemed to have been established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of either Moody's or S&P), such change shall be effective as of the date on which such change is first announced by the rating agency making such change. Each change in the Applicable Margin shall apply to all Eurocurrency Loans and ABR Loans that are outstanding at any time during the period

commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of either Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Company and the Lenders shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system or the nonavailability of ratings from such rating agency.

"Applicable Percentage" shall mean, with respect to any Lender at any time, the percentage of the Total Commitment represented by such Lender's Commitment at such time.

"Approved Borrower" shall mean any wholly owned Subsidiary of the Company as to which a Designation Letter shall have been delivered to the Administrative Agent in accordance with Section 2.21 hereof and as to which a Termination Letter shall not have been delivered to the Administrative Agent.

"Assigned Dollar Value" shall mean, in respect of any Borrowing denominated in an Alternative Currency, the Dollar Equivalent thereof determined based upon the applicable Spot Exchange Rate as of the Denomination Date for such Borrowing.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee, and accepted by the Administrative Agent, in the form of Exhibit C or such other form as shall be approved by the Administrative Agent.

"Availability Period" shall mean the period from and including the Effective Date to but excluding the earlier of the Termination Date and the date of termination of the Commitments.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States.

"Borrowers" shall mean the Company and each Approved Borrower.

"Borrowing" shall mean a group of Loans of a single Type made by the Lenders (or, in the case of a Competitive Borrowing, by the Lender or Lenders whose

Competitive Bids have been accepted pursuant to Section 2.03).

"Borrowing Minimum" shall mean (a) in the case of a Standby Borrowing denominated in Dollars, \$10,000,000 and (b) in the case of a Standby Borrowing denominated in any Alternative Currency, the smallest amount of such Alternative Currency that has a Dollar Equivalent in excess of \$10,000,000.

"Borrowing Multiple" shall mean (a) in the case of a Borrowing denominated in Dollars, \$1,000,000 and (b) in the case of a Borrowing denominated in any Alternative Currency, 1,000,000 units (or, in the case of Sterling, 500,000 units) of such currency.

"Business Day" shall mean any day (other than a day which is a Saturday, Sunday or legal holiday in the State of New York) on which banks are open for business in New York City; provided, however, that, when used in connection with a Eurocurrency Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market and, if such reference relates to the date on which any amount is to be paid or made available in an Alternative Currency, the term "Business Day" shall also exclude any day on which commercial banks and foreign exchange markets are not open for business in the principal financial center in the country of such Alternative Currency.

"Capital Lease Obligations" of any person shall mean the obligations of such person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

A "Change in Control" shall be deemed to have occurred if (a) any person or group (within the meaning of Rule 13d-5 of the Securities and Exchange Commission as in effect on the date hereof) shall own directly or indirectly, beneficially or of record, shares representing more than 20% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Company; or

(b) a majority of the seats (other than vacant seats) on the board of directors of the Company shall at any time have been occupied by persons who were neither (i) nominated by the board of directors of the Company, nor (ii) appointed by directors so nominated; or (c) any person or group shall otherwise directly or indirectly Control the Company.

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Committed Credit Exposure" shall mean, with respect to any Lender at any time, the sum of (a) the aggregate principal amount at such time of all outstanding Standby Loans of such Lender denominated in Dollars, plus (b) the Assigned Dollar Value at such time of the aggregate principal amount at such time of all outstanding Standby Loans of such Lender that are Alternative Currency Loans.

"Commitment" shall mean, with respect to each Lender, the commitment of such Lender hereunder as set forth in Schedule 2.01 hereto, as such Lender's Commitment may be permanently terminated, reduced or increased from time to time pursuant to Section 2.11 or Section 2.22.

"Competitive Bid" shall mean an offer by a Lender to make a Competitive Loan pursuant to Section 2.03.

"Competitive Bid Accept/Reject Letter" shall mean a notification made by a Borrower pursuant to Section 2.03(d) in the form of Exhibit A-4.

"Competitive Bid Rate" shall mean, as to any Competitive Bid made by a Lender pursuant to Section 2.03(b), (i) in the case of a Eurocurrency Loan, the Competitive Margin, and (ii) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Lender making such Competitive Bid.

"Competitive Bid Request" shall mean a request made pursuant to Section 2.03 in the form of Exhibit A-1.

"Competitive Borrowing" shall mean a borrowing consisting of a Competitive Loan or concurrent Competitive Loans from the Lender or Lenders whose Competitive Bids for such Borrowing have been accepted by a Borrower under the bidding procedure described in Section 2.03.

"Competitive Loan" shall mean a loan from a Lender to a Borrower pursuant to the bidding procedure described in Section 2.03. Each Competitive Loan shall be a Eurocurrency Competitive Loan or a Fixed Rate Loan.

"Competitive Margin" shall mean, as to any Eurocurrency Competitive Loan, the margin (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) to be added to or subtracted from the LIBO Rate in order to determine the interest rate applicable to such Loan, as specified in the Competitive Bid relating to such Loan.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"Denomination Date" shall mean, in relation to any Alternative Currency Borrowing, the date that is three Business days before the date such Borrowing is made.

"Designation Letter" shall have the meaning assigned to such term in Section 2.21.

"Dollar Equivalent" shall mean, with respect to an amount of any Alternative Currency on any date, the amount of Dollars that may be purchased with such amount of such Alternative Currency at the Spot Exchange Rate with respect to such Alternative Currency on such date.

"Dollars" or "\$" shall mean lawful money of the United States of America.

"Domestic Subsidiaries" shall mean any Subsidiary organized or incorporated under the laws of one of the States of the United States of America, the laws of the District of Columbia or the Federal laws of the United States of America.

"Effective Date" shall mean the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 10.08).

"EMU Legislation" means the legislative measures of the European Union for the introduction of, changeover to or operation of the Euro in one or more member states.

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the presence, management or release of Hazardous Materials or to health and safety matters.

"Environmental Liability" means all liabilities, obligations, damages, losses, claims, actions, suits, judgments, orders, fines, penalties, fees, expenses and costs, (including administrative oversight costs, natural resource damages and remediation costs), whether contingent or otherwise, arising out of or relating to: (a) compliance or non-compliance with any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release of any Hazardous Materials or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that is a member of a group which the Company is a member and which is treated as a single employer under Section 414 of the Code.

"Euro" means the single currency of the European Union as constituted by the treaty on European Union.

"Eurocurrency Borrowing" shall mean a Borrowing comprised of Eurocurrency Loans.

"Eurocurrency Competitive Borrowing" shall mean a Competitive Borrowing comprised of Eurocurrency Competitive Loans.

"Eurocurrency Competitive Loan" shall mean any Competitive Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Eurocurrency Loan" shall mean any Eurocurrency Competitive Loan or Eurocurrency Standby Loan.

"Eurocurrency Standby Borrowing" shall mean a Standby Borrowing comprised of Eurocurrency Standby Loans.

"Eurocurrency Standby Loan" shall mean any Standby Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Event of Default" shall have the meaning assigned to such term in Article VII.

"Existing Credit Agreement" shall mean the Credit Agreement (Five Year Competitive Advance and Revolving Credit Facility) dated as of July 16, 1996, among the Company, the lenders thereunder and the Administrative Agent.

"Facility Fee" shall have the meaning assigned to such term in Section 2.06(a).

"Facility Fee Percentage" shall mean on any date, the applicable percentage set forth below based upon the ratings applicable on such date to the Company's Index Debt:

|  | Facility<br>Fee<br>Percentage |
|--|-------------------------------|
| -----  |                               |
| Category 1                                     |                               |
| A or higher by S&P;<br>A2 or higher by Moody's | .060%                         |
| -----  |                               |
| Category 2                                     |                               |
| A- by S&P;<br>A3 by Moody's                    | .070%                         |
| -----  |                               |
| Category 3                                     |                               |

|   |       |
|---|-------|
| BBB+ by S&P;<br>Baa1 by Moody's                 | .080% |
| -----   |       |
| Category 4                                      |       |
| BBB by S&P;<br>Baa2 by Moody's                  | .100% |
| -----   |       |
| Category 5                                      |       |
| BBB- by S&P;<br>Baa3 by Moody's                 | .150% |
| -----   |       |
| Category 6                                      |       |
| BB+ or lower by S&P;<br>Ba1 or lower by Moody's | .200% |
| -----   |       |

For purposes of the foregoing, (a) if either Moody's or S&P shall not have in effect a rating for Index Debt (other than because such rating agency shall no longer be in the business of rating corporate debt obligations), then such rating agency will be deemed to have established a rating for Index Debt in Category 6; (b) if the ratings established or deemed to have been established by Moody's and S&P shall fall within different Categories, the Facility Fee Percentage shall be determined by reference to the higher (or numerically lower) Category unless one of the ratings is two or more categories lower (or numerically higher) than the other, in which case the Facility Fee Percentage shall be determined by reference to the Category next above that of the lower of the two ratings; and (c) if any rating established or deemed to have been established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of either Moody's or S&P), such change shall be effective as of the date on which such change is first announced by the rating agency making such change. Each change in the Facility Fee Percentage shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of either Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Company and the Lenders shall negotiate in good faith to amend the



references to specific ratings in this definition to reflect such changed rating system or the non-availability of ratings from such rating agency.

"Fees" shall mean the Administrative Fees, the Facility Fee and the Utilization Fee.

"Financial Officer" of any corporation shall mean the Chief Financial Officer, principal accounting officer, Treasurer or Controller of such corporation.

"Five-Year Credit Agreement" shall mean the Five-Year Credit Agreement dated as of September 29, 2000 among the Company, the lenders thereunder and the Administrative Agent.

"Fixed Rate Borrowing" shall mean a Borrowing comprised of Fixed Rate Loans.

"Fixed Rate Loan" shall mean any Competitive Loan bearing interest at a fixed percentage rate per annum (expressed in the form of a decimal to no more than four decimal places) specified by the Lender making such Loan in its Competitive Bid.

"GAAP" shall mean United States generally accepted accounting principles, applied on a basis consistent with the financial statements referred to in Section 3.02.

"Governmental Authority" shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guarantee" of or by any person shall mean any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (b) to purchase property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment of such Indebtedness or (c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness; provided, however, that the term

Guarantee shall not include endorsements for collection or deposit, in either case in the ordinary course of business.

"Guarantor" shall mean the Company in its capacity as the guarantor under Section 9.01.

"Hazardous Materials" shall mean (A) petroleum products and byproducts, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, radon gas, chlorofluorocarbons and all other ozone-depleting substances; or (B) any chemical, material, substance, waste, pollutant or contaminant that is prohibited, limited or regulated by or pursuant to any Environmental Law.

"Indebtedness" of any person shall mean, without duplication, (a) all obligations of such person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such person upon which interest charges are customarily paid, (d) all obligations of such person under conditional sale or other title retention agreements relating to property or assets purchased by such person, (e) all obligations of such person issued or assumed as the deferred purchase price of property or services, (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such person, whether or not the obligations secured thereby have been assumed, (g) all Guarantees by such person of Indebtedness of others, (h) all Capital Lease Obligations of such person, (i) all obligations of such person in respect of interest rate protection agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements and (j) all obligations of such person as an account party in respect of letters of credit and bankers' acceptances; provided, however, that Indebtedness shall not include trade accounts payable in the ordinary course of business. The Indebtedness of any person shall include the Indebtedness of any partnership in which such person is a general partner.

"Index Debt" shall have the meaning given such term under Applicable Margin.

"Interest Payment Date" shall mean, with respect to any Loan, the last day of each Interest Period applicable thereto and, in the case of a Eurocurrency Loan with an

Interest Period of more than three months' duration or a Fixed Rate Loan with an Interest Period of more than 90 days' duration, each day that would have been an Interest Payment Date for such Loan had successive Interest Periods of three months' duration or 90 days duration, as the case may be, been applicable to such Loan and, in addition, the date of any refinancing of such Loan with a Loan of a different Type.

"Interest Period" shall mean (a) as to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the applicable Borrower may elect, (b) as to any ABR Borrowing, the period commencing on the date of such Borrowing and ending on the earlier of (i) the next succeeding day which shall be the last day of any March, June, September or December and (ii) the Maturity Date and (c) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offer to make the Fixed Rate Loans comprising such Borrowing were extended, which shall not be earlier than seven days after the date of such Borrowing or later than 360 days after the date of such Borrowing; provided, however, that if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of Eurocurrency Loans only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"LIBO Rate" shall mean, with respect to any Eurocurrency Borrowing for any Interest Period, (i) the interest rate per annum for deposits for a maturity most nearly comparable to such Interest Period in the currency in which such Borrowing is denominated which appears on the Bloomberg's British Banker's Association rate page as of 11:00 a.m., London time, on the Quotation Day for such Interest Period or, if such a rate does not appear on the Bloomberg's British Banker's Association rate page, (ii) an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the rate at which deposits in the currency in which such Borrowing is denominated

approximately equal in principal amount to the Loan of the Administrative Agent, in its capacity as a Lender (or, if the Administrative Agent is not a Lender in respect of such Borrowing, then the Loan of the Lender in respect of such Borrowing with the greatest Loan amount), included in such Eurocurrency Borrowing and for a maturity comparable to such Interest Period are offered to the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, on Quotation Day for such Interest Period.

"Lien" shall mean with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan" shall mean any Competitive Loan or Standby Loan.

"Loan Documents" shall mean this Agreement and the Fee Letter dated August 14, 2000, among the Administrative Agent, Chase Securities Inc. and the Company.

"Margin Stock" shall have the meaning given such term under Regulation U.

"Material Adverse Change" or "Material Adverse Effect" shall mean (a) a materially adverse change in, or a materially adverse effect on, the business, assets, operations, prospects or condition, financial or otherwise, of the Company and its Subsidiaries taken as a whole or (b) a material impairment of the ability of the Company or any Approved Borrower to perform any of its respective obligations under any Loan Document to which it is or becomes a party.

"Maturity Date" shall mean the first anniversary of the Termination Date.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which the

Company or any ERISA Affiliate (other than one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414) is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Net Income" shall mean, for any period for the Company and its Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), net income for such period.

"Net Worth" shall mean, as at any date, the sum for the Company and its Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) of the following:

(a) the amount of common stock; plus

(b) the amount of any preferred stock that does not have any requirement for the Company to purchase, redeem, retire or otherwise acquire the same; plus

(c) the amount of additional paid-in capital and retained earnings (or, in the case of an additional paid-in capital or retained earnings deficit, minus the amount of such deficit); plus

(d) cumulative translation adjustments (or, in the case of negative adjustments, minus the amount of such adjustments); plus

(e) cumulative pension liability adjustments (or, in the case of negative adjustments, minus the amount of such adjustments); minus

(f) the cost of treasury stock.

"Obligation Currency" shall have the meaning assigned to such term in Section 10.13.

"Other Taxes" shall have the meaning assigned to such term in Section 2.19(b).

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"person" shall mean any natural person, corporation, business trust, joint venture, association,

company, partnership or government, or any agency or political subdivision thereof.

"Plan" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code which is maintained for current or former employees, or any beneficiary thereof, of the Company or any ERISA Affiliate.

"Prospective Lender" shall have the meaning assigned to such term in Section 2.22.

"Quotation Day" means, with respect to any Eurocurrency Borrowing and any Interest Period, the day on which it is market practice in the relevant interbank market for prime banks to give quotations for deposits in the currency of such Borrowing for delivery on the first day of such Interest Period. If such quotations would normally be given by prime banks on more than one day, the Quotation Day will be the last of such days.

"Register" shall have the meaning given such term in Section 10.04(d).

"Regulation D" shall mean Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation U" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Reportable Event" shall mean any reportable event as defined in Section 4043(b) of ERISA or the regulations issued thereunder with respect to a Plan (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414).

"Required Lenders" shall mean, at any time, Lenders having Commitments representing a majority of the Total Commitment or, for purposes of acceleration pursuant to clause (ii) of Article VII, Lenders holding Loans representing a majority of the aggregate principal amount of

the Loans outstanding. For purposes of determining the Required Lenders, any Loans denominated in an Alternative Currency shall be translated into Dollars at the Spot Exchange Rate in effect on the applicable Denomination Date.

"Responsible Officer" of any corporation shall mean any executive officer or Financial Officer of such corporation and any other officer or similar official thereof responsible for the administration of the obligations of such corporation in respect of this Agreement.

"S&P" shall mean Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies Inc.

"Spot Exchange Rate" shall mean, on any day, (a) with respect to any Alternative Currency, the spot rate at which Dollars are offered on such day by The Chase Manhattan Bank in London for such Alternative Currency at approximately 11:00 a.m. (London time), and (b) with respect to Dollars in relation to any specified Alternative Currency, the spot rate at which such specified Alternative Currency is offered on such day by The Chase Manhattan Bank in London for Dollars at approximately 11:00 a.m. (London time). For purposes of determining the Spot Exchange Rate in connection with an Alternative Currency Borrowing, such Spot Exchange Rate shall be determined as of the Denomination Date for such Borrowing with respect to transactions in the applicable Alternative Currency that will settle on the date of such Borrowing.

"Standby Borrowing" shall mean a borrowing consisting of simultaneous Standby Loans from each of the Lenders.

"Standby Borrowing Request" shall mean a request made pursuant to Section 2.04 in the form of Exhibit A-5.

"Standby Loan" shall mean a revolving loan made by a Lender pursuant to Section 2.04. Each Standby Loan shall be a Eurocurrency Standby Loan or an ABR Loan.

"Statutory Reserve Rate" shall mean, with respect to any currency, a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve, liquid asset or similar percentages (including any marginal, special, emergency or supplemental reserves)

expressed as a decimal established by any Governmental Authority of the United States or of the jurisdiction of such currency or any jurisdiction in which Loans in such currency are made to which banks in such jurisdiction are subject for any category of deposits or liabilities customarily used to fund loans in such currency or by reference to which interest rates applicable to Loans in such currency are determined. Such reserve, liquid asset or similar percentages shall include those imposed pursuant to Regulation D. Eurocurrency Loans shall be deemed to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D or any other applicable law, rule or regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Sterling" or "GBP" shall mean lawful money of the United Kingdom.

"subsidiary" shall mean, with respect to any person (herein referred to as the "parent"), any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, owned, Controlled or held, or (b) which is, at the time any determination is made, otherwise Controlled by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" shall mean any subsidiary of the Company.

"Taxes" shall have the meaning assigned to such term in Section 2.19(a).

"Termination Date" shall mean September 28, 2001.

"Total Capital" shall mean, at any time, Net Worth plus Total Debt.

"Total Commitment" shall mean, at any time, the aggregate amount of the Commitments, as in effect at such time.



"Total Debt" shall mean, at any time, the aggregate outstanding principal amount of all Indebtedness of the Company and its Subsidiaries at such time (other than Indebtedness described in clause (i) or (j) of the definition of the term "Indebtedness") determined on a consolidated basis (without duplication) in accordance with GAAP; provided that the term "Total Debt" shall include any preferred stock that provides for the mandatory purchase, retirement, redemption or other acquisition of the same by the Company or any Subsidiary (other than preferred stock held by the Company or any Subsidiary).

"Transferee" shall have the meaning assigned to such term in Section 2.19(a).

"Transactions" shall mean the execution, delivery and performance by the Company of this Agreement, the execution and delivery by the Company and the Approved Borrowers of each Designation Letter, the borrowing of Loans and the use of the proceeds thereof.

"Type", when used in respect of any Loan or Borrowing, shall refer to the rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined and the currency in which such Loan or the Loans comprising such Borrowings are denominated. For purposes hereof, "rate" shall include the LIBO Rate, the Alternate Base Rate and the Fixed Rate, and "currency" shall include Dollars and any Alternative Currency permitted hereunder.

"Utilization Fee" shall have the meaning assigned to such term in Section 2.06(c).

"Utilization Fee Percentage" shall mean on any date, the applicable percentage set forth below based upon the ratings applicable on such date to the Company's Index Debt:

|                         | Utilization<br>Fee<br>Percentage |
|-------------------------|----------------------------------|
| Category 1              |                                  |
| A or higher by S&P;     | .100%                            |
| A2 or higher by Moody's |                                  |

|                         |       |
|-------------------------|-------|
| -----                   |       |
| Category 2              |       |
| A- by S&P;              | .100% |
| A3 by Moody's           |       |
| -----                   |       |
| Category 3              |       |
| BBB+ by S&P;            | .100% |
| Baa1 by Moody's         |       |
| -----                   |       |
| Category 4              |       |
| BBB by S&P;             | .125% |
| Baa2 by Moody's         |       |
| -----                   |       |
| Category 5              |       |
| BBB- by S&P;            | .125% |
| Baa3 by Moody's         |       |
| -----                   |       |
| Category 6              |       |
| BB+ or lower by S&P;    | .125% |
| Ba1 or lower by Moody's |       |
| -----                   |       |

For purposes of the foregoing, (a) if either Moody's or S&P shall not have in effect a rating for Index Debt (other than because such rating agency shall no longer be in the business of rating corporate debt obligations), then such rating agency will be deemed to have established a rating for Index Debt in Category 6; (b) if the ratings established or deemed to have been established by Moody's and S&P shall fall within different Categories, the Utilization Fee Percentage shall be determined by reference to the higher (or numerically lower) Category unless one of the ratings is two or more categories lower (or numerically higher) than the other, in which case the Utilization Fee Percentage shall be determined by reference to the Category next above that of the lower of the two ratings; and (c) if any rating established or deemed to have been established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of either Moody's or S&P), such change shall be effective as of the date on which such change is first announced by the rating agency making such change. Each change in the Utilization Fee Percentage shall apply during the period commencing on the effective date of such

change and ending on the date immediately preceding the effective date of the next such change. If the rating system of either Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Company and the Lenders shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system or the non-availability of ratings from such rating agency.

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02. Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided, however, that if the Company notifies the Administrative Agent that the Company wishes to amend any covenant in Article VI or any related definition to eliminate the effect of any change in GAAP occurring after the date of this Agreement on the operation of such covenant (or if the Administrative Agent notifies the Company that the Required Lenders wish to amend Article VI or any related definition for such purpose), then the Company's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Company and the Required Lenders.

Section 1.03. Redenomination of Certain Alternative Currencies. (a) Each obligation of any party to this Agreement to make a payment denominated in the national currency unit of any member state of the European Union that adopts the Euro as its lawful currency after the date hereof shall be redenominated into Euro at the time of such adoption (in accordance with the EMU Legislation). If, in

relation to the currency of any such member state, the basis of accrual of interest expressed in this Agreement in respect of that currency shall be inconsistent with any convention or practice in the London Interbank Market for the basis of accrual of interest in respect of the Euro, such expressed basis shall be replaced by such convention or practice with effect from the date on which such member state adopts the Euro as its lawful currency; provided that if any Borrowing in the currency of such member state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Borrowing, at the end of the then current Interest Period.

(b) Each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent in consultation with the Borrower may from time to time specify to be appropriate to reflect the adoption of the Euro by any member state of the European Union and any relevant market conventions or practices relating to the Euro.

## ARTICLE II. THE CREDITS

Section 2.01. Commitments. (a) Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Standby Loans to the Borrowers from time to time during the Availability Period, in Dollars or one or more Alternative Currencies (as specified in the Borrowing Requests with respect thereto), in an aggregate principal amount at any time outstanding that will not result in such Lender's Committed Credit Exposure exceeding such Lender's Commitment, subject, however, to the conditions that (i) at no time shall (A) the sum of (I) the aggregate Committed Credit Exposure of all the Lenders, plus (II) the outstanding aggregate principal amount or Assigned Dollar Value of all Competitive Loans made by all Lenders, exceed (B) the Total Commitment and (ii) at all times the outstanding aggregate principal amount of all Standby Loans made by each Lender shall equal such Lender's Applicable Percentage of the outstanding aggregate principal amount of all Standby Loans made pursuant to Section 2.04. Each Lender's Commitment is set forth opposite its name in Schedule 2.01. Such Commitments may be terminated, reduced or increased from time to time pursuant to Section 2.11. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, pay or prepay and reborrow Standby Loans.

(b) For purposes of paragraph (a) above, if the Dollar Equivalent of an outstanding Borrowing denominated in an Alternative Currency, determined by the Administrative Agent based upon the applicable Spot Exchange Rate as of the date that is three Business days before the end of the Interest Period with respect to such Borrowing, does not exceed by more than 5% the Assigned Dollar Value of such Borrowing, and if the entire amount of such Borrowing is to be refinanced with a new Borrowing of equivalent amount in the same currency and by the same Borrower, then such Borrowing shall continue to have the same Assigned Dollar Value as in effect prior to such refinancing. The Administrative Agent shall determine the applicable Spot Exchange Rate as of the date three Business days before the end of an Interest Period with respect to a Borrowing denominated in an Alternative Currency and shall promptly notify the Company and the Lenders whether the Dollar Equivalent of such Borrowing exceeds by more than 5% the Assigned Dollar Value thereof.

(c) In the event that any Borrower wishes to make a Borrowing in any Alternative Currency other than Euros or Sterling, such Borrowing shall be made as a Competitive Borrowing.

Section 2.02. Loans. (a) Each Standby Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their applicable Commitments; provided, however, that the failure of any Lender to make any Standby Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.03. The Competitive Loans and Standby Loans comprising any Borrowing shall be in (i) an aggregate principal amount which is not less than the Borrowing Minimum and an integral multiple of the Borrowing Multiple or (ii) an aggregate principal amount equal to the remaining balance of the available applicable Commitments.

(b) Each Competitive Borrowing shall be comprised entirely of Eurocurrency Competitive Loans or Fixed Rate Loans, and each Standby Borrowing shall be comprised entirely of Eurocurrency Standby Loans or ABR Loans, as the Borrowers may request pursuant to Section 2.03 or 2.04, as

applicable. Each Lender may at its option make any Eurocurrency Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the applicable Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; provided, however, that none of the Borrowers shall be entitled to request any Borrowing which, if made, would result in an aggregate of more than ten separate Standby Loans of any Lender being outstanding hereunder at any one time. For purposes of the foregoing, Borrowings having different Interest Periods or denominated in different currencies, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Subject to Section 2.05, each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer to such account as the Administrative Agent may designate in federal funds (in the case of any Loan denominated in Dollars) or such other immediately available funds as may then be customary for the settlement of international transactions in the relevant currency not later than 11:00 a.m., New York City time, in the case of fundings to an account in New York City, or 11:00 a.m., local time, in the case of fundings to an account(s) in another jurisdiction, and the Administrative Agent shall by 12:00 (noon), New York City time, in the case of fundings to (an) account(s) in New York City, or 12:00 (noon), local time, in the case of fundings to an account(s) in another jurisdiction, credit the amounts so received to an account(s) designated by the applicable Borrower in the applicable Borrowing Request, which account(s) must be in the country of the currency of the Loan (it being understood that the funding may be for the credit of an account outside such country) or in a country that is a member of the European Union, in the case of Borrowings denominated in Euros, or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders. Competitive Loans shall be made by the Lender or Lenders whose Competitive Bids therefor are accepted pursuant to Section 2.03 in the amounts so accepted and Standby Loans shall be made by the Lenders pro rata in accordance with Section 2.16. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make

available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with this paragraph (c) and the Administrative Agent may, in reliance upon such assumption, make available to the applicable Borrower on such date a corresponding amount in the required currency. If the Administrative Agent shall have so made funds available then to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the applicable Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon in such currency, for each day from the date such amount is made available to the applicable Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds in the relevant currency (which determination shall be conclusive absent manifest error). If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(d) Notwithstanding any other provision of this Agreement, none of the Borrowers shall be entitled to request any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.03. Competitive Bid Procedure. (a) In order to request Competitive Bids, a Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Competitive Bid Request in the form of Exhibit A-1 hereto, to be received by the Administrative Agent (i) in the case of a Eurocurrency Competitive Borrowing, not later than 11:00 a.m., New York City time (or, if the Bid Request is delivered or telecopied to the Administrative Agent in London, 10:00 a.m., London time), four Business days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 11:00 a.m., New York City time, one Business Day before a proposed Competitive Borrowing. No ABR Loan shall be requested in, or made pursuant to, a Competitive Bid Request. A Competitive Bid Request that does not conform substantially to the format of Exhibit A-1 may be rejected in the Administrative Agent's

sole discretion, and the Administrative Agent shall promptly notify the applicable Borrower of such rejection by telecopier. Such request shall in each case refer to this Agreement and specify (A) whether the Borrowing then being requested is to be a Eurocurrency Borrowing or a Fixed Rate Borrowing, (B) the date of such Borrowing (which shall be a Business Day), (C) the aggregate principal amount of such Borrowing, (D) the currency of such Borrowing and (E) the Interest Period with respect thereto (which may not end after the Maturity Date). If no election as to the currency of Borrowing is specified in any Competitive Bid Request, then the applicable Borrower shall be deemed to have requested Borrowings in Dollars. Promptly after its receipt of a Competitive Bid Request that is not rejected as aforesaid, the Administrative Agent shall invite by telecopier (in the form set forth in Exhibit A-2 hereto) the Lenders to bid, on the terms and conditions of this Agreement, to make Competitive Loans pursuant to the Competitive Bid Request.

(b) Each Lender may, in its sole discretion, make one or more Competitive Bids to a Borrower responsive to a Competitive Bid Request. Each Competitive Bid by a Lender must be received by the Administrative Agent via telecopier, in the form of Exhibit A-3 hereto, (i) in the case of Eurocurrency Competitive Borrowing not later than 11:00 a.m., New York City time (or, if the Competitive Bid is delivered or telecopied to the Administrative Agent in London, 10:00 a.m., London time), three Business days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 11:00 a.m., New York City time, on the day of a proposed Competitive Borrowing. Multiple bids will be accepted by the Administrative Agent. Competitive Bids that do not conform substantially to the format of Exhibit A-3 may be rejected by the Administrative Agent after conferring with, and upon the instruction of, the applicable Borrower, and the Administrative Agent shall notify the Lender making such nonconforming bid of such rejection as soon as practicable. Each Competitive Bid shall refer to this Agreement and specify (A) the principal amount (which (x) shall be in a minimum principal amount or Assigned Dollar Value of \$5,000,000 and (except in the case of Alternative Currency Borrowings) in an integral multiple of \$1,000,000, (y) shall be expressed in Dollars or, in the case of an Alternative Currency Borrowing, in both the Alternative Currency and the Assigned Dollar Value thereof and (z) may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the



Competitive Loan or Loans that the Lender is willing to make to the applicable Borrower, (B) the Competitive Bid Rate or Rates at which the Lender is prepared to make the Competitive Loan or Loans and (C) the Interest Period and the last day thereof. If any Lender shall elect not to make a Competitive Bid, such Lender shall so notify the Administrative Agent by telecopier (I) in the case of Eurocurrency Competitive Loans, not later than 11:00 a.m., New York City time (or, if the notice is delivered or telecopied to the Administrative Agent in London, 10:00 a.m., London time), three Business days before a proposed Competitive Borrowing, and (II) in the case of Fixed Rate Loans, not later than 11:00 a.m., New York City time, on the day of a proposed Competitive Borrowing; provided, however, that failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Loan as part of such Competitive Borrowing. A Competitive Bid submitted by a Lender pursuant to this paragraph (b) shall be irrevocable.

(c) The Administrative Agent shall promptly notify the applicable Borrower by telecopier of all the Competitive Bids made, the Competitive Bid Rate and the principal amount of each Competitive Loan in respect of which a Competitive Bid was made and the identity of the Lender that made each bid. The Administrative Agent shall send a copy of all Competitive Bids to the applicable Borrower for its records as soon as practicable after completion of the bidding process set forth in this Section 2.03.

(d) The applicable Borrower may in its sole and absolute discretion, subject only to the provisions of this paragraph (d), accept or reject any Competitive Bid referred to in paragraph (c) above. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopier in the form of a Competitive Bid Accept/Reject Letter, whether and to what extent it has decided to accept or reject any of or all the bids referred to in paragraph (c) above, (x) in the case of a Eurocurrency Competitive Borrowing, not later than 11:30 a.m., New York City time (or, if the notice is delivered or telecopied to the Administrative Agent in London, 10:30 a.m., London time), three Business days before a proposed Competitive Borrowing, and (y) in the case of a Fixed Rate Borrowing, not later than 11:30 a.m., New York City time, on the day of a proposed Competitive Borrowing; provided, however, that (i) the failure by the applicable Borrower to give such notice shall

be deemed to be a rejection of all the bids referred to in paragraph (c) above, (ii) such Borrower shall not accept a bid made at a particular Competitive Bid Rate if the Borrower has decided to reject a bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by such Borrower shall not exceed the principal amount specified in the Competitive Bid Request, (iv) if such Borrower shall accept a bid or bids made at a particular Competitive Bid Rate but the amount of such bid or bids shall cause the total amount of bids to be accepted by the Borrower to exceed the amount specified in the Competitive Bid Request, then such Borrower shall accept a portion of such bid or bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids accepted with respect to such Competitive Bid Request, which acceptance, in the case of multiple bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such bid at such Competitive Bid Rate, and (v) except pursuant to clause (iv) above, no bid shall be accepted for a Competitive Loan unless such Competitive Loan is in (x) a minimum principal amount or Assigned Dollar Value of \$5,000,000 and (except in the case of Alternative Currency Borrowings) an integral multiple of \$1,000,000 or (y) an aggregate principal amount equal to the remaining balance of the available applicable Commitments; provided further, however, that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$1,000,000 in a manner which shall be in the discretion of the applicable Borrower. A notice given by the applicable Borrower pursuant to this paragraph (d) shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender whether or not its Competitive Bid has been accepted (and if so, in what amount and at what Competitive Bid Rate) by telecopy sent by the Administrative Agent, and each successful bidder will thereupon become bound, subject to the other applicable conditions hereof, to make the Competitive Loan in respect of which its bid has been accepted.

(f) A Competitive Bid Request shall not be made within five Business days after the date of any previous Competitive Bid Request.

(g) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such bid directly to the applicable Borrower one quarter of an hour earlier than the latest time at which the other Lenders are required to submit their bids to the Administrative Agent pursuant to paragraph (b) above.

(h) All notices required by this Section 2.03 shall be given in accordance with Section 10.01.

Section 2.04. Standby Borrowing Procedure. In order to request a Standby Borrowing, a Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Standby Borrowing Request in the form of Exhibit A-5 hereto, to be received by the Administrative Agent (a) in the case of a Eurocurrency Standby Borrowing, not later than 11:00 a.m., New York City time (or, if the Borrowing Request is delivered or telecopied to the Administrative Agent in London, 10:00 a.m., London time), three Business days before a proposed borrowing and (b) in the case of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the date of the proposed borrowing. No Fixed Rate Loan shall be requested or made pursuant to a Standby Borrowing Request. Such notice shall be irrevocable and shall in each case specify (i) whether the Borrowing then being requested is to be a Eurocurrency Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day), (iii) the aggregate principal amount of the Borrowing, (iv) the currency of such Borrowing (which, in the case of an ABR Borrowing, shall be Dollars) and (v) if such Borrowing is to be a Eurocurrency Borrowing, the Interest Period with respect thereto. If no election as to the currency of Borrowing is specified in any Standby Borrowing Request, then the applicable Borrower shall be deemed to have requested Borrowings in Dollars. If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing if denominated in Dollars or a Eurocurrency Borrowing if denominated in an Alternative Currency. If no Interest Period with respect to any Eurocurrency Borrowing is specified, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration. If the applicable Borrower shall not have given notice in accordance with this Section 2.04 of its election to refinance a Standby Borrowing prior to

the end of the Interest Period in effect for such Borrowing, then such Borrower shall (unless such Borrowing is repaid at the end of such Interest Period) be deemed to have given notice of an election to refinance such Borrowing with an ABR Borrowing if denominated in Dollars or a Eurocurrency Borrowing in the same currency and with an Interest Period of one month if denominated in an Alternative Currency. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.04 (and the contents thereof), of each Lender's portion of the requested Borrowing and, in the case of an Alternative Currency Borrowing, of the Dollar Equivalent of the Alternative Currency amount specified in the applicable Standby Borrowing Request and the Spot Exchange Rate utilized to determine such Dollar Equivalent. Subject to Section 2.01(b), if the Dollar Equivalent of a Lender's portion of any such Borrowing would exceed such Lender's remaining available applicable Commitment, then such Lender's portion of such Borrowing shall be reduced to the Alternative Currency Equivalent of such Lender's remaining available Commitment.

Section 2.05. Refinancings. A Borrower may refinance all or any part of any Competitive Borrowing or Standby Borrowing with a Competitive Borrowing or a Standby Borrowing of the same or a different Type made pursuant to Section 2.03 or Section 2.04, subject to the conditions and limitations set forth herein and elsewhere in this Agreement, including refinancings of Competitive Borrowings with Standby Borrowings and Standby Borrowings with Competitive Borrowings. Any Borrowing or part thereof so refinanced shall be deemed to be repaid in accordance with Section 2.07 with the proceeds of a new Borrowing hereunder and the proceeds of the new Borrowing, to the extent they do not exceed the principal amount of the Borrowing being refinanced, shall not be paid by the Lenders to the Administrative Agent or by the Administrative Agent to the applicable Borrower pursuant to Section 2.02(c); provided, however, that in the case of any refinancing of a Borrowing with another Borrowing in the same currency, (i) if the principal amount extended by a Lender in a refinancing is greater than the principal amount extended by such Lender in the Borrowing being refinanced, then such Lender shall pay such difference to the Administrative Agent for distribution to the Lenders described in (ii) below, (ii) if the principal amount extended by a Lender in the Borrowing being refinanced is greater than the principal amount being extended by such Lender in the refinancing, the Administra-

tive Agent shall return the difference to such Lender out of amounts received pursuant to (i) above, and (iii) to the extent any Lender fails to pay the Administrative Agent amounts due from it pursuant to (i) above, any Loan or portion thereof being refinanced with such amounts shall not be deemed repaid in accordance with Section 2.07 and shall be payable by the applicable Borrower.

Section 2.06. Fees. (a) The Company agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31 and on the Maturity Date and any subsequent date on which the Loans of such Lender shall be repaid (or on the date of termination of such Lender's Commitment if such Lender has no Standby Loans outstanding after such date), a facility fee (a "Facility Fee") equal to the Facility Fee Percentage of (i) the daily average amount of the Commitment of such Lender, whether used or unused (and whether or not the conditions set forth in Section 4.01 shall have been satisfied), during the preceding quarter (or shorter period commencing with the date hereof or ending with the date on which the Commitment of such Lender shall be terminated) and (ii) after such Lender's Commitment shall have been terminated, the daily average principal amount (or Assigned Dollar Value, in the case of Loans denominated in Alternative Currencies) of such Lender's Loans that remain outstanding during the preceding quarter (or shorter period commencing with the Termination Date or ending with the Maturity Date or any date on which all outstanding Loans of such Lender shall be repaid). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 365 days (or 366 days in a leap year). The Facility Fee due to each Lender shall commence to accrue on the date of this Agreement and shall cease to accrue on the date on which the Commitment of such Lender is terminated or, if such Lender has Loans outstanding after the date its Commitment is terminated, the date on which such Loans are repaid.

(b) The Company agrees to pay the Administrative Agent, for its own account, the fees set forth in the letter agreements dated August 14, 2000, among the Administrative Agent, Chase Securities Inc. and the Company (the "Administrative Fees") at the times and in the amounts set forth therein.

(c) The Company agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30,

September 30 and December 31, on each date on which the Commitment of such Lender shall be terminated or reduced as provided herein and on any date after the termination of such Lender's Commitment on which all the Loans of such Lender shall be repaid, a utilization fee (a "Utilization Fee") equal to the Utilization Fee Percentage per annum of the sum of (i) the Committed Credit Exposure of such Lender plus (ii) the outstanding principal amount (or Assigned Dollar Value, in the case of Loans denominated in Alternative Currencies) of the Competitive Loans of such Lender (A) for each day on which the outstanding aggregate principal amount (or Assigned Dollar Value) of Loans exceeds 50% of the Total Commitment and (B) for each day after the termination of the Commitments. All Utilization Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(d) All Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Lenders. Once paid, none of the Fees shall be refundable under any circumstances.

Section 2.07. Repayment of Loans. (a) Each Borrower agrees to pay the outstanding principal balance of each Loan on the last day of the Interest Period applicable to such Loan and on the Maturity Date. Each Loan shall bear interest from the date of the Borrowing of which such Loan is a part on the outstanding principal balance thereof as set forth in Section 2.08.

(b) Each Lender shall, and is hereby authorized by the Borrowers to, maintain, in accordance with its usual practice, records evidencing the indebtedness of each Borrower to such Lender hereunder from time to time, including the date, amount, currency and Type of and the Interest Period applicable to each Loan made by such Lender from time to time and the amounts of principal and interest paid to such Lender from time to time in respect of each such Loan.

(c) The entries made in the records maintained pursuant to paragraph (b) of this Section 2.07 and in the Register maintained by the Administrative Agent pursuant to Section 10.04(d) shall be prima facie evidence of the existence and amounts of the obligations of each Borrower to which such entries relate; provided, however, that the failure of any Lender or the Administrative Agent to

maintain or to make any entry in such records or the Register, as applicable, or any error therein shall not in any manner affect the obligation of any Borrower to repay any Loans in accordance with the terms of this Agreement.

Section 2.08. Interest on Loans. (a) Subject to the provisions of Section 2.09, the Loans comprising each Eurocurrency Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days (or, in the case of Loans denominated in (A) Sterling, over a year of 365 or 366 days, or (B) any Alternative Currency other than Sterling or Euros, on the basis customarily used for borrowings between banks in the principal market for such Alternative Currency)), at a rate per annum equal to (i) in the case of each Eurocurrency Standby Loan, the Adjusted LIBO Rate for the Interest Period in effect for the Borrowing of which such Loan is part plus the Applicable Margin from time to time in effect and (ii) in the case of each Eurocurrency Competitive Loan, the LIBO Rate for the Interest Period in effect for the Borrowing of which such Loan is a part plus the Competitive Margin offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(b) Subject to the provisions of Section 2.09, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as appropriate, when determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate.

(c) Subject to the provisions of Section 2.09, each Fixed Rate Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the fixed rate of interest offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(d) Interest on each Loan shall be payable in arrears on each Interest Payment Date applicable to such Loan except as otherwise provided in this Agreement. The applicable LIBO Rate or Alternate Base Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

Section 2.09. Default Interest. If any Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, whether by scheduled maturity, notice of prepayment, acceleration or otherwise, such Borrower shall on demand from time to time from the Administrative Agent pay interest, to the extent permitted by law, on such defaulted amount up to (but not including) the date of actual payment (after as well as before judgment) at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the Alternate Base Rate plus 2% per annum (or, in the case of the principal of any Loan, if higher, the rate of interest otherwise applicable, or most recently applicable, to such Loan hereunder plus 2% per annum).

Section 2.10. Alternate Rate of Interest. In the event, and on each occasion, that on the day two Business days prior to the commencement of any Interest Period for a Eurocurrency Borrowing of any Type the Administrative Agent shall have determined that Dollar deposits or deposits in the Alternative Currency in which such Borrowing is to be denominated in the principal amounts of the Loans comprising such Borrowing are not generally available in the London interbank market, or that the rates at which such deposits are being offered will not adequately and fairly reflect the cost to any Lender of making or maintaining its Eurocurrency Loan during such Interest Period, or that reasonable means do not exist for ascertaining the LIBO Rate, the Administrative Agent shall, as soon as practicable thereafter, give written or telecopy notice of such determination to the applicable Borrower and the Lenders. In the event of any such determination, until the Administrative Agent shall have advised the applicable Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any request by a Borrower for a Eurocurrency Competitive Borrowing pursuant to Section 2.03 shall be of no force or effect and shall be denied by the Administrative Agent and (ii) any request by a Borrower for a Eurocurrency Standby Borrowing of the affected Type or in the affected currency shall be deemed to be a request for an ABR Borrowing denominated in Dollars. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

Section 2.11. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Termination Date.



(b) Upon at least three Business days' prior irrevocable written or teletype notice to the Administrative Agent, the Company (on behalf of all the Borrowers) may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Total Commitment; provided, however, that (i) each partial reduction of the Total Commitment shall be in an integral multiple of \$1,000,000 and in a minimum principal amount of \$5,000,000 and (ii) no such termination or reduction shall be made which would reduce the Total Commitment to an amount less than the aggregate outstanding principal amount (or Assigned Dollar Value, in the case of Loans denominated in Alternative Currencies) of the Competitive Loans and Standby Loans.

(c) Each reduction in the Total Commitment hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Company shall pay to the Administrative Agent for the account of the Lenders, on the date of each termination or reduction, the Facility Fees on the amount of the Commitments so terminated or reduced accrued to but not including the date of such termination or reduction.

Section 2.12. Prepayment. (a) Each Borrower shall have the right at any time and from time to time to prepay any Standby Borrowing, in whole or in part, upon giving written or teletype notice (or telephone notice promptly confirmed by written or teletype notice) to the Administrative Agent: (i) in the case of Eurocurrency Loans before 11:00 a.m., New York City time (or, if such notice is delivered or telecopied to the Administrative Agent in London, 10:00 a.m., London time), three Business days prior to prepayment and (ii) in the case of ABR Loans, before 11:00 a.m., New York City time, one Business Day prior to prepayment; provided, however, that each partial prepayment shall be in an amount which is an integral multiple of \$1,000,000 and not less than \$5,000,000. The Borrowers shall not have the right to prepay any Competitive Borrowing.

(b) On the date of any termination or reduction of the Commitments pursuant to Section 2.11(b), the Company shall (or shall cause each responsible Borrower to) pay or prepay so much of the Standby Borrowings as shall be necessary in order that the aggregate outstanding principal

amount of all Loans will not exceed the Total Commitment after giving effect to such termination or reduction.

(c) Each notice of prepayment under this Section 2.12 shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the applicable Borrower to prepay such Borrowing (or portion thereof) by the amount stated therein on the date stated therein. All prepayments under this Section 2.12 shall be subject to Section 2.15 but otherwise without premium or penalty.

Section 2.13. Reserve Requirements; Change in Circumstances. (a) Notwithstanding any other provision herein, if after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) shall change the basis of taxation of payments to any Lender (or any lending office of any Lender) of the principal of or interest on any Eurocurrency Loan or Fixed Rate Loan made by such Lender or any Fees or other amounts payable hereunder (other than changes in respect of taxes imposed on the overall net income of such Lender by the jurisdiction in which such Lender has its principal office or by any political subdivision or taxing authority therein), or shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by such Lender (or any lending office of such Lender), or shall impose on such Lender or the London interbank market any other condition affecting this Agreement or any Eurocurrency Loan or Fixed Rate Loan made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurocurrency Loan or Fixed Rate Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then the Company shall (or shall cause the Borrowers to) pay to such Lender upon demand such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered. Notwithstanding the foregoing, no Lender shall be entitled to request compensation under this paragraph with respect to any Competitive Loan if it shall have been aware of the change giving rise to such request at the time of submission

of the Competitive Bid pursuant to which such Competitive Loan shall have been made.

(b) If any Lender shall have determined that any change after the date hereof in the applicability of any law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards", or the adoption after the date hereof of any other law, rule, regulation or guideline regarding capital adequacy, or any change in any of the foregoing or in the interpretation or administration of any of the foregoing by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or any Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender pursuant hereto to a level below that which such Lender or such Lender's holding company could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time the Company shall (or shall cause the responsible Borrower to) pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth such amount or amounts as shall be necessary to compensate such Lender as specified in paragraph (a) or (b) above, as the case may be, shall be delivered to the Company and shall be conclusive absent manifest error. The Company shall (or shall cause the responsible Borrower to) pay each Lender the amount shown as due on any such certificate delivered by it within 10 days after the receipt of the same.

(d) Except as provided below in this paragraph (d), failure on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital

with respect to any period shall not constitute a waiver of such Lender's right to demand compensation with respect to such period or any other period. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed. No Lender shall be entitled to compensation under this Section 2.13 for any costs incurred or reductions suffered with respect to any date unless it shall have notified the Company that it will demand compensation for such costs or reductions not more than 60 days after the later of (i) such date and (ii) the date on which it shall have, or should have, become aware of such costs or reductions.

Section 2.14. Change in Legality. (a) Notwithstanding any other provision herein, if, after the date hereof, (i) any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurocurrency Loan or Alternative Currency Loan or to give effect to its obligations as contemplated hereby with respect to any Eurocurrency Loan or Alternative Currency Loan, or (ii) there shall have occurred any change in national or international financial, political or economic conditions (including the imposition of or any change in exchange controls) or currency exchange rates which would make it impracticable for any Lender to make loans denominated in such Alternative Currency or to any Borrower, then, by written notice to the Company and to the Administrative Agent, such Lender may:

(i) declare that Eurocurrency Loans or Alternative Currency Loans (in the affected currency or currencies or to the affected Borrower), as the case may be, will not thereafter (for the duration of such unlawfulness or impracticability) be made by such Lender hereunder, whereupon such Lender shall not submit a Competitive Bid in response to a request for such Alternative Currency Loans or Eurocurrency Competitive Loans and any request by a Borrower for a Eurocurrency Standby Borrowing or Alternative Currency Borrowing (in the affected currency or currencies or to the affected Borrower), as the case may be, shall, as to such Lender only, be deemed a request for an ABR Loan or a Loan denominated in Dollars, as the case may be, unless such declaration shall be subsequently withdrawn (or, if a

Loan to the requesting Borrower cannot be made for the reasons specified above, such request shall be deemed to have been withdrawn); and

(ii) require that all outstanding Eurocurrency Loans or Alternative Currency Loans (in the affected currency or currencies or to the affected Borrower), as the case may be, made by it be converted to ABR Loans denominated in Dollars in which event all such Eurocurrency Loans or Alternative Currency Loans (in the affected currency or currencies or to the affected Borrower) shall be automatically converted to ABR Loans denominated in Dollars as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal which would otherwise have been applied to repay the Eurocurrency Loans or Alternative Currency Loans, as the case may be, that would have been made by such Lender or the converted Eurocurrency Loans or Alternative Currency Loans, as the case may be, of such Lender shall instead be applied to repay the ABR Loans or Loans denominated in Dollars, as the case may be, made by such Lender in lieu of, or resulting from the conversion of, such Eurocurrency Loans or Loans denominated in Dollars, as the case may be. In the event any Alternative Currency Loan is converted into a Loan denominated in Dollars pursuant to this Section, (A) the principal amount of such Loan shall be deemed to be an amount equal to the Assigned Dollar Value of such Alternative Currency Loan determined based upon the applicable Spot Exchange Rate as of the Denomination Date for the Borrowing which includes such Alternative Currency Loan and (B) the applicable Borrower shall indemnify the Lender of such converted Alternative Currency Loan against any loss it sustains as a result of such conversion.

(b) For purposes of this Section 2.14, a notice to the Company by any Lender shall be effective as to each Eurocurrency Loan, if lawful, on the last day of the Interest Period currently applicable to such Eurocurrency Loan; in all other cases such notice shall be effective on the date of receipt by the Company.

Section 2.15. Indemnity. Each Borrower shall indemnify each Lender against any loss or expense which such Lender may sustain or incur as a consequence of (a) any failure by such Borrower to fulfill on the date of any bor-

rowing hereunder the applicable conditions set forth in Article IV, (b) any failure by such Borrower to borrow or to refinance or continue any Loan hereunder after irrevocable notice of such borrowing, refinancing or continuation has been given pursuant to Section 2.03 or 2.04, (c) any payment, prepayment, conversion or transfer of a Eurocurrency Loan or Fixed Rate Loan required by any other provision of this Agreement or otherwise made or deemed made on a date other than the last day of the Interest Period applicable thereto, (d) any default in payment or prepayment of the principal amount of any Loan or any part thereof or interest accrued thereon, as and when due and payable (at the due date thereof, whether by scheduled maturity, acceleration, irrevocable notice of prepayment or otherwise) or (e) the occurrence of any other Event of Default, including, in each such case, any loss or reasonable expense sustained or incurred or to be sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Loan or any part thereof as a Eurocurrency Loan or Fixed Rate Loan. Such loss or reasonable expense shall include an amount equal to the excess, if any, as reasonably determined by such Lender, of (i) its cost of obtaining the funds for the Loan being paid, prepaid, converted, transferred or not borrowed (assumed to be the LIBO Rate or, in the case of a Fixed Rate Loan, the fixed rate of interest applicable thereto) for the period from the date of such payment, prepayment, conversion, transfer or failure to borrow to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for such Loan which would have commenced on the date of such failure) over (ii) the amount of interest (as reasonably determined by such Lender) that would be realized by such Lender in reemploying the funds so paid, prepaid, converted, transferred or not borrowed for such period or Interest Period, as the case may be. A certificate of any Lender setting forth any amount or amounts which such Lender is entitled to receive pursuant to this Section shall be delivered to the Company and shall be conclusive absent manifest error.

Section 2.16. Pro Rata Treatment. Except as required under Section 2.14, each Standby Borrowing, each payment or prepayment of principal of any Standby Borrowing, each payment of interest on the Standby Loans, each payment of the Facility Fees and Utilization Fees, each reduction of the Commitments and each refinancing of any Borrowing with a Standby Borrowing of any Type, shall be allocated pro rata among the Lenders in accordance with their respective

Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Standby Loans). Each payment of principal of any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. Each payment of interest on any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective amounts of accrued and unpaid interest on their outstanding Competitive Loans comprising such Borrowing. For purposes of determining (i) the aggregate available Commitments of the Lenders at any time and (ii) the available Commitment of each Lender, each outstanding Competitive Borrowing shall be deemed to have utilized the Commitments of the Lenders (including those Lenders which shall not have made Loans as part of such Competitive Borrowing) pro rata in accordance with such respective Commitments. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole Dollar (or comparable unit of any applicable Alternative Currency) amount.

Section 2.17. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against any Borrower, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Standby Loan or Standby Loans as a result of which the unpaid principal portion of its Standby Loans shall be proportionately less than the unpaid principal portion of the Standby Loans of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Standby Loans of such other Lender, so that the aggregate unpaid principal amount of the Standby Loans and participations in the Standby Loans held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Standby Loans then outstanding as the principal amount of its Standby Loans prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal

amount of all Standby Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.17 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. Each Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Standby Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by such Borrower to such Lender by reason thereof as fully as if such Lender had made a Standby Loan directly to such Borrower in the amount of such participation.

Section 2.18. Payments. (a) The Borrower shall make each payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder and under each other Loan Document not later than 12:00 noon, local time at the place of payment, on the date when due in immediately available funds. Each such payment shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York. Each such payment (other than principal of and interest on Alternative Currency Loans, which shall be made in the applicable Alternative Currency) shall be made in Dollars.

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder or under any other Loan Document shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

Section 2.19. Taxes. (a) Any and all payments by or on account of any obligation of each Borrower hereunder shall be made, in accordance with Section 2.18, free and clear of and without deduction for any and all current or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding (i) income taxes imposed on the net income of the Administrative Agent or any Lender (or any transferee or assignee thereof, including a participation



holder (any such individual or entity, a "Transferee")), and (ii) franchise taxes imposed on the net income of the Administrative Agent or any Lender (or Transferee), in each case by the jurisdiction under the laws of which the Administrative Agent or such Lender (or Transferee) is organized, domiciled, resident or doing business or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, "Taxes"). If any Borrower shall be required to deduct any Taxes from or in respect of any sum payable hereunder to any Lender (or any Transferee) or the Administrative Agent, (i) the sum payable shall be increased by the amount (an "additional amount") necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.19) such Lender (or Transferee) or the Administrative Agent (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) each Borrower shall make such deductions and (iii) each Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, each Borrower agrees to bear and to pay to the relevant Governmental Authority in accordance with applicable law any current or future recording, stamp, documentary, excise, transfer, sales, property or similar taxes, charges or levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Document ("Other Taxes").

(c) The Borrowers will indemnify each Lender (or Transferee) and the Administrative Agent, within 10 days after written demand therefor, for the full amount of Taxes and Other Taxes paid by such Lender (or Transferee) or the Administrative Agent, as the case may be, on or with respect to any payment by or on account of any obligation of any Borrower hereunder or under any other Loan Document (including Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any liability and any penalties, interest and expenses (including reasonable attorney's fees and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability prepared by a Lender, or the Administrative Agent on its behalf, absent manifest

error, shall be final, conclusive and binding for all purposes.

(d) If a Lender (or Transferee) or the Administrative Agent shall become aware that it is entitled to claim a refund from a Governmental Authority in respect of Taxes or Other Taxes as to which it has been indemnified by a Borrower, or with respect to which any Borrower has paid additional amounts, pursuant to this Section 2.19, it shall promptly notify the Company of the availability of such refund claim and shall, within 30 days after receipt of a request by the Company, make a claim to such Governmental Authority for such refund at the Company's expense. If a Lender (or Transferee) or the Administrative Agent receives a refund (including pursuant to a claim for refund made pursuant to the preceding sentence) in respect of any Taxes or Other Taxes as to which it has been indemnified by a Borrower or with respect to which any Borrower has paid additional amounts pursuant to this Section 2.19, it shall within 30 days from the date of such receipt pay over such refund to the Company (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section 2.19 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of such Lender (or Transferee) or the Administrative Agent and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund); provided, however, that the Company, upon the request of such Lender (or Transferee) or the Administrative Agent, agrees to (or to cause the responsible Borrower to) repay the amount paid over to the Company (plus penalties, interest or other charges) to such Lender (or Transferee) or the Administrative Agent in the event such Lender (or Transferee) or the Administrative Agent is required to repay such refund to such Governmental Authority.

(e) As soon as practicable after the date of any payment of Taxes or Other Taxes by any Borrower to the relevant Governmental Authority, the Company will deliver to the Administrative Agent, at its address referred to in Section 10.01, the original or a certified copy of a receipt issued by such Governmental Authority evidencing payment thereof.

(f) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.19 shall survive the

payment in full of the principal of and interest on all Loans made hereunder.

(g) Each Lender (or Transferee) that is organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender") shall deliver to the Company and the Administrative Agent two copies of either United States Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a Form W-8, or any subsequent versions thereof or successors thereto (and, if such Non-U.S. Lender delivers a Form W-8, a certificate representing that such Non-U.S. Lender is not a bank for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Company and is not a controlled foreign corporation related to the Company (within the meaning of Section 864(d)(4) of the Code)), properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or reduced rate of, U.S. Federal withholding tax on payments by the Borrowers under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a participation holder, on or before the date such participation holder becomes a Transferee hereunder) and on or before the date, if any, such Non-U.S. Lender changes its applicable lending office by designating a different lending office (a "New Lending Office"). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding any other provision of this Section 2.19(g), a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 2.19(g) that such Non-U.S. Lender is not legally able to deliver.

(h) None of the Borrowers shall be required to indemnify any Non-U.S. Lender, or to pay any additional amounts to any Non-U.S. Lender, in respect of United States Federal withholding tax pursuant to paragraph (a) or (c) above to the extent that (i) the obligation to withhold amounts with respect to United States Federal withholding tax existed on the date such Non-U.S. Lender became a party to this Agreement (or, in the case of a Transferee that is a participation holder, on the date such participation holder

became a Transferee hereunder) or, with respect to payments to a New Lending Office, the date such Non-U.S. Lender designated such New Lending Office with respect to a Loan; provided, however, that this clause (i) shall not apply to any Transferee or New Lending Office that becomes a Transferee or New Lending Office as a result of an assignment, participation, transfer or designation made at the request of the Company; and provided further, however, that this clause (i) shall not apply to the extent the indemnity payment or additional amounts any Transferee, or Lender (or Transferee) through a New Lending Office, would be entitled to receive (without regard to this clause (i)) do not exceed the indemnity payment or additional amounts that the person making the assignment, participation or transfer to such Transferee, or Lender (or Transferee) making the designation of such New Lending Office, would have been entitled to receive in the absence of such assignment, participation, transfer or designation or (ii) the obligation to pay such additional amounts would not have arisen but for a failure by such Non-U.S. Lender to comply with the provisions of paragraph (g) above.

(i) Any Lender (or Transferee) claiming any indemnity payment or additional amounts payable pursuant to this Section 2.19 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Company or to change the jurisdiction of its applicable lending office if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the sole determination of such Lender (or Transferee), be otherwise disadvantageous to such Lender (or Transferee).

(j) Nothing contained in this Section 2.19 shall require any Lender (or Transferee) or the Administrative Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

Section 2.20. Assignment of Commitments Under Certain Circumstances.

(a) Any Lender (or Transferee) claiming any additional amounts payable pursuant to Section 2.13 or Section 2.19 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Company or to change the jurisdiction of its applicable lending office if

the making of such a filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue and would not, in the judgment of such Lender, be otherwise disadvantageous to such Lender (or Transferee).

(b) In the event that any Lender shall have delivered a notice or certificate pursuant to Section 2.13 or 2.14, or the Borrowers shall be required to make additional payments to any Lender under Section 2.19, the Company shall have the right, at its own expense, upon notice to such Lender and the Administrative Agent, to require such Lender to transfer and assign without recourse (in accordance with and subject to the restrictions contained in Section 10.04) all its interests, rights and obligations under this Agreement to another financial institution acceptable to the Administrative Agent which shall assume such obligations; provided that (i) no such assignment shall conflict with any law, rule or regulation or order of any Governmental Authority (ii) no Event of Default shall have occurred and be continuing and (iii) the Company or the assignee, as the case may be, shall pay to the affected Lender in immediately available funds on the date of such assignment the principal of and interest accrued to the date of payment on the Loans made by it hereunder and all other amounts accrued for its account or owed to it hereunder.

Section 2.21. Borrowings by Approved Borrowers. The Company may, at any time or from time to time, designate one or more wholly owned Subsidiaries as Borrowers hereunder by furnishing to the Administrative Agent a letter (a "Designation Letter") substantially in the form of Exhibit E-1 hereto, duly completed and executed by the Company and such Subsidiary, whereupon each Subsidiary so designated shall become an Approved Borrower. There may be no more than ten Approved Borrowers at any one time. So long as all principal and interest on all Loans of any Approved Borrower have been paid in full, the Company may terminate an Approved Borrower's status as an Approved Borrower by furnishing to the Administrative Agent a letter (a "Termination Letter"), substantially in the form of Exhibit E-2 hereto, duly completed and executed by the Company and such Approved Borrower. Any Termination Letter furnished in accordance with this Section 2.21 shall be effective upon receipt by the Administrative Agent. Notwithstanding the foregoing, the delivery of a Termination Letter with respect to any Approved Borrower shall not

affect any obligation of such Approved Borrower theretofore incurred. Each Subsidiary set forth in Schedule 2.21 shall be deemed an Approved Borrower until delivery of a Termination Letter with respect to such Subsidiary.

Section 2.22. Increase in Commitments. After the Effective Date, the Company may, by written notice to the Administrative Agent, executed by the Company and one or more financial institutions (any such financial institution referred to in this Section being called a "Prospective Lender"), which may include any Lender, cause the Commitments of the Prospective Lenders to be increased (or cause Commitments to be extended by the Prospective Lenders, as the case may be) in an amount for each Prospective Lender set forth in such notice, provided, however, that (a) the aggregate amount of the Lenders' Commitments after giving effect to such increase, together with the aggregate amount of the commitments under the Five-Year Credit Agreement, shall in no event exceed US\$400,000,000, (b) each Prospective Lender, if not already a Lender hereunder, shall be subject to the approval of the Administrative Agent (which approval shall not be unreasonably withheld) and (c) each Prospective Lender, if not already a Lender hereunder, shall become a party to this Agreement by completing and delivering to the Administrative Agent a duly executed Accession Agreement. Increases and new Commitments created pursuant to this Section shall become effective (A) in the case of Prospective Lenders already parties hereunder, on the date specified in the notice delivered pursuant to this Section and (B) in the case of Prospective Revolving Lenders not already parties hereunder, on the effective date of the Accession Agreement. Upon the effectiveness of any Accession Agreement to which any Prospective Lender is a party, (i) such Prospective Lender shall thereafter be deemed to be a party to this Agreement and shall be entitled to all rights, benefits and privileges accorded a Lender hereunder and subject to all obligations of a Lender hereunder and (ii) Schedule 2.01 shall be deemed to have been amended to reflect the Commitment of the additional Lender as provided in such Accession Agreement. Upon the effectiveness of any increase pursuant to this Section in the Commitment of a Lender already a party hereunder, Schedule 2.01 shall be deemed to have been amended to reflect the increased Commitment of such Lender. Notwithstanding the foregoing, no increase in the aggregate Commitments (or in the Commitment of any Lender) shall become effective under this Section unless, on the date of such increase, the conditions set forth in paragraphs (b)

and (c) of Section 4.03 shall be satisfied (with all references in such paragraphs to a Borrowing being deemed to be references to such increase) and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Company. Following any increase of a Lender's Commitment or any extension of a new Commitment pursuant to this paragraph, any Standby Loans outstanding prior to the effectiveness of such increase or extension shall continue outstanding until the ends of the respective Interests Periods applicable thereto, and shall then be repaid or refinanced with new Standby Loans made pursuant to Sections 2.01 and 2.05.

#### ARTICLE III. REPRESENTATIONS AND WARRANTIES

Part A. Representations and Warranties of the Company. The Company represents and warrants to each of the Lenders that:

Section 3.01. Corporate Existence. Each of the Company and its Subsidiaries: (a) is a corporation, partnership or other entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization; (b) has all requisite corporate or other power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted; and (c) is qualified to do business and is in good standing in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify could (either individually or in the aggregate) have a Material Adverse Effect.

Section 3.02. Financial Condition. The Company has heretofore furnished to each of the Lenders a consolidated balance sheet of the Company and its Subsidiaries as at December 31, 1999, and the related consolidated statements of income, cash flows and changes in shareholders' equity of the Company and its Subsidiaries for the fiscal year ended on such date, with the opinion thereon of PriceWaterhouseCoopers, and the unaudited consolidated balance sheet of the Company and its Subsidiaries as at June 30, 2000, and the related consolidated statements of income and cash flows of the Company and its Subsidiaries for the six-month period ended on such date. All such

financial statements present fairly, in all material respects, the consolidated financial condition of the Company and its Subsidiaries as at such dates and the consolidated results of their operations for the fiscal year and three-month period ended on such dates (subject, in the case of the financial statements as at June 30, 2000, to normal year-end audit adjustments), all in accordance with generally accepted accounting principles and practices applied on a consistent basis. None of the Company nor any of its Subsidiaries has on the date hereof any material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in the balance sheets as at such dates (or the notes thereto in the case of such year end financial statements). Since December 31, 1999, there has been no Material Adverse Change.

Section 3.03. Litigation. Except as disclosed in note 10 of the audited annual consolidated financial statements of the Company included in the Company's Form 10-K, dated March 16, 2000, and in the notes to the unaudited quarterly consolidated financial statements of the Company included in the Company's Form 10-Q, dated August 18, 2000, filed with the Securities and Exchange Commission, there are no legal or arbitral proceedings, or any proceedings by or before any Governmental Authority, now pending or (to the knowledge of the Company) threatened against the Company or any of its Subsidiaries that, if adversely determined could (either individually or in the aggregate) have a Material Adverse Effect.

Section 3.04. No Breach. None of the execution and delivery of this Agreement, the consummation of the transactions herein contemplated or compliance with the terms and provisions hereof will conflict with or result in a breach of, or require any consent under, the charter or by-laws of the Company, or any applicable law or regulation, or any order, writ, injunction or decree of any court or Governmental Authority, or any agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any of them or any of their assets or properties is bound or to which any of them is subject, or constitute a default under any such agreement or instrument.

Section 3.05. Action. The Company has all necessary corporate power, authority and legal right to execute, deliver and perform its obligations under this



Agreement; the execution, delivery and performance by the Company of this Agreement has been duly authorized by all necessary corporate action on its part (including, without limitation, any required shareholder approvals); and this Agreement has been duly and validly executed and delivered by the Company and constitutes its legal, valid and binding obligation, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 3.06. Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any Governmental Authority, or any securities exchange, are necessary for the execution, delivery or performance by the Company of this Agreement or for the legality, validity or enforceability hereof.

Section 3.07. Use of Credit. None of the Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock, and no part of the proceeds of the Loans hereunder will be used to buy or carry any Margin Stock.

Section 3.08. ERISA. Each Plan, and, to the knowledge of the Company, each Multiemployer Plan, is in compliance in all material respects with, and has been administered in all material respects in compliance with, the applicable provisions of ERISA, the Code and any other Federal or state law, and no event or condition has occurred and is continuing as to which the Company would be under an obligation to furnish a report to the Lenders under Section 5.06 hereof.

Section 3.09. Taxes. As of the date hereof, the Company and its Domestic Subsidiaries are members of an affiliated group of corporations filing consolidated returns for Federal income tax purposes, of which the Company is the "common parent" (within the meaning of Section 1504 of the Code) of such group. The Company and its Subsidiaries have filed all Federal income tax returns and all other material tax returns that are required to be filed by them and have

paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company or any of its Subsidiaries. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of taxes and other governmental charges are, in the opinion of the Company, adequate. The Company has not given or been requested to give a waiver of the statute of limitations relating to the payment of Federal, state, local and foreign taxes or other impositions.

Section 3.10. Investment Company Act. Neither the Company nor any of its Subsidiaries is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

Section 3.11. Public Utility Holding Company Act. Neither the Company nor any of its Subsidiaries is a "holding company", or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 3.12. Material Agreements and Liens. (a) Part A of Schedule 3.12 hereto is a complete and correct list, as of the date hereof, of each credit agreement, loan agreement, indenture, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guarantee by, the Company or any of its Subsidiaries the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$5,000,000, and the aggregate principal or face amount outstanding or that may become outstanding under each such arrangement is correctly described in Part A of such Schedule 3.12.

(b) Part B of Schedule 3.12 hereto is a complete and correct list, as of the date hereof, of each Lien securing Indebtedness of any person the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$5,000,000 and covering any property of the Company or any of its Subsidiaries, and the aggregate Indebtedness secured (or that may be secured) by each such Lien and the property covered by each such Lien is correctly described in Part B of such Schedule 3.12.

Section 3.13. Environmental Matters. (a) Except as disclosed in the notes to the unaudited quarterly consolidated financial statements of the Company included in the Company's Form 10-Q, dated August 18, 2000 filed with the Securities and Exchange Commission and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Company nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(b) Since the date of this Agreement, there has been no change in the status of the matters disclosed in the notes to the unaudited quarterly consolidated financial statements of the Company included in the Company's Form 10-Q, dated August 18, 2000 filed with the Securities and Exchange Commission that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

Section 3.14. Subsidiaries, etc. Set forth in Schedule 3.14 hereto is a complete and correct list, as of the date hereof, of all of the Subsidiaries of the Company, together with, for each such Subsidiary, (i) the jurisdiction of organization of such Subsidiary, (ii) each person holding ownership interests in such Subsidiary and (iii) the nature of the ownership interests held by each such person and the percentage of ownership of such Subsidiary represented by such ownership interests.

Section 3.15. True and Complete Disclosure. The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Company to the Agent or any Lender in connection with the negotiation, preparation or delivery of this Agreement or included herein or delivered pursuant hereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by the Company and its Subsidiaries to the Administrative Agent and the Lenders in connection with this Agreement and the

transactions contemplated hereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified. There is no fact known to the Company that could have a Material Adverse Effect that has not been disclosed herein or in a report, financial statement, exhibit, schedule, disclosure letter or other writing furnished to the Lenders for use in connection with the transactions contemplated hereby.

Part B. Representations and Warranties of the Approved Borrowers.  
Each Approved Borrower represents and warrants to each of the Lenders that:

Section 3.16. Corporate Existence of Approved Borrower. It and each of its Subsidiaries: (a) is a corporation, partnership or other entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization; (b) has all requisite corporate or other power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted; and (c) is qualified to do business and is in good standing in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify would have a Material Adverse Effect.

Section 3.17. No Breach. None of the execution and delivery of its Designation Letter and this Agreement, the consummation of the transactions therein and herein contemplated and compliance with the terms and provisions thereof and hereof will conflict with or result in a breach of, or require any consent under, the charter or by-laws or other organizational documents of such Approved Borrower, or any applicable law or regulation, or any order, writ, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which such Approved Borrower or any of its Subsidiaries is a party or by which any of them or their assets or properties is bound or to which any of them is subject, or constitute a default under any such agreement or instrument.

Section 3.18. Action. Such Approved Borrower has all necessary corporate or other power and authority to execute, deliver and perform its obligations under its Designation Letter and this Agreement, and to perform its obligations hereunder and thereunder; the execution and delivery by such Approved Borrower of its Designation Letter

and the performance by such Approved Borrower hereof and thereof have been duly authorized by all necessary corporate or other action on its part (including, without limitation, any required shareholder approvals); and its Designation Letter when executed and delivered by such Approved Borrower, will constitute, the legal, valid and binding obligation of such Approved Borrower, enforceable against such Approved Borrower in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 3.19. Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any governmental Authority are necessary for the execution, delivery or performance by such Approved Borrower of its Designation Letter or this Agreement or for the validity or enforceability thereof.

Section 3.20. Taxes on Payments of Approved Borrowers. Except as disclosed to the Lenders in writing prior to the delivery of such Approved Borrower's Designation Letter, there is no income, stamp or other tax of any country, or of any taxing authority thereof or therein, imposed by or in the nature of withholding or otherwise, which is imposed on any payment to be made by such Approved Borrower pursuant hereto, or is imposed on or by virtue of the execution, delivery or enforcement of its Designation Letter or this Agreement.

#### ARTICLE IV. CONDITIONS OF LENDING

Section 4.01. Effective Date. The obligations of the Lenders to make Loans to the Company hereunder shall not become effective until the date on which each of the following conditions shall have been satisfied (or waived in accordance with Section 10.08):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy

transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received favorable written opinions (each dated as of the Effective Date and addressed to the Administrative Agent and the Lenders) of (i) the general counsel of the Company, substantially in the form of Exhibit D-1 hereto and (ii) Kirkpatrick & Lockhart LLP, counsel for the Company, substantially in the form of Exhibit D-2 hereto, covering such other matters relating to the Company, this Agreement and the Transactions as the Administrative Agent or its counsel shall reasonably request. The Company hereby requests such counsel to deliver such opinions.

(c) The Administrative Agent shall have received (i) a copy of the certificate or articles of incorporation (or such other analogous documents), including all amendments thereto, of the Company, certified as of a recent date by the Secretary of State of Delaware, and a certificate as to the good standing of the Company as of a recent date, from the Secretary of State of Delaware; (ii) a certificate of the Secretary or Assistant Secretary of the Company dated the Effective Date certifying (A) that attached thereto is a true and complete copy of the by-laws of the Company as in effect on the Effective Date and at all times since a date prior to the date of the resolutions of the Company described in item (B) below, (B) that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of the Company authorizing the execution, delivery and performance of this Agreement and the borrowings hereunder by the Company, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation of the Company have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer of the Company executing this Agreement or any other document delivered in connection herewith; (iii) a certificate of another officer of the Company as to the incumbency and signature of the Secretary or such Assistant Secretary of the Company executing the

certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or counsel for the Administrative Agent may reasonably request.

(c) The Administrative Agent shall have received a certificate of the Company, dated the Effective Date and signed by a Financial Officer of the Company, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.03.

(d) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to such date.

(e) The Existing Credit Agreement shall have been terminated and all outstanding loans thereunder shall have been repaid and all other amounts due thereunder shall have been paid.

The Administrative Agent shall notify the Company and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing and any other provision herein to the contrary, the obligations of the Lenders to make Loans to any Borrower hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.08) at or prior to 2:00 p.m., New York city time, on October 15, 2000 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

Section 4.02. First Borrowing by Each Approved Borrower. On the date of any Approved Borrower's initial Borrowing hereunder, the obligations of the Lenders to make Loans to such Approved Borrower are subject to the satisfaction of (or waiver in accordance with Section 10.08 of) each of the conditions set forth in Section 4.01 and the following further conditions:

(a) The Administrative Agent shall have received a favorable written opinion of the general counsel of such Approved Borrower dated as of a recent date and addressed to the Lenders, to the effect set forth in Exhibit D-1 hereto, subject to necessary changes to reflect local law.

(b) The Administrative Agent shall have received (i) a copy of the certificate or articles of incorporation (or such other analogous documents),

including all amendments thereto, of such Approved Borrower, certified as of a recent date by the Secretary of State (or other appropriate Governmental Authority) of the state (or country) of its organization or such other evidence as is reasonably satisfactory to the Administrative Agent, and a certificate as to the good standing (or other analogous certification to the extent available) of such Approved Borrower as of a recent date, from such Secretary of State (or other appropriate Governmental Authority) or such other evidence reasonably acceptable to the Administrative Agent; (ii) a certificate of the Secretary or Assistant Secretary of such Approved Borrower dated the date on which such Loans are to be made and certifying (A) that attached thereto is a true and complete copy of the by-laws (or such other analogous documents to the extent available) of such Approved Borrower as in effect on the date of such certificate and at all times since a date prior to the date of the resolution of such Approved Borrower described in item (B) below, (B) that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of such Approved Borrower authorizing the execution, delivery and performance of the Designation Letter delivered by such Approved Borrower and the borrowings hereunder by such Approved Borrower, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation (or other analogous documents) of such Approved Borrower have not been amended since the date of the last amendment thereto shown on the certificate of good standing (or other analogous certification or such other evidence reasonably acceptable to the Agent) furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer of such Approved Borrower executing the Designation Letter delivered by such Approved Borrower or any other document delivered in connection herewith or therewith; (iii) a certificate of another officer of such Approved Borrower as to the incumbency and signature of the Secretary or such Assistant Secretary of such Approved Borrower executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or counsel for the Administrative Agent, may reasonably request.



(c) The Administrative Agent shall have received (with sufficient copies for each Lender) a Designation Letter, duly executed by such Approved Borrower and the Company and acknowledged by the Administrative Agent.

(d) The Administrative Agent shall have received a certificate of each of the Borrowers, dated such date and signed, in the case of the Company, by a Financial Officer of the Company, and in the case of the Borrowers other than the Company, a Responsible Officer of such Borrower, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.03.

Upon the satisfaction of the conditions precedent set forth in this Section 4.02, such Approved Borrower shall become a Borrower hereunder with the same force and effect as if originally named as a Borrower hereunder. The rights and obligations of each Borrower hereunder shall remain in full force and effect notwithstanding the addition of any new Borrower as a party to this Agreement.

Section 4.03. All Borrowings. On the date of each Borrowing, including each Borrowing in which Loans are refinanced with new Loans as contemplated by Section 2.05, the obligations of the lenders to make the Loans comprising such Borrowing are subject to the satisfaction of the following conditions:

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.03 or Section 2.04, as applicable.

(b) The representations and warranties set forth in Article III hereof shall be true and correct in all material respects on and as of the date of such Borrowing with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date; provided, however, that no representation as to either (i) the absence of any Material Adverse Change in the financial condition of the Company, as provided in the last sentence of Section 3.02, or (ii) the absence of any pending or threatened legal or arbitral proceedings, or any proceedings by or before any Governmental Authority, that could have a Material Adverse Effect on the Company, as provided in

Section 3.03, shall be required as a condition to any Borrowing following the Effective Date.

(c) Each Borrower shall be in compliance with all the terms and provisions set forth herein and in each other Loan Document on its part to be observed or performed, and at the time of and immediately after such Borrowing no Event of Default or Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrowers on the date of such Borrowing as to the matters specified in paragraphs (b) and (c) of this Section 4.03.

#### ARTICLE V. AFFIRMATIVE COVENANTS

The Company covenants and agrees with each Lender and the Administrative Agent that, so long as this Agreement shall remain in effect or the principal of or interest on any Loan, any Fees or any other expenses or amounts payable under any Loan Document shall be unpaid, unless the Required Lenders shall otherwise consent in writing, the Company will, and will cause each of its Subsidiaries to:

Section 5.01. Existence; Businesses and Properties. (a) Preserve and maintain its corporate existence, rights (charter and statute) and material franchises, except as otherwise permitted by Section 6.03; provided, however, that the Company shall not be required to preserve any such right or franchise if (i) the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and (ii) the loss of any such right or franchise is not disadvantageous in any material respect to the Lenders.

(b) Comply in all material respects with all applicable laws, rules, regulations and orders (including, without limitation, laws requiring payment of all taxes, assessments and governmental charges imposed upon it or upon its property except to the extent contested in good faith by appropriate proceedings) and all Environmental Laws except where the failure to so comply would not result in a Material Adverse Change.

(c) Maintain and preserve all of its properties which are used in the conduct of its business in good

working order and condition, ordinary wear and tear excepted, to the extent that any failure to do so would result in a Material Adverse Change and except for dispositions thereof permitted by Section 6.03.

Section 5.02. Insurance. Maintain insurance with financially sound and reputable insurance companies (which insurance companies shall, in any event, have an A.M. Best rating of "B+" or better), and with respect to property and risks of a character usually maintained by corporations engaged in the same or similar business similarly situated, against loss, damage and liability of the kinds and in the amounts customarily maintained by such corporations.

Section 5.03. Obligations and Taxes. Pay its Indebtedness and other obligations promptly and in accordance with their terms and pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise which, if unpaid, might give rise to a Lien upon such properties or any part thereof; provided, however, that such payment and discharge shall not be required with respect to any such tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and the Company shall have set aside on its books adequate reserves with respect thereto.

Section 5.04. Financial Statements, Reports, etc. In the case of the Company, furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year, its consolidated balance sheets and related statements of income, changes in stockholders' equity and cash flows, showing the financial condition of the Company and its Subsidiaries as of the close of such fiscal year and the results of its operations and the operations of its Subsidiaries during such year, all audited by PricewaterhouseCoopers or other independent public accountants of recognized national standing acceptable to the Required Lenders and accompanied by an opinion of such accountants (which shall not be qualified in any material respect) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of the Company on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, its consolidated balance sheets and related statements of income, changes in stockholders' equity and cash flows, showing the financial condition of the Company and its Subsidiaries as of the close of such fiscal quarter and the results of its operations and the operations of its Subsidiaries during such fiscal quarter and the then elapsed portion of such fiscal year, all certified by one of its Financial Officers as fairly presenting the financial condition and results of operations of the Company on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments;

(c) concurrently with any delivery of financial statements under (a) or (b) above, a certificate of the accounting firm or Financial Officer opining on or certifying such statements (which certificate, when furnished by an accounting firm, may be limited to accounting matters and disclaim responsibility for legal interpretations) (i) certifying that no Event of Default or Default has occurred or, if such an Event of Default or Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto and (ii) setting forth computations in reasonable detail

satisfactory to the Administrative Agent demonstrating compliance with the covenants contained in Sections 6.06 and 6.07;

(d) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by it with the Securities and Exchange Commission, or any Governmental Authority succeeding to any of or all the functions of such Commission, or with any national securities exchange, or distributed to its shareholders, as the case may be; and

(e) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of the Company or any Subsidiary, or compliance with the terms of any Loan Document, as the Administrative Agent or any Lender may reasonably request.

Section 5.05. Litigation and Other Notices. Furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) proposed to be taken with respect thereto;

(b) the filing or commencement of, or any threat or notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Company or any Affiliate thereof which, if adversely determined, could result in a Material Adverse Change; and

(c) any other development that has resulted in, or could reasonably be anticipated to result in, a Material Adverse Change.

Section 5.06. ERISA. (a) Comply in all material respects with the applicable provisions of ERISA and the Code and (b) furnish to the Administrative Agent and each Lender (i) as soon as possible, and in any event within 30 days after any Responsible Officer of the Company or any ERISA Affiliate either knows or has reason to know that any Reportable Event has occurred that alone or together with any other Reportable Event could reasonably be expected to

result in liability of the Company to the PBGC in an aggregate amount exceeding \$5,000,000, a statement of a Financial Officer setting forth details as to such Reportable Event and the action proposed to be taken with respect thereto, together with a copy of the notice, if any, of such Reportable Event given to the PBGC, (ii) promptly after receipt thereof, a copy of any notice the Company or any ERISA Affiliate may receive from the PBGC relating to the intention of the PBGC to terminate any Plan or Plans (other than a Plan maintained by an ERISA Affiliate which is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code) or to appoint a trustee to administer any Plan or Plans, and (iii) within 10 days after the due date for filing with the PBGC pursuant to Section 412(n) of the Code of a notice of failure to make a required installment or other payment with respect to a Plan, a statement of a Financial Officer setting forth details as to such failure and the action proposed to be taken with respect thereto, together with a copy of such notice given to the PBGC.

Section 5.07. Maintaining Records. Maintain all financial records in accordance with GAAP and permit any representatives designated by any Lender to discuss the affairs, finances and condition of the Company or any Subsidiary with the officers thereof and independent accountants therefor.

Section 5.08. Use of Proceeds. Use the proceeds of the Loans only for the purposes set forth in the preamble to this Agreement.

## ARTICLE VI. NEGATIVE COVENANTS

The Company covenants and agrees with each Lender and the Administrative Agent that, so long as this Agreement shall remain in effect or the principal of or interest on any Loan, any Fees or any other expenses or amounts payable under any Loan Document shall be unpaid, unless the Required Lenders shall otherwise consent in writing, the Company will not, and will not cause or permit any of its Subsidiaries to:

Section 6.01. Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired, except:

(a) Liens in existence on the date hereof and listed in Part B of Schedule 3.12 hereto;

(b) Liens imposed by any Governmental Authority for taxes, assessments or charges not yet due or that are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Company or the affected Subsidiaries, as the case may be, in accordance with GAAP;

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith and by appropriate proceedings and Liens securing judgments but only to the extent for an amount and for a period not resulting in an Event of Default under Article VII clause (i) hereof;

(d) pledges or deposits under worker's compensation, unemployment insurance and other social security legislation;

(e) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of

zoning restrictions, easements, licenses, restrictions on the use of property or minor imperfections in title thereto that, in the aggregate, are not material in amount, and that do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Company or any of its Subsidiaries;

(g) Liens on property of any corporation that becomes a Subsidiary of the Company after the date of this Agreement; provided that such Liens are in existence at the time such corporation becomes a Subsidiary of the Company and were not created in anticipation thereof;

(h) Liens upon real and/or tangible personal property acquired after the date hereof (by purchase, construction or otherwise) by the Company or any of its Subsidiaries, each of which Liens either (A) existed on such property before the time of its acquisition and was not created in anticipation thereof or (B) was created solely for the purpose of securing Indebtedness representing, or incurred to finance, refinance or refund, the cost (including the cost of construction) of such property; provided that no such Lien shall extend to or cover any property of the Company or such Subsidiary other than the property so acquired and improvements thereon;

(i) additional Liens upon real and/or personal property created after the date hereof; provided that the aggregate Indebtedness secured thereby and incurred on and after the date hereof shall not exceed \$25,000,000 in the aggregate at any one time outstanding; and

(j) any extension, renewal or replacement of the foregoing; provided that the Liens permitted hereunder shall not be spread to cover any additional Indebtedness or property (other than a substitution of like property).

Section 6.02. Sale and Lease-Back Transactions. Enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for



substantially the same purpose or purposes as the property being sold or transferred (such an arrangement, a "Sale and Lease-Back Transaction"), other than (i) Sale and Lease-Back Transactions capitalized on the books of the Company in an aggregate capitalized amount not in excess of \$25,000,000 entered into in connection with the financing of aircraft to be used in connection with the Company's business and (ii) Sale and Lease-Back Transactions capitalized on the books of the Company (other than a Sale and Lease-Back Transaction permitted by clause (i) above) if the capitalized amount of all such Sale and Lease-Back Transactions shall not exceed \$20,000,000 in aggregate amount at any time outstanding.

Section 6.03. Mergers, Sales of Assets, etc. (a) In the case of any Borrower, consolidate or merge with or into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless:

(i) the corporation formed by such consolidation or merger or the person which acquires by conveyance or transfer, or which leases, the properties and assets of such Borrower substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America or any state or the District of Columbia and shall expressly assume, by an agreement supplemental hereto, executed and delivered to each other party hereto, in form satisfactory to the Administrative Agent, the due and punctual payment of the principal of and interest on the Loans and all other obligations of such Borrower under the Loan Documents and the performance or observance of every covenant of this Agreement on the part of such Borrower to be performed or observed;

(ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(iii) the Company shall have delivered to the Administrative Agent an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental agreement comply with this paragraph (a) and that all conditions precedent herein provided for relating to such transaction have been complied with.

(b) Upon any consolidation by any Borrower with or merger by any Borrower into any other corporation or any conveyance, transfer or lease of the properties and assets of any Borrower substantially as an entirety in accordance with paragraph (a) above, the successor corporation formed by such consolidation or into which such Borrower is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the applicable Borrower under the Loan Documents with the same effect as if such successor corporation had been named as a Borrower herein, and thereafter, the predecessor corporation shall be relieved of all obligations and covenants under the Loan Documents.

Section 6.04. Lines of Business; Fiscal Year. Engage or invest in operations engaging to any substantial extent in any line or lines of business activity other than the business of manufacturing, providing, distributing and selling such diverse goods and industrial services, principally for industrial, commercial, construction and defense applications, the same or similar to those goods and services as are manufactured, provided, distributed and sold by the Company on the date hereof. In the case of the Company, change its fiscal year end from that in effect at December 31, 1999.

Section 6.05. Transactions with Affiliates. Sell or transfer any property or assets to, or purchase or acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except that as long as no Default or Event of Default shall have occurred and be continuing, the Company or any Subsidiary may engage in any of the foregoing transactions in the ordinary course of business at prices and on terms and conditions not less favorable to the Company or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties.

Section 6.06. Net Worth. The Company will not permit its Net Worth at any time to be less than \$475,000,000.

Section 6.07. Total Debt to Total Capital Ratio. The Company will not permit the ratio of Total Debt to Total Capital at any time on or after the date hereof to exceed the ratio 0.60 to 1.

## ARTICLE VII. EVENTS OF DEFAULT

In case of the happening of any of the following events ("Events of Default"):

(a) any representation or warranty made or deemed made in or in connection with any Loan Document or the borrowings hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Loan Document, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(b) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Loan or any Fee or any other amount (other than an amount referred to in (b) above) due under any Loan Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of five days;

(d) default shall be made in the due observance or performance by any of the Borrowers or any Subsidiary of any covenant, condition or agreement contained in Section 5.01(a) or 5.05 or in Article VI;

(e) default shall be made in the due observance or performance by any of the Borrowers or any Subsidiary of any covenant, condition or agreement contained in any Loan Document (other than those specified in (b), (c) or (d) above) and such default shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent or any Lender to the Company;

(f) (i) the Company or any Subsidiary shall (A) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness in a principal amount in excess of (I) \$20,000,000, in the case of any single obligation, or (II) \$20,000,000, in

the case of all obligations in the aggregate, in each case, when and as the same shall become due and payable, or (B) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any Indebtedness in an aggregate principal amount in excess of \$20,000,000 and such failure shall continue beyond any applicable grace period; or (ii) Indebtedness of the Company and its Subsidiaries, or any of them, in a principal amount in excess of (A) \$20,000,000, in the case of any single obligation, or (B) \$20,000,000, in the case of all obligations in the aggregate, shall be declared due and payable or required to be prepaid prior to its stated maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of any Borrower or any Subsidiary, or of a substantial part of the property or assets of any Borrower or a Subsidiary, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law (or similar statute or law in any other jurisdiction), (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Subsidiary or for a substantial part of the property or assets of any Borrower or a Subsidiary or (iii) the winding-up or liquidation of any Borrower or any Subsidiary; and such proceeding or petition shall continue undismissed for 30 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) any Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law (or similar statute or law in any other jurisdiction), (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Subsidiary or for a substantial part of the property or assets of any Borrower

or any Subsidiary, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more judgments for the payment of money in an aggregate amount in excess of \$10,000,000 (exclusive of amounts fully covered by insurance where the insurer has admitted liability in respect of such judgment) or in excess of \$20,000,000 (regardless of insurance coverage) shall be rendered against any Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 60 consecutive days during which 60 days execution shall not be effectively stayed, or otherwise being appropriately contested in good faith, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of any Borrower or any Subsidiary to enforce any such judgment;

(j) a Reportable Event or Reportable Events, or a failure to make a required installment or other payment (within the meaning of Section 412(n)(1) of the Code), shall have occurred with respect to any Plan or Plans that reasonably could be expected to result in liability of any Borrower to the PBGC or to a Plan in an aggregate amount exceeding \$5,000,000 and, within 30 days after the reporting of any such Reportable Event to the Administrative Agent or after the receipt by the Administrative Agent of the statement required pursuant to Section 5.06, the Administrative Agent shall have notified such Borrower in writing that (i) the Required Lenders have made a determination that, on the basis of such Reportable Event or Reportable Events or the failure to make a required payment, there are reasonable grounds (A) for the termination of such Plan or Plans by the PBGC, (B) for the appointment by the appropriate United States District Court of a trustee to administer such Plan or Plans or (C) for the imposition of a lien in favor of a Plan and (ii) as a result thereof an Event of Default exists hereunder; or a trustee shall be appointed by a United States District Court to administer any such Plan or Plans; or the PBGC shall institute proceedings to terminate any Plan or Plans;

(k) an "Event of Default" shall have occurred as defined under the Five-Year Credit Agreement;

(l) the Guarantor's guarantee hereunder shall become ineffective for any reason or the Guarantor shall deny its obligations as a guarantor hereunder in writing; or

(m) there shall have occurred a Change in Control;

then, and in every such event (other than an event with respect to a Borrower described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent, with the consent of Required Lenders, may, or at the request of the Required Lenders, shall, by notice to the Borrowers, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrowers accrued hereunder and under any other Loan Document, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrowers, anything contained herein or in any other Loan Document to the contrary notwithstanding; and in any event with respect to a Borrower described in paragraph (g) or (h) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrowers accrued hereunder and under any other Loan Document, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrowers, anything contained herein or in any other Loan Document to the contrary notwithstanding.

## ARTICLE VIII. THE ADMINISTRATIVE AGENT

In order to expedite the transactions contemplated by this Agreement, The Chase Manhattan Bank is hereby appointed to act as Administrative Agent on behalf of the Lenders. Each of the Lenders hereby irrevocably authorizes the Administrative Agent to take such actions on behalf of such Lender or holder and to exercise such powers as are specifically delegated to the Administrative Agent by the terms and provisions hereof and of the other Loan Documents, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Lenders, without hereby limiting any implied authority, (a) to receive on behalf of the Lenders all payments of principal of and interest on the Loans and all other amounts due to the Lenders hereunder, and promptly to distribute to each Lender its proper share of each payment so received; (b) as provided in Article VII, to give notice on behalf of each of the Lenders to the Borrowers of any Event of Default specified in this Agreement of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender copies of all notices, financial statements and other materials delivered by any Borrower pursuant to this Agreement as received by the Administrative Agent.

The Administrative Agent is hereby authorized to designate one of its affiliates (the "Agent Designee") to perform the functions of the Administrative Agent with respect to Alternative Currency Borrowings. The Administrative Agent shall designate the Agent Designee by notice to the Company and the Lenders (and may from time to time replace the Agent Designee with any of its affiliates by notice to the Company and the Lenders). Upon and after any such designation, (i) copies of all Borrowing Requests, Competitive Bid Requests, Competitive Bids and all other notices required to be delivered hereunder with respect to Alternative Currency Borrowings shall be delivered to both the Administrative Agent and the Agent Designee and (ii) all references hereunder to the "Administrative Agent" and "Administrative Agent in London" in the context of Alternative Currency Borrowings shall be construed as including references to the Agent Designee. The Administrative Agent hereby designates Chase Manhattan International Limited as the initial Agent Designee.

Neither the Administrative Agent nor any of its directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its or his own gross negligence or wilful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrowers of any of the terms, conditions, covenants or agreements contained in any Loan Document. The Administrative Agent shall not be responsible to the Lenders for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement, or any other Loan Documents or other instruments or agreements. The Administrative Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Lenders. The Administrative Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall have any responsibility to the Borrowers on account of the failure of or delay in performance or breach by any Lender of any of its obligations hereunder or to any Lender on account of the failure of or delay in performance or breach by any other Lender or the Borrowers of any of their respective obligations hereunder or under any other Loan Document or in connection herewith or therewith. The Administrative Agent may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the



Administrative Agent may resign at any time by notifying the Lenders and the Company. Upon any such resignation, the Required Lenders shall have the right to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, having a combined capital and surplus of at least \$500,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

With respect to the Loans made by it hereunder, the Administrative Agent in its individual capacity and not as Administrative Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not the Administrative Agent, and the Administrative Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrowers or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent.

Each Lender agrees (i) to reimburse the Administrative Agent, on demand, in the amount of its pro rata share (based on its Commitment hereunder) of any expenses incurred for the benefit of the Lenders by the Administrative Agent, including counsel fees and compensation of agents and employees paid for services rendered on behalf of the Lenders, which shall not have been reimbursed by the Borrowers and (ii) to indemnify and hold harmless the Administrative Agent and any of its directors, officers, employees or agents, on demand, in the amount of such pro rata share, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred

by or asserted against it in its capacity as the Administrative Agent or any of them in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted by it or any of them under this Agreement or any other Loan Document, to the extent the same shall not have been reimbursed by the Borrowers; provided that no Lender shall be liable to the Administrative Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or wilful misconduct of the Administrative Agent or any of its directors, officers, employees or agents.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any other Loan Document, any related agreement or any document furnished hereunder or thereunder.

## ARTICLE IX. GUARANTEE

Section 9.01. Guarantee. The Guarantor hereby guarantees to each Lender and the Administrative Agent and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration, by optional prepayment or otherwise) of the principal of and interest on the Loans made by the Lenders to any Approved Borrower and all other amounts from time to time owing to the Lenders or the Administrative Agent by any Approved Borrower under this Agreement or pursuant to its Designation Letter, strictly in accordance with the terms thereof (such obligations being herein collectively called the "Guaranteed Obligations"). The Guarantor hereby further agrees that if any Approved Borrower shall fail to pay in full when due (whether at stated maturity, by acceleration, by optional prepayment or otherwise) any of the Guaranteed Obligations, the Guarantor will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

Section 9.02. Obligations Unconditional. The obligations of the Guarantor under Section 9.01 hereof are absolute and unconditional irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of any Approved Borrower under this Agreement or any other agreement or instrument referred to herein or therein (including, without limitation, any Designation Letter), or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 9.02 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not affect the liability of the Guarantor hereunder:

(i) at any time or from time to time, without notice to the Guarantor, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions of this Agreement or any other agreement or instrument referred to herein or therein shall be done or omitted; or

(iii) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under this Agreement or any other agreement or instrument referred to herein or therein shall be waived or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with.

The Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Administrative Agent or any Lender exhaust any right, power or remedy or proceed against any Approved Borrower under this Agreement or any other agreement or instrument referred to herein or therein, or against any other person under any other

guarantee of, or security for, any of the Guaranteed Obligations.

Section 9.03. Reinstatement. The obligations of the Guarantor under this Article IX shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Approved Borrower in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise and the Guarantor agrees that it will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, fees of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration.

Section 9.04. Subrogation. The Guarantor hereby irrevocably waives all rights of subrogation or contribution, whether arising by operation of law (including, without limitation, any such right arising under Title 11 of the United States Code) or otherwise, by reason of any payment by it pursuant to the provisions of this Article IX and further agrees that for the benefit of each of its creditors (including, without limitation, each Lender and the Administrative Agent) that any such payment by it of the Guaranteed Obligations of any Approved Borrower shall constitute a contribution of capital by the Guarantor to such Approved Borrower.

Section 9.05. Remedies. The Guarantor agrees that, as between the Guarantor and the Lenders, the obligations of any Approved Borrower under this Agreement may be declared to be forthwith due and payable as provided in Article VII hereof (and shall be deemed to have become automatically due and payable in the circumstances provided in said Article VII) for purposes of Section 9.01 hereof notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against any Approved Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by such Approved Borrower) shall forthwith become due and payable by the Guarantor for purposes of such Section 9.01.

Section 9.06. Continuing Guarantee. The guarantee in this Article IX is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

ARTICLE X. MISCELLANEOUS

Section 10.01. Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Company, to it at P.O. Box 8888, Camp Hill, Pennsylvania 17001-8888, Attention of Salvatore D. Fazzolari (Telecopy No. 717-763-6402);

(b) if to an Approved Borrower, to it at its address as set forth in its Designation Letter;

(c) if to the Administrative Agent, to The Chase Manhattan Bank, One Chase Manhattan Plaza, New York, New York 10081, Attention of Anne Bowles (Telecopy No. 212-552-7500), with copies to The Chase Manhattan Bank, 270 Park Avenue, New York, New York 10017, Attention of Robert Sacks (Telecopy No. 212-270-5120) and, with respect to any Alternative Currency Borrowing, to Chase Manhattan International Limited, 9 Thomas More St., Attention of Steve Clark (Telecopy No. +44-20-7777-2360) or to any other Agent Designee as directed by the Administrative Agent; and

(d) if to a Lender, to it at its address (or telecopy number) set forth in Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy, or on the date five Business days after dispatch by certified or registered mail, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 10.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 10.01.

Section 10.02. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrowers herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement or any other Loan Document is outstanding and unpaid and so long as the Commitments have not been terminated.

Section 10.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Company and the Administrative Agent and when the Administrative Agent shall have received copies hereof which, when taken together, bear the signatures of each Lender, and thereafter shall be binding upon and inure to the benefit of the Borrowers, the Administrative Agent and each Lender and their respective successors and assigns, except that the Borrowers shall not have the right to assign rights hereunder or any interest herein without the prior consent of all the Lenders.

Section 10.04. Successors and Assigns. (a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrowers, the Administrative Agent or the Lenders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided, however, that (i) except in the case of an assignment to a Lender or an Affiliate of such Lender, the Company and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld and in the case of the Company, shall not be required during the continuation of an Event of Default), (ii) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Lender's rights and obligations under this Agreement, (iii) the amount of the Commitment of the assigning Lender subject to

each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 (or, if smaller, such Lender's remaining Commitment) and the amount of the Commitment of such Lender remaining after such assignment shall not be less than \$5,000,000 or shall be zero, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, and a processing and recordation fee of \$3,500 and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to paragraph (e) of this Section 10.04, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto (but shall continue to be entitled to the benefits of Sections 2.13, 2.15, 2.19 and 10.05, as well as to any Fees accrued for its account hereunder and not yet paid)). Notwithstanding the foregoing, any Lender assigning its rights and obligations under this Agreement may retain any Competitive Loans made by it outstanding at such time, and in such case shall retain its rights hereunder in respect of any Loans so retained until such Loans have been repaid in full in accordance with this Agreement.

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Commitment, if any, and the outstanding balances of its Standby Loans and Competitive Loans, if any, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (ii) except as set forth in (i) above, such



assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto or the financial condition of the Company or any Subsidiary or the performance or observance by any Borrower of any of its obligations under this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.04 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender 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; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive in the absence of manifest error and the Borrower, the Administrative Agent and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above and, if required, the written consent of the Company and the Administrative Agent to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Lenders.

(f) Upon giving written notice to the Company, each Lender may without the consent of the Company or the Administrative Agent sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Sections 2.13, 2.15 and 2.19 to the same extent as if they were Lenders and (iv) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrowers relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing any fees payable hereunder or the amount of principal or the rate at which interest is payable on the Loans, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans or changing or extending the Commitments).

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrowers furnished to such Lender by or on behalf of the Borrowers; provided that, prior to any such disclosure of information designated by

the Company as confidential, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information. It is understood that confidential information relating to the Borrowers would not ordinarily be provided in connection with assignments or participations of Competitive Loans.

(h) Any Lender may at any time assign all or any portion of its rights under this Agreement to a Federal Reserve Bank; provided that no such assignment shall release a Lender from any of its obligations hereunder. In order to facilitate such an assignment to a Federal Reserve Bank, the applicable Borrower shall, at the request of the assigning Lender, duly execute and deliver to the assigning Lender a promissory note or notes evidencing the Loans made to such Borrower by the assigning Lender hereunder.

(i) The Borrowers shall not assign or delegate any of their rights or duties hereunder, except as permitted by Section 6.03.

Section 10.05. Expenses; Indemnity. (a) Each Borrower agrees to pay all out-of-pocket expenses incurred by the Administrative Agent in connection with the preparation of this Agreement and the other Loan Documents or in connection with any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions hereby contemplated shall be consummated) or incurred by the Administrative Agent or any Lender in connection with the enforcement or protection of their rights in connection with this Agreement and the other Loan Documents or in connection with the Loans made hereunder, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent, and, in connection with any such amendment, modification or waiver or any such enforcement or protection, the reasonable fees, charges and disbursements of any other counsel for the Administrative Agent or any Lender. Each Borrower further agrees that it shall indemnify the Lenders from and hold them harmless against any documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of this Agreement or any of the other Loan Documents.

(b) Each Borrower agrees to indemnify the Administrative Agent, each Lender and each of their

respective directors, officers, employees and agents (each such person being called an "Indemnatee") against, and to hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnatee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the transactions contemplated thereby, (ii) the actual or proposed use of the proceeds of the Loans, (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnatee is a party thereto or (iv) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Borrower or its Subsidiaries, or any Environmental Liability related in any way to the Borrower or its subsidiaries; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnatee.

(c) The provisions of this Section 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Administrative Agent or any Lender. All amounts due under this Section 10.05 shall be payable on written demand therefor.

Section 10.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Borrower against any of and all the obligations of such Borrower now or hereafter existing under this Agreement and other Loan Documents held by such Lender,

irrespective of whether or not such Lender shall have made any demand under this Agreement or such other Loan Document and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

Section 10.07. Applicable Law. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

Section 10.08. Waivers; Amendment. (a) No failure or delay of the Administrative Agent or any Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies which they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Borrower in any case shall entitle such Borrower to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Company and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan, without the prior written consent of each Lender affected thereby, (ii) change or extend the Commitment or decrease the Utilization Fees or Facility Fees of any Lender without the prior written consent of such Lender, or (iii) amend or modify the provisions of Section 2.16, the provisions of Article IX,

the provisions of this Section or the definition of "Required Lenders", without the prior written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

Section 10.09. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the applicable interest rate, together with all fees and charges which are treated as interest under applicable law (collectively the "Charges"), as provided for herein or in any other document executed in connection herewith, or otherwise contracted for, charged, received, taken or reserved by any Lender, shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by such Lender in accordance with applicable law, the rate of interest payable on the Loan of such Lender, together with all Charges payable to such Lender, shall be limited to the Maximum Rate.

Section 10.10. Entire Agreement. This Agreement and the other Loan Documents constitute the entire contract between the parties relative to the subject matter hereof. Any previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement and the other Loan Documents. Nothing in this Agreement or in the other Loan Documents, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Loan Documents.

Section 10.11. Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with this Agreement or any of the other Loan Documents. Each party hereto (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties hereto have been induced to enter into this Agreement and the other Loan Documents, as applicable, by, among other things, the mutual waivers and certifications in this Section 10.11.

Section 10.12. Severability. In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 10.13. Judgment Currency. (a) The Borrowers' obligations hereunder and under the other Loan Documents to make payments in Dollars or in any Alternative Currency (the "Obligation Currency") shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than the Obligation Currency, except to the extent that such tender or recovery results in the effective receipt by the Administrative Agent or a Lender of the full amount of the Obligation Currency expressed to be payable to the Administrative Agent or such Lender under this Agreement or the other Loan Documents. If, for the purpose of obtaining or enforcing judgment against any Borrower or in any court or in any jurisdiction, it becomes necessary to convert into or from any currency other than the Obligation Currency (such other currency being hereinafter referred to as the "Judgment Currency") an amount due in the Obligation Currency, the conversion shall be made at the Alternative Currency Equivalent or Dollar Equivalent, in the case of any Alternative Currency or Dollars, and, in the case of other currencies, the rate of exchange (as quoted by the Administrative Agent or if the Administrative Agent does not quote a rate of exchange on such currency, by a known dealer in such currency designated by the Administrative Agent) determined, in each case, as of the date immediately preceding the day on which the judgment is given (such Business Day being hereinafter referred to as the "Judgment Currency Conversion Date").

(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due, the Borrower covenants and agrees to pay, or cause to be paid, as a separate obligation and notwithstanding any judgment, such additional amounts, if any (but in any event not a lesser amount), as may be necessary to ensure that the amount paid

in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange prevailing on the Judgment Currency Conversion Date.

(c) For purposes of determining the Alternative Currency Equivalent or Dollar Equivalent or rate of exchange for this Section, such amounts shall include any premium and costs payable in connection with the purchase of the Obligation Currency.

Section 10.14. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract, and shall become effective as provided in Section 10.03.

Section 10.15. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

Section 10.16. Jurisdiction; Consent to Service of Process. (a) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against any Borrower or its properties in the courts of any jurisdiction.



(b) Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the date first above written.

HARSCO CORPORATION,

by /s/ Salvatore D. Fazzolari

-----  
Name: Salvatore D. Fazzolari  
Title: Sr. V.P., CFO, &  
Treasurer

THE CHASE MANHATTAN BANK, individually and  
as Administrative Agent,

by /s/ Robert Anastasio

-----  
Name: Robert Anastasio  
Title: Vice President

ALLFIRST BANK,

by /s/ Jennifer L. Uricheck  
-----  
Name: Jennifer L. Uricheck  
Title: Assistant Vice President

PNC BANK, NATIONAL ASSOCIATION,

by /s/ Thomas J. Fowlston  
-----  
Name: Thomas J. Fowlston  
Title: Vice President

BANCA DI ROMA, S.P.A.,

by /s/ Steven Paley  
-----  
Name: Steven Paley  
Title: First Vice President

by /s/ Alessandro Paoli  
-----  
Name: Alessandro Paoli  
Title: Assistant Treasurer

THE FUJI BANK, LIMITED,

by /s/ Raymond Ventura  
-----  
Name: Raymond Ventura  
Title: Vice President &  
Manager

FIRST UNION NATIONAL BANK,

by /s/ Charles H. Dietrich  
-----  
Name: Charles H. Dietrich  
Title: Senior Vice President

CITIBANK, N.A.,

by /s/ Prakash M. Chonkar  
-----  
Name: Prakash M. Chonkar  
Title: Managing Director

BANK ONE, NA (MAIN OFFICE CHICAGO),

by /s/ Andrea S. Kantor  
-----  
Name: Andrea S. Kantor  
Title: First Vice President

SVENSKA HANDELSBANKEN,

by /s/ Jonas Daun  
-----  
Name: Jonas Daun  
Title: Senior Vice President

by /s/ Henrik Jensen  
-----  
Name: Henrick Jensen  
Title: Vice President

SUNTRUST BANK,

by /s/ W. David Wisdom  
-----  
Name: W. David Wisdom  
Title: Vice President

BBL INTERNATIONAL (UK) LIMITED,

by /s/ M-C Swinnen  
-----  
Name: M-C Swinnen  
Title: Authorized Signatory

by /s/ Edgar Lorch

-----  
Name: Edgar Lorch  
Title: Authorized Signatory

THE BANK OF NOVA SCOTIA,

by /s/ Philip N. Adsetts

-----  
Name: Philip N. Adsetts  
Title: Director

NATIONAL WESTMINSTER BANK, PLC,

by /s/ Tony Testa

-----  
Name: Tony Testa  
Title: Corporate Manager

Five-Year Credit Agreement

Dated as of September 29, 2000

Among

HARSCO CORPORATION,  
THE LENDERS NAMED HEREIN

and

THE CHASE MANHATTAN BANK

as Administrative Agent

BANK ONE, NA  
Syndication Agent  
CITIBANK, N.A.  
Documentation Agent

## TABLE OF CONTENTS

|  | Page |
|--|------|
| ARTICLE I. DEFINITIONS.....  | 1    |
| Section 1.01. Defined Terms.....   | 1    |
| Section 1.02. Terms Generally.....                                       | 19   |
| Section 1.03. Redenomination of Certain Alternative Currencies.....      | 20   |
| ARTICLE II. THE CREDITS.....   | 20   |
| Section 2.01. Commitments.....   | 20   |
| Section 2.02. Loans 21   |      |
| Section 2.03. Competitive Bid Procedure.....                             | 23   |
| Section 2.04. Standby Borrowing Procedure.....                           | 27   |
| Section 2.05. Refinancings 28  |      |
| Section 2.06. Fees 28  |      |
| Section 2.07. Repayment of Loans.....                                    | 29   |
| Section 2.08. Interest on Loans.....                                     | 30   |
| Section 2.09. Default Interest.....                                      | 31   |
| Section 2.10. Alternate Rate of Interest.....                            | 31   |
| Section 2.11. Termination and Reduction of Commitments.....              | 32   |
| Section 2.12. Prepayment 32  |      |
| Section 2.13. Reserve Requirements; Change in Circumstances.....         | 33   |
| Section 2.14. Change in Legality.....                                    | 35   |
| Section 2.15. Indemnity 36   |      |
| Section 2.16. Pro Rata Treatment.....                                    | 37   |
| Section 2.17. Sharing of Setoffs.....                                    | 38   |
| Section 2.18. Payments 39  |      |
| Section 2.19. Taxes 39   |      |
| Section 2.20. Assignment of Commitments Under Certain Circumstances..... | 43   |
| Section 2.21. Borrowings by Approved Borrowers.....                      | 44   |
| Section 2.21. Increase in Commitments.....                               | 44   |
| ARTICLE III. REPRESENTATIONS AND WARRANTIES.....                         | 44   |

|   |    |
|---|----|
| Part A. Representations and Warranties of the Company.....            | 44 |
| Section 3.01. Corporate Existence.....                                | 44 |
| Section 3.02. Financial Condition.....                                | 45 |
| Section 3.03. Litigation.....   | 45 |
| Section 3.04. No Breach.....  | 45 |
| Section 3.05. Action.....   | 46 |
| Section 3.06. Approvals.....  | 46 |
| Section 3.07. Use of Credit.....                                      | 46 |
| Section 3.08. ERISA.....  | 46 |
| Section 3.09. Taxes.....  | 46 |
| Section 3.10. Investment Company Act.....                             | 47 |
| Section 3.11. Public Utility Holding Company Act.....                 | 47 |
| Section 3.12. Material Agreements and Liens.....                      | 47 |
| Section 3.13. Environmental Matters.....                              | 48 |
| Section 3.14. Subsidiaries, etc.....                                  | 48 |
| Section 3.15. True and Complete Disclosure.....                       | 48 |
| Part B. Representations and Warranties of the Approved Borrowers..... | 49 |
| Section 3.16. Corporate Existence of Approved Borrower.....           | 49 |
| Section 3.17. No Breach.....  | 49 |
| Section 3.18. Action.....   | 49 |
| Section 3.19. Approvals.....  | 50 |
| Section 3.20. Taxes on Payments of Approved Borrowers.....            | 50 |
| ARTICLE IV. CONDITIONS OF LENDING.....                                | 50 |
| Section 4.01. Effective Date.....                                     | 50 |
| Section 4.02. First Borrowing by Each Approved Borrower.....          | 52 |
| Section 4.03. All Borrowings.....                                     | 54 |
| ARTICLE V. AFFIRMATIVE COVENANTS.....                                 | 55 |
| Section 5.01. Existence; Businesses and Properties.....               | 55 |
| Section 5.02. Insurance.....  | 55 |
| Section 5.03. Obligations and Taxes.....                              | 55 |
| Section 5.04. Financial Statements, Reports, etc.....                 | 56 |
| Section 5.05. Litigation and Other Notices.....                       | 57 |
| Section 5.06. ERISA.....  | 57 |



|  |    |
|--|----|
| Section 5.07. Maintaining Records.....               | 58 |
| Section 5.08. Use of Proceeds.....                   | 58 |
| ARTICLE VI. NEGATIVE COVENANTS.....                  | 58 |
| Section 6.01. Liens.....                             | 60 |
| Section 6.02. Sale and Lease-Back Transactions.....  | 61 |
| Section 6.03. Mergers, Sales of Assets, etc.....     | 61 |
| Section 6.04. Lines of Business; Fiscal Year.....    | 62 |
| Section 6.05. Transactions with Affiliates.....      | 63 |
| Section 6.06. Net Worth.....                         | 63 |
| Section 6.07. Total Debt to Total Capital Ratio..... | 63 |
| ARTICLE VII. EVENTS OF DEFAULT.....                  | 63 |
| ARTICLE VIII. THE ADMINISTRATIVE AGENT.....          | 67 |
| ARTICLE IX. GUARANTEE.....                           | 70 |
| Section 9.01. Guarantee.....                         | 70 |
| Section 9.02. Obligations Unconditional.....         | 71 |
| Section 9.03. Reinstatement.....                     | 72 |
| Section 9.04. Subrogation.....                       | 72 |
| Section 9.05. Remedies.....                          | 72 |
| Section 9.06. Continuing Guarantee.....              | 72 |
| ARTICLE X. MISCELLANEOUS.....                        | 73 |
| Section 10.01. Notices.....                          | 73 |
| Section 10.02. Survival of Agreement.....            | 73 |
| Section 10.03. Binding Effect.....                   | 74 |
| Section 10.04. Successors and Assigns.....           | 74 |
| Section 10.05. Expenses; Indemnity.....              | 78 |
| Section 10.06. Right of Setoff.....                  | 79 |
| Section 10.07. Applicable Law.....                   | 79 |
| Section 10.08. Waivers; Amendment.....               | 79 |
| Section 10.09. Interest Rate Limitation.....         | 80 |
| Section 10.10. Entire Agreement.....                 | 80 |
| Section 10.11. Waiver of Jury Trial.....             | 81 |
| Section 10.12. Severability.....                     | 81 |
| Section 10.13. Judgment Currency.....                | 81 |

|                |  |    |
|----------------|--|----|
| Section 10.14. | Counterparts.....                                | 82 |
| Section 10.15. | Headings.....                                    | 82 |
| Section 10.16. | Jurisdiction; Consent to Service of Process..... | 82 |

## Schedules and Exhibits

Schedule 2.01 - Lenders; Commitments  
Schedule 2.21 - Approved Borrowers  
Schedule 3.12 - Material Agreements  
Schedule 3.14 - Subsidiaries

Exhibit A-1 - Form of Competitive Bid Request  
Exhibit A-2 - Form of Notice of Competitive Bid Request  
Exhibit A-3 - Form of Competitive Bid  
Exhibit A-4 - Form of Competitive Bid/Accept Reject Letter  
Exhibit A-5 - Form of Standby Borrowing Request  
Exhibit B - Form of Administrative Questionnaire  
Exhibit C - Form of Assignment and Acceptance  
Exhibit D-1 - Form of Opinion of General Counsel  
Exhibit D-2 - Form of Opinion of Kirkpatrick & Lockhart LLP  
Exhibit E-1 - Form of Designation Letter  
Exhibit E-2 - Form of Termination Letter  
Exhibit F - Form of Accession Agreement

FIVE-YEAR CREDIT AGREEMENT dated as of September 29, 2000, among HARSCO CORPORATION, a Delaware corporation (the "Company"), the lenders listed in Schedule 2.01 (the "Lenders"), and THE CHASE MANHATTAN BANK, as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

The Company has requested that the Lenders extend credit to the Company in order to enable it to borrow Standby Loans (such term and all other capitalized terms not otherwise defined have the meanings assigned to them in Article I hereof) on a standby revolving credit basis from time to time during the Availability Period in an aggregate principal amount at any time outstanding not in excess of \$250,000,000 (less the aggregate principal amount of all outstanding Competitive Loans at such time). The Company has also requested the Lenders to provide a procedure pursuant to which the Company may invite the Lenders to bid on an uncommitted basis on short-term borrowings by the Company. The proceeds of all such borrowings are to be used for general corporate purposes, including commercial paper backup. The Lenders are willing to extend such credit to the Company on the terms and subject to the conditions herein set forth.

Accordingly, the Company, the Lenders and the Administrative Agent agree as follows:

#### ARTICLE I. DEFINITIONS

Section 1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"ABR Borrowing" shall mean a Borrowing comprised of ABR Loans.

"ABR Loan" shall mean any Standby Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article II.

"Accession Agreement" shall mean an Accession Agreement substantially in the form of Exhibit F among a Prospective Lender, the Company and the Administrative Agent.

"Adjusted LIBO Rate" shall mean, with respect to any Eurocurrency Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Fees" shall have the meaning assigned to such term in Section 2.06(b).

"Administrative Questionnaire" shall mean an Administrative Questionnaire in the form of Exhibit B hereto.

"Affiliate" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

"Alternate Base Rate" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof, "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as effective. "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability of the Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Alternate Base Rate shall be determined without regard to clause (b) of the first sentence of this definition until the circumstances giving rise to such inability no longer exist.

"Alternative Currency" shall mean (a) Euros and Sterling and (b) any other freely available currency which is freely transferable and freely convertible into Dollars and in which dealings in deposits are carried on in the London or other interbank market, which shall be requested by a Borrower in respect of an Alternative Currency Borrowing and approved by each Lender making an Alternative Currency Loan comprising a part of such Borrowing.

"Alternative Currency Borrowing" shall mean a Borrowing comprised of Alternative Currency Loans. All Alternative Currency Borrowings shall be Eurocurrency Borrowings.

"Alternative Currency Equivalent" shall mean, with respect to any amount of Dollars on any date in relation to any specified Alternative Currency, the amount of such specified Alternative Currency that may be purchased with such amount of Dollars at the Spot Exchange Rate with respect to Dollars on such date. The term "Alternative Currency Equivalent" may be preceded by a reference to an Alternative Currency (e.g., "DEM Alternative Currency Equivalent"), in which case the Alternative Currency so referenced shall be the "specified" Alternative Currency.

"Alternative Currency Loan" shall mean any Loan denominated in an Alternative Currency.

"Applicable Margin" shall mean on any date, (A) with respect to ABR Loans, 0% and (B) with respect to Eurocurrency Loans, the applicable spreads set forth below based upon the ratings applicable on such date to senior, unsecured, non-credit enhanced, long-term indebtedness of the Company for borrowed money ("Index Debt"):

Eurocurrency  
Loan Spread

Category 1

|                         |       |
|-------------------------|-------|
| A or higher by S&P;     | .170% |
| A2 or higher by Moody's |       |

Category 2

|               |       |
|---------------|-------|
| A- by S&P;    | .210% |
| A3 by Moody's |       |

Eurocurrency  
Loan Spread

## Category 3

|                                 |       |
|---------------------------------|-------|
| BBB+ by S&P;<br>Baa1 by Moody's | .300% |
|---------------------------------|-------|

## Category 4

|                                |       |
|--------------------------------|-------|
| BBB by S&P;<br>Baa2 by Moody's | .375% |
|--------------------------------|-------|

## Category 5

|                                 |       |
|---------------------------------|-------|
| BBB- by S&P;<br>Baa3 by Moody's | .575% |
|---------------------------------|-------|

## Category 6

|   |       |
|---|-------|
| BB+ or lower by S&P;<br>Ba1 or lower by Moody's | .750% |
|---|-------|

For purposes of determining the Applicable Margin for Eurocurrency Loans, (a) if either Moody's or S&P shall not have in effect a rating for Index Debt (other than because such rating agency shall no longer be in the business of rating corporate debt obligations), then such rating agency will be deemed to have established a rating for Index Debt in Category 6; (b) if the ratings established or deemed to have been established by Moody's and S&P shall fall within different Categories, the Applicable Margin shall be determined by reference to the higher (or numerically lower) Category unless one of the ratings is two or more Categories lower (or numerically higher) than the other, in which case the Applicable Margin shall be determined by reference to the Category next above that of the lower of the two ratings; and (c) if any rating established or deemed to have been established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of either Moody's or S&P), such change shall be effective as of the date on which such change is first announced by the rating agency making such change. Each change in the Applicable Margin shall apply to all Eurocurrency Loans and ABR Loans that are outstanding at any time during the period

commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of either Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Company and the Lenders shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system or the nonavailability of ratings from such rating agency.

"Applicable Percentage" shall mean, with respect to any Lender at any time, the percentage of the Total Commitment represented by such Lender's Commitment at such time.

"Approved Borrower" shall mean any wholly owned Subsidiary of the Company as to which a Designation Letter shall have been delivered to the Administrative Agent in accordance with Section 2.21 hereof and as to which a Termination Letter shall not have been delivered to the Administrative Agent.

"Assigned Dollar Value" shall mean, in respect of any Borrowing denominated in an Alternative Currency, the Dollar Equivalent thereof determined based upon the applicable Spot Exchange Rate as of the Denomination Date for such Borrowing.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee, and accepted by the Administrative Agent, in the form of Exhibit C or such other form as shall be approved by the Administrative Agent.

"Availability Period" shall mean the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States.

"Borrowers" shall mean the Company and each Approved Borrower.

"Borrowing" shall mean a group of Loans of a single Type made by the Lenders (or, in the case of a Competitive Borrowing, by the Lender or Lenders whose



Competitive Bids have been accepted pursuant to Section 2.03).

"Borrowing Minimum" shall mean (a) in the case of a Standby Borrowing denominated in Dollars, \$10,000,000 and (b) in the case of a Standby Borrowing denominated in any Alternative Currency, the smallest amount of such Alternative Currency that has a Dollar Equivalent in excess of \$10,000,000.

"Borrowing Multiple" shall mean (a) in the case of a Borrowing denominated in Dollars, \$1,000,000 and (b) in the case of a Borrowing denominated in any Alternative Currency, 1,000,000 units (or, in the case of Sterling, 500,000 units) of such currency.

"Business Day" shall mean any day (other than a day which is a Saturday, Sunday or legal holiday in the State of New York) on which banks are open for business in New York City; provided, however, that, when used in connection with a Eurocurrency Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market and, if such reference relates to the date on which any amount is to be paid or made available in an Alternative Currency, the term "Business Day" shall also exclude any day on which commercial banks and foreign exchange markets are not open for business in the principal financial center in the country of such Alternative Currency.

"Capital Lease Obligations" of any person shall mean the obligations of such person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

A "Change in Control" shall be deemed to have occurred if (a) any person or group (within the meaning of Rule 13d-5 of the Securities and Exchange Commission as in effect on the date hereof) shall own directly or indirectly, beneficially or of record, shares representing more than 20% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Company; or

(b) a majority of the seats (other than vacant seats) on the board of directors of the Company shall at any time have been occupied by persons who were neither (i) nominated by the board of directors of the Company, nor (ii) appointed by directors so nominated; or (c) any person or group shall otherwise directly or indirectly Control the Company.

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Committed Credit Exposure" shall mean, with respect to any Lender at any time, the sum of (a) the aggregate principal amount at such time of all outstanding Standby Loans of such Lender denominated in Dollars, plus (b) the Assigned Dollar Value at such time of the aggregate principal amount at such time of all outstanding Standby Loans of such Lender that are Alternative Currency Loans.

"Commitment" shall mean, with respect to each Lender, the commitment of such Lender hereunder as set forth in Schedule 2.01 hereto, as such Lender's Commitment may be permanently terminated, reduced or increased from time to time pursuant to Section 2.11 or Section 2.22.

"Competitive Bid" shall mean an offer by a Lender to make a Competitive Loan pursuant to Section 2.03.

"Competitive Bid Accept/Reject Letter" shall mean a notification made by a Borrower pursuant to Section 2.03(d) in the form of Exhibit A-4.

"Competitive Bid Rate" shall mean, as to any Competitive Bid made by a Lender pursuant to Section 2.03(b), (i) in the case of a Eurocurrency Loan, the Competitive Margin, and (ii) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Lender making such Competitive Bid.

"Competitive Bid Request" shall mean a request made pursuant to Section 2.03 in the form of Exhibit A-1.

"Competitive Borrowing" shall mean a borrowing consisting of a Competitive Loan or concurrent Competitive Loans from the Lender or Lenders whose Competitive Bids for such Borrowing have been accepted by a Borrower under the bidding procedure described in Section 2.03.

"Competitive Loan" shall mean a loan from a Lender to a Borrower pursuant to the bidding procedure described in Section 2.03. Each Competitive Loan shall be a Eurocurrency Competitive Loan or a Fixed Rate Loan.

"Competitive Margin" shall mean, as to any Eurocurrency Competitive Loan, the margin (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) to be added to or subtracted from the LIBO Rate in order to determine the interest rate applicable to such Loan, as specified in the Competitive Bid relating to such Loan.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"Denomination Date" shall mean, in relation to any Alternative Currency Borrowing, the date that is three Business days before the date such Borrowing is made.

"Designation Letter" shall have the meaning assigned to such term in Section 2.21.

"Dollar Equivalent" shall mean, with respect to an amount of any Alternative Currency on any date, the amount of Dollars that may be purchased with such amount of such Alternative Currency at the Spot Exchange Rate with respect to such Alternative Currency on such date.

"Dollars" or "\$" shall mean lawful money of the United States of America.

"Domestic Subsidiaries" shall mean any Subsidiary organized or incorporated under the laws of one of the States of the United States of America, the laws of the District of Columbia or the Federal laws of the United States of America.

"Effective Date" shall mean the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 10.08).

"EMU Legislation" means the legislative measures of the European Union for the introduction of, changeover to or operation of the Euro in one or more member states.

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the presence, management or release of Hazardous Materials or to health and safety matters.

"Environmental Liability" means all liabilities, obligations, damages, losses, claims, actions, suits, judgments, orders, fines, penalties, fees, expenses and costs, (including administrative oversight costs, natural resource damages and remediation costs), whether contingent or otherwise, arising out of or relating to: (a) compliance or non-compliance with any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release of any Hazardous Materials or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that is a member of a group which the Company is a member and which is treated as a single employer under Section 414 of the Code.

"Euro" means the single currency of the European Union as constituted by the treaty on European Union.

"Eurocurrency Borrowing" shall mean a Borrowing comprised of Eurocurrency Loans.

"Eurocurrency Competitive Borrowing" shall mean a Competitive Borrowing comprised of Eurocurrency Competitive Loans.

"Eurocurrency Competitive Loan" shall mean any Competitive Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Eurocurrency Loan" shall mean any Eurocurrency Competitive Loan or Eurocurrency Standby Loan.

"Eurocurrency Standby Borrowing" shall mean a Standby Borrowing comprised of Eurocurrency Standby Loans.

"Eurocurrency Standby Loan" shall mean any Standby Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Event of Default" shall have the meaning assigned to such term in Article VII.

"Existing Credit Agreement" shall mean the Credit Agreement (Five Year Competitive Advance and Revolving Credit Facility) dated as of July 16, 1996, among the Company, the lenders thereunder and the Administrative Agent.

"Facility Fee" shall have the meaning assigned to such term in Section 2.06(a).

"Facility Fee Percentage" shall mean on any date, the applicable percentage set forth below based upon the ratings applicable on such date to the Company's Index Debt:

|  | Facility<br>Fee<br>Percentage |
|--|-------------------------------|
| Category 1                                     |                               |
| A or higher by S&P;<br>A2 or higher by Moody's | .080%                         |
| Category 2                                     |                               |
| A- by S&P;<br>A3 by Moody's                    | .090%                         |
| Category 3                                     |                               |

|   |       |
|---|-------|
| BBB+ by S&P;<br>Baa1 by Moody's                 | .100% |
| Category 4                                      |       |
| BBB by S&P;<br>Baa2 by Moody's                  | .125% |
| Category 5                                      |       |
| BBB- by S&P;<br>Baa3 by Moody's                 | .175% |
| Category 6                                      |       |
| BB+ or lower by S&P;<br>Ba1 or lower by Moody's | .250% |

For purposes of the foregoing, (a) if either Moody's or S&P shall not have in effect a rating for Index Debt (other than because such rating agency shall no longer be in the business of rating corporate debt obligations), then such rating agency will be deemed to have established a rating for Index Debt in Category 6; (b) if the ratings established or deemed to have been established by Moody's and S&P shall fall within different Categories, the Facility Fee Percentage shall be determined by reference to the higher (or numerically lower) Category unless one of the ratings is two or more categories lower (or numerically higher) than the other, in which case the Facility Fee Percentage shall be determined by reference to the Category next above that of the lower of the two ratings; and (c) if any rating established or deemed to have been established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of either Moody's or S&P), such change shall be effective as of the date on which such change is first announced by the rating agency making such change. Each change in the Facility Fee Percentage shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of either Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Company and the Lenders shall negotiate in good faith to amend the

references to specific ratings in this definition to reflect such changed rating system or the non-availability of ratings from such rating agency.

"Fees" shall mean the Administrative Fees, the Facility Fee and the Utilization Fee.

"Financial Officer" of any corporation shall mean the Chief Financial Officer, principal accounting officer, Treasurer or Controller of such corporation.

"Fixed Rate Borrowing" shall mean a Borrowing comprised of Fixed Rate Loans.

"Fixed Rate Loan" shall mean any Competitive Loan bearing interest at a fixed percentage rate per annum (expressed in the form of a decimal to no more than four decimal places) specified by the Lender making such Loan in its Competitive Bid.

"GAAP" shall mean United States generally accepted accounting principles, applied on a basis consistent with the financial statements referred to in Section 3.02.

"Governmental Authority" shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guarantee" of or by any person shall mean any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (b) to purchase property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment of such Indebtedness or (c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness; provided, however, that the term Guarantee shall not include endorsements for collection or deposit, in either case in the ordinary course of business.

"Guarantor" shall mean the Company in its capacity as the guarantor under Section 9.01.

"Hazardous Materials" shall mean (A) petroleum products and byproducts, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, radon gas, chlorofluorocarbons and all other ozone-depleting substances; or (B) any chemical, material, substance, waste, pollutant or contaminant that is prohibited, limited or regulated by or pursuant to any Environmental Law.

"Indebtedness" of any person shall mean, without duplication, (a) all obligations of such person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such person upon which interest charges are customarily paid, (d) all obligations of such person under conditional sale or other title retention agreements relating to property or assets purchased by such person, (e) all obligations of such person issued or assumed as the deferred purchase price of property or services, (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such person, whether or not the obligations secured thereby have been assumed, (g) all Guarantees by such person of Indebtedness of others, (h) all Capital Lease Obligations of such person, (i) all obligations of such person in respect of interest rate protection agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements and (j) all obligations of such person as an account party in respect of letters of credit and bankers' acceptances; provided, however, that Indebtedness shall not include trade accounts payable in the ordinary course of business. The Indebtedness of any person shall include the Indebtedness of any partnership in which such person is a general partner.

"Index Debt" shall have the meaning given such term under Applicable Margin.

"Interest Payment Date" shall mean, with respect to any Loan, the last day of each Interest Period applicable thereto and, in the case of a Eurocurrency Loan with an Interest Period of more than three months' duration or a Fixed Rate Loan with an Interest Period of more than 90 days' duration, each day that would have been an Interest



Payment Date for such Loan had successive Interest Periods of three months' duration or 90 days duration, as the case may be, been applicable to such Loan and, in addition, the date of any refinancing of such Loan with a Loan of a different Type.

"Interest Period" shall mean (a) as to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the applicable Borrower may elect, (b) as to any ABR Borrowing, the period commencing on the date of such Borrowing and ending on the earlier of (i) the next succeeding day which shall be the last day of any March, June, September or December and (ii) the Maturity Date and (c) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offer to make the Fixed Rate Loans comprising such Borrowing were extended, which shall not be earlier than seven days after the date of such Borrowing or later than 360 days after the date of such Borrowing; provided, however, that if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of Eurocurrency Loans only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"LIBO Rate" shall mean, with respect to any Eurocurrency Borrowing for any Interest Period, (i) the interest rate per annum for deposits for a maturity most nearly comparable to such Interest Period in the currency in which such Borrowing is denominated which appears on the Bloomberg's British Banker's Association rate page as of 11:00 a.m., London time, on the Quotation Day for such Interest Period or, if such a rate does not appear on the Bloomberg's British Banker's Association rate page, (ii) an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the rate at which deposits in the currency in which such Borrowing is denominated approximately equal in principal amount to the Loan of the Administrative Agent, in its capacity as a Lender (or, if the Administrative Agent is not a Lender in respect of such

Borrowing, then the Loan of the Lender in respect of such Borrowing with the greatest Loan amount), included in such Eurocurrency Borrowing and for a maturity comparable to such Interest Period are offered to the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, on Quotation Day for such Interest Period.

"Lien" shall mean with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan" shall mean any Competitive Loan or Standby Loan.

"Loan Documents" shall mean this Agreement and the Fee Letter dated August 14, 2000, among the Administrative Agent, Chase Securities Inc. and the Company.

"Margin Stock" shall have the meaning given such term under Regulation U.

"Material Adverse Change" or "Material Adverse Effect" shall mean (a) a materially adverse change in, or a materially adverse effect on, the business, assets, operations, prospects or condition, financial or otherwise, of the Company and its Subsidiaries taken as a whole or (b) a material impairment of the ability of the Company or any Approved Borrower to perform any of its respective obligations under any Loan Document to which it is or becomes a party.

"Maturity Date" shall mean September 29, 2005.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which the Company or any ERISA Affiliate (other than one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414) is making or accruing an obligation to make contributions, or has within any of the preceding five

plan years made or accrued an obligation to make contributions.

"Net Income" shall mean, for any period for the Company and its Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), net income for such period.

"Net Worth" shall mean, as at any date, the sum for the Company and its Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) of the following:

(a) the amount of common stock; plus

(b) the amount of any preferred stock that does not have any requirement for the Company to purchase, redeem, retire or otherwise acquire the same; plus

(c) the amount of additional paid-in capital and retained earnings (or, in the case of an additional paid-in capital or retained earnings deficit, minus the amount of such deficit); plus

(d) cumulative translation adjustments (or, in the case of negative adjustments, minus the amount of such adjustments); plus

(e) cumulative pension liability adjustments (or, in the case of negative adjustments, minus the amount of such adjustments); minus

(f) the cost of treasury stock.

"Obligation Currency" shall have the meaning assigned to such term in Section 10.13.

"Other Taxes" shall have the meaning assigned to such term in Section 2.19(b).

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"person" shall mean any natural person, corporation, business trust, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

"Plan" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code which is maintained for current or former employees, or any beneficiary thereof, of the Company or any ERISA Affiliate.

"Prospective Lender" shall have the meaning assigned to such term in Section 2.22.

"Quotation Day" means, with respect to any Eurocurrency Borrowing and any Interest Period, the day on which it is market practice in the relevant interbank market for prime banks to give quotations for deposits in the currency of such Borrowing for delivery on the first day of such Interest Period. If such quotations would normally be given by prime banks on more than one day, the Quotation Day will be the last of such days.

"Register" shall have the meaning given such term in Section 10.04(d).

"Regulation D" shall mean Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation U" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Reportable Event" shall mean any reportable event as defined in Section 4043(b) of ERISA or the regulations issued thereunder with respect to a Plan (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414).

"Required Lenders" shall mean, at any time, Lenders having Commitments representing a majority of the Total Commitment or, for purposes of acceleration pursuant to clause (ii) of Article VII, Lenders holding Loans representing a majority of the aggregate principal amount of the Loans outstanding. For purposes of determining the Required Lenders, any Loans denominated in an Alternative

Currency shall be translated into Dollars at the Spot Exchange Rate in effect on the applicable Denomination Date.

"Responsible Officer" of any corporation shall mean any executive officer or Financial Officer of such corporation and any other officer or similar official thereof responsible for the administration of the obligations of such corporation in respect of this Agreement.

"S&P" shall mean Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies Inc.

"Spot Exchange Rate" shall mean, on any day, (a) with respect to any Alternative Currency, the spot rate at which Dollars are offered on such day by The Chase Manhattan Bank in London for such Alternative Currency at approximately 11:00 a.m. (London time), and (b) with respect to Dollars in relation to any specified Alternative Currency, the spot rate at which such specified Alternative Currency is offered on such day by The Chase Manhattan Bank in London for Dollars at approximately 11:00 a.m. (London time). For purposes of determining the Spot Exchange Rate in connection with an Alternative Currency Borrowing, such Spot Exchange Rate shall be determined as of the Denomination Date for such Borrowing with respect to transactions in the applicable Alternative Currency that will settle on the date of such Borrowing.

"Standby Borrowing" shall mean a borrowing consisting of simultaneous Standby Loans from each of the Lenders.

"Standby Borrowing Request" shall mean a request made pursuant to Section 2.04 in the form of Exhibit A-5.

"Standby Loan" shall mean a revolving loan made by a Lender pursuant to Section 2.04. Each Standby Loan shall be a Eurocurrency Standby Loan or an ABR Loan.

"Statutory Reserve Rate" shall mean, with respect to any currency, a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve, liquid asset or similar percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by any Governmental Authority of the United States or of the jurisdiction of

such currency or any jurisdiction in which Loans in such currency are made to which banks in such jurisdiction are subject for any category of deposits or liabilities customarily used to fund loans in such currency or by reference to which interest rates applicable to Loans in such currency are determined. Such reserve, liquid asset or similar percentages shall include those imposed pursuant to Regulation D. Eurocurrency Loans shall be deemed to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D or any other applicable law, rule or regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Sterling" or "GBP" shall mean lawful money of the United Kingdom.

"subsidiary" shall mean, with respect to any person (herein referred to as the "parent"), any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, owned, Controlled or held, or (b) which is, at the time any determination is made, otherwise Controlled by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" shall mean any subsidiary of the Company.

"Taxes" shall have the meaning assigned to such term in Section 2.19(a).

"364-Day Credit Agreement" shall mean the 364-Day Credit Agreement dated as of September 29, 2000 among the Company, the lenders thereunder and the Administrative Agent.

"Total Capital" shall mean, at any time, Net Worth plus Total Debt.

"Total Commitment" shall mean, at any time, the aggregate amount of the Commitments, as in effect at such time.

"Total Debt" shall mean, at any time, the aggregate outstanding principal amount of all Indebtedness of the Company and its Subsidiaries at such time (other than Indebtedness described in clause (i) or (j) of the definition of the term "Indebtedness") determined on a consolidated basis (without duplication) in accordance with GAAP; provided that the term "Total Debt" shall include any preferred stock that provides for the mandatory purchase, retirement, redemption or other acquisition of the same by the Company or any Subsidiary (other than preferred stock held by the Company or any Subsidiary).

"Transferee" shall have the meaning assigned to such term in Section 2.19(a).

"Transactions" shall mean the execution, delivery and performance by the Company of this Agreement, the execution and delivery by the Company and the Approved Borrowers of each Designation Letter, the borrowing of Loans and the use of the proceeds thereof.

"Type", when used in respect of any Loan or Borrowing, shall refer to the rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined and the currency in which such Loan or the Loans comprising such Borrowings are denominated. For purposes hereof, "rate" shall include the LIBO Rate, the Alternate Base Rate and the Fixed Rate, and "currency" shall include Dollars and any Alternative Currency permitted hereunder.

"Utilization Fee" shall have the meaning assigned to such term in Section 2.06(c).

"Utilization Fee Percentage" shall mean on any date, the applicable percentage set forth below based upon the ratings applicable on such date to the Company's Index Debt:

|                         | Utilization<br>Fee<br>Percentage |
|-------------------------|----------------------------------|
| Category 1              |                                  |
| A or higher by S&P;     | .100%                            |
| A2 or higher by Moody's |                                  |

## Category 2

|               |       |
|---------------|-------|
| A- by S&P;    | .100% |
| A3 by Moody's |       |

## Category 3

|                 |       |
|-----------------|-------|
| BBB+ by S&P;    | .100% |
| Baa1 by Moody's |       |

## Category 4

|                 |       |
|-----------------|-------|
| BBB by S&P;     | .125% |
| Baa2 by Moody's |       |

## Category 5

|                 |       |
|-----------------|-------|
| BBB- by S&P;    | .125% |
| Baa3 by Moody's |       |

## Category 6

|                         |       |
|-------------------------|-------|
| BB+ or lower by S&P;    | .125% |
| Ba1 or lower by Moody's |       |

For purposes of the foregoing, (a) if either Moody's or S&P shall not have in effect a rating for Index Debt (other than because such rating agency shall no longer be in the business of rating corporate debt obligations), then such rating agency will be deemed to have established a rating for Index Debt in Category 6; (b) if the ratings established or deemed to have been established by Moody's and S&P shall fall within different Categories, the Utilization Fee Percentage shall be determined by reference to the higher (or numerically lower) Category unless one of the ratings is two or more categories lower (or numerically higher) than the other, in which case the Utilization Fee Percentage shall be determined by reference to the Category next above that of the lower of the two ratings; and (c) if any rating established or deemed to have been established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of either Moody's or S&P), such change shall be effective as of the date on which such change is first announced by the rating agency making such change. Each change in the Utilization Fee Percentage shall apply



during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of either Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Company and the Lenders shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system or the non-availability of ratings from such rating agency.

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02. Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided, however, that if the Company notifies the Administrative Agent that the Company wishes to amend any covenant in Article VI or any related definition to eliminate the effect of any change in GAAP occurring after the date of this Agreement on the operation of such covenant (or if the Administrative Agent notifies the Company that the Required Lenders wish to amend Article VI or any related definition for such purpose), then the Company's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Company and the Required Lenders.

Section 1.03. Redenomination of Certain Alternative Currencies. (a) Each obligation of any party to this Agreement to make a payment denominated in the national currency unit of any member state of the European Union that adopts the Euro as its lawful currency after the date hereof shall be redenominated into Euro at the time of such

adoption (in accordance with the EMU Legislation). If, in relation to the currency of any such member state, the basis of accrual of interest expressed in this Agreement in respect of that currency shall be inconsistent with any convention or practice in the London Interbank Market for the basis of accrual of interest in respect of the Euro, such expressed basis shall be replaced by such convention or practice with effect from the date on which such member state adopts the Euro as its lawful currency; provided that if any Borrowing in the currency of such member state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Borrowing, at the end of the then current Interest Period.

(b) Each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent in consultation with the Borrower may from time to time specify to be appropriate to reflect the adoption of the Euro by any member state of the European Union and any relevant market conventions or practices relating to the Euro.

## ARTICLE II. THE CREDITS

Section 2.01. Commitments. (a) Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Standby Loans to the Borrowers from time to time during the Availability Period, in Dollars or one or more Alternative Currencies (as specified in the Borrowing Requests with respect thereto), in an aggregate principal amount at any time outstanding that will not result in such Lender's Committed Credit Exposure exceeding such Lender's Commitment, subject, however, to the conditions that (i) at no time shall (A) the sum of (I) the aggregate Committed Credit Exposure of all the Lenders, plus (II) the outstanding aggregate principal amount or Assigned Dollar Value of all Competitive Loans made by all Lenders, exceed (B) the Total Commitment and (ii) at all times the outstanding aggregate principal amount of all Standby Loans made by each Lender shall equal such Lender's Applicable Percentage of the outstanding aggregate principal amount of all Standby Loans made pursuant to Section 2.04. Each Lender's Commitment is set forth opposite its name in Schedule 2.01. Such Commitments may be terminated, reduced or increased from time to time pursuant to Section 2.11. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, pay or prepay and reborrow Standby Loans.

(b) For purposes of paragraph (a) above, if the Dollar Equivalent of an outstanding Borrowing denominated in an Alternative Currency, determined by the Administrative Agent based upon the applicable Spot Exchange Rate as of the date that is three Business days before the end of the Interest Period with respect to such Borrowing, does not exceed by more than 5% the Assigned Dollar Value of such Borrowing, and if the entire amount of such Borrowing is to be refinanced with a new Borrowing of equivalent amount in the same currency and by the same Borrower, then such Borrowing shall continue to have the same Assigned Dollar Value as in effect prior to such refinancing. The Administrative Agent shall determine the applicable Spot Exchange Rate as of the date three Business days before the end of an Interest Period with respect to a Borrowing denominated in an Alternative Currency and shall promptly notify the Company and the Lenders whether the Dollar Equivalent of such Borrowing exceeds by more than 5% the Assigned Dollar Value thereof.

(c) In the event that any Borrower wishes to make a Borrowing in any Alternative Currency other than Euros or Sterling, such Borrowing shall be made as a Competitive Borrowing.

Section 2.02. Loans. (a) Each Standby Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their applicable Commitments; provided, however, that the failure of any Lender to make any Standby Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.03. The Competitive Loans and Standby Loans comprising any Borrowing shall be in (i) an aggregate principal amount which is not less than the Borrowing Minimum and an integral multiple of the Borrowing Multiple or (ii) an aggregate principal amount equal to the remaining balance of the available applicable Commitments.

(b) Each Competitive Borrowing shall be comprised entirely of Eurocurrency Competitive Loans or Fixed Rate Loans, and each Standby Borrowing shall be comprised entirely of Eurocurrency Standby Loans or ABR Loans, as the Borrowers may request pursuant to Section 2.03 or 2.04, as applicable. Each Lender may at its option make any Eurocurrency Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the applicable Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; provided, however, that none of the Borrowers shall be entitled to request any Borrowing which, if made, would result in an aggregate of more than ten separate Standby Loans of any Lender being outstanding hereunder at any one time. For purposes of the foregoing, Borrowings having different Interest Periods or denominated in different currencies, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Subject to Section 2.05, each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer to such account as the Administrative Agent may designate in federal funds (in the

case of any Loan denominated in Dollars) or such other immediately available funds as may then be customary for the settlement of international transactions in the relevant currency not later than 11:00 a.m., New York City time, in the case of fundings to an account in New York City, or 11:00 a.m., local time, in the case of fundings to an account(s) in another jurisdiction, and the Administrative Agent shall by 12:00 (noon), New York City time, in the case of fundings to (an) account(s) in New York City, or 12:00 (noon), local time, in the case of fundings to an account(s) in another jurisdiction, credit the amounts so received to an account(s) designated by the applicable Borrower in the applicable Borrowing Request, which account(s) must be in the country of the currency of the Loan (it being understood that the funding may be for the credit of an account outside such country) or in a country that is a member of the European Union, in the case of Borrowings denominated in Euros, or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders. Competitive Loans shall be made by the Lender or Lenders whose Competitive Bids therefor are accepted pursuant to Section 2.03 in the amounts so accepted and Standby Loans shall be made by the Lenders pro rata in accordance with Section 2.16. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with this paragraph (c) and the Administrative Agent may, in reliance upon such assumption, make available to the applicable Borrower on such date a corresponding amount in the required currency. If the Administrative Agent shall have so made funds available then to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the applicable Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon in such currency, for each day from the date such amount is made available to the applicable Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds in the relevant currency

(which determination shall be conclusive absent manifest error). If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(d) Notwithstanding any other provision of this Agreement, none of the Borrowers shall be entitled to request any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.03. Competitive Bid Procedure. (a) In order to request Competitive Bids, a Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Competitive Bid Request in the form of Exhibit A-1 hereto, to be received by the Administrative Agent (i) in the case of a Eurocurrency Competitive Borrowing, not later than 11:00 a.m., New York City time (or, if the Bid Request is delivered or telecopied to the Administrative Agent in London, 10:00 a.m., London time), four Business days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 11:00 a.m., New York City time, one Business Day before a proposed Competitive Borrowing. No ABR Loan shall be requested in, or made pursuant to, a Competitive Bid Request. A Competitive Bid Request that does not conform substantially to the format of Exhibit A-1 may be rejected in the Administrative Agent's sole discretion, and the Administrative Agent shall promptly notify the applicable Borrower of such rejection by telecopier. Such request shall in each case refer to this Agreement and specify (A) whether the Borrowing then being requested is to be a Eurocurrency Borrowing or a Fixed Rate Borrowing, (B) the date of such Borrowing (which shall be a Business Day), (C) the aggregate principal amount of such Borrowing, (D) the currency of such Borrowing and (E) the Interest Period with respect thereto (which may not end after the Maturity Date). If no election as to the currency of Borrowing is specified in any Competitive Bid Request, then the applicable Borrower shall be deemed to have requested Borrowings in Dollars. Promptly after its receipt of a Competitive Bid Request that is not rejected as aforesaid, the Administrative Agent shall invite by telecopier (in the form set forth in Exhibit A-2 hereto) the Lenders to bid, on the terms and conditions of this Agreement, to make Competitive Loans pursuant to the Competitive Bid Request.

(b) Each Lender may, in its sole discretion, make one or more Competitive Bids to a Borrower responsive to a Competitive Bid Request. Each Competitive Bid by a Lender must be received by the Administrative Agent via telecopier, in the form of Exhibit A-3 hereto, (i) in the case of Eurocurrency Competitive Borrowing not later than 11:00 a.m., New York City time (or, if the Competitive Bid is delivered or telecopied to the Administrative Agent in London, 10:00 a.m., London time), three Business days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 11:00 a.m., New York City time, on the day of a proposed Competitive Borrowing. Multiple bids will be accepted by the Administrative Agent. Competitive Bids that do not conform substantially to the format of Exhibit A-3 may be rejected by the Administrative Agent after conferring with, and upon the instruction of, the applicable Borrower, and the Administrative Agent shall notify the Lender making such nonconforming bid of such rejection as soon as practicable. Each Competitive Bid shall refer to this Agreement and specify (A) the principal amount (which (x) shall be in a minimum principal amount or Assigned Dollar Value of \$5,000,000 and (except in the case of Alternative Currency Borrowings) in an integral multiple of \$1,000,000, (y) shall be expressed in Dollars or, in the case of an Alternative Currency Borrowing, in both the Alternative Currency and the Assigned Dollar Value thereof and (z) may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make to the applicable Borrower, (B) the Competitive Bid Rate or Rates at which the Lender is prepared to make the Competitive Loan or Loans and (C) the Interest Period and the last day thereof. If any Lender shall elect not to make a Competitive Bid, such Lender shall so notify the Administrative Agent by telecopier (I) in the case of Eurocurrency Competitive Loans, not later than 11:00 a.m., New York City time (or, if the notice is delivered or telecopied to the Administrative Agent in London, 10:00 a.m., London time), three Business days before a proposed Competitive Borrowing, and (II) in the case of Fixed Rate Loans, not later than 11:00 a.m., New York City time, on the day of a proposed Competitive Borrowing; provided, however, that failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Loan as part of such Competitive Borrowing. A Competitive Bid submitted by a Lender pursuant to this paragraph (b) shall be irrevocable.

(c) The Administrative Agent shall promptly notify the applicable Borrower by telecopier of all the Competitive Bids made, the Competitive Bid Rate and the principal amount of each Competitive Loan in respect of which a Competitive Bid was made and the identity of the Lender that made each bid. The Administrative Agent shall send a copy of all Competitive Bids to the applicable Borrower for its records as soon as practicable after completion of the bidding process set forth in this Section 2.03.

(d) The applicable Borrower may in its sole and absolute discretion, subject only to the provisions of this paragraph (d), accept or reject any Competitive Bid referred to in paragraph (c) above. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopier in the form of a Competitive Bid Accept/Reject Letter, whether and to what extent it has decided to accept or reject any of or all the bids referred to in paragraph (c) above, (x) in the case of a Eurocurrency Competitive Borrowing, not later than 11:30 a.m., New York City time (or, if the notice is delivered or telecopied to the Administrative Agent in London, 10:30 a.m., London time), three Business days before a proposed Competitive Borrowing, and (y) in the case of a Fixed Rate Borrowing, not later than 11:30 a.m., New York City time, on the day of a proposed Competitive Borrowing; provided, however, that (i) the failure by the applicable Borrower to give such notice shall be deemed to be a rejection of all the bids referred to in paragraph (c) above, (ii) such Borrower shall not accept a bid made at a particular Competitive Bid Rate if the Borrower has decided to reject a bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by such Borrower shall not exceed the principal amount specified in the Competitive Bid Request, (iv) if such Borrower shall accept a bid or bids made at a particular Competitive Bid Rate but the amount of such bid or bids shall cause the total amount of bids to be accepted by the Borrower to exceed the amount specified in the Competitive Bid Request, then such Borrower shall accept a portion of such bid or bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids accepted with respect to such Competitive Bid Request, which acceptance, in the case of multiple bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such bid at such Competitive Bid Rate, and (v) except pursuant to clause (iv) above, no bid shall be accepted for a



Competitive Loan unless such Competitive Loan is in (x) a minimum principal amount or Assigned Dollar Value of \$5,000,000 and (except in the case of Alternative Currency Borrowings) an integral multiple of \$1,000,000 or (y) an aggregate principal amount equal to the remaining balance of the available applicable Commitments; provided further, however, that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$1,000,000 in a manner which shall be in the discretion of the applicable Borrower. A notice given by the applicable Borrower pursuant to this paragraph (d) shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender whether or not its Competitive Bid has been accepted (and if so, in what amount and at what Competitive Bid Rate) by telecopy sent by the Administrative Agent, and each successful bidder will thereupon become bound, subject to the other applicable conditions hereof, to make the Competitive Loan in respect of which its bid has been accepted.

(f) A Competitive Bid Request shall not be made within five Business days after the date of any previous Competitive Bid Request.

(g) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such bid directly to the applicable Borrower one quarter of an hour earlier than the latest time at which the other Lenders are required to submit their bids to the Administrative Agent pursuant to paragraph (b) above.

(h) All notices required by this Section 2.03 shall be given in accordance with Section 10.01.

Section 2.04. Standby Borrowing Procedure. In order to request a Standby Borrowing, a Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Standby Borrowing Request in the form of Exhibit A-5 hereto, to be received by the Administrative Agent (a) in the case of a Eurocurrency Standby Borrowing, not later than 11:00 a.m., New York City time (or, if the

Borrowing Request is delivered or telecopied to the Administrative Agent in London, 10:00 a.m., London time), three Business days before a proposed borrowing and (b) in the case of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the date of the proposed borrowing. No Fixed Rate Loan shall be requested or made pursuant to a Standby Borrowing Request. Such notice shall be irrevocable and shall in each case specify (i) whether the Borrowing then being requested is to be a Eurocurrency Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day), (iii) the aggregate principal amount of the Borrowing, (iv) the currency of such Borrowing (which, in the case of an ABR Borrowing, shall be Dollars) and (v) if such Borrowing is to be a Eurocurrency Borrowing, the Interest Period with respect thereto. If no election as to the currency of Borrowing is specified in any Standby Borrowing Request, then the applicable Borrower shall be deemed to have requested Borrowings in Dollars. If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing if denominated in Dollars or a Eurocurrency Borrowing if denominated in an Alternative Currency. If no Interest Period with respect to any Eurocurrency Borrowing is specified, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration. If the applicable Borrower shall not have given notice in accordance with this Section 2.04 of its election to refinance a Standby Borrowing prior to the end of the Interest Period in effect for such Borrowing, then such Borrower shall (unless such Borrowing is repaid at the end of such Interest Period) be deemed to have given notice of an election to refinance such Borrowing with an ABR Borrowing if denominated in Dollars or a Eurocurrency Borrowing in the same currency and with an Interest Period of one month if denominated in an Alternative Currency. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.04 (and the contents thereof), of each Lender's portion of the requested Borrowing and, in the case of an Alternative Currency Borrowing, of the Dollar Equivalent of the Alternative Currency amount specified in the applicable Standby Borrowing Request and the Spot Exchange Rate utilized to determine such Dollar Equivalent. Subject to Section 2.01(b), if the Dollar Equivalent of a Lender's portion of any such Borrowing would exceed such Lender's remaining available applicable Commitment, then such Lender's portion of such Borrowing shall be reduced to the Alternative Currency Equivalent of such Lender's remaining available Commitment.

Section 2.05. Refinancings. A Borrower may refinance all or any part of any Competitive Borrowing or Standby Borrowing with a Competitive Borrowing or a Standby Borrowing of the same or a different Type made pursuant to Section 2.03 or Section 2.04, subject to the conditions and limitations set forth herein and elsewhere in this Agreement, including refinancings of Competitive Borrowings with Standby Borrowings and Standby Borrowings with Competitive Borrowings. Any Borrowing or part thereof so refinanced shall be deemed to be repaid in accordance with Section 2.07 with the proceeds of a new Borrowing hereunder and the proceeds of the new Borrowing, to the extent they do not exceed the principal amount of the Borrowing being refinanced, shall not be paid by the Lenders to the Administrative Agent or by the Administrative Agent to the applicable Borrower pursuant to Section 2.02(c); provided, however, that in the case of any refinancing of a Borrowing with another Borrowing in the same currency, (i) if the principal amount extended by a Lender in a refinancing is greater than the principal amount extended by such Lender in the Borrowing being refinanced, then such Lender shall pay such difference to the Administrative Agent for distribution to the Lenders described in (ii) below, (ii) if the principal amount extended by a Lender in the Borrowing being refinanced is greater than the principal amount being extended by such Lender in the refinancing, the Administrative Agent shall return the difference to such Lender out of amounts received pursuant to (i) above, and (iii) to the extent any Lender fails to pay the Administrative Agent amounts due from it pursuant to (i) above, any Loan or portion thereof being refinanced with such amounts shall not be deemed repaid in accordance with Section 2.07 and shall be payable by the applicable Borrower.

Section 2.06. Fees. (a) The Company agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31 and on the Maturity Date and any subsequent date on which the Loans of such Lender shall be repaid (or, if earlier, on the date of termination of such Lender's Commitment), a facility fee (a "Facility Fee") equal to the Facility Fee Percentage of the daily average amount of the Commitment of such Lender, whether used or unused (and whether or not the conditions set forth in Section 4.01 shall have been satisfied), during the preceding quarter (or shorter period commencing with the date hereof or ending with the date on which the Commitment of such Lender shall be terminated and all outstanding Loans

of such Lender repaid). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 365 days (or 366 days in a leap year). The Facility Fee due to each Lender shall commence to accrue on the date of this Agreement and shall cease to accrue on the earlier of the Maturity Date and the date on which the Commitment of such Lender shall have been terminated and the Loans of such Lender shall have been repaid.

(b) The Company agrees to pay the Administrative Agent, for its own account, the fees set forth in the letter agreements dated August 14, 2000, among the Administrative Agent, Chase Securities Inc. and the Company (the "Administrative Fees") at the times and in the amounts set forth therein.

(c) The Company agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31, on each date on which the Commitment of such Lender shall be terminated or reduced as provided herein and on any date after the termination of such Lender's Commitment on which all the Loans of such Lender shall be repaid, a utilization fee (a "Utilization Fee") equal to the Utilization Fee Percentage per annum of the sum of (i) the Committed Credit Exposure of such Lender plus (ii) the outstanding principal amount (or Assigned Dollar Value, in the case of Loans denominated in Alternative Currencies) of the Competitive Loans of such Lender for each day on which the outstanding aggregate principal amount (or Assigned Dollar Value) of Loans exceeds 50% of the Total Commitment. All Utilization Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(d) All Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Lenders. Once paid, none of the Fees shall be refundable under any circumstances.

Section 2.07. Repayment of Loans. (a) Each Borrower agrees to pay the outstanding principal balance of each Loan on the last day of the Interest Period applicable to such Loan and on the Maturity Date. Each Loan shall bear interest from the date of the Borrowing of which such Loan is a part on the outstanding principal balance thereof as set forth in Section 2.08.

(b) Each Lender shall, and is hereby authorized by the Borrowers to, maintain, in accordance with its usual practice, records evidencing the indebtedness of each Borrower to such Lender hereunder from time to time, including the date, amount, currency and Type of and the Interest Period applicable to each Loan made by such Lender from time to time and the amounts of principal and interest paid to such Lender from time to time in respect of each such Loan.

(c) The entries made in the records maintained pursuant to paragraph (b) of this Section 2.07 and in the Register maintained by the Administrative Agent pursuant to Section 10.04(d) shall be prima facie evidence of the existence and amounts of the obligations of each Borrower to which such entries relate; provided, however, that the failure of any Lender or the Administrative Agent to maintain or to make any entry in such records or the Register, as applicable, or any error therein shall not in any manner affect the obligation of any Borrower to repay any Loans in accordance with the terms of this Agreement.

Section 2.08. Interest on Loans. (a) Subject to the provisions of Section 2.09, the Loans comprising each Eurocurrency Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days (or, in the case of Loans denominated in (A) Sterling, over a year of 365 or 366 days, or (B) any Alternative Currency other than Sterling or Euros, on the basis customarily used for borrowings between banks in the principal market for such Alternative Currency)), at a rate per annum equal to (i) in the case of each Eurocurrency Standby Loan, the Adjusted LIBO Rate for the Interest Period in effect for the Borrowing of which such Loan is part plus the Applicable Margin from time to time in effect and (ii) in the case of each Eurocurrency Competitive Loan, the LIBO Rate for the Interest Period in effect for the Borrowing of which such Loan is a part plus the Competitive Margin offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(b) Subject to the provisions of Section 2.09, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as appropriate, when determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate.

(c) Subject to the provisions of Section 2.09, each Fixed Rate Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the fixed rate of interest offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(d) Interest on each Loan shall be payable in arrears on each Interest Payment Date applicable to such Loan except as otherwise provided in this Agreement. The applicable LIBO Rate or Alternate Base Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

Section 2.09. Default Interest. If any Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, whether by scheduled maturity, notice of prepayment, acceleration or otherwise, such Borrower shall on demand from time to time from the Administrative Agent pay interest, to the extent permitted by law, on such defaulted amount up to (but not including) the date of actual payment (after as well as before judgment) at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the Alternate Base Rate plus 2% per annum (or, in the case of the principal of any Loan, if higher, the rate of interest otherwise applicable, or most recently applicable, to such Loan hereunder plus 2% per annum).

Section 2.10. Alternate Rate of Interest. In the event, and on each occasion, that on the day two Business days prior to the commencement of any Interest Period for a Eurocurrency Borrowing of any Type the Administrative Agent shall have determined that Dollar deposits or deposits in the Alternative Currency in which such Borrowing is to be denominated in the principal amounts of the Loans comprising such Borrowing are not generally available in the London interbank market, or that the rates at which such deposits are being offered will not adequately and fairly reflect the cost to any Lender of making or maintaining its Eurocurrency Loan during such Interest Period, or that reasonable means do not exist for ascertaining the LIBO Rate, the Administrative Agent shall, as soon as practicable thereafter, give written or telecopy

notice of such determination to the applicable Borrower and the Lenders. In the event of any such determination, until the Administrative Agent shall have advised the applicable Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any request by a Borrower for a Eurocurrency Competitive Borrowing pursuant to Section 2.03 shall be of no force or effect and shall be denied by the Administrative Agent and (ii) any request by a Borrower for a Eurocurrency Standby Borrowing of the affected Type or in the affected currency shall be deemed to be a request for an ABR Borrowing denominated in Dollars. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

Section 2.11. Termination and Reduction of Commitments. (a) The Commitments shall be automatically terminated at the Administrative Agent's close of business in New York City on the Maturity Date.

(b) Upon at least three Business days' prior irrevocable written or telecopy notice to the Administrative Agent, the Company (on behalf of all the Borrowers) may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Total Commitment; provided, however, that (i) each partial reduction of the Total Commitment shall be in an integral multiple of \$1,000,000 and in a minimum principal amount of \$5,000,000 and (ii) no such termination or reduction shall be made which would reduce the Total Commitment to an amount less than the aggregate outstanding principal amount (or Assigned Dollar Value, in the case of Loans denominated in Alternative Currencies) of the Competitive Loans and Standby Loans.

(c) Each reduction in the Total Commitment hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Company shall pay to the Administrative Agent for the account of the Lenders, on the date of each termination or reduction, the Facility Fees on the amount of the Commitments so terminated or reduced accrued to but not including the date of such termination or reduction.

Section 2.12. Prepayment. (a) Each Borrower shall have the right at any time and from time to time to prepay any Standby Borrowing, in whole or in part, upon giving written or telecopy notice (or telephone notice promptly confirmed by written or telecopy notice) to the

Administrative Agent: (i) in the case of Eurocurrency Loans before 11:00 a.m., New York City time (or, if such notice is delivered or telecopied to the Administrative Agent in London, 10:00 a.m., London time), three Business days prior to prepayment and (ii) in the case of ABR Loans, before 11:00 a.m., New York City time, one Business Day prior to prepayment; provided, however, that each partial prepayment shall be in an amount which is an integral multiple of \$1,000,000 and not less than \$5,000,000. The Borrowers shall not have the right to prepay any Competitive Borrowing.

(b) On the date of any termination or reduction of the Commitments pursuant to Section 2.11, the Company shall (or shall cause each responsible Borrower to) pay or prepay so much of the Standby Borrowings as shall be necessary in order that the aggregate outstanding principal amount of all Loans will not exceed the Total Commitment after giving effect to such termination or reduction.

(c) Each notice of prepayment under this Section 2.12 shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the applicable Borrower to prepay such Borrowing (or portion thereof) by the amount stated therein on the date stated therein. All prepayments under this Section 2.12 shall be subject to Section 2.15 but otherwise without premium or penalty.

Section 2.13. Reserve Requirements; Change in Circumstances. (a) Notwithstanding any other provision herein, if after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) shall change the basis of taxation of payments to any Lender (or any lending office of any Lender) of the principal of or interest on any Eurocurrency Loan or Fixed Rate Loan made by such Lender or any Fees or other amounts payable hereunder (other than changes in respect of taxes imposed on the overall net income of such Lender by the jurisdiction in which such Lender has its principal office or by any political subdivision or taxing authority therein), or shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by such Lender (or any



lending office of such Lender), or shall impose on such Lender or the London interbank market any other condition affecting this Agreement or any Eurocurrency Loan or Fixed Rate Loan made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurocurrency Loan or Fixed Rate Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then the Company shall (or shall cause the Borrowers to) pay to such Lender upon demand such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered. Notwithstanding the foregoing, no Lender shall be entitled to request compensation under this paragraph with respect to any Competitive Loan if it shall have been aware of the change giving rise to such request at the time of submission of the Competitive Bid pursuant to which such Competitive Loan shall have been made.

(b) If any Lender shall have determined that any change after the date hereof in the applicability of any law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards", or the adoption after the date hereof of any other law, rule, regulation or guideline regarding capital adequacy, or any change in any of the foregoing or in the interpretation or administration of any of the foregoing by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or any Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender pursuant hereto to a level below that which such Lender or such Lender's holding company could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time the Company shall (or shall cause the responsible Borrower

to) pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth such amount or amounts as shall be necessary to compensate such Lender as specified in paragraph (a) or (b) above, as the case may be, shall be delivered to the Company and shall be conclusive absent manifest error. The Company shall (or shall cause the responsible Borrower to) pay each Lender the amount shown as due on any such certificate delivered by it within 10 days after the receipt of the same.

(d) Except as provided below in this paragraph (d), failure on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to any period shall not constitute a waiver of such Lender's right to demand compensation with respect to such period or any other period. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed. No Lender shall be entitled to compensation under this Section 2.13 for any costs incurred or reductions suffered with respect to any date unless it shall have notified the Company that it will demand compensation for such costs or reductions not more than 60 days after the later of (i) such date and (ii) the date on which it shall have, or should have, become aware of such costs or reductions.

Section 2.14. Change in Legality. (a) Notwithstanding any other provision herein, if, after the date hereof, (i) any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurocurrency Loan or Alternative Currency Loan or to give effect to its obligations as contemplated hereby with respect to any Eurocurrency Loan or Alternative Currency Loan, or (ii) there shall have occurred any change in national or international financial, political or economic conditions (including the imposition of or any change in exchange controls) or currency exchange rates which would make it impracticable for any Lender to make Loans denominated in such Alternative Currency or to any Borrower,

then, by written notice to the Company and to the Administrative Agent, such Lender may:

(i) declare that Eurocurrency Loans or Alternative Currency Loans (in the affected currency or currencies or to the affected Borrower), as the case may be, will not thereafter (for the duration of such unlawfulness or impracticability) be made by such Lender hereunder, whereupon such Lender shall not submit a Competitive Bid in response to a request for such Alternative Currency Loans or Eurocurrency Competitive Loans and any request by a Borrower for a Eurocurrency Standby Borrowing or Alternative Currency Borrowing (in the affected currency or currencies or to the affected Borrower), as the case may be, shall, as to such Lender only, be deemed a request for an ABR Loan or a Loan denominated in Dollars, as the case may be, unless such declaration shall be subsequently withdrawn (or, if a Loan to the requesting Borrower cannot be made for the reasons specified above, such request shall be deemed to have been withdrawn); and

(ii) require that all outstanding Eurocurrency Loans or Alternative Currency Loans (in the affected currency or currencies or to the affected Borrower), as the case may be, made by it be converted to ABR Loans denominated in Dollars in which event all such Eurocurrency Loans or Alternative Currency Loans (in the affected currency or currencies or to the affected Borrower) shall be automatically converted to ABR Loans denominated in Dollars as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal which would otherwise have been applied to repay the Eurocurrency Loans or Alternative Currency Loans, as the case may be, that would have been made by such Lender or the converted Eurocurrency Loans or Alternative Currency Loans, as the case may be, of such Lender shall instead be applied to repay the ABR Loans or Loans denominated in Dollars, as the case may be, made by such Lender in lieu of, or resulting from the conversion of, such Eurocurrency Loans or Loans denominated in Dollars, as the case may be. In the event any Alternative Currency Loan is converted into a Loan denominated in Dollars pursuant to this Section, (A) the principal amount of such Loan shall be deemed to be an amount equal to the Assigned Dollar Value of such

Alternative Currency Loan determined based upon the applicable Spot Exchange Rate as of the Denomination Date for the Borrowing which includes such Alternative Currency Loan and (B) the applicable Borrower shall indemnify the Lender of such converted Alternative Currency Loan against any loss it sustains as a result of such conversion.

(b) For purposes of this Section 2.14, a notice to the Company by any Lender shall be effective as to each Eurocurrency Loan, if lawful, on the last day of the Interest Period currently applicable to such Eurocurrency Loan; in all other cases such notice shall be effective on the date of receipt by the Company.

Section 2.15. Indemnity. Each Borrower shall indemnify each Lender against any loss or expense which such Lender may sustain or incur as a consequence of (a) any failure by such Borrower to fulfill on the date of any borrowing hereunder the applicable conditions set forth in Article IV, (b) any failure by such Borrower to borrow or to refinance or continue any Loan hereunder after irrevocable notice of such borrowing, refinancing or continuation has been given pursuant to Section 2.03 or 2.04, (c) any payment, prepayment, conversion or transfer of a Eurocurrency Loan or Fixed Rate Loan required by any other provision of this Agreement or otherwise made or deemed made on a date other than the last day of the Interest Period applicable thereto, (d) any default in payment or prepayment of the principal amount of any Loan or any part thereof or interest accrued thereon, as and when due and payable (at the due date thereof, whether by scheduled maturity, acceleration, irrevocable notice of prepayment or otherwise) or (e) the occurrence of any other Event of Default, including, in each such case, any loss or reasonable expense sustained or incurred or to be sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Loan or any part thereof as a Eurocurrency Loan or Fixed Rate Loan. Such loss or reasonable expense shall include an amount equal to the excess, if any, as reasonably determined by such Lender, of (i) its cost of obtaining the funds for the Loan being paid, prepaid, converted, transferred or not borrowed (assumed to be the LIBO Rate or, in the case of a Fixed Rate Loan, the fixed rate of interest applicable thereto) for the period from the date of such payment, prepayment, conversion, transfer or failure to borrow to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for such Loan which would

have commenced on the date of such failure) over (ii) the amount of interest (as reasonably determined by such Lender) that would be realized by such Lender in reemploying the funds so paid, prepaid, converted, transferred or not borrowed for such period or Interest Period, as the case may be. A certificate of any Lender setting forth any amount or amounts which such Lender is entitled to receive pursuant to this Section shall be delivered to the Company and shall be conclusive absent manifest error.

Section 2.16. Pro Rata Treatment. Except as required under Section 2.14, each Standby Borrowing, each payment or prepayment of principal of any Standby Borrowing, each payment of interest on the Standby Loans, each payment of the Facility Fees and Utilization Fees, each reduction of the Commitments and each refinancing of any Borrowing with a Standby Borrowing of any Type, shall be allocated pro rata among the Lenders in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Standby Loans). Each payment of principal of any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. Each payment of interest on any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective amounts of accrued and unpaid interest on their outstanding Competitive Loans comprising such Borrowing. For purposes of determining (i) the aggregate available Commitments of the Lenders at any time and (ii) the available Commitment of each Lender, each outstanding Competitive Borrowing shall be deemed to have utilized the Commitments of the Lenders (including those Lenders which shall not have made Loans as part of such Competitive Borrowing) pro rata in accordance with such respective Commitments. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole Dollar (or comparable unit of any applicable Alternative Currency) amount.

Section 2.17. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against any Borrower, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest

arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Standby Loan or Standby Loans as a result of which the unpaid principal portion of its Standby Loans shall be proportionately less than the unpaid principal portion of the Standby Loans of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Standby Loans of such other Lender, so that the aggregate unpaid principal amount of the Standby Loans and participations in the Standby Loans held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Standby Loans then outstanding as the principal amount of its Standby Loans prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Standby Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.17 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. Each Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Standby Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by such Borrower to such Lender by reason thereof as fully as if such Lender had made a Standby Loan directly to such Borrower in the amount of such participation.

Section 2.18. Payments. (a) The Borrower shall make each payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder and under each other Loan Document not later than 12:00 noon, local time at the place of payment, on the date when due in immediately available funds. Each such payment shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York. Each such payment (other than principal of and interest on Alternative Currency Loans, which shall be made in the applicable Alternative Currency) shall be made in Dollars.

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder or under any other Loan Document shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

Section 2.19. Taxes. (a) Any and all payments by or on account of any obligation of each Borrower hereunder shall be made, in accordance with Section 2.18, free and clear of and without deduction for any and all current or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding (i) income taxes imposed on the net income of the Administrative Agent or any Lender (or any transferee or assignee thereof, including a participation holder (any such individual or entity, a "Transferee")), and (ii) franchise taxes imposed on the net income of the Administrative Agent or any Lender (or Transferee), in each case by the jurisdiction under the laws of which the Administrative Agent or such Lender (or Transferee) is organized, domiciled, resident or doing business or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, "Taxes"). If any Borrower shall be required to deduct any Taxes from or in respect of any sum payable hereunder to any Lender (or any Transferee) or the Administrative Agent, (i) the sum payable shall be increased by the amount (an "additional amount") necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.19) such Lender (or Transferee) or the Administrative Agent (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) each Borrower shall make such deductions and (iii) each Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, each Borrower agrees to bear and to pay to the relevant Governmental Authority in accordance with applicable law any current or future recording, stamp, documentary, excise, transfer, sales, property or similar taxes, charges or levies that arise from any payment made hereunder or from the execution, delivery or registration

of, or otherwise with respect to, this Agreement or any other Loan Document ("Other Taxes").

(c) The Borrowers will indemnify each Lender (or Transferee) and the Administrative Agent, within 10 days after written demand therefor, for the full amount of Taxes and Other Taxes paid by such Lender (or Transferee) or the Administrative Agent, as the case may be, on or with respect to any payment by or on account of any obligation of any Borrower hereunder or under any other Loan Document (including Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any liability and any penalties, interest and expenses (including reasonable attorney's fees and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability prepared by a Lender, or the Administrative Agent on its behalf, absent manifest error, shall be final, conclusive and binding for all purposes.

(d) If a Lender (or Transferee) or the Administrative Agent shall become aware that it is entitled to claim a refund from a Governmental Authority in respect of Taxes or Other Taxes as to which it has been indemnified by a Borrower, or with respect to which any Borrower has paid additional amounts, pursuant to this Section 2.19, it shall promptly notify the Company of the availability of such refund claim and shall, within 30 days after receipt of a request by the Company, make a claim to such Governmental Authority for such refund at the Company's expense. If a Lender (or Transferee) or the Administrative Agent receives a refund (including pursuant to a claim for refund made pursuant to the preceding sentence) in respect of any Taxes or Other Taxes as to which it has been indemnified by a Borrower or with respect to which any Borrower has paid additional amounts pursuant to this Section 2.19, it shall within 30 days from the date of such receipt pay over such refund to the Company (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section 2.19 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of such Lender (or Transferee) or the Administrative Agent and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund); provided, however, that the Company, upon the request of such Lender (or Transferee) or



the Administrative Agent, agrees to (or to cause the responsible Borrower to) repay the amount paid over to the Company (plus penalties, interest or other charges) to such Lender (or Transferee) or the Administrative Agent in the event such Lender (or Transferee) or the Administrative Agent is required to repay such refund to such Governmental Authority.

(e) As soon as practicable after the date of any payment of Taxes or Other Taxes by any Borrower to the relevant Governmental Authority, the Company will deliver to the Administrative Agent, at its address referred to in Section 10.01, the original or a certified copy of a receipt issued by such Governmental Authority evidencing payment thereof.

(f) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.19 shall survive the payment in full of the principal of and interest on all Loans made hereunder.

(g) Each Lender (or Transferee) that is organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender") shall deliver to the Company and the Administrative Agent two copies of either United States Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a Form W-8, or any subsequent versions thereof or successors thereto (and, if such Non-U.S. Lender delivers a Form W-8, a certificate representing that such Non-U.S. Lender is not a bank for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Company and is not a controlled foreign corporation related to the Company (within the meaning of Section 864(d)(4) of the Code)), properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or reduced rate of, U.S. Federal withholding tax on payments by the Borrowers under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a participation holder, on or before the date such participation holder becomes a Transferee hereunder) and on or before the date, if any, such Non-U.S.

Lender changes its applicable lending office by designating a different lending office (a "New Lending Office"). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding any other provision of this Section 2.19(g), a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 2.19(g) that such Non-U.S. Lender is not legally able to deliver.

(h) None of the Borrowers shall be required to indemnify any Non-U.S. Lender, or to pay any additional amounts to any Non-U.S. Lender, in respect of United States Federal withholding tax pursuant to paragraph (a) or (c) above to the extent that (i) the obligation to withhold amounts with respect to United States Federal withholding tax existed on the date such Non-U.S. Lender became a party to this Agreement (or, in the case of a Transferee that is a participation holder, on the date such participation holder became a Transferee hereunder) or, with respect to payments to a New Lending Office, the date such Non-U.S. Lender designated such New Lending Office with respect to a Loan; provided, however, that this clause (i) shall not apply to any Transferee or New Lending Office that becomes a Transferee or New Lending Office as a result of an assignment, participation, transfer or designation made at the request of the Company; and provided further, however, that this clause (i) shall not apply to the extent the indemnity payment or additional amounts any Transferee, or Lender (or Transferee) through a New Lending Office, would be entitled to receive (without regard to this clause (i)) do not exceed the indemnity payment or additional amounts that the person making the assignment, participation or transfer to such Transferee, or Lender (or Transferee) making the designation of such New Lending Office, would have been entitled to receive in the absence of such assignment, participation, transfer or designation or (ii) the obligation to pay such additional amounts would not have arisen but for a failure by such Non-U.S. Lender to comply with the provisions of paragraph (g) above.

(i) Any Lender (or Transferee) claiming any indemnity payment or additional amounts payable pursuant to this Section 2.19 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Company or to change the jurisdiction of its applicable lending office if the making of such a filing or change

would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the sole determination of such Lender (or Transferee), be otherwise disadvantageous to such Lender (or Transferee).

(j) Nothing contained in this Section 2.19 shall require any Lender (or Transferee) or the Administrative Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

Section 2.20. Assignment of Commitments Under Certain Circumstances.

(a) Any Lender (or Transferee) claiming any additional amounts payable pursuant to Section 2.13 or Section 2.19 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Company or to change the jurisdiction of its applicable lending office if the making of such a filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue and would not, in the judgment of such Lender, be otherwise disadvantageous to such Lender (or Transferee).

(b) In the event that any Lender shall have delivered a notice or certificate pursuant to Section 2.13 or 2.14, or the Borrowers shall be required to make additional payments to any Lender under Section 2.19, the Company shall have the right, at its own expense, upon notice to such Lender and the Administrative Agent, to require such Lender to transfer and assign without recourse (in accordance with and subject to the restrictions contained in Section 10.04) all its interests, rights and obligations under this Agreement to another financial institution acceptable to the Administrative Agent which shall assume such obligations; provided that (i) no such assignment shall conflict with any law, rule or regulation or order of any Governmental Authority (ii) no Event of Default shall have occurred and be continuing and (iii) the Company or the assignee, as the case may be, shall pay to the affected Lender in immediately available funds on the date of such assignment the principal of and interest accrued to the date of payment on the Loans made by it hereunder and all other amounts accrued for its account or owed to it hereunder.

Section 2.21. Borrowings by Approved Borrowers. The Company may, at any time or from time to time, designate one or more wholly owned Subsidiaries as Borrowers hereunder by furnishing to the Administrative Agent a letter (a "Designation Letter") substantially in the form of Exhibit E-1 hereto, duly completed and executed by the Company and such Subsidiary, whereupon each Subsidiary so designated shall become an Approved Borrower. There may be no more than ten Approved Borrowers at any one time. So long as all principal and interest on all Loans of any Approved Borrower have been paid in full, the Company may terminate an Approved Borrower's status as an Approved Borrower by furnishing to the Administrative Agent a letter (a "Termination Letter"), substantially in the form of Exhibit E-2 hereto, duly completed and executed by the Company and such Approved Borrower. Any Termination Letter furnished in accordance with this Section 2.21 shall be effective upon receipt by the Administrative Agent. Notwithstanding the foregoing, the delivery of a Termination Letter with respect to any Approved Borrower shall not affect any obligation of such Approved Borrower theretofore incurred. Each Subsidiary set forth in Schedule 2.21 shall be deemed an Approved Borrower until delivery of a Termination Letter with respect to such Subsidiary.

Section 2.22. Increase in Commitments. After the Effective Date, the Company may, by written notice to the Administrative Agent, executed by the Company and one or more financial institutions (any such financial institution referred to in this Section being called a "Prospective Lender"), which may include any Lender, cause the Commitments of the Prospective Lenders to be increased (or cause Commitments to be extended by the Prospective Lenders, as the case may be) in an amount for each Prospective Lender set forth in such notice, provided, however, that (a) the aggregate amount of the Lenders' Commitments after giving effect to such increase, together with the aggregate amount of the commitments under the 364-Day Credit Agreement, shall in no event exceed US\$400,000,000, (b) each Prospective Lender, if not already a Lender hereunder, shall be subject to the approval of the Administrative Agent (which approval shall not be unreasonably withheld) and (c) each Prospective Lender, if not already a Lender hereunder, shall become a party to this Agreement by completing and delivering to the Administrative Agent a duly executed Accession Agreement. Increases and new Commitments created pursuant to this Section shall become effective (A) in the case of Prospective Lenders already parties hereunder, on the date

specified in the notice delivered pursuant to this Section and (B) in the case of Prospective Revolving Lenders not already parties hereunder, on the effective date of the Accession Agreement. Upon the effectiveness of any Accession Agreement to which any Prospective Lender is a party, (i) such Prospective Lender shall thereafter be deemed to be a party to this Agreement and shall be entitled to all rights, benefits and privileges accorded a Lender hereunder and subject to all obligations of a Lender hereunder and (ii) Schedule 2.01 shall be deemed to have been amended to reflect the Commitment of the additional Lender as provided in such Accession Agreement. Upon the effectiveness of any increase pursuant to this Section in the Commitment of a Lender already a party hereunder, Schedule 2.01 shall be deemed to have been amended to reflect the increased Commitment of such Lender. Notwithstanding the foregoing, no increase in the aggregate Commitments (or in the Commitment of any Lender) shall become effective under this Section unless, on the date of such increase, the conditions set forth in paragraphs (b) and (c) of Section 4.03 shall be satisfied (with all references in such paragraphs to a Borrowing being deemed to be references to such increase) and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Company. Following any increase of a Lender's Commitment or any extension of a new Commitment pursuant to this paragraph, any Standby Loans outstanding prior to the effectiveness of such increase or extension shall continue outstanding until the ends of the respective Interests Periods applicable thereto, and shall then be repaid or refinanced with new Standby Loans made pursuant to Sections 2.01 and 2.05.

## ARTICLE III. REPRESENTATIONS AND WARRANTIES

Part A. Representations and Warranties of the Company. The Company represents and warrants to each of the Lenders that:

Section 3.01. Corporate Existence. Each of the Company and its Subsidiaries: (a) is a corporation, partnership or other entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization; (b) has all requisite corporate or other power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted; and (c) is qualified to do business and is in good standing in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify could (either individually or in the aggregate) have a Material Adverse Effect.

Section 3.02. Financial Condition. The Company has heretofore furnished to each of the Lenders a consolidated balance sheet of the Company and its Subsidiaries as at December 31, 1999, and the related consolidated statements of income, cash flows and changes in shareholders' equity of the Company and its Subsidiaries for the fiscal year ended on such date, with the opinion thereon of PriceWaterhouseCoopers, and the unaudited consolidated balance sheet of the Company and its Subsidiaries as at June 30, 2000, and the related consolidated statements of income and cash flows of the Company and its Subsidiaries for the six-month period ended on such date. All such financial statements present fairly, in all material respects, the consolidated financial condition of the Company and its Subsidiaries as at such dates and the consolidated results of their operations for the fiscal year and three-month period ended on such dates (subject, in the case of the financial statements as at June 30, 2000, to normal year-end audit adjustments), all in accordance with generally accepted accounting principles and practices applied on a consistent basis. None of the Company nor any of its Subsidiaries has on the date hereof any material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in the balance sheets as at such dates (or the notes thereto in the case of

such year end financial statements). Since December 31, 1999, there has been no Material Adverse Change.

Section 3.03. Litigation. Except as disclosed in note 10 of the audited annual consolidated financial statements of the Company included in the Company's Form 10-K, dated March 16, 2000, and in the notes to the unaudited quarterly consolidated financial statements of the company included in the Company's Form 10-Q, dated August 18, 2000, filed with the Securities and Exchange Commission, there are no legal or arbitral proceedings, or any proceedings by or before any Governmental Authority, now pending or (to the knowledge of the Company) threatened against the Company or any of its Subsidiaries that, if adversely determined could (either individually or in the aggregate) have a Material Adverse Effect.

Section 3.04. No Breach. None of the execution and delivery of this Agreement, the consummation of the transactions herein contemplated or compliance with the terms and provisions hereof will conflict with or result in a breach of, or require any consent under, the charter or by-laws of the Company, or any applicable law or regulation, or any order, writ, injunction or decree of any court or Governmental Authority, or any agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any of them or any of their assets or properties is bound or to which any of them is subject, or constitute a default under any such agreement or instrument.

Section 3.05. Action. The Company has all necessary corporate power, authority and legal right to execute, deliver and perform its obligations under this Agreement; the execution, delivery and performance by the Company of this Agreement has been duly authorized by all necessary corporate action on its part (including, without limitation, any required shareholder approvals); and this Agreement has been duly and validly executed and delivered by the Company and constitutes its legal, valid and binding obligation, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 3.06. Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any Governmental Authority, or any securities exchange, are necessary for the execution, delivery or performance by the Company of this Agreement or for the legality, validity or enforceability hereof.

Section 3.07. Use of Credit. None of the Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock, and no part of the proceeds of the Loans hereunder will be used to buy or carry any Margin Stock.

Section 3.08. ERISA. Each Plan, and, to the knowledge of the Company, each Multiemployer Plan, is in compliance in all material respects with, and has been administered in all material respects in compliance with, the applicable provisions of ERISA, the Code and any other Federal or state law, and no event or condition has occurred and is continuing as to which the Company would be under an obligation to furnish a report to the Lenders under Section 5.06 hereof.

Section 3.09. Taxes. As of the date hereof, the Company and its Domestic Subsidiaries are members of an affiliated group of corporations filing consolidated returns for Federal income tax purposes, of which the Company is the "common parent" (within the meaning of Section 1504 of the Code) of such group. The Company and its Subsidiaries have filed all Federal income tax returns and all other material tax returns that are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company or any of its Subsidiaries. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of taxes and other governmental charges are, in the opinion of the Company, adequate. The Company has not given or been requested to give a waiver of the statute of limitations relating to the payment of Federal, state, local and foreign taxes or other impositions.

Section 3.10. Investment Company Act. Neither the Company nor any of its Subsidiaries is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.



Section 3.11. Public Utility Holding Company Act. Neither the Company nor any of its Subsidiaries is a "holding company", or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 3.12. Material Agreements and Liens. (a) Part A of Schedule 3.12 hereto is a complete and correct list, as of the date hereof, of each credit agreement, loan agreement, indenture, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guarantee by, the Company or any of its Subsidiaries the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$5,000,000, and the aggregate principal or face amount outstanding or that may become outstanding under each such arrangement is correctly described in Part A of such Schedule 3.12.

(b) Part B of Schedule 3.12 hereto is a complete and correct list, as of the date hereof, of each Lien securing Indebtedness of any person the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$5,000,000 and covering any property of the Company or any of its Subsidiaries, and the aggregate Indebtedness secured (or that may be secured) by each such Lien and the property covered by each such Lien is correctly described in Part B of such Schedule 3.12.

Section 3.13. Environmental Matters. (a) Except as disclosed in the notes to the unaudited quarterly consolidated financial statements of the Company included in the Company's Form 10-Q, dated August 18, 2000 filed with the Securities and Exchange Commission and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Company nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(b) Since the date of this Agreement, there has been no change in the status of the matters disclosed in the notes to the unaudited quarterly consolidated financial statements of the Company included in the Company's Form 10-Q, dated August 18, 2000 filed with the Securities and Exchange Commission that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

Section 3.14. Subsidiaries, etc. Set forth in Schedule 3.14 hereto is a complete and correct list, as of the date hereof, of all of the Subsidiaries of the Company, together with, for each such Subsidiary, (i) the jurisdiction of organization of such Subsidiary, (ii) each person holding ownership interests in such Subsidiary and (iii) the nature of the ownership interests held by each such person and the percentage of ownership of such Subsidiary represented by such ownership interests.

Section 3.15. True and Complete Disclosure. The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Company to the Agent or any Lender in connection with the negotiation, preparation or delivery of this Agreement or included herein or delivered pursuant hereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by the Company and its Subsidiaries to the Administrative Agent and the Lenders in connection with this Agreement and the transactions contemplated hereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified. There is no fact known to the Company that could have a Material Adverse Effect that has not been disclosed herein or in a report, financial statement, exhibit, schedule, disclosure letter or other writing furnished to the Lenders for use in connection with the transactions contemplated hereby.

Part B. Representations and Warranties of the Approved Borrowers. Each Approved Borrower represents and warrants to each of the Lenders that:

Section 3.16. Corporate Existence of Approved Borrower. It and each of its Subsidiaries: (a) is a corporation, partnership or other entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization; (b) has all requisite corporate or other power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted; and (c) is qualified to do business and is in good standing in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify would have a Material Adverse Effect.

Section 3.17. No Breach. None of the execution and delivery of its Designation Letter and this Agreement, the consummation of the transactions therein and herein contemplated and compliance with the terms and provisions thereof and hereof will conflict with or result in a breach of, or require any consent under, the charter or by-laws or other organizational documents of such Approved Borrower, or any applicable law or regulation, or any order, writ, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which such Approved Borrower or any of its Subsidiaries is a party or by which any of them or their assets or properties is bound or to which any of them is subject, or constitute a default under any such agreement or instrument.

Section 3.18. Action. Such Approved Borrower has all necessary corporate or other power and authority to execute, deliver and perform its obligations under its Designation Letter and this Agreement, and to perform its obligations hereunder and thereunder; the execution and delivery by such Approved Borrower of its Designation Letter and the performance by such Approved Borrower hereof and thereof have been duly authorized by all necessary corporate or other action on its part (including, without limitation, any required shareholder approvals); and its Designation Letter when executed and delivered by such Approved Borrower, will constitute, the legal, valid and binding obligation of such Approved Borrower, enforceable against such Approved Borrower in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy,

insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 3.19. Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any governmental Authority are necessary for the execution, delivery or performance by such Approved Borrower of its Designation Letter or this Agreement or for the validity or enforceability thereof.

Section 3.20. Taxes on Payments of Approved Borrowers. Except as disclosed to the Lenders in writing prior to the delivery of such Approved Borrower's Designation Letter, there is no income, stamp or other tax of any country, or of any taxing authority thereof or therein, imposed by or in the nature of withholding or otherwise, which is imposed on any payment to be made by such Approved Borrower pursuant hereto, or is imposed on or by virtue of the execution, delivery or enforcement of its Designation Letter or this Agreement.

#### ARTICLE IV. CONDITIONS OF LENDING

Section 4.01. Effective Date. The obligations of the Lenders to make Loans to the Company hereunder shall not become effective until the date on which each of the following conditions shall have been satisfied (or waived in accordance with Section 10.08):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received favorable written opinions (each dated as of the Effective Date and addressed to the Administrative Agent and the Lenders) of (i) the general counsel of the Company, substantially in the form of Exhibit D-1

hereto and (ii) Kirkpatrick & Lockhart LLP, counsel for the Company, substantially in the form of Exhibit D-2 hereto, in each case covering such other matters relating to the Company, this Agreement and the Transactions as the Administrative Agent or its counsel shall reasonably request. The Company hereby requests such counsel to deliver such opinions.

(c) The Administrative Agent shall have received (i) a copy of the certificate or articles of incorporation (or such other analogous documents), including all amendments thereto, of the Company, certified as of a recent date by the Secretary of State of Delaware, and a certificate as to the good standing of the Company as of a recent date, from the Secretary of State of Delaware; (ii) a certificate of the Secretary or Assistant Secretary of the Company dated the Effective Date certifying (A) that attached thereto is a true and complete copy of the by-laws of the Company as in effect on the Effective Date and at all times since a date prior to the date of the resolutions of the Company described in item (B) below, (B) that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of the Company authorizing the execution, delivery and performance of this Agreement and the borrowings hereunder by the Company, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation of the Company have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer of the Company executing this Agreement or any other document delivered in connection herewith; (iii) a certificate of another officer of the Company as to the incumbency and signature of the Secretary or such Assistant Secretary of the Company executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or counsel for the Administrative Agent may reasonably request.

(c) The Administrative Agent shall have received a certificate of the Company, dated the Effective Date and signed by a Financial Officer of the Company, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.03.

(d) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to such date.

(e) The Existing Credit Agreement shall have been terminated and all outstanding loans thereunder shall have been repaid and all other amounts due thereunder shall have been paid.

The Administrative Agent shall notify the Company and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing and any other provision herein to the contrary, the obligations of the Lenders to make Loans to any Borrower hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.08) at or prior to 2:00 p.m., New York city time, on October 15, 2000 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

Section 4.02. First Borrowing by Each Approved Borrower. On the date of any Approved Borrower's initial Borrowing hereunder, the obligations of the Lenders to make Loans to such Approved Borrower are subject to the satisfaction of (or waiver in accordance with Section 10.08 of) each of the conditions set forth in Section 4.01 and the following further conditions:

(a) The Administrative Agent shall have received a favorable written opinion of the general counsel of such Approved Borrower dated as of a recent date and addressed to the Lenders, to the effect set forth in Exhibit D-1 hereto, subject to necessary changes to reflect local law.

(b) The Administrative Agent shall have received (i) a copy of the certificate or articles of incorporation (or such other analogous documents), including all amendments thereto, of such Approved Borrower, certified as of a recent date by the Secretary of State (or other appropriate Governmental Authority) of the state (or country) of its organization or such other evidence as is reasonably satisfactory to the Administrative Agent, and a certificate as to the good standing (or other analogous certification to the extent available) of such Approved Borrower as of a recent date, from such Secretary of

State (or other appropriate Governmental Authority) or such other evidence reasonably acceptable to the Administrative Agent; (ii) a certificate of the Secretary or Assistant Secretary of such Approved Borrower dated the date on which such Loans are to be made and certifying (A) that attached thereto is a true and complete copy of the by-laws (or such other analogous documents to the extent available) of such Approved Borrower as in effect on the date of such certificate and at all times since a date prior to the date of the resolution of such Approved Borrower described in item (B) below, (B) that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of such Approved Borrower authorizing the execution, delivery and performance of the Designation Letter delivered by such Approved Borrower and the borrowings hereunder by such Approved Borrower, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation (or other analogous documents) of such Approved Borrower have not been amended since the date of the last amendment thereto shown on the certificate of good standing (or other analogous certification or such other evidence reasonably acceptable to the Agent) furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer of such Approved Borrower executing the Designation Letter delivered by such Approved Borrower or any other document delivered in connection herewith or therewith; (iii) a certificate of another officer of such Approved Borrower as to the incumbency and signature of the Secretary or such Assistant Secretary of such Approved Borrower executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or counsel for the Administrative Agent, may reasonably request.

(c) The Administrative Agent shall have received (with sufficient copies for each Lender) a Designation Letter, duly executed by such Approved Borrower and the Company and acknowledged by the Administrative Agent.

(d) The Administrative Agent shall have received a certificate of each of the Borrowers, dated such date and signed, in the case of the Company, by a Financial Officer of the Company, and in the case of the Borrowers other than the Company, a Responsible Officer

of such Borrower, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.03.

Upon the satisfaction of the conditions precedent set forth in this Section 4.02, such Approved Borrower shall become a Borrower hereunder with the same force and effect as if originally named as a Borrower hereunder. The rights and obligations of each Borrower hereunder shall remain in full force and effect notwithstanding the addition of any new Borrower as a party to this Agreement.

Section 4.03. All Borrowings. On the date of each Borrowing, including each Borrowing in which Loans are refinanced with new Loans as contemplated by Section 2.05, the obligations of the lenders to make the Loans comprising such Borrowing are subject to the satisfaction of the following conditions:

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.03 or Section 2.04, as applicable.

(b) The representations and warranties set forth in Article III hereof shall be true and correct in all material respects on and as of the date of such Borrowing with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date; provided, however, that no representation as to either (i) the absence of any Material Adverse Change in the financial condition of the Company, as provided in the last sentence of Section 3.02, or (ii) the absence of any pending or threatened legal or arbitral proceedings, or any proceedings by or before any Governmental Authority, that could have a Material Adverse Effect on the Company, as provided in Section 3.03, shall be required as a condition to any Borrowing following the Effective Date.

(c) Each Borrower shall be in compliance with all the terms and provisions set forth herein and in each other Loan Document on its part to be observed or performed, and at the time of and immediately after such Borrowing no Event of Default or Default shall have occurred and be continuing.



Each Borrowing shall be deemed to constitute a representation and warranty by the Borrowers on the date of such Borrowing as to the matters specified in paragraphs (b) and (c) of this Section 4.03.

#### ARTICLE V. AFFIRMATIVE COVENANTS

The Company covenants and agrees with each Lender and the Administrative Agent that, so long as this Agreement shall remain in effect or the principal of or interest on any Loan, any Fees or any other expenses or amounts payable under any Loan Document shall be unpaid, unless the Required Lenders shall otherwise consent in writing, the Company will, and will cause each of its Subsidiaries to:

Section 5.01. Existence; Businesses and Properties. (a) Preserve and maintain its corporate existence, rights (charter and statute) and material franchises, except as otherwise permitted by Section 6.03; provided, however, that the Company shall not be required to preserve any such right or franchise if (i) the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and (ii) the loss of any such right or franchise is not disadvantageous in any material respect to the Lenders.

(b) Comply in all material respects with all applicable laws, rules, regulations and orders (including, without limitation, laws requiring payment of all taxes, assessments and governmental charges imposed upon it or upon its property except to the extent contested in good faith by appropriate proceedings) and all Environmental Laws except where the failure to so comply would not result in a Material Adverse Change.

(c) Maintain and preserve all of its properties which are used in the conduct of its business in good working order and condition, ordinary wear and tear excepted, to the extent that any failure to do so would result in a Material Adverse Change and except for dispositions thereof permitted by Section 6.03.

Section 5.02. Insurance. Maintain insurance with financially sound and reputable insurance companies (which insurance companies shall, in any event, have an A.M. Best rating of "B+" or better), and with respect to property and risks of a character usually maintained by corporations

engaged in the same or similar business similarly situated, against loss, damage and liability of the kinds and in the amounts customarily maintained by such corporations.

Section 5.03. Obligations and Taxes. Pay its Indebtedness and other obligations promptly and in accordance with their terms and pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise which, if unpaid, might give rise to a Lien upon such properties or any part thereof; provided, however, that such payment and discharge shall not be required with respect to any such tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and the Company shall have set aside on its books adequate reserves with respect thereto.

Section 5.04. Financial Statements, Reports, etc. In the case of the Company, furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year, its consolidated balance sheets and related statements of income, changes in stockholders' equity and cash flows, showing the financial condition of the Company and its Subsidiaries as of the close of such fiscal year and the results of its operations and the operations of its Subsidiaries during such year, all audited by PricewaterhouseCoopers or other independent public accountants of recognized national standing acceptable to the Required Lenders and accompanied by an opinion of such accountants (which shall not be qualified in any material respect) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of the Company on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, its consolidated balance sheets and related statements of income, changes in stockholders' equity and cash flows, showing the financial condition of the Company and its Subsidiaries as of the close of such fiscal quarter and the results of its operations and the operations of

its Subsidiaries during such fiscal quarter and the then elapsed portion of such fiscal year, all certified by one of its Financial Officers as fairly presenting the financial condition and results of operations of the Company on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments;

(c) concurrently with any delivery of financial statements under (a) or (b) above, a certificate of the accounting firm or Financial Officer opining on or certifying such statements (which certificate, when furnished by an accounting firm, may be limited to accounting matters and disclaim responsibility for legal interpretations) (i) certifying that no Event of Default or Default has occurred or, if such an Event of Default or Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto and (ii) setting forth computations in reasonable detail satisfactory to the Administrative Agent demonstrating compliance with the covenants contained in Sections 6.06 and 6.07;

(d) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by it with the Securities and Exchange Commission, or any Governmental Authority succeeding to any of or all the functions of such Commission, or with any national securities exchange, or distributed to its shareholders, as the case may be; and

(e) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of the Company or any Subsidiary, or compliance with the terms of any Loan Document, as the Administrative Agent or any Lender may reasonably request.

Section 5.05. Litigation and Other Notices. Furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) proposed to be taken with respect thereto;

(b) the filing or commencement of, or any threat or notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Company or any Affiliate thereof which, if adversely determined, could result in a Material Adverse Change; and

(c) any other development that has resulted in, or could reasonably be anticipated to result in, a Material Adverse Change.

Section 5.06. ERISA. (a) Comply in all material respects with the applicable provisions of ERISA and the Code and (b) furnish to the Administrative Agent and each Lender (i) as soon as possible, and in any event within 30 days after any Responsible Officer of the Company or any ERISA Affiliate either knows or has reason to know that any Reportable Event has occurred that alone or together with any other Reportable Event could reasonably be expected to result in liability of the Company to the PBGC in an aggregate amount exceeding \$5,000,000, a statement of a Financial Officer setting forth details as to such Reportable Event and the action proposed to be taken with respect thereto, together with a copy of the notice, if any, of such Reportable Event given to the PBGC, (ii) promptly after receipt thereof, a copy of any notice the Company or any ERISA Affiliate may receive from the PBGC relating to the intention of the PBGC to terminate any Plan or Plans (other than a Plan maintained by an ERISA Affiliate which is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code) or to appoint a trustee to administer any Plan or Plans, and (iii) within 10 days after the due date for filing with the PBGC pursuant to Section 412(n) of the Code of a notice of failure to make a required installment or other payment with respect to a Plan, a statement of a Financial Officer setting forth details as to such failure and the action proposed to be taken with respect thereto, together with a copy of such notice given to the PBGC.

Section 5.07. Maintaining Records. Maintain all financial records in accordance with GAAP and permit any representatives designated by any Lender to discuss the affairs, finances and condition of the Company or any Subsidiary with the officers thereof and independent accountants therefor.

Section 5.08. Use of Proceeds. Use the proceeds of the Loans only for the purposes set forth in the preamble to this Agreement.

ARTICLE VI. NEGATIVE COVENANTS

The Company covenants and agrees with each Lender and the Administrative Agent that, so long as this Agreement shall remain in effect or the principal of or interest on any Loan, any Fees or any other expenses or amounts payable under any Loan Document shall be unpaid, unless the Required Lenders shall otherwise consent in writing, the Company will not, and will not cause or permit any of its Subsidiaries to:

Section 6.01. Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired, except:

(a) Liens in existence on the date hereof and listed in Part B of Schedule 3.12 hereto;

(b) Liens imposed by any Governmental Authority for taxes, assessments or charges not yet due or that are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Company or the affected Subsidiaries, as the case may be, in accordance with GAAP;

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith and by appropriate proceedings and Liens securing judgments but only to the extent for an amount and for a period not resulting in an Event of Default under Article VII clause (i) hereof;

(d) pledges or deposits under worker's compensation, unemployment insurance and other social security legislation;

(e) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases, statutory obligations, surety and appeal bonds,

performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of property or minor imperfections in title thereto that, in the aggregate, are not material in amount, and that do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Company or any of its Subsidiaries;

(g) Liens on property of any corporation that becomes a Subsidiary of the Company after the date of this Agreement; provided that such Liens are in existence at the time such corporation becomes a Subsidiary of the Company and were not created in anticipation thereof;

(h) Liens upon real and/or tangible personal property acquired after the date hereof (by purchase, construction or otherwise) by the Company or any of its Subsidiaries, each of which Liens either (A) existed on such property before the time of its acquisition and was not created in anticipation thereof or (B) was created solely for the purpose of securing Indebtedness representing, or incurred to finance, refinance or refund, the cost (including the cost of construction) of such property; provided that no such Lien shall extend to or cover any property of the Company or such Subsidiary other than the property so acquired and improvements thereon;

(i) additional Liens upon real and/or personal property created after the date hereof; provided that the aggregate Indebtedness secured thereby and incurred on and after the date hereof shall not exceed \$25,000,000 in the aggregate at any one time outstanding; and

(j) any extension, renewal or replacement of the foregoing; provided that the Liens permitted hereunder shall not be spread to cover any additional Indebtedness or property (other than a substitution of like property).

Section 6.02. Sale and Lease-Back Transactions. Enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred (such an arrangement, a "Sale and Lease-Back Transaction"), other than (i) Sale and Lease-Back Transactions capitalized on the books of the Company in an aggregate capitalized amount not in excess of \$25,000,000 entered into in connection with the financing of aircraft to be used in connection with the Company's business and (ii) Sale and Lease-Back Transactions capitalized on the books of the Company (other than a Sale and Lease-Back Transaction permitted by clause (i) above) if the capitalized amount of all such Sale and Lease-Back Transactions shall not exceed \$20,000,000 in aggregate amount at any time outstanding.

Section 6.03. Mergers, Sales of Assets, etc. (a) In the case of any Borrower, consolidate or merge with or into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless:

(i) the corporation formed by such consolidation or merger or the person which acquires by conveyance or transfer, or which leases, the properties and assets of such Borrower substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America or any state or the District of Columbia and shall expressly assume, by an agreement supplemental hereto, executed and delivered to each other party hereto, in form satisfactory to the Administrative Agent, the due and punctual payment of the principal of and interest on the Loans and all other obligations of such Borrower under the Loan Documents and the performance or observance of every covenant of this Agreement on the part of such Borrower to be performed or observed;

(ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(iii) the Company shall have delivered to the Administrative Agent an officers' certificate and an

opinion of counsel, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental agreement comply with this paragraph (a) and that all conditions precedent herein provided for relating to such transaction have been complied with.

(b) Upon any consolidation by any Borrower with or merger by any Borrower into any other corporation or any conveyance, transfer or lease of the properties and assets of any Borrower substantially as an entirety in accordance with paragraph (a) above, the successor corporation formed by such consolidation or into which such Borrower is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the applicable Borrower under the Loan Documents with the same effect as if such successor corporation had been named as a Borrower herein, and thereafter, the predecessor corporation shall be relieved of all obligations and covenants under the Loan Documents.

Section 6.04. Lines of Business; Fiscal Year. Engage or invest in operations engaging to any substantial extent in any line or lines of business activity other than the business of manufacturing, providing, distributing and selling such diverse goods and industrial services, principally for industrial, commercial, construction and defense applications, the same or similar to those goods and services as are manufactured, provided, distributed and sold by the Company on the date hereof. In the case of the Company, change its fiscal year end from that in effect at December 31, 1999.

Section 6.05. Transactions with Affiliates. Sell or transfer any property or assets to, or purchase or acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except that as long as no Default or Event of Default shall have occurred and be continuing, the Company or any Subsidiary may engage in any of the foregoing transactions in the ordinary course of business at prices and on terms and conditions not less favorable to the Company or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties.

Section 6.06. Net Worth. The Company will not permit its Net Worth at any time to be less than \$475,000,000.



Section 6.07. Total Debt to Total Capital Ratio. The Company will not permit the ratio of Total Debt to Total Capital at any time on or after the date hereof to exceed the ratio 0.60 to 1.

ARTICLE VII. EVENTS OF DEFAULT

In case of the happening of any of the following events ("Events of Default"):

(a) any representation or warranty made or deemed made in or in connection with any Loan Document or the borrowings hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Loan Document, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(b) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Loan or any Fee or any other amount (other than an amount referred to in (b) above) due under any Loan Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of five days;

(d) default shall be made in the due observance or performance by any of the Borrowers or any Subsidiary of any covenant, condition or agreement contained in Section 5.01(a) or 5.05 or in Article VI;

(e) default shall be made in the due observance or performance by any of the Borrowers or any Subsidiary of any covenant, condition or agreement contained in any Loan Document (other than those specified in (b), (c) or (d) above) and such default shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent or any Lender to the Company;

(f) (i) the Company or any Subsidiary shall (A) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness in a principal amount in excess of (I) \$20,000,000, in the case of any single obligation, or (II) \$20,000,000, in the case of all obligations in the aggregate, in each case, when and as the same shall become due and payable, or (B) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any Indebtedness in an aggregate principal amount in excess of \$20,000,000 and such failure shall continue beyond any applicable grace period; or (ii) Indebtedness of the Company and its Subsidiaries, or any of them, in a principal amount in excess of (A) \$20,000,000, in the case of any single obligation, or (B) \$20,000,000, in the case of all obligations in the aggregate, shall be declared due and payable or required to be prepaid prior to its stated maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of any Borrower or any Subsidiary, or of a substantial part of the property or assets of any Borrower or a Subsidiary, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law (or similar statute or law in any other jurisdiction), (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Subsidiary or for a substantial part of the property or assets of any Borrower or a Subsidiary or (iii) the winding-up or liquidation of any Borrower or any Subsidiary; and such proceeding or petition shall continue undismissed for 30 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) any Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law (or similar statute or law in any other jurisdiction), (ii) consent to the institution of, or fail to contest in a timely

and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Subsidiary or for a substantial part of the property or assets of any Borrower or any Subsidiary, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more judgments for the payment of money in an aggregate amount in excess of \$10,000,000 (exclusive of amounts fully covered by insurance where the insurer has admitted liability in respect of such judgment) or in excess of \$20,000,000 (regardless of insurance coverage) shall be rendered against any Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 60 consecutive days during which 60 days execution shall not be effectively stayed, or otherwise being appropriately contested in good faith, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of any Borrower or any Subsidiary to enforce any such judgment;

(j) a Reportable Event or Reportable Events, or a failure to make a required installment or other payment (within the meaning of Section 412(n)(1) of the Code), shall have occurred with respect to any Plan or Plans that reasonably could be expected to result in liability of any Borrower to the PBGC or to a Plan in an aggregate amount exceeding \$5,000,000 and, within 30 days after the reporting of any such Reportable Event to the Administrative Agent or after the receipt by the Administrative Agent of the statement required pursuant to Section 5.06, the Administrative Agent shall have notified such Borrower in writing that (i) the Required Lenders have made a determination that, on the basis of such Reportable Event or Reportable Events or the failure to make a required payment, there are reasonable grounds (A) for the termination of such Plan or Plans by the PBGC, (B) for the appointment by the appropriate United States District Court of a trustee to administer such Plan or

Plans or (C) for the imposition of a lien in favor of a Plan and (ii) as a result thereof an Event of Default exists hereunder; or a trustee shall be appointed by a United States District Court to administer any such Plan or Plans; or the PBGC shall institute proceedings to terminate any Plan or Plans;

(k) an "Event of Default" shall have occurred as defined under the 364-Day Credit Agreement;

(l) the Guarantor's guarantee hereunder shall become ineffective for any reason or the Guarantor shall deny its obligations as a guarantor hereunder in writing; or

(m) there shall have occurred a Change in Control;

then, and in every such event (other than an event with respect to a Borrower described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent, with the consent of Required Lenders, may, or at the request of the Required Lenders, shall, by notice to the Borrowers, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrowers accrued hereunder and under any other Loan Document, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrowers, anything contained herein or in any other Loan Document to the contrary notwithstanding; and in any event with respect to a Borrower described in paragraph (g) or (h) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrowers accrued hereunder and under any other Loan Document, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrowers, anything contained herein or in any other Loan Document to the contrary notwithstanding.

## ARTICLE VIII. THE ADMINISTRATIVE AGENT

In order to expedite the transactions contemplated by this Agreement, The Chase Manhattan Bank is hereby appointed to act as Administrative Agent on behalf of the Lenders. Each of the Lenders hereby irrevocably authorizes the Administrative Agent to take such actions on behalf of such Lender or holder and to exercise such powers as are specifically delegated to the Administrative Agent by the terms and provisions hereof and of the other Loan Documents, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Lenders, without hereby limiting any implied authority, (a) to receive on behalf of the Lenders all payments of principal of and interest on the Loans and all other amounts due to the Lenders hereunder, and promptly to distribute to each Lender its proper share of each payment so received; (b) as provided in Article VII, to give notice on behalf of each of the Lenders to the Borrowers of any Event of Default specified in this Agreement of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender copies of all notices, financial statements and other materials delivered by any Borrower pursuant to this Agreement as received by the Administrative Agent.

The Administrative Agent is hereby authorized to designate one of its affiliates (the "Agent Designee") to perform the functions of the Administrative Agent with respect to Alternative Currency Borrowings. The Administrative Agent shall designate the Agent Designee by notice to the Company and the Lenders (and may from time to time replace the Agent Designee with any of its affiliates by notice to the Company and the Lenders). Upon and after any such designation, (i) copies of all Borrowing Requests, Competitive Bid Requests, Competitive Bids and all other notices required to be delivered hereunder with respect to Alternative Currency Borrowings shall be delivered to both the Administrative Agent and the Agent Designee and (ii) all references hereunder to the "Administrative Agent" and "Administrative Agent in London" in the context of Alternative Currency Borrowings shall be construed as including references to the Agent Designee. The Administrative Agent hereby designates Chase Manhattan International Limited as the initial Agent Designee.

Neither the Administrative Agent nor any of its directors, officers, employees or agents shall be liable as

such for any action taken or omitted by any of them except for its or his own gross negligence or wilful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrowers of any of the terms, conditions, covenants or agreements contained in any Loan Document. The Administrative Agent shall not be responsible to the Lenders for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement, or any other Loan Documents or other instruments or agreements. The Administrative Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Lenders. The Administrative Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall have any responsibility to the Borrowers on account of the failure of or delay in performance or breach by any Lender of any of its obligations hereunder or to any Lender on account of the failure of or delay in performance or breach by any other Lender or the Borrowers of any of their respective obligations hereunder or under any other Loan Document or in connection herewith or therewith. The Administrative Agent may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Lenders and the Company. Upon any such resignation, the

Required Lenders shall have the right to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, having a combined capital and surplus of at least \$500,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

With respect to the Loans made by it hereunder, the Administrative Agent in its individual capacity and not as Administrative Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not the Administrative Agent, and the Administrative Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrowers or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent.

Each Lender agrees (i) to reimburse the Administrative Agent, on demand, in the amount of its pro rata share (based on its Commitment hereunder) of any expenses incurred for the benefit of the Lenders by the Administrative Agent, including counsel fees and compensation of agents and employees paid for services rendered on behalf of the Lenders, which shall not have been reimbursed by the Borrowers and (ii) to indemnify and hold harmless the Administrative Agent and any of its directors, officers, employees or agents, on demand, in the amount of such pro rata share, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against it in its capacity as the Administrative Agent or any of them in any way relating to

or arising out of this Agreement or any other Loan Document or any action taken or omitted by it or any of them under this Agreement or any other Loan Document, to the extent the same shall not have been reimbursed by the Borrowers; provided that no Lender shall be liable to the Administrative Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or wilful misconduct of the Administrative Agent or any of its directors, officers, employees or agents.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any other Loan Document, any related agreement or any document furnished hereunder or thereunder.



## ARTICLE IX. GUARANTEE

Section 9.01. Guarantee. The Guarantor hereby guarantees to each Lender and the Administrative Agent and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration, by optional prepayment or otherwise) of the principal of and interest on the Loans made by the Lenders to any Approved Borrower and all other amounts from time to time owing to the Lenders or the Administrative Agent by any Approved Borrower under this Agreement or pursuant to its Designation Letter, strictly in accordance with the terms thereof (such obligations being herein collectively called the "Guaranteed Obligations"). The Guarantor hereby further agrees that if any Approved Borrower shall fail to pay in full when due (whether at stated maturity, by acceleration, by optional prepayment or otherwise) any of the Guaranteed Obligations, the Guarantor will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

Section 9.02. Obligations Unconditional. The obligations of the Guarantor under Section 9.01 hereof are absolute and unconditional irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of any Approved Borrower under this Agreement or any other agreement or instrument referred to herein or therein (including, without limitation, any Designation Letter), or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 9.02 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not affect the liability of the Guarantor hereunder:

(i) at any time or from time to time, without notice to the Guarantor, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions of this Agreement or any other agreement or instrument referred to herein or therein shall be done or omitted; or

(iii) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under this Agreement or any other agreement or instrument referred to herein or therein shall be waived or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with.

The Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Administrative Agent or any Lender exhaust any right, power or remedy or proceed against any Approved Borrower under this Agreement or any other agreement or instrument referred to herein or therein, or against any other person under any other

guarantee of, or security for, any of the Guaranteed Obligations.

Section 9.03. Reinstatement. The obligations of the Guarantor under this Article IX shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Approved Borrower in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise and the Guarantor agrees that it will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, fees of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration.

Section 9.04. Subrogation. The Guarantor hereby irrevocably waives all rights of subrogation or contribution, whether arising by operation of law (including, without limitation, any such right arising under Title 11 of the United States Code) or otherwise, by reason of any payment by it pursuant to the provisions of this Article IX and further agrees that for the benefit of each of its creditors (including, without limitation, each Lender and the Administrative Agent) that any such payment by it of the Guaranteed Obligations of any Approved Borrower shall constitute a contribution of capital by the Guarantor to such Approved Borrower.

Section 9.05. Remedies. The Guarantor agrees that, as between the Guarantor and the Lenders, the obligations of any Approved Borrower under this Agreement may be declared to be forthwith due and payable as provided in Article VII hereof (and shall be deemed to have become automatically due and payable in the circumstances provided in said Article VII) for purposes of Section 9.01 hereof notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against any Approved Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by such Approved Borrower) shall forthwith become due and payable by the Guarantor for purposes of such Section 9.01.

Section 9.06. Continuing Guarantee. The guarantee in this Article IX is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

ARTICLE X. MISCELLANEOUS

Section 10.01. Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Company, to it at P.O. Box 8888, Camp Hill, Pennsylvania 17001-8888, Attention of Salvatore D. Fazzolari (Telecopy No. 717-763-6402);

(b) if to an Approved Borrower, to it at its address as set forth in its Designation Letter;

(c) if to the Administrative Agent, to The Chase Manhattan Bank, One Chase Manhattan Plaza, New York, New York 10081, Attention of Anne Bowles (Telecopy No. 212-552-7500), with copies to The Chase Manhattan Bank, 270 Park Avenue, New York, New York 10017, Attention of Robert Sacks (Telecopy No. 212-270-5120) and, with respect to any Alternative Currency Borrowing, to Chase Manhattan International Limited, 9 Thomas More St., Attention of Steve Clark (Telecopy No. +44-20-7777-2360) or to any other Agent Designee as directed by the Administrative Agent; and

(d) if to a Lender, to it at its address (or telecopy number) set forth in Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy, or on the date five Business days after dispatch by certified or registered mail, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 10.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 10.01.

Section 10.02. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrowers herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement or any other Loan Document is outstanding and unpaid and so long as the Commitments have not been terminated.

Section 10.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Company and the Administrative Agent and when the Administrative Agent shall have received copies hereof which, when taken together, bear the signatures of each Lender, and thereafter shall be binding upon and inure to the benefit of the Borrowers, the Administrative Agent and each Lender and their respective successors and assigns, except that the Borrowers shall not have the right to assign rights hereunder or any interest herein without the prior consent of all the Lenders.

Section 10.04. Successors and Assigns. (a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrowers, the Administrative Agent or the Lenders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided, however, that (i) except in the case of an assignment to a Lender or an Affiliate of such Lender, the Company and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld and in the case of the Company, shall not be required during the continuation of an Event of Default), (ii) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Lender's rights and obligations under this Agreement, (iii) the amount of the Commitment of the assigning Lender subject to

each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 (or, if smaller, such Lender's remaining Commitment) and the amount of the Commitment of such Lender remaining after such assignment shall not be less than \$5,000,000 or shall be zero, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, and a processing and recordation fee of \$3,500 and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to paragraph (e) of this Section 10.04, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto (but shall continue to be entitled to the benefits of Sections 2.13, 2.15, 2.19 and 10.05, as well as to any Fees accrued for its account hereunder and not yet paid)). Notwithstanding the foregoing, any Lender assigning its rights and obligations under this Agreement may retain any Competitive Loans made by it outstanding at such time, and in such case shall retain its rights hereunder in respect of any Loans so retained until such Loans have been repaid in full in accordance with this Agreement.

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Commitment, if any, and the outstanding balances of its Standby Loans and Competitive Loans, if any, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (ii) except as set forth in (i) above, such

assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto or the financial condition of the Company or any Subsidiary or the performance or observance by any Borrower of any of its obligations under this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.04 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender 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; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive in the absence of manifest error and the Borrower, the Administrative Agent and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above and, if required, the written consent of the Company and the Administrative Agent to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Lenders.

(f) Upon giving written notice to the Company, each Lender may without the consent of the Company or the Administrative Agent sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Sections 2.13, 2.15 and 2.19 to the same extent as if they were Lenders and (iv) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrowers relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing any fees payable hereunder or the amount of principal or the rate at which interest is payable on the Loans, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans or changing or extending the Commitments).

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrowers furnished to such Lender by or on behalf of the Borrowers; provided that, prior to any such disclosure of information designated by



the Company as confidential, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information. It is understood that confidential information relating to the Borrowers would not ordinarily be provided in connection with assignments or participations of Competitive Loans.

(h) Any Lender may at any time assign all or any portion of its rights under this Agreement to a Federal Reserve Bank; provided that no such assignment shall release a Lender from any of its obligations hereunder. In order to facilitate such an assignment to a Federal Reserve Bank, the applicable Borrower shall, at the request of the assigning Lender, duly execute and deliver to the assigning Lender a promissory note or notes evidencing the Loans made to such Borrower by the assigning Lender hereunder.

(i) The Borrowers shall not assign or delegate any of their rights or duties hereunder, except as permitted by Section 6.03.

Section 10.05. Expenses; Indemnity. (a) Each Borrower agrees to pay all out-of-pocket expenses incurred by the Administrative Agent in connection with the preparation of this Agreement and the other Loan Documents or in connection with any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions hereby contemplated shall be consummated) or incurred by the Administrative Agent or any Lender in connection with the enforcement or protection of their rights in connection with this Agreement and the other Loan Documents or in connection with the Loans made hereunder, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent, and, in connection with any such amendment, modification or waiver or any such enforcement or protection, the reasonable fees, charges and disbursements of any other counsel for the Administrative Agent or any Lender. Each Borrower further agrees that it shall indemnify the Lenders from and hold them harmless against any documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of this Agreement or any of the other Loan Documents.

(b) Each Borrower agrees to indemnify the Administrative Agent, each Lender and each of their

respective directors, officers, employees and agents (each such person being called an "Indemnatee") against, and to hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnatee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the transactions contemplated thereby, (ii) the actual or proposed use of the proceeds of the Loans, (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnatee is a party thereto or (iv) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Borrower or its Subsidiaries, or any Environmental Liability related in any way to the Borrower or its subsidiaries; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnatee.

(c) The provisions of this Section 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Administrative Agent or any Lender. All amounts due under this Section 10.05 shall be payable on written demand therefor.

Section 10.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Borrower against any of and all the obligations of such Borrower now or hereafter existing under this Agreement and other Loan Documents held by such Lender,

irrespective of whether or not such Lender shall have made any demand under this Agreement or such other Loan Document and although such obligations may be unmaturred. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

Section 10.07. Applicable Law. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

Section 10.08. Waivers; Amendment. (a) No failure or delay of the Administrative Agent or any Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies which they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Borrower in any case shall entitle such Borrower to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Company and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan, without the prior written consent of each Lender affected thereby, (ii) change or extend the Commitment or decrease the Utilization Fees or Facility Fees of any Lender without the prior written consent of such Lender, or (iii) amend or modify the provisions of Section 2.16, the provisions of Article IX,

the provisions of this Section or the definition of "Required Lenders", without the prior written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

Section 10.09. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the applicable interest rate, together with all fees and charges which are treated as interest under applicable law (collectively the "Charges"), as provided for herein or in any other document executed in connection herewith, or otherwise contracted for, charged, received, taken or reserved by any Lender, shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by such Lender in accordance with applicable law, the rate of interest payable on the Loan of such Lender, together with all Charges payable to such Lender, shall be limited to the Maximum Rate.

Section 10.10. Entire Agreement. This Agreement and the other Loan Documents constitute the entire contract between the parties relative to the subject matter hereof. Any previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement and the other Loan Documents. Nothing in this Agreement or in the other Loan Documents, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Loan Documents.

Section 10.11. Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with this Agreement or any of the other Loan Documents. Each party hereto (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties hereto have been induced to enter into this Agreement and the other Loan Documents, as applicable, by, among other things, the mutual waivers and certifications in this Section 10.11.

Section 10.12. Severability. In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 10.13. Judgment Currency. (a) The Borrowers' obligations hereunder and under the other Loan Documents to make payments in Dollars or in any Alternative Currency (the "Obligation Currency") shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than the Obligation Currency, except to the extent that such tender or recovery results in the effective receipt by the Administrative Agent or a Lender of the full amount of the Obligation Currency expressed to be payable to the Administrative Agent or such Lender under this Agreement or the other Loan Documents. If, for the purpose of obtaining or enforcing judgment against any Borrower or in any court or in any jurisdiction, it becomes necessary to convert into or from any currency other than the Obligation Currency (such other currency being hereinafter referred to as the "Judgment Currency") an amount due in the Obligation Currency, the conversion shall be made at the Alternative Currency Equivalent or Dollar Equivalent, in the case of any Alternative Currency or Dollars, and, in the case of other currencies, the rate of exchange (as quoted by the Administrative Agent or if the Administrative Agent does not quote a rate of exchange on such currency, by a known dealer in such currency designated by the Administrative Agent) determined, in each case, as of the date immediately preceding the day on which the judgment is given (such Business Day being hereinafter referred to as the "Judgment Currency Conversion Date").

(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due, the Borrower covenants and agrees to pay, or cause to be paid, as a separate obligation and notwithstanding any judgment, such additional amounts, if any (but in any event not a lesser amount), as may be necessary to ensure that the amount paid

in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange prevailing on the Judgment Currency Conversion Date.

(c) For purposes of determining the Alternative Currency Equivalent or Dollar Equivalent or rate of exchange for this Section, such amounts shall include any premium and costs payable in connection with the purchase of the Obligation Currency.

Section 10.14. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract, and shall become effective as provided in Section 10.03.

Section 10.15. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

Section 10.16. Jurisdiction; Consent to Service of Process.

(a) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against any Borrower or its properties in the courts of any jurisdiction.

(b) Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the date first above written.

HARSCO CORPORATION,

by /s/ Salvatore D. Fazzolari

-----  
Name: Salvatore D. Fazzolari  
Title: Sr. V.P., CFO, &  
Treasurer

THE CHASE MANHATTAN BANK,  
individually and as Administrative  
Agent,

by /s/ Robert Anastasio

-----  
Name: Robert Anastasio  
Title: Vice President



ALLFIRST BANK,

by /s/ Jennifer L. Uricheck  
-----  
Name: Jennifer L. Uricheck  
Title: Assistant Vice  
President

PNC BANK, NATIONAL ASSOCIATION,

by /s/ Thomas J. Fowlston  
-----  
Name: Thomas J. Fowlston  
Title: Vice President

BANCA DI ROMA, S.P.A.,

by /s/ Steven Paley  
-----  
Name: Steven Paley  
Title: First Vice President

by /s/ Alessandro Paoli  
-----  
Name: Alessandro Paoli  
Title: Assistant Treasurer

THE FUJI BANK, LIMITED,

by /s/ Raymond Ventura  
-----  
Name: Raymond Ventura  
Title: Vice President &  
Manager

FIRST UNION NATIONAL BANK,

by /s/ Charles H. Dietrich  
-----  
Name: Charles H. Dietrich  
Title: Senior Vice President

CITIBANK, N.A.,

by /s/ Prakash M. Chonkar  
-----  
Name: Prakash M. Chonkar  
Title: Managing Director

BANK ONE, NA (MAIN OFFICE CHICAGO),

by /s/ Andrea S. Kantor  
-----  
Name: Andrea S. Kantor  
Title: First Vice President

SVENSKA HANDELSBANKEN,

by /s/ Jonas Daun  
-----  
Name: Jonas Daun  
Title: Senior Vice President

by /s/ Henrik Jensen  
-----  
Name: Henrick Jensen  
Title: Vice President

SUNTRUST BANK,

by /s/ W. David Wisdom  
-----  
Name: W. David Wisdom  
Title: Vice President

BBL INTERNATIONAL (UK) LIMITED,

by /s/ M-C Swinnen  
-----  
Name: M-C Swinnen  
Title: Authorized Signatory

by /s/ Edgar Lorch  
-----  
Name: Edgar Lorch  
Title: Authorized Signatory

THE BANK OF NOVA SCOTIA,

by /s/ Philip N. Adsetts  
-----  
Name: Philip N. Adsetts  
Title: Director

NATIONAL WESTMINSTER BANK, PLC,

by /s/ Tony Testa  
-----  
Name: Tony Testa  
Title: Corporate Manager

## HARSCO CORPORATION

## Computation of Ratios of Earnings to Fixed Charges

(In Thousands of Dollars)

|  | Nine<br>Months Ended |                   | YEARS ENDED DECEMBER 31 |                   |                   |                   |
|--|----------------------|-------------------|-------------------------|-------------------|-------------------|-------------------|
|  | 9/30/00              | 1999              | 1998                    | 1997              | 1996              | 1995              |
| Pre-tax income from continuing operations (net of minority interest in net income) | \$ 107,241           | \$ 142,312        | \$ 174,874              | \$ 165,613        | \$ 145,984        | \$ 107,073        |
| Add fixed charges computed below   | 42,016               | 37,418            | 28,417                  | 24,263            | 26,181            | 33,121            |
| Net adjustments for equity companies   | 1,722                | 365               | 139                     | (694)             | (181)             | (466)             |
| Net adjustments for capitalized interest   | 90                   | (535)             | (10)                    | --                | --                | --                |
| Consolidated Earnings Available for Fixed Charges                                  | <u>\$ 151,069</u>    | <u>\$ 179,560</u> | <u>\$ 203,420</u>       | <u>\$ 189,182</u> | <u>\$ 171,984</u> | <u>\$ 139,728</u> |
| Consolidated Fixed Charges:  |                      |                   |                         |                   |                   |                   |
| Interest expense per financial statements (1)                                      | \$ 32,870            | \$ 26,968         | \$ 20,504               | \$ 16,741         | \$ 21,483         | \$ 28,921         |
| Interest expense capitalized   | 5                    | 893               | 128                     | 128               | 131               | 134               |
| Portion of rentals (1/3) representing an interest factor                           | 9,141                | 9,557             | 7,785                   | 7,394             | 4,567             | 4,066             |
| Interest expense for equity companies whose debt is guaranteed (2)                 | --                   | --                | --                      | --                | --                | --                |
| Consolidated Fixed Charges   | <u>\$ 42,016</u>     | <u>\$ 37,418</u>  | <u>\$ 28,417</u>        | <u>\$ 24,263</u>  | <u>\$ 26,181</u>  | <u>\$ 33,121</u>  |
| Consolidated Ratio of Earnings to Fixed Charges                                    | <u>3.60</u>          | <u>4.80</u>       | <u>7.16</u>             | <u>7.80</u>       | <u>6.57</u>       | <u>4.22</u>       |

(1) Includes amortization of debt discount and expense.

(2) No fixed charges were associated with debt of less than fifty percent owned companies guaranteed by the Company during the five year period 1995 through 1999, and the nine month period ending September 30, 2000.

5  
1,000

9-MOS  
DEC-31-2000  
SEP-30-2000  
87,907  
0  
424,059  
(27,509)  
233,990  
811,082  
1,727,310  
854,100  
2,245,651  
564,379  
824,755  
0  
0  
82,885  
571,189  
2,245,651  
1,438,984  
1,439,827  
1,099,598  
1,299,404  
0  
132  
32,870  
110,594  
36,496  
70,745  
0  
0  
0  
70,745  
1.77  
1.77