

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended ...November 1, 1998...

OR

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

For the transition period from..... to

Commission file number...0-15451...

...PHOTRONICS, INC....

(Exact name of registrant as specified in its charter)

...Connecticut...

(State or other jurisdiction of
incorporation or organization)

...06-0854886...

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

...1061 East Indiantown Road, Jupiter, Florida...

(Address of principal executive offices)

..33477..

(Zip Code)

...(561) 745-1222...

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
---------------------	--

_____ None _____

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

.....Common Stock, \$0.01 par value per share.....
(Title of Class)

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

Yes ..X.. No

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

As of December 31, 1998, 23,944,075 shares of the registrant's Common
Stock were outstanding. The aggregate market value of registrant's voting
stock held by non-affiliates of the registrant as of December 31, 1998 was
approximately \$497,417,000.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for the 1999
Annual Meeting of Shareholders
to be held on March 23, 1999.

Incorporated into Part
III of this Form 10-K.

PART I

ITEM 1. BUSINESS

General

Photronics, Inc. (the "Company") is a leading manufacturer of

photomasks, which are high precision photographic quartz plates containing microscopic images of electronic circuits. Photomasks are a key element in the manufacture of semiconductors and are used as masters to transfer circuit patterns onto semiconductor wafers during the fabrication of integrated circuits and, to a lesser extent, other types of electrical components.

During fiscal 1998, the Company continued to invest in its global manufacturing network and enhance its technological and manufacturing capabilities. In the United States, the Company's new Austin, Texas facility became operational in early 1998. In addition, on December 31, 1997 the Company acquired the internal photomask manufacturing operations of Motorola, Inc. ("Motorola") in Mesa, Arizona. The assets acquired include modern manufacturing systems capable of supporting a wide range of photomask technologies. Additionally, the Company entered into a supply agreement whereby it will supply the photomask requirements previously provided by the acquired operation. The Company continues to operate the facility in place.

During the year, the Company also re-organized its Silicon Valley operations and consolidated its Colorado Springs operations (other than its large area mask operations) into its other North American facilities. The large area mask operations were not significant to the Company and are being continued in place pending divestiture. Further, due to market conditions, the Company delayed the commencement of construction of its proposed Hillsboro, Oregon facility.

In addition to its other efforts during fiscal 1998, the Company increased its research and development activities and continued to invest in advanced manufacturing equipment to allow it to meet future technological and volume demands.

The Company believes that its efforts have established it as a leading independent photomask manufacturer on a global basis and provides it with the facilities and expertise to continue to expand its sales base.

The Company, through its wholly-owned subsidiary Beta Squared, Inc. ("Beta Squared"), sells and services wafer plasma etching systems and engages in the sale of refurbished semiconductor manufacturing equipment, engineering services and replacement parts, and field service for such equipment on a third-party basis.

The Company is a Connecticut corporation, organized in 1969. Its principal executive offices are located at 1061 East Indiantown Road, Jupiter, Florida, telephone (561) 745-1222.

Manufacturing Technology

The Company manufactures photomasks, which are primarily used as masters to transfer circuit patterns onto semiconductor wafers. The Company's photomasks are manufactured in accordance with circuit designs provided on a confidential basis by its customers. The typical manufacturing process for one of the Company's photomasks involves receipt and conversion of circuit design data to manufacturing pattern data. This manufacturing data is then used to control the lithography system that exposes the circuit pattern onto the photomask blank. The exposed areas are dissolved and etched to produce that pattern on the photomask. The photomask is inspected for defects and conformity to the customer design data, any defects are repaired, any required pellicles (or protective membranes) are applied and, after final cleaning, the photomask is shipped to the customer.

The Company currently supports customers across the full spectrum of integrated circuit production technologies by manufacturing photomasks using electron beam or laser-based technologies and, to a significantly lesser degree, optical-based technologies. Laser-based or electron beam systems are the predominant technologies used for photomask manufacturing. Such technologies are capable of producing the finer line resolution, lighter overlay and larger die size for the larger and more complex circuits currently being designed. Laser and electron beam generated photomasks can be used with the most advanced processing techniques to produce VLSI (very large scale integrated circuit) devices. The Company currently owns a number of laser writing systems and electron beam systems and has committed to purchase additional advanced systems in order to maintain technological leadership. Compared to laser or electron beam generated photomasks, the production of photomasks by the optical method is less expensive, but also less precise. The optical method traditionally is used on less complex and lower priced photomasks.

The first several levels of photomasks sometimes are required to be delivered by the Company within 24 hours from the time it receives a customer's design. The ability to manufacture high quality photomasks within short time periods is dependent upon efficient manufacturing methods, high yields and high equipment reliability. The Company believes that it meets these requirements and has made significant investments in manufacturing and data processing systems and statistical process control methods to optimize the manufacturing process and reduce cycle times.

Quality control is an integral part of the photomask manufacturing process. Photomasks are manufactured in temperature, humidity and particulate controlled clean rooms because of the high level of precision, quality and yields required. Each photomask is inspected several times during the manufacturing process to ensure compliance with customer specifications. The Company has made a substantial investment in equipment to inspect and repair photomasks and to ensure that customer specifications are met. After inspection and any necessary repair, the Company utilizes technological processes to clean the photomasks prior to shipment.

Sales and Marketing

The market for photomasks primarily consists of semiconductor manufacturers and designers, both domestic and international, including manufacturers that have the capability to manufacture photomasks. Generally, the Company and each of its customers engage in a qualification and correlation process before the Company becomes an approved supplier. Thereafter, the Company typically negotiates pricing parameters for a customer's orders based on the customer's specifications in order to expedite the placement of individual purchase orders. Some of these prices may remain in effect for an extended period. The Company also negotiates prices, and occasionally enters into purchase arrangements, based on the understanding that, so long as the Company's performance is competitive, the Company will receive a specified percentage of that customer's photomask requirements.

The Company conducts its sales and marketing activities through a staff of full-time sales personnel and customer service representatives who work closely with the Company's general management and technical personnel. In addition to the sales personnel at the Company's manufacturing facilities in Brookfield, Connecticut; Milpitas and Sunnyvale, California; Allen and Austin, Texas; Dresden, Germany; Manchester, United Kingdom; Neuchatel, Switzerland; and Singapore, the Company has sales offices in Carlsbad and Pasadena, California; Colorado Springs, Colorado; Raleigh, North Carolina; Hillsboro, Oregon; Lancaster, United Kingdom; and Taiwan.

The Company supports international customers through both its domestic and foreign facilities. The Company also has sub-contract manufacturing arrangements in Taiwan and Korea. The Company considers its presence in international markets important to attracting new customers, providing global solutions to its existing customers and serving customers that utilize manufacturing foundries outside of the United States, principally in Asia. For a statement of the amount of net sales, operating income or loss, and identifiable assets attributable to each of the Company's geographic areas of operations, see Note 12 of Notes to the Consolidated Financial Statements.

Equipment Sales and Services

In addition to the manufacture of photomasks, the Company, through its wholly-owned subsidiary, Beta Squared, manufactures, sells and services a wafer plasma etching system used in the processing of semiconductor wafers. The original system was developed by Texas Instruments which licensed to Beta Squared the right to manufacture and sell the system. Beta Squared also sells refurbished semiconductor manufacturing equipment, engineering services and replacement parts and field service for such equipment on a third-party basis. Such activities represented approximately 2% of the Company's net sales during fiscal 1998.

Customers

The Company primarily sells its products to leading semiconductor manufacturers. The Company's largest customers during fiscal 1998 included the following:

Analog Devices, Inc.	National Semiconductor Corporation
Atmel Corporation	Orbit Semiconductor Inc.
Chartered Semiconductor Manufacturing, Ltd.	Philips Electronics NV
Cirrus Logic, Inc.	Mitel Corporation
Cypress Semiconductor Corporation	Raytheon Co.
Intel Corporation	Rockwell International Corporation
Integrated Device Technology, Inc.	ST Microelectronics
LSI Logic Corp.	Symbios Logic, Inc.
Lucent Technologies, Inc.	Texas Instruments Incorporated
Motorola, Inc.	VLSI Technology, Inc.

The Company has continually expanded its customer base and, during fiscal 1998, sold its products and services to approximately 400 customers. During fiscal 1998, no single customer other than Texas Instruments accounted for more than 10% of the Company's net sales. The Company's five largest customers, in the aggregate, accounted for approximately 43% of net sales in fiscal 1998. A significant decrease in the amount of sales to any of these customers could have a material adverse effect on the Company.

Research and Development

The Company conducts ongoing research and development programs intended to maintain the Company's leadership in technology and manufacturing efficiency. Since fiscal 1994, the Company has increased its investment in research and development activities and current efforts include deep ultraviolet, phase-shift and optical proximity correction photomasks for advanced semiconductor manufacturing as well as photomasks for next generation "post-optical" manufacturing technologies. Phase-shift and optical proximity correction photomasks use advanced lithography techniques for enhanced resolutions of images on a semiconductor wafer. Next generation "Post-optical" manufacturing technologies use an exposure source other than light (such as an x-ray or electron beam source) for wafer patterning and are designed for the manufacture of integrated circuits with critical dimensions below that believed possible with currently utilized optical exposure methods. Post-optical manufacturing technologies are still under development and have not yet been adopted as standard production methods. The Company incurred expenses of \$8.5 million, \$10.6 million and \$12.9 million for research and development in fiscal 1996, 1997 and 1998, respectively. While the Company believes that it possesses valuable proprietary information and has received licenses under certain patents, the Company does not believe that patents are a material factor in the photomask manufacturing business and it holds only one patent.

Materials and Supplies

Raw materials utilized by the Company generally include high precision quartz plates, which are used as photomask blanks, primarily obtained from Japanese suppliers (including Toppan Printing Co., Ltd. ["Toppan"] and Hoya Corporation ["Hoya"]), pellicles (which are protective

transparent cellulose membranes) and electronic grade chemicals used in the manufacturing process. Such materials are generally available from a number of suppliers and the Company is not dependent on any one supplier for its raw materials. The Company believes that its utilization of a broad range of suppliers enables it to access the most advanced material technology available. The Company has established purchasing arrangements with each of Toppan and Hoya and it is expected that the Company will purchase substantially all of its photomask blanks from Toppan and Hoya so long as their price, quality, delivery and service are competitive.

The Company relies on a limited number of equipment suppliers to develop and supply the equipment used in the photomask manufacturing process. Although the Company has been able to obtain equipment on a timely basis, the inability to obtain equipment when required could adversely affect the Company's business and results of operations. The Company also relies on these suppliers to develop future generations of manufacturing systems to support the Company's requirements.

Backlog

The first several levels of photomasks for a circuit sometimes are required to be shipped within 24 hours of receiving a customer's design. Because of the short period between order and shipment dates (typically from one day to two weeks) for the principal portion of the Company's sales, the dollar amount of current backlog is not considered to be a reliable indication of future sales volume.

Competition

The photomask industry is highly competitive and most of the Company's customers utilize more than one photomask supplier. The Company's ability to compete depends primarily upon the consistency of product quality and timeliness of delivery, as well as pricing, technical capability and service. The Company also believes that proximity to customers is an important factor in certain markets. Certain competitors have considerably greater financial and other resources than the Company. The Company believes that it is able to compete effectively because of its dedication to customer service, its investment in state-of-the-art photomask equipment and facilities and its experienced technical employees.

Since the mid-1980s there has been a decrease in the number of independent manufacturers as a result of independents being acquired or discontinuing operations. The Company believes that entry into the market by a new independent manufacturer would require a major investment of capital, a significant period of time to establish a commercially viable operation and additional time to attain meaningful market share and achieve profitability. In the past, competition and relatively flat demand led to pressure to reduce prices which the Company believes contributed to the decrease in the number of independent manufacturers. Although independent photomask manufacturers experienced increased demand since late 1993, recently photomask demand has softened and pricing pressures have re-emerged.

Based upon available market information, the Company believes that it has a larger share of the United States market than any other photomask manufacturer and that it is one of the largest photomask manufacturers in the world. Competitors in the United States include DuPont Photomasks and

Align-Rite International; and in international markets, Dai Nippon Printing, Toppan, Hoya, DuPont, Taiwan Mask Corp., Innova, Precision Semiconductor Mask Corp., Align-Rite and Compugraphics. In addition, some of the Company's customers possess their own captive facilities for manufacturing photomasks and certain semiconductor manufacturers market their photomask manufacturing services to outside customers as well as to their internal organization.

Employees

As of November 1, 1998, the Company employed approximately 1,180 persons on a full-time basis. The Company believes that it offers competitive compensation and other benefits and that its employee relations are good. Except for employees in the United Kingdom, none of the Company's employees is represented by a union.

ITEM 1A. EXECUTIVE OFFICERS OF REGISTRANT

The names of the executive officers of the Company are set forth below, together with the positions held by each person in the Company. All executive officers are elected annually by the Board of Directors and serve until their successors are duly elected and qualified.

NAME AND AGE	POSITION	SERVED AS AN OFFICER SINCE
Constantine S. Macricostas, 63	Chairman of the Board, Member of the Office of the Chief Executive and Director	1974
Michael J. Yomazzo, 56	Vice Chairman, Member of the Office of the Chief Executive and Director	1977
James R. Northup, 38	President and Member of the Office of the Chief Executive	1994
Jeffrey P. Moonan, 42	Executive Vice President - Finance and Administration, Member of the Office of the Chief Executive, General Counsel and Secretary	1988
Brian J. Hambidge, 54	Executive Vice President - Worldwide Operations	1997
Robert J. Bollo, 54	Vice President/Finance and Chief Financial Officer	1994

For the past five years each of the executive officers of the Company held the office shown, except as follows:

Mr. Macricostas served as Chief Executive Officer until August 1997. Mr. Macricostas also serves as a Director of Nutmeg Federal Savings and Loan Association and the DII Group, Inc., a supplier of integrated electronic manufacturing products and services.

Michael J. Yomazzo has been Vice Chairman since January 1, 1999. From August 1997 until January 1999, he served as President and Chief Executive Officer, from January 1994 until August 1997 he served as President and Chief Operating Officer and from November 1990 until January 1994, he served as Executive Vice President and Chief Financial Officer.

James R. Northup has been President since January 1, 1999. From November 1996 until January, 1999, he served as Senior Vice President - North American Operations, from January 1996 to November 1996, he served as Vice President - Operations, and from January 1994 to January 1996, he served as Director of Connecticut Operations.

Jeffrey P. Moonan has been Executive Vice President since January 1, 1999. From January 1994 until January 1999, he served as Senior Vice President. He has also served as General Counsel and Secretary since July 1988. From July 1989 until January 1994, he also served as Vice President/Administration.

Brian J. Hambidge has served as Executive Vice President - Worldwide Operations since April 1998. From April 1997 until April 1998, he served as Vice President - European Operations. For more than three years prior thereto, he served in various executive manufacturing positions with GEC Plessey Semiconductors.

Robert J. Bollo has been Vice President/Finance and Chief Financial Officer since November 1994. From August 1994 to November 1994, he served as Director of Finance. From April 1992 to July 1994, he was a Principal of CFO Associates, Inc., a financial management firm.

ITEM 2. DESCRIPTION OF PROPERTY

The Company's properties include buildings in which the Company currently conducts manufacturing operations or land for future construction of facilities. The following table presents certain information about the Company's manufacturing facilities.

Location	Facility Size (sq.ft.)	Type of Interest
Brookfield, CT (Building #1)	19,600	Owned
Brookfield, CT (Building #2)	20,000	Leased
Milpitas, CA (2 buildings)	49,000	Leased
Sunnyvale, CA (3 buildings)	40,000	Owned
Colorado Springs, CO	27,000	Leased
Allen, TX	60,000	Owned
Austin, TX	50,000	Owned
Manchester, UK	42,000	Owned
Neuchatel, Switzerland	7,000	Leased
Singapore	20,000	Leased
Dresden, Germany	10,000	Leased

Lease terms range from five years with options to renew to up to twenty years for other facilities. In addition, the Company leases office space in Jupiter, Florida; Carlsbad and Pasadena, California; Hillsboro,

Oregon and certain adjacent property in Brookfield, Connecticut. The Company has also obtained property in Brookfield, Connecticut and Hillsboro, Oregon for the construction of additional facilities.

The Company believes it has made adequate arrangements for the lease or ownership of its current manufacturing facilities and continually evaluates opportunities for further expansion, both domestically and internationally.

The leased properties in Brookfield, Connecticut, are leased from entities controlled by Constantine S. Macricostas under fixed lease rates which were determined by reference to fair market value rates at the beginning of the respective lease term. Mr. Macricostas is Chairman of the Board and a Director of the Company.

For the year ended November 1, 1998, the Company leased real property and equipment at an aggregate annual rental of approximately \$4.4 million.

Other than new manufacturing facilities or equipment which have not yet been placed into service and property held for the possible construction of facilities, the Company believes it substantially utilized its facilities during the 1998 fiscal year.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material pending legal proceedings, nor is the property of the Company subject to any such proceedings.

PART II

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

The Common Stock of the Company is traded on the NASDAQ National Market System (NMS) under the symbol PLAB. The table below shows the range of high and low sale prices per share for each quarter for fiscal year 1998 and 1997, as reported on the NASDAQ NMS. All per share prices have been adjusted for a two-for-one stock split for shareholders of record on November 17, 1997.

	High	Low
	-----	-----
Fiscal Year Ended November 1, 1998:		
Quarter Ended February 1, 1998	\$25.75	\$18.00
Quarter Ended May 3, 1998	37.88	23.00
Quarter Ended August 2, 1998	37.13	16.38
Quarter Ended November 1, 1998	22.94	9.50
Fiscal Year Ended November 2, 1997:		
Quarter Ended February 2, 1997	\$20.13	\$11.75
Quarter Ended May 4, 1997	19.25	13.13
Quarter Ended August 3, 1997	28.50	17.31
Quarter Ended November 2, 1997	32.06	16.75

On December 31, 1998, the closing sale price for the Common Stock as reported by NASDAQ was \$23.97. Based on information available to the

Company, the Company believes it has approximately 5,000 beneficial shareholders.

The Company has not paid any cash dividend to date and, for the foreseeable future, anticipates that earnings will continue to be retained for use in its business.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data is derived from the Company's consolidated financial statements. The data should be read in conjunction with the consolidated financial statements and notes thereto and other financial information included elsewhere in this Form 10-K. All share and per share amounts have been adjusted for a two-for-one stock split for shareholders of record on November 17, 1997.

	Years Ended				
	November 1, 1998	November 2, 1997	October 31, 1996	October 31, 1995	October 31, 1994
	(in thousands, except per share amounts)				
OPERATING DATA:					
Net sales	\$222,572	\$197,451	\$160,071	\$125,299	\$ 80,696
Costs and expenses:					
Cost of sales	141,628	121,502	98,267	76,683	51,204
Selling, general and administrative	28,793	24,940	21,079	17,127	10,517
Research and development	12,893	10,605	8,460	7,899	4,738
Non-recurring restructuring charge	3,800	-	-	-	-
Operating income	35,458	40,404	32,265	23,590	14,237
Other income and expense:					
Interest income	2,721	2,424	1,601	1,627	568
Interest expense	(6,143)	(2,466)	(160)	(141)	(75)
Other income, net	1,046	1,074	197	4,766	571
Income before income taxes	33,082	41,436	33,903	29,842	15,301
Provision for income taxes	12,600	15,800	12,900	11,210	4,965*
Net income	\$20,482	\$25,636	\$21,003	\$18,632	\$10,336*
Earnings per share:					
Basic	\$0.84	\$1.07	\$0.89	\$0.87	\$0.53
Diluted	\$0.84	\$1.03	\$0.87	\$0.83	\$0.51*
Weighted average number of common shares outstanding:					
Basic	24,350	23,910	23,496	21,504	19,448
Diluted	28,958	26,628	24,202	22,414	20,124

* Includes cumulative effect of change in accounting for income taxes of \$237, or \$0.01 per share.

	Years Ended				
	November 1, 1998	November 2, 1997	October 31, 1996	October 31, 1995	October 31, 1994
	(in thousands, except per share amounts)				
BALANCE SHEET DATA:					
Working capital	\$ 36,871	\$ 81,398	\$ 21,613	\$ 49,653	\$ 32,329
Property, plant and equipment	253,781	203,813	123,666	72,063	39,205
Total assets	371,549	365,212	211,903	174,218	98,346
Long-term debt	104,261	106,194	1,987	1,809	495
Shareholders' equity	200,430	185,975	156,417	134,045	80,402
Cash dividends declared per share	-	-	-	-	-

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

Results of Operations for the
Years Ended November 1, 1998, November 2, 1997 and October 31, 1996

OVERVIEW

A significant portion of the changes in Photronics, Inc. ("Photronics") results of operations over the course of the three years ended November 1, 1998 are attributable to expansion of the Company's international operations in Europe and Asia. In addition, on December 31, 1997, the Company acquired the internal photomask manufacturing operations of Motorola, Inc. in Mesa, Arizona, and in February 1998, commenced operations in its newly constructed Austin, Texas facility. The Company's growth has also been affected by the rapid technological changes taking place in the semiconductor industry resulting in a greater mix of high-end photomask requirements for more complex integrated circuit designs.

In fiscal 1996, Photronics established its first operations outside of the United States by acquiring operations in Oldham, U.K., and in Neuchatel, Switzerland, opening a new manufacturing facility in Singapore and acquiring a minority interest in an independent photomask manufacturer in Korea. In addition, during fiscal 1997 the Company acquired an independent photomask manufacturer in Dresden, Germany. These facilities, together with the Company's U.S. facilities, comprise a global manufacturing network supporting semiconductor fabricators in the Asian, European and North American markets. As a result of the Company's globalization, revenues from foreign operations have grown to 16.5% in 1998, compared to 11.9% in 1997 and 4.3% in 1996. Management believes that this trend will continue. Individually, none of these acquisitions had a material effect on the result of operations (see Note 6 of Notes to the Consolidated Financial Statements). Substantially all of the Company's consolidated Asian sales have been denominated in U.S. Dollars resulting in minimal foreign currency exchange risk on transactions in that region.

Revenues and costs also have been affected by the increased demand for higher technology photomasks which require more advanced manufacturing capabilities and generally command higher average selling prices. To meet the technological demands of its customers and position the Company for future growth, the Company continues to make substantial investments in high-end manufacturing capability both at existing and new facilities. Since 1996, the Company has constructed four (4) new manufacturing facilities. In addition to the Singapore facility, the Company relocated its Dallas, Texas operation to a new state-of-the-art facility in the fourth quarter of 1996 and relocated its Oldham U.K. operation to a new state-of-the-art facility in the fourth quarter of 1997. During 1997, the Company also completed construction of a new manufacturing facility near Austin, Texas.

A cyclical slow-down currently being experienced by the semiconductor industry began impacting the release of new integrated circuit designs to photomask manufacturers in 1998. As a result, the Company experienced

weakness in photomask demand and accentuated competitive pressures, especially for more mature technologies, during the second half of fiscal 1998. The Company cannot predict the duration of such industry conditions or the impact on its future operating results.

RESULTS OF OPERATIONS

Net Sales:

Net sales for the fiscal year ended November 1, 1998 increased 13% to \$222.6 million, compared with \$197.5 million in the prior year. Sales from Photronics' international manufacturing operations accounted for approximately 55% of the increase. The remaining portion of the growth resulted from the new Mesa and Austin operations and increased volume from the Company's other U.S. operations during the first six months of 1998. These increases were partially offset by pricing pressures and lower volumes in the second half of the year precipitated generally by the cyclical slow-down in the semiconductor industry.

Net sales in fiscal 1997 increased 23% to \$197.5 million, compared to \$160.1 million in the prior year. Sales from Photronics new international manufacturing operations accounted for approximately 40% of the 1997 increase. The remaining portion of the growth resulted from increased shipments to customers from existing facilities due to stronger high-end product demand and the availability of greater advanced manufacturing capability, reflecting the implementation of the Company's capacity expansion program.

Cost of Sales:

Cost of sales for the year ended November 1, 1998 increased 16.6% to \$141.6 million compared with \$121.5 million in fiscal 1997. Gross margins decreased to 36.4% of sales compared to 38.5% in 1997 because of the lower sales in the second half of 1998 and higher fixed costs resulting from the strategic investments in new facilities and capital equipment. Depreciation and amortization increased 60% in 1998 to \$33.4 million from \$20.9 million in 1997. In addition, the Company experienced lower margins in the formerly captive Mesa, Arizona operation that was acquired earlier in the year.

Cost of sales for the year ended November 2, 1997, increased 23.6% to \$121.5 million, compared with \$98.3 million in the prior fiscal year. Gross margins decreased slightly to 38.5% of sales in 1997, compared with 38.6% in 1996. Favorable margins resulting from a higher capacity utilization and a more favorable mix of higher-end products were offset by the cost of the Company's expanded manufacturing base, which was still in the process of ramping-up to higher levels of utilization earlier in the year, and the inclusion of international operations which generated margins below those generally experienced in the Company's domestic operations. In addition, margins were lower at the Company's Beta Squared subsidiary. To allow for increased manufacturing capability, the Company continued to increase its staffing levels and add to its manufacturing systems, resulting in higher labor and equipment-related costs, including depreciation expense.

Selling, General and Administrative Expenses:

Selling, general and administrative expenses increased 15.4% during 1998 to \$28.8 million or 12.9% of sales from \$24.9 million or 12.6% of

sales in 1997 due to higher staffing costs associated with the Company's growth, including the expansion into Austin, Texas and Mesa, Arizona, as well as the full year impact of additions made in 1997, especially in Europe and Asia. Such increases were partially offset by lower incentive compensation expenses in fiscal 1998, and reduction in discretionary spending, especially in the second half of the year in response to the semiconductor industry slow-down.

Selling, general and administrative expenses increased 18.3% to \$24.9 million for the year ended November 2, 1997, compared with \$21.1 million in the prior fiscal year. However, as a percentage of net sales, selling, general and administrative expenses decreased to 12.6% in 1997, compared with 13.2% in 1996. The increases in costs resulted from the addition of the new international operations, as well as increased staffing and other costs associated with the Company's domestic expansion.

Research and Development:

Research and development expense for 1998 increased by 21.6% to \$12.9 million, or 5.8% of sales from \$10.6 million in 1997, or 5.4% of sales in 1997. The increase is the result of the continued work on advanced photomask engineering projects including phase shift, optical proximity correction and deep ultra-violet applications.

Research and development expenses for the year ended November 2, 1997, increased 25.4% to \$10.6 million, compared with \$8.5 million in the prior fiscal year. This increase reflected continued engineering on more complex photomasks, including phase shift, optical proximity correction and deep ultra-violet technologies, as well as on next generation "post optical" technologies. In addition, 1997 R&D expense included Beta Squared's development of PLASMAX, a proprietary "in-situ" dry cleaning process that removes contamination from a silicon wafer during plasma etching. As a percentage of net sales, research and development expenses increased to 5.4% for the year ended November 2, 1997, compared with 5.3% in the prior fiscal year.

Non-Recurring Restructuring Charge:

The Company recorded a non-recurring restructuring charge of \$3.8 million in the second quarter of fiscal 1998 in connection with the optimization of its North American operations. The Company reorganized its two California operations, dedicating its Milpitas facility to the production of high-end technology photomasks and its Sunnyvale facility to the production of mature technology photomasks. In addition, it consolidated its Colorado Springs, Colorado photomask manufacturing operations into its other North American manufacturing facilities. The Company also determined that its Large Area Mask (LAM) Division, which is also located in Colorado Springs, does not represent a long-term strategic fit with its core photomask business, and, accordingly, plans to sell the LAM Division. The major component of the non-recurring charge related to a reduction in the value of equipment. After tax, the charge amounted to \$2.4 million, or \$.08 per share on a diluted basis.

Other Income and Expense:

Interest income in 1998 increased as a result of higher average short-term investment balances. Interest expense increased to \$6.1 million in 1998 from \$2.5 million in 1997, primarily due to the effect of a full year of interest expense on the convertible notes in 1998 compared to only five months of interest expense on the convertible notes, which were issued in fiscal 1997.

Other income and expense decreased \$0.6 million in fiscal 1997, principally as a result of interest expense on borrowings, including interest on the newly issued convertible notes. In addition, 1997 included a \$1.6 million gain from the sale of investment securities.

Minority interest expense and foreign currency transaction gains or losses were not significant in fiscal 1998, 1997 or 1996.

Income Taxes:

The Company provided federal, state and foreign income taxes at a combined effective annual tax rate of 38.1% in 1998 and 1997 as compared to 38.0% in 1996.

Net Income:

Net income for the year ended November 1, 1998 decreased 20.1% to \$20.5 million, or \$0.84 per diluted share, compared with \$25.6 million or \$1.03 per diluted share in the prior year. Fiscal 1998 included a non-recurring after tax charge of \$2.4 million, or \$0.08 per diluted share.

Net income for the year ended November 2, 1997 increased 22.1% to \$25.6 million, or \$1.03 per diluted share, compared with \$21.0 million, or \$0.87 per diluted share, in the prior fiscal year. Net income in 1997 included \$1.0 million, or \$0.04 per share, from the after tax gain on the sale of investment securities.

All share and earnings per share amounts reflect a two-for-one stock split effected in November 1997 (see Note 5 of Notes to the Consolidated Financial Statements).

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash, cash equivalents and short-term investments decreased \$54.7 million during fiscal 1998 to \$31.4 million. The decrease is attributable to the acquisition of Motorola's photomask operations, which was a \$29 million cash transaction, and capital expenditures for facilities and equipment of approximately \$66.5 million. In addition, \$6.8 million of cash was utilized to repurchase 500,000 shares of the Company's common stock in the fourth quarter. The decrease was partially offset by positive cash flows generated by operations of more than \$45.0 million and proceeds from stock option and purchase plans of \$4.0 million.

Accounts receivable decreased 8.8% to \$31.5 million because of generally lower sales in the fourth quarter of 1998 compared to the fourth quarter of 1997. Inventory increased 24.4% to \$14.1 million primarily as a result of the addition of the Austin, Texas and Mesa, Arizona operations, as well as maintaining inventory for anticipated higher sales levels.

Property, plant and equipment increased to \$253.8 million at November 1, 1998, from \$203.8 million at November 2, 1997. Deposits on and purchases of equipment together with equipment and facilities of acquired operations aggregated \$84.3 million during the year ended November 1, 1998. These increases were reduced by depreciation expense totalling \$31.5 million in fiscal 1998. The increase in intangible assets to \$20.1 million at November 1, 1998 from \$8.2 million at November 2, 1997, was primarily due to the Motorola acquisition.

Investments and other assets decreased to \$10.3 million at November 1, 1998 from \$14.2 million at November 2, 1997 due to the sale of certain investments as well as a reduction in the market value of investments available for sale.

Accounts payable and other accrued liabilities decreased at November 1, 1998 to \$41.6 million compared to \$43.6 million as of November 2, 1997. Accrued salaries and wages decreased to \$4.2 million as of November 1, 1998 from \$7.4 million as of November 2, 1997, largely as a result of lower incentive compensation accruals in 1998.

Total amounts due on borrowings of \$106.3 million as of November 1, 1998 and \$106.5 million as of November 2, 1997 consist principally of \$103.5 million of convertible notes.

Deferred income taxes and other liabilities increased to \$16.4 million at November 1, 1998 compared to \$15.5 million at November 2, 1997, largely due to increases in deferred income taxes resulting from the differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes.

The Company's commitments represent on-going investments in additional manufacturing capacity, as well as advanced equipment for research and development of the next generation of higher technology and more complex photomasks. At November 1, 1998 the Company had commitments outstanding for capital expenditures of approximately \$42 million. Additional commitments are expected to be incurred during 1999.

In November 1998, the Company replaced its prior credit line with a five year unsecured revolving credit facility providing for borrowings of up to \$125 million at any time through November, 2003. The Company did not borrow under any of its revolving credit facilities during 1998. The Company believes that its currently available resources, together with its capacity for substantial growth and its accessibility to other debt and equity financing sources, are sufficient to satisfy its cash requirements for the foreseeable future.

EFFECT OF NEW ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board (FASB) issued the Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income", and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." In April, 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities." In June 1998 the FASB issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." Each of these statements establish new standards for financial statement reporting and disclosure of certain information effective for the Company in future fiscal years. The Company does not expect these new standards to have a material impact on its financial position, results of operations or cash flows.

YEAR 2000

The Company has recognized that much of its operating software for its manufacturing and financial systems may not have had the ability to recognize date information when the year changes to 2000, and initiated a program in 1997 to replace such software to ensure, among other things, proper date recognition. To date, the Company has successfully installed the new financial and manufacturing software in certain of its U.S. locations, and is in the process of implementing such systems at the remainder of its sites worldwide. It is expected that both these installations will be completed by the middle of calendar year 1999. In addition, the Company began its review of year 2000 compliance with respect to equipment used in the manufacturing process, and the systems used by its customers and suppliers.

The Company estimates that the total cost for all of its current software replacement efforts, including becoming Year 2000 compliant, will be approximately \$7 million, of which approximately half was incurred during fiscal 1998. The Company believes that, based on its review performed to date, there will not be any significant interruption in its normal operations; however should any of its suppliers or customers not be successful in their efforts, there could be an adverse impact on the Company. The Company is currently in the process of evaluating alternatives in the event that its suppliers and customers are not able to demonstrate within an appropriate timeline that they will be able to successfully address their Year 2000 issues.

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

Except for historical information, the matters discussed above may be considered forward-looking statements and may be subject to certain risks and uncertainties that could cause the actual results to differ materially from those projected, including uncertainties in the market, pricing, competition, procurement and manufacturing efficiencies, and other risks.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENT

	Page
Independent Auditors' Report.....	18
Consolidated Balance Sheet at November 1, 1998 and November 2, 1997.....	19 - 20
Consolidated Statement of Earnings for the years ended November 1, 1998, November 2, 1997 and October 31, 1996.....	21
Consolidated Statement of Shareholders' Equity for the years ended November 1, 1998, November 2, 1997 and October 31, 1996.....	22
Consolidated Statement of Cash Flows for the years ended November 1, 1998, November 2, 1997 and October 31, 1996.....	23
Notes to Consolidated Financial Statements.....	24 - 35

Independent Auditors' Report

Board of Directors and Shareholders
Photronics, Inc.
Jupiter, Florida

We have audited the accompanying consolidated balance sheets of Photronics, Inc. and its subsidiaries as of November 1, 1998 and November 2, 1997, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended November 1, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Photronics, Inc. and its subsidiaries as of November 1, 1998 and November 2, 1997, and the results of their operations and their cash flows for each of the three years in the period ended November 1, 1998 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Hartford, Connecticut
December 9, 1998

PHOTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheet

November 1, 1998 and November 2, 1997

(dollars in thousands)

Assets - - - - -	1998 -----	1997 -----
Current assets:		
Cash and cash equivalents	\$ 23,841	\$ 57,845
Short-term investments	7,532	28,189
Accounts receivable (less allowance for doubtful accounts of \$235 in 1998 and 1997)	31,515	34,563
Inventories	14,057	11,302
Deferred income taxes	5,923	4,764
Other current assets	4,507	2,274
	-----	-----
Total current assets	87,375	138,937
Property, plant and equipment	253,781	203,813
Intangible assets (less accumulated amortization of \$6,009 in 1998 and \$4,048 in 1997)	20,058	8,218
Investments	6,705	10,421
Other assets	3,630	3,823
	-----	-----
	\$371,549	\$365,212
	=====	=====

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheet

November 1, 1998 and November 2, 1997

(dollars in thousands, except per share amounts)

Liabilities and Shareholders' Equity	1998	1997
Current liabilities:		
Current portion of long-term debt	\$ 2,076	\$ 272
Accounts payable	31,431	34,173
Accrued salaries and wages	4,170	7,423
Accrued interest payable	2,674	2,743
Other accrued liabilities	10,153	9,474
Income taxes payable	-	3,454
Total current liabilities	50,504	57,539
Long-term debt	104,261	106,194
Deferred income taxes	11,222	10,508
Other liabilities	5,132	4,996
Total liabilities	171,119	179,237
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 par value, 2,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$.01 par value, 75,000,000 shares authorized, 24,164,106 shares issued and outstanding in 1998; 24,300,970 shares issued and outstanding in 1997	242	243
Additional paid-in capital	82,377	85,129
Retained earnings	120,091	99,609
Unrealized gains on investments	1,167	3,251
Foreign currency translation adjustment	(3,308)	(2,008)
Deferred compensation on restricted stock	(139)	(249)
Total shareholders' equity	200,430	185,975
	\$371,549	\$365,212

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES
Consolidated Statement of Earnings

	Years Ended		
	November 1, 1998	November 2, 1997	October 31, 1996
	(in thousands, except per share amounts)		
Net sales	\$222,572	\$197,451	\$160,071
Costs and expenses:			
Cost of sales	141,628	121,502	98,267
Selling, general and administrative	28,793	24,940	21,079
Research and development	12,893	10,605	8,460
Non-recurring restructuring charge	3,800	-	-
Operating income	35,458	40,404	32,265
Other income and expense:			
Interest income	2,721	2,424	1,601
Interest expense	(6,143)	(2,466)	(160)
Other income, net	1,046	1,074	197
Income before income taxes	33,082	41,436	33,903
Provision for income taxes	12,600	15,800	12,900
Net income	\$ 20,482	\$ 25,636	\$ 21,003
Earnings per share:			
Basic	\$0.84	\$1.07	\$0.89
Diluted	\$0.84	\$1.03	\$0.87
Weighted average number of common shares outstanding:			
Basic	24,350	23,910	23,496
Diluted	28,958	26,628	24,202

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES
Consolidated Statement of Cash Flows

	Years Ended		
	November 1, 1998	November 2, 1997	October 31, 1996
	(in thousands)		
Cash flows from operating activities:			
Net income	\$20,482	\$25,636	\$21,003
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	31,461	19,817	12,120
Amortization of intangible assets	2,529	1,322	1,100
Gain on sale of investments	(838)	(1,562)	-
Deferred income taxes	264	989	1,000
Non-recurring restructuring charges	3,800	-	-
Other	224	98	626
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	2,954	(9,405)	(6,893)
Inventories	(2,374)	(3,157)	(1,228)
Other current assets	(3,318)	(870)	(3,260)
Accounts payable and accrued liabilities	(10,115)	13,677	14,159
Net cash provided by operating activities	45,069	46,545	38,627
Cash flows from investing activities:			
Acquisitions of and investments in photomask operations	(32,455)	(1,065)	(12,397)
Deposits on and purchases of property, plant and equipment	(66,448)	(96,319)	(55,762)
Net change in short-term investments	20,657	(20,271)	8,303
Proceeds from sale of investments	932	1,939	-
Other	2,218	2,151	1,635
Net cash used in investing activities	(75,096)	(113,565)	(58,221)
Cash flows from financing activities:			
Issuance of subordinated convertible notes, net of deferred issuance costs	-	99,697	-
Repayment of long-term debt	(266)	(151)	(36)
Proceeds from issuance of common stock	3,997	6,063	2,752
Purchase and retirement of common stock	(6,750)	-	-
Net cash provided (used) by financing activities	(3,019)	105,609	2,716
Effect of exchange rate changes on cash	(958)	490	-
Net increase (decrease) in cash and cash equivalents	(34,004)	39,079	(16,878)
Cash and cash equivalents at beginning of year	57,845	18,766	35,644
Cash and cash equivalents at end of year	\$23,841	\$57,845	\$18,766

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years ended November 1, 1998, November 2, 1997 and October 31, 1996

(dollars in thousands, except per share amounts)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements include the accounts of Photronics, Inc. and its subsidiaries. All significant intercompany balances and transactions have been eliminated. The Company adopted a 52 week fiscal year beginning in the first quarter of fiscal 1997.

Foreign Currency Translation

The Company's subsidiaries in Europe and Singapore maintain their accounts in their respective local currencies. Assets and liabilities of such subsidiaries are translated to U.S. dollars at year-end exchange rates. Income and expenses are translated at average rates of exchange prevailing during the year. Foreign currency translation adjustments are accumulated in a separate component of shareholders' equity. The effects of changes in exchange rates on foreign currency transactions are included in income.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments purchased with an original maturity of three months or less. The carrying values approximate fair value based on the short maturity of the instruments.

Investments

The Company's debt and equity investments available for sale are carried at fair value. Short-term investments include a diversified portfolio of high quality marketable securities which will be liquidated as needed to meet the Company's current cash requirements. All other investments are classified as non-current assets. Unrealized gains and losses, net of tax, are reported as a separate component of shareholders' equity. Gains and losses are included in income when realized, determined based on the disposition of specifically identified investments.

Inventories

Inventories, principally raw materials, are stated at the lower of cost, determined under the first-in, first-out (FIFO) method, or market.

Long-Lived Assets

Property, plant and equipment are recorded at cost less accumulated depreciation. Repairs and maintenance as well as renewals and replacements of a routine nature are charged to operations as incurred, while those which improve or extend the lives of existing assets are capitalized. Upon sale or other disposition, the cost of the asset and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is reflected in income.

For financial reporting purposes, depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets. For income tax purposes, depreciation is computed using various accelerated methods and, in some cases, different useful lives than those used for financial reporting.

Goodwill and other intangibles are amortized on a straight-line basis over periods estimated to be benefited, generally 5 to 20 years. The future economic benefit of the carrying value of intangible assets is reviewed periodically and any diminution in useful life or impairment in value based on future anticipated cash flows would be recorded in the period so determined.

Income Taxes

The provision for income taxes is computed on the basis of consolidated financial statement income. Deferred income taxes reflect the tax effects of differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes.

Net Income Per Common Share

The Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128") "Earnings Per Share", in the first quarter of 1998. Earnings per share amounts have been restated for all periods presented to conform to the presentation requirements of SFAS 128.

Stock Based Compensation

The Company records stock option awards in accordance with the provisions of Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees". The Company estimates the fair value of stock option awards in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," and discloses the resulting estimated compensation effect on net income on a pro forma basis.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 - INVESTMENTS

Short-term investments consist of:

	November 1, 1998	November 2, 1997
	-----	-----
Government agency securities	\$ 2,268	\$ 4,205
Corporate bonds	3,010	18,178
Certificates of deposit	2,254	5,806
	-----	-----
	\$ 7,532	\$28,189
	=====	=====

The estimated fair value of short-term investments, based upon current yields of like securities, approximates cost, resulting in no significant unrealized gains or losses. Short-term investments at November 1, 1998, mature by their terms, as follows:

Due within one year	\$ 4,878
Due after one year, but within three years	1,654
Due after three years	1,000

	\$ 7,532
	=====

Other investments consist of available-for-sale equity securities of publicly traded technology companies and a minority interest in a photomask manufacturer in Korea. The fair values of available-for-sale investments are based upon quoted market prices. In the absence of quoted market prices, the estimated fair value is based upon the financial condition and the operating results and projections of the investee and is considered to approximate cost. Unrealized gains on investments were determined as follows:

	November 1, 1998	November 2, 1997
	-----	-----
Fair value	\$ 6,705	\$10,421
Cost	4,700	4,767
	-----	-----
Less deferred income taxes	2,005	5,654
	838	2,403
	-----	-----
Net unrealized gains	\$ 1,167	\$ 3,251
	=====	=====

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	November 1, 1998	November 2, 1997
	-----	-----
Land	\$ 3,772	\$ 2,735
Buildings and improvements	45,120	39,115
Machinery and equipment	294,826	220,199
Leasehold improvements	7,378	9,910
Furniture, fixtures and office equipment	6,642	3,754
	-----	-----
	357,738	275,713
Less accumulated depreciation and amortization	103,957	71,900
	-----	-----
Property, plant and equipment	\$253,781	\$203,813
	=====	=====

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following:

	November 1, 1998	November 2, 1997
	-----	-----
6% Convertible Subordinated Notes due June 1, 2004	\$103,500	\$103,500
Acquisition indebtedness payable December 1, 1998, net of interest of \$9 in 1998 and \$122 in 1997, imputed at 7.45%	1,791	1,678
Installment note payable by foreign subsidiary with interest at 4.75% through June, 2001	665	867
Industrial development mortgage note, secured by building, with interest at 6.58%, payable through November 2005	381	421
	-----	-----
	106,337	106,466
Less current portion	2,076	272
	-----	-----
Long-term debt	\$104,261	\$106,194
	=====	=====

Long-term debt matures as follows: 2000 - \$288; 2001 - \$231; 2002 - \$53; 2003 - \$57; years after 2003 - \$103,632. The fair value of long-term debt not yet substantively extinguished is estimated based on the current rates offered to the Company and is not significantly different from carrying value, except that the fair value of the convertible subordinated notes, based upon the most recently reported trade as of November 1, 1998, amounted to \$116.0 million.

On May 29, 1997, the Company sold \$103.5 million of convertible subordinated notes, due in 2004, in a public offering. The notes bear

interest at 6% per annum and are convertible at any time by the holders into 3.7 million shares of the Company's common stock, at a conversion price of \$27.97 per share. The notes are redeemable at the Company's option, in whole or in part, at any time after June 1, 2000 at certain premiums decreasing through the maturity date. Interest is payable semi-annually.

In November, 1998, the Company replaced its prior credit commitments with an unsecured revolving credit facility to provide for borrowings of up to \$125 million at any time through November, 2003. The Company is charged a commitment fee on the average unused amount of the available credit and is subject to compliance with and maintenance of certain financial covenants and ratios. The Company did not have outstanding borrowings under any of its credit facilities during 1998.

Cash paid for interest amounted to \$6,311, \$164 and \$48 in 1998, 1997 and 1996 respectively.

NOTE 5 - EARNINGS PER SHARE

In the first quarter of fiscal 1998, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share", which establishes new standards for the computation and disclosure of earnings per share ("EPS"). The new statement requires dual presentation of "basic" EPS and "diluted" EPS. Basic EPS is based on the weighted average number of common shares outstanding for the period, excluding any dilutive common share equivalents. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted.

A reconciliation of basic and diluted EPS follows (in thousands, except per share amounts):

	Net Income	Average Shares Outstanding	Earnings Per Share
	-----	-----	-----
1998:			
Basic	\$ 20,482	24,350	\$ 0.84
Effect of potential dilution from exercise of stock options and conversion of notes	3,809	4,608	=====
Diluted	\$ 24,291	28,958	\$ 0.84
	=====	=====	=====
1997:			
Basic	\$ 25,636	23,910	\$ 1.07
Effect of potential dilution from exercise of stock options and conversion of notes	1,841	2,718	=====
Diluted	27,477	26,628	\$ 1.03
	=====	=====	=====
1996:			
Basic	\$ 21,003	23,496	\$ 0.89
Effect of potential dilution from exercise of stock options	-	706	=====
Diluted	\$ 21,003	24,202	\$ 0.87
	=====	=====	=====

In September, 1997, the Company's Board of Directors authorized a two-for-one stock split effected in the form of a stock dividend, which was paid to shareholders of record on November 17, 1997. The stock split resulted in the issuance of 12.2 million additional shares of common stock. All applicable share and per share amounts reflect the stock split.

NOTE 6 - ACQUISITIONS

On December 31, 1997, the Company acquired the internal photomask manufacturing operations of Motorola, Inc. ("Motorola") in Mesa, Arizona for \$29 million in cash. The assets acquired include modern manufacturing systems, capable of supporting a wide range of photomask technologies. Additionally, the Company entered into a multi-year supply agreement whereby it will supply the photomask requirements previously provided by Motorola's internal operations. The acquisition was accounted for as a purchase and, accordingly, the acquisition price was allocated to property, plant and equipment as well as certain intangible assets based on relative fair value. The excess of purchase price over the fair value of assets acquired is being amortized over fifteen (15) years. The Consolidated Statement of Earnings includes the results of the former Motorola photomask operations from December 31, 1997, the effective date of the acquisition.

On June 26, 1997, the Company acquired all of the outstanding shares of MZD Maskenzentrum fur Mikrostrukturierung Dresden GmbH (MZD), an independent photomask manufacturer located in Dresden, Germany, for \$3.1 million in cash and common shares of the Company. The acquisition was accounted for as a purchase and, accordingly, the acquisition price was allocated to assets and liabilities based on relative fair value.

In January, 1996, the Company acquired the photomask manufacturing operations and assets of Plessey Semiconductors Limited (Plessey) located in Oldham, United Kingdom, for \$4.9 million in cash. The acquisition was accounted for as a purchase and, accordingly, the acquisition price was allocated to property and equipment based on relative fair value.

In April, 1996, the Company, through a majority-owned subsidiary, acquired the photomask manufacturing operations and assets of the Litomask Division ("Litomask") of Centre Suisse d'Electronique et de Microtechnique S.A. ("CSEM") located in Neuchatel, Switzerland for \$3.4 million in cash. CSEM initially retained the remaining interest in this subsidiary, and in 1998 the Company acquired such interest for additional consideration of \$3.3 million. In connection with the transaction, the Company leased the facilities and retained certain services from CSEM previously utilized by Litomask. The acquisition was accounted for as a purchase and, accordingly, the acquisition price was allocated to property and equipment based on relative fair value. The excess of purchase price over the fair value of assets acquired is being amortized over 15 years.

The results of the acquisitions were not material to the Company for the periods presented.

NOTE 7 - INCOME TAXES

The provision for income taxes consists of the following:

	1998	1997	1996
	-----	-----	-----
Current:			
Federal	\$10,417	\$11,993	\$ 9,905
State	1,610	2,617	1,908
Foreign	309	201	87
	-----	-----	-----
	12,336	14,811	11,900
	-----	-----	-----
Deferred:			
Federal	417	995	918
State	(192)	(6)	82
Foreign	39	-	-
	-----	-----	-----
	264	989	1,000
	-----	-----	-----
	\$12,600	\$15,800	\$12,900
	=====	=====	=====

The provision for income taxes differs from the amount computed by applying the statutory U.S. Federal income tax rate to income before taxes as a result of the following:

	1998	1997	1996
	-----	-----	-----
U.S. Federal income tax at statutory rate	\$11,579	\$14,503	\$11,866
State income taxes, net of Federal benefit	921	1,697	1,294
Tax benefits of tax exempt income	(42)	(35)	(302)
Foreign tax rate differential	(853)	(681)	(291)
Other, net	995	316	333
	-----	-----	-----
	\$12,600	\$15,800	\$12,900
	=====	=====	=====

The Company's net deferred tax liability consists of the following:

	November 1, 1998	November 2, 1997
	-----	-----
Deferred income tax liabilities:		
Property, plant and equipment	\$8,840	\$7,915
Investments	838	2,403
Other	1,544	190
	-----	-----
Total deferred tax liability	11,222	10,508
	-----	-----
Deferred income tax assets:		
Reserves not currently deductible	3,712	2,667
Other	2,211	2,097
	-----	-----
Total deferred tax asset	5,923	4,764
	-----	-----
Net deferred tax liability	\$5,299	\$5,744
	=====	=====

Cash paid for income taxes amounted to \$15.0 million, \$7.2 million and \$13.0 million in 1998, 1997 and 1996 respectively.

NOTE 8 - EMPLOYEE STOCK PURCHASE AND OPTION PLANS

In March 1998, the shareholders approved the adoption of the 1998 Stock Option Plan which includes provisions allowing for the award of qualified and non-qualified stock options and the granting of restricted stock awards. A total of 1.0 million shares of common stock may be issued pursuant to options or restricted stock awards granted under the Plan. Restricted stock awards do not require the payment of any cash consideration by the recipient, but shares subject to an award may be forfeited unless conditions specified in the grant are satisfied.

The Company has adopted a series of other stock option plans under which incentive and non-qualified stock options and restricted stock awards may be granted. All plans provide that the exercise price may not be less than the fair market value of the common stock at the date the options are granted and limit the maximum term of options granted to a maximum of ten years.

The following table summarizes stock option activity under the plans:

	Stock Options	Exercise Prices
	-----	-----
Balance at November 1, 1995	1,959,880	\$ 0.92-13.69
Granted	964,100	10.75-12.50
Exercised	(368,862)	0.92-13.69
Cancelled	(171,592)	3.09-13.69

Balance at October 31, 1996	2,383,526	1.59-13.69
Granted	275,300	14.88-21.97
Exercised	(454,042)	1.59-13.69
Cancelled	(65,006)	3.75-16.38

Balance at November 2, 1997	2,139,778	1.75-21.97
Granted	826,100	11.00-31.44
Exercised	(295,710)	1.75-16.38
Cancelled	(94,877)	6.71-31.44

Balance at November 1, 1998	2,575,291	\$ 1.75-31.44
	=====	

The following table summarizes information concerning currently outstanding and exercisable options:

	Range of Exercise Prices		
	----- \$1.75-\$10.00 -----	----- \$10.00-\$20.00 -----	----- \$20.00-\$31.44 -----
Outstanding:			
Number of options	593,987	1,566,554	414,750
Weighted average remaining years	4.6	8.3	9.1
Weighted average exercise price	\$5.08	\$12.47	\$23.14
Exercisable:			
Number of options	565,532	506,289	52,875
Weighted average exercise price	\$4.87	\$12.80	\$21.61

At November 1, 1998, 586,700 shares were available for grant and 1,124,696 shares were exercisable at a weighted average exercise price of \$9.23.

The Company has not recognized compensation expense in connection with stock option grants under the plans. However, had compensation expense been determined based on the fair value of the options on the grant dates, the Company's pro forma net income and earnings per share for 1998 would have been reduced by approximately \$1.9 million, or \$0.07 per diluted share, for 1997 would have been reduced by approximately \$1.5 million, or \$0.06 per diluted share, and for 1996 would have been reduced by approximately \$0.3 million, or \$0.01 per diluted share. The weighted average fair value of options granted was \$6.55 per share in 1998, \$7.39 per share in 1997 and \$5.05 per share in 1996. Fair value is estimated based on the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0%; expected volatility of 54.4% in 1998, 51.6% in 1997 and 50.8% in 1996; and risk-free interest rates of 4.4% in 1998 and 6.4% in 1997 and 1996.

The Company maintains an Employee Stock Purchase Plan ("Purchase Plan"), under which 600,000 shares of common stock are reserved for issuance. The Purchase Plan enables eligible employees to subscribe, through payroll deductions, to purchase shares of the Company's common stock at a purchase price equal to 85% of the lower of the fair market value on the commencement date of the offering and the last day of the payroll payment period. At November 1, 1998, 315,376 shares had been issued and 51,019 shares were subject to outstanding subscriptions under the Purchase Plan.

NOTE 9 - EMPLOYEE BENEFIT PLANS

The Company maintains a 401(k) Savings and Profit-Sharing Plan (the "Plan") which covers all domestic employees who have completed six months of service and are eighteen years of age or older. Under the terms of the Plan, an employee may contribute up to 15% of their compensation which will be matched by the Company at 50% of the employee's contributions which are not in excess of 4% of the employee's compensation. Employee and employer contributions vest fully upon contribution. Employer contributions amounted to \$0.3 million in 1998

and \$0.5 million in both 1997 and 1996.

The Company maintains a cafeteria plan to provide eligible domestic employees with the option to receive non-taxable medical, dental, disability and life insurance benefits. The cafeteria plan is offered to all active full-time domestic employees and their qualifying dependents. The Company's contribution amounted to \$3.3 million in 1998, \$3.0 million in 1997 and \$1.8 million in 1996.

The Company's foreign subsidiaries maintain benefit plans for their employees which vary by country. The obligations and cost of these plans are not significant to the Company.

NOTE 10 - LEASES

The Company leases various real estate and equipment under non-cancelable operating leases. Rental expense under such leases amounted to \$4.4 million in 1998, \$4.5 million in 1997 and \$5.6 million in 1996. Included in such amounts were \$0.1 million in each year to affiliated entities, which are owned, in part, by a significant shareholder of the Company.

Future minimum lease payments under non-cancelable operating leases with initial or remaining terms in excess of one year amounted to \$5.4 million at November 1, 1998, as follows:

1999.....\$2,934	2002.....\$202
2000.....1,543	2003.....72
2001.....485	Thereafter.....144

Included in such future lease payments are amounts to affiliated entities of \$0.1 million in each year from 1999 to 2003, and \$0.1 million thereafter.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Company and a significant shareholder have jointly guaranteed a loan totaling approximately \$0.5 million as of November 1, 1998, on certain real estate which is being leased by the Company. The Company is subject to certain financial covenants in connection with the guarantee.

As of November 1, 1998, the Company had capital expenditure purchase commitments outstanding of approximately \$42 million.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions, including collectability of accounts receivable, and depreciable lives and recoverability of property, plant, equipment and intangible assets. Actual results may differ from such estimates.

Financial instruments that potentially subject the Company to credit risk consist principally of trade receivables and temporary cash investments. The Company sells its products primarily to manufacturers in the semiconductor and computer industries in North America, Europe and Asia. The Company believes that the concentration of credit risk in its trade receivables is substantially mitigated by the Company's ongoing

credit evaluation process and relatively short collection terms. The Company does not generally require collateral from customers. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. Historically, the Company has not incurred any significant credit related losses.

NOTE 12 - SEGMENT INFORMATION

The Company operates in a single industry segment as a manufacturer of photomasks, which are high precision quartz plates containing microscopic images of electronic circuits for use in the fabrication of semiconductors. In addition to its manufacturing facilities in the United States, the Company has operations in the United Kingdom, Switzerland, Germany and Singapore. The Company's 1998, 1997 and 1996 net sales, operating profit and identifiable assets by geographic area were as follows:

	Net Sales	Operating Income (Loss)	Identifiable Assets
	-----	-----	-----
1998:			
United States	\$185,772	\$32,443	\$285,115
Europe	20,008	(416)	51,326
Asia	16,792	3,431	35,108
	-----	-----	-----
	\$222,572	\$35,458	\$371,549
	=====	=====	=====
1997:			
United States	\$174,043	\$37,989	\$288,970
Europe	12,938	180	46,586
Asia	10,470	2,235	29,656
	-----	-----	-----
	\$197,451	\$40,404	\$365,212
	=====	=====	=====
1996:			
United States	\$153,227	\$32,660	\$181,255
Europe and Asia	6,844	(395)	30,648
	-----	-----	-----
	\$160,071	\$32,265	\$211,903
	=====	=====	=====

Approximately 4% of net domestic sales in 1998 were for delivery outside of the United States (7% in 1997 and 14% in 1996).

The Company's largest single customer represented approximately 16% of total net sales in 1998, 23% in 1997 and 26% in 1996.

NOTE 13 - NON-RECURRING RESTRUCTURING CHARGE

In March, 1998, the Company initiated a plan to optimize its North American manufacturing network. It re-organized its two California operations, dedicating its Milpitas facility to the production of high-end technology photomasks and its Sunnyvale facility to the production of mature technology photomasks, and it consolidated its Colorado Springs, Colorado photomask manufacturing operations into its other North American manufacturing facilities. The Company determined that its Large Area Mask (LAM) Division, which is also located in Colorado Springs, does not

represent a long-term strategic fit with its core photomask business, and accordingly, intends to sell the LAM Division. The Company recorded a \$3.8 million charge in the second quarter of 1998 for the restructuring, the major portion of which reduced property, plant and equipment to its net realizable values.

NOTE 14 - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table sets forth certain unaudited quarterly financial data:

	First -----	Second -----	Third -----	Fourth -----	Year -----
1998:					
Net sales	\$50,932	\$61,307	\$57,681	\$52,652	\$222,572
Gross profit	19,666	23,747	21,092	16,439	80,944
Net income	6,280	5,309	5,844	3,049	20,482
Earnings per share:					
Basic	\$ 0.26	\$ 0.22	\$ 0.24	\$ 0.13	\$ 0.84
Diluted	\$ 0.25	\$ 0.22	\$ 0.24	\$ 0.13	\$ 0.84
1997:					
Net sales	\$40,029	\$49,034	\$53,081	\$55,307	\$197,451
Gross profit	14,682	18,751	20,661	21,855	75,949
Net income	\$ 5,325	\$ 6,184	\$ 6,839	\$ 7,288	\$ 25,636
Earnings per share:					
Basic	\$ 0.22	\$ 0.26	\$ 0.29	\$ 0.30	\$ 1.07
Diluted	\$ 0.22	\$ 0.25	\$ 0.27	\$ 0.29	\$ 1.03

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

There were no disagreements on any accounting and financial disclosure matters between the Company and its independent certified public accountants for which a Form 8-K was required to be filed during the 24 months ended November 1, 1998 or for the period from November 1, 1998 to the date hereof.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information as to Directors required by Item 401 and 405 of Regulation S-K is incorporated by reference to the Company's definitive proxy statement (the "Definitive Proxy Statement") which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-K. The information as to Executive Officers is included in Part I, Item 1a of this report, "Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 of Regulation S-K is incorporated by reference to the Definitive Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 403 of Regulation S-K is incorporated by reference to the Definitive Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 404 of Regulation S-K is incorporated by reference to the Definitive Proxy Statement.

PART IV

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

(A) The following documents are filed as part of this report:

1) Financial Statements

Independent Auditors' Report

Consolidated Balance Sheet at November 1, 1998 and November 2, 1997

Consolidated Statement of Earnings for the years ended November 1, 1998, November 2, 1997 and October 31, 1996

Consolidated Statement of Shareholders' Equity for the years ended November 1, 1998, November 2, 1997 and October 31, 1996

Consolidated Statement of Cash Flows for the years ended November 1, 1998, November 2, 1997 and October 31, 1996

Notes to Consolidated Financial Statements

2) Financial Statement Schedules

Schedules for which provision is made in Regulation S-X of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3) Exhibits: See Table of Exhibits, page 39.

(B) Reports on Form 8-K

No report on Form 8-K was filed by the Company during the fourth quarter of the Company's fiscal year ended November 1, 1998.

SIGNATURES

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

PHOTRONICS, INC.
(Registrant)

By CONSTANTINE S. MACRICOSTAS January 14, 1999

Constantine S. Macricostas
Chairman of the Board
and Director

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

By CONSTANTINE S. MACRICOSTAS January 14, 1999

Constantine S. Macricostas
Chairman of the Board
and Director

By MICHAEL J. YOMAZZO January 14, 1999

Michael J. Yomazzo
Vice Chairman & Director

By ROBERT J. BOLLO January 14, 1999

Robert J. Bollo
Vice President/Finance
Chief Financial Officer

By WALTER M. FIEDEROWICZ January 14, 1999

Walter M. Fiederowicz
Director

By JOSEPH A. FIORITA, JR. January 14, 1999

Joseph A. Fiorita, Jr.
Director

By YUKIO TAGAWA January 11, 1999

Yukio Tagawa
Director

TABLE OF EXHIBITS

- 3.1 Certificate of Incorporation. (1)
- 3.2 By-Laws, as amended. (1)
- 3.3 Amendment to Certificate of Incorporation, dated March 16, 1990. (3)
- 3.4 Amendment to Certificate of Incorporation, dated March 16, 1995. (10)
- 3.5 Amendment to Certificate of Incorporation, dated November 13, 1997. (13)
- 4.1 Form of Stock Certificate. (1)
- 10.1 Loan Agreement, dated August 10, 1984, among the Company, Fairfield Associates, and the Connecticut Development Authority. (1)
- 10.2 Indenture of Trust, dated August 10, 1984, between the Connecticut Development Authority and Citytrust. (1)
- 10.3 Security Agreement, dated August 10, 1984, between the Company and the Connecticut Development Authority, with assignment to Citytrust, as Trustee. (1)
- 10.4 Lease Agreement, dated August 10, 1984, between the Company and Fairfield Associates. (1)
- 10.5 Guaranty Agreement, dated August 10, 1984, by the Company and Constantine Macricostas to Citytrust, as Trustee. (1)
- 10.6 Assumption Agreement between the Company, MC2 and the Connecticut Development Authority, dated October 15, 1992, and related Note, Mortgage and Collateral Assignment of Leases and amendments thereto. (6)
- 10.7 Assumption Agreement, Third Amendment to Loan Agreement and Amendment to Guaranty Photronic Labs Incorporated Project - 1984 Series, dated August 28, 1992, by and among Photronics California, Inc., Photronics Financial Services, Inc., Photronics Investment Services, Inc., Photronics Texas, Inc., the Company, Constantine Macricostas, the Connecticut Development Authority, The Chase Manhattan Bank of Connecticut, N.A. and Fairfield Associates. (6)
- 10.8 The Company's 1986 Non-Qualified Stock Option Plan, as amended. (2) +

- 10.9 The Company's 1988 Non-Qualified Stock Option Plan. (8) +
- 10.10 Amendment #1 to the Company's 1988 Non-Qualified Stock Option Plan. (3) +
- 10.11 Amendment to Security Agreements, dated October 31, 1988, by and among the Company, Citytrust, Constantine S. Macricostas and Mayo Associates. (8)
- 10.12 Amendment to Loan Agreements between the Company and the Connecticut Development Authority, dated as of June 8, 1990. (3)
- 10.13 Second Amendment to Loan Agreement dated as of December 20, 1991 by and among the Company, the Connecticut Development Authority and The Chase Manhattan Bank of Connecticut, N.A. (4)
- 10.14 Form of severance agreement between the Company and each of Messrs. Macricostas, Northup and Moonan. (8) +
- 10.15 Lease dated as of November 1, 1989 between the Company, MC3, Inc. and Alpha-Omega Associates. (8)
- 10.16 Consulting Agreement, dated June 1, 1992, between Joseph Fiorita and the Company. (6) +
- 10.17 The Company's 1992 Stock Option Plan. (5) +
- 10.18 The Company's 1992 Employee Stock Purchase Plan. (5)
- 10.19 The Company's 1994 Employee Stock Option Plan. (7) +
- 10.20 Form of Agreement regarding Life Insurance between the Company and each of Messrs Macricostas, Yomazzo, Northup and Moonan. (9) +
- 10.21 Credit Agreement between the Company and various lenders, dated November 19, 1998. *
- 10.22 The Company's 1996 Stock Option Plan. (11) +
- 10.23 Letter Agreement between the Company and Michael J. Yomazzo, dated October 10, 1997. (13) +
- 10.24 Consulting Agreement between the Company and Michael J. Yomazzo, dated October 10, 1997. (13) +
- 10.25 Consulting Agreement between the Company and Constantine S. Macricostas, dated October 10, 1997. (13) +
- 10.26 Form of Indenture between The Chase Manhattan Bank, as Trustee, and the Company relating to the 6% Convertible Subordinated Notes due June 1, 2004. (12)
- 10.27 Agreement dated September 21, 1998 by and between the Company and Toppan Printing Co., Ltd. *

10.28 The Company's 1998 Stock Option Plan. (18) +

21 List of Subsidiaries. *

23 Consent of Deloitte & Touche LLP. *

27 Financial Data Schedule *

- -----
* Filed herewith.

+ Represents a management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to item 14(c) of this report.
- -----

- (1) Filed as an exhibit to the Company's Registration Statement on Form S-1, File Number 33-11694, which was declared effective by the Commission on March 10, 1987, and incorporated herein by reference.
- (2) Filed as an exhibit to the Company's Registration Statement on Form S-8, File Number 33-17530, which was declared effective on October 19, 1987, and incorporated herein by reference.
- (3) Filed as an exhibit to the Company's Registration Statement on Form S-2, File Number 33-34772 which was declared effective by the Commission on June 22, 1990, and incorporated herein by reference.
- (4) Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1991 and incorporated herein by reference.
- (5) Filed as an exhibit to the Company's Registration Statement on Form S-8, File Number 33-47446, which was filed on April 24, 1992, and incorporated herein by reference.
- (6) Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1992, and incorporated herein by reference.
- (7) Filed as an exhibit to the Company's Registration Statement on Form S-8, File Number 33-78102, which was filed on April 22, 1994, and incorporated herein by reference.
- (8) Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1993, and incorporated herein by reference.
- (9) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 1995, and incorporated herein by reference.
- (10) Filed as an exhibit to the Company's Current Report on Form 8-K, dated March 24, 1995, and incorporated herein by reference.

- (11) Filed as an exhibit to the Company's Registration Statement on Form S-8, File Number 333-02245, which was filed on April 4, 1996, and incorporated herein by reference.
- (12) Filed as an exhibit to the Company's Registration Statement on Form S-3, File Number 333-26009, which was declared effective by the Commission on May 22, 1997, and incorporated herein by reference.
- (13) Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended November 2, 1997, and incorporated herein by reference.
- (14) Filed as an exhibit to the Company's Registration Statement on Form S-8, File Number 333-50809, which was filed on April 23, 1998, and incorporated herein by reference.

INDEX TO EXHIBITS

	PAGE
10.21	Credit Agreement between the Company and various lenders, dated November 19, 1998.....
10.27	Agreement dated September 21, 1998 by and between the Company and Toppan Printing Co., Ltd.....
21	List of Subsidiaries.....
23	Consent of Deloitte & Touche LLP.....
27	Financial Data Schedule.....

LIST OF SUBSIDIARIES

Name	State or Jurisdiction of Incorporation
Photronics International Engineering, Inc.	Virgin Islands
Photronics California, Inc.	California
Photronics Texas, Inc.	Texas
Photronics Financial Services, Inc.	Florida
Photronics Investment Services, Inc.	Nevada
Photronics-Toppan Texas, Inc.	Texas
Beta Squared, Inc.	Connecticut
PLI Management Corp.	Florida
Photronics Singapore Pte Ltd.	Singapore
Photronics (UK) Limited	England
Photronics Connecticut, Inc.	Connecticut
Photronics Colorado, Inc.	Colorado
Photronics, S.A.	Switzerland
Chip Canal Associates, Ltd.	England
Photronics Germany GmbH & Co. KG	Germany
Photronics MZD Verwaltungs GmbH	Germany
Photronics MZD GmbH	Germany
Photronics Arizona, Inc.	Arizona
Photronics Oregon, Inc.	Oregon

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 333-02245, 333-50809, 33-17530, 33-28118, 33-47446 and 33-78102 of Photronics, Inc. on Form S-8 of our report dated December 9, 1998 appearing in this Annual Report on Form 10-K of Photronics, Inc. for the year ended November 1, 1998.

DELOITTE & TOUCHE LLP
Hartford, Connecticut
January 15, 1999

This schedule contains summary financial information extracted from the Condensed Consolidated Statement of Earnings and the Consolidated Balance Sheet and is qualified in its entirety by reference to such financial statements.

1000

	3-MOS		6-MOS		9-MOS		12-MOS	
	NOV-01-1998	FEB-01-1998	NOV-01-1998	MAY-03-1998	NOV-01-1998	AUG-02-1998	NOV-01-1998	NOV-01-1998
		27,239		24,172		26,226		23,841
	9,236		12,780		10,173		7,532	
	33,529		40,069		35,596		31,750	
	235		235		235		235	
	12,795		13,992		15,019		14,057	
	91,498		98,154		94,735		87,375	
	298,130		334,597		351,411		357,738	
	78,277		86,561		94,233		103,957	
	346,668		380,229		383,018		371,549	
346,668	36,454		62,082		63,607		50,504	
	106,127		104,361		104,301		104,261	
	0		0		0		0	
	0		0		0		0	
	243		244		244		242	
	188,196		197,501		200,591		200,188	
346,668	380,229		383,018		371,549			
	50,932		112,239		169,920		222,572	
	31,266		68,826		105,415		141,628	
	31,266		68,826		105,415		141,628	
	0		3,800		0		0	
	0		0		0		0	
	1,578		3,022		4,457		6,143	
	10,080		18,689		28,133		33,082	
	3,800		7,100		10,700		12,600	
	6,280		11,589		17,433		20,482	
	0		0		0		0	
	0		0		0		0	
	0		0		0		0	
	6,280		11,589		17,433		20,482	
	0.26		0.48		0.72		0.84	
	0.25		0.47		0.70		0.84	

CREDIT AGREEMENT

dated as of

November 19, 1998

among

PHOTRONICS, INC.

The Borrowing Subsidiaries Party Hereto

The Lenders Party Hereto

THE CHASE MANHATTAN BANK,
as Administrative Agent

and

THE BANK OF NEW YORK,
as Documentation Agent

CHASE SECURITIES INC. and BNY CAPITAL MARKETS, INC.,
as Arrangers

CHASE SECURITIES, INC.,
as Book Manager

and

First Union National Bank, Fleet National Bank,
Marine Midland Bank, People's Bank and State Street Bank
and Trust Company
as Co-Agents

TABLE OF CONTENTS

	Page
ARTICLE I	
Definitions.....	4
SECTION 1.01. Defined Terms.....	4
SECTION 1.02. Classification of Loans and Borrowing.....	26
SECTION 1.03. Terms Generally.....	26
SECTION 1.04. Accounting Terms; GAAP.....	26
SECTION 1.05. Exchange Rates.....	26
ARTICLE II	
The Credits.....	27
SECTION 2.01. Commitments.....	27
SECTION 2.02. Loans and Borrowings.....	27
SECTION 2.03. Requests for Revolving Borrowings.....	29
SECTION 2.04. Swingline Loans.....	29
SECTION 2.05. Letters of Credit.....	30
SECTION 2.06. Funding of Borrowings.....	35
SECTION 2.07. Interest Elections.....	35
SECTION 2.08. Termination and Reduction of Commitments....	37
SECTION 2.09. Repayment of Loans; Evidence of Debt.....	37
SECTION 2.10. Prepayment of Loans.....	38
SECTION 2.11. Fees.....	39
SECTION 2.12. Interest.....	40
SECTION 2.13. Alternate Rate of Interest.....	41
SECTION 2.14. Increased Costs; Illegality.....	42
SECTION 2.15. Break Funding Payments.....	45
SECTION 2.16. Taxes.....	46
SECTION 2.17. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.....	47
SECTION 2.18. Mitigation Obligations; Replacement of Lenders.....	49
SECTION 2.19. Borrowing Subsidiaries.....	50

ARTICLE III
Representations and Warranties.....50
SECTION 3.01. Organization; Powers.....50
SECTION 3.02. Authorization; Enforceability.....50
SECTION 3.03. Governmental Approvals; No Conflicts.....51
SECTION 3.04. Financial Condition; No Material Adverse
Change.....51
SECTION 3.05. Properties.....52
SECTION 3.06. Litigation and Environmental Matters.....52
SECTION 3.07. Compliance with Laws and Agreements.....52
SECTION 3.08. Investment and Holding Company Status.....53
SECTION 3.09. Taxes.....53
SECTION 3.10. ERISA.....53

SECTION 3.11.	Disclosure.....	53
SECTION 3.12.	Federal Reserve Regulations.....	53
SECTION 3.13.	Senior Indebtedness.....	54
SECTION 3.14.	Solvency.....	54
SECTION 3.15.	Year 2000.....	54
ARTICLE IV		
Conditions.....		54
SECTION 4.01.	Effective Date.....	54
SECTION 4.02.	Each Credit Event.....	56
SECTION 4.03.	Each Borrowing Subsidiary Credit Event.....	57
ARTICLE V		
Affirmative Covenants.....		57
SECTION 5.01.	Financial Statements and Other Information.....	57
SECTION 5.02.	Notices of Material Events.....	59
SECTION 5.03.	Existence; Conduct of Business.....	59
SECTION 5.04.	Payment of Obligations.....	60
SECTION 5.05.	Maintenance of Properties; Insurance.....	60
SECTION 5.06.	Books and Records; Inspection Rights.....	60
SECTION 5.07.	Compliance with Laws.....	60
SECTION 5.08.	Use of Proceeds and Letters of Credit.....	60
SECTION 5.09.	Additional Guarantors.....	60
ARTICLE VI		
Negative Covenants.....		61
SECTION 6.01.	Indebtedness.....	61
SECTION 6.02.	Liens.....	62
SECTION 6.03.	Fundamental Changes.....	62
SECTION 6.04.	Investments, Loans, Advances, Guarantees and Acquisitions.....	63
SECTION 6.05.	Hedging Agreements.....	64
SECTION 6.06.	Restricted Payments.....	64
SECTION 6.07.	Disposition of Assets.....	65
SECTION 6.08.	Transactions with Affiliates.....	66
SECTION 6.09.	Restrictive Agreements.....	66
SECTION 6.10.	Issuances of Capital Stock by Subsidiaries..	67
SECTION 6.11.	Amendment of Material Documents.....	67
SECTION 6.12.	Borrowing Subsidiaries.....	67
SECTION 6.13.	Interest Coverage Ratio.....	67
SECTION 6.14.	Fixed Charge Coverage Ratio.....	67
SECTION 6.15.	Leverage Ratio.....	67
SECTION 6.16.	Capital Expenditure Ratio.....	68
ARTICLE VII		
Events of Default.....		68
ARTICLE VIII		
The Administrative Agent.....		70

ARTICLE IX
Guarantee.....73

ARTICLE X
Miscellaneous.....75
SECTION 10.01. Notice.....75
SECTION 10.02. Waivers;Amendments.....74
SECTION 10.03. Expenses; Indemnity; Damage Waiver.....77
SECTION 10.04. Successors and Assigns.....79
SECTION 10.05. Survival.....82
SECTION 10.06. Counterparts; Integration; Effectiveness...82
SECTION 10.07. Severability.....82
SECTION 10.08. Right of Setoff.....82
SECTION 10.09. Governing Law; Jurisdiction; Consent to
Service of Process.....83
SECTION 10.10. WAIVER OF JURY TRIAL.....84
SECTION 10.11. Headings.....84
SECTION 10.12. Confidentiality.....84
SECTION 10.13. Interest Rate Limitation.....85
SECTION 10.14. Conversion of Currencies.....85
SECTION 10.15. European Economic and Monetary Union.....85

SCHEDULES:

Schedule 2.01 -- Commitments
Schedule 3.01 -- List of Subsidiaries
Schedule 3.06 -- Disclosed Matters
Schedule 6.01 -- Existing Indebtedness
Schedule 6.02 -- Existing Liens
Schedule 6.04 -- Existing Investments
Schedule 6.08 -- Existing Affiliate Transactions
Schedule 6.09 -- Existing Restrictions

EXHIBITS:

Exhibit A -- Form of Assignment and Acceptance
Exhibit B -- Form of Opinion of Loan Parties' Counsel
Exhibit C -- Form of Opinion of Borrowing Subsidiary's Counsel
Exhibit D -- Form of Borrowing Subsidiary Agreement
Exhibit E -- Form of Borrowing Subsidiary Termination
Exhibit F -- Form of Guarantee Agreement
Exhibit G -- Form of Promissory Note
Exhibit H -- Form of Pledge Agreement

CREDIT AGREEMENT, dated as of November 19, 1998, among PHOTRONICS, INC., the BORROWING SUBSIDIARIES party hereto, the LENDERS party hereto, THE CHASE MANHATTAN BANK, as Administrative Agent, and THE BANK OF NEW YORK, as Documentation Agent.

The parties hereto agree as follows:

ARTICLE I

Definitions

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

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurocurrency Borrowing in any Committed Currency 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 Agent" means The Chase Manhattan Bank, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, 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.

"Agreement Currency" has the meaning assigned to such term in Section 10.14(b).

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"Alternative Currency" means (a) British pounds sterling, German deutsche marks, Japanese yen, French francs, Swiss francs, Singapore dollars and euros (after their adoption by

participating member states of the EMU), and (b) any other Eligible Currency that shall be designated by the Company in a notice delivered to the Administrative Agent and approved by the Administrative Agent and all the Multicurrency Lenders as an Alternative Currency.

"Alternative Currency Equivalent" means, on any date of determination, with respect to any amount in dollars, the equivalent in the relevant Alternative Currency of such amount, determined by the Administrative Agent using the Exchange Rate with respect to such Alternative Currency then in effect as determined pursuant to Section 1.05(a).

"Applicable Creditor" has the meaning assigned to such term in Section 10.14(b).

"Applicable Percentage" means, (a) when used in calculating amounts outstanding under or in respect of Loans or Letters of Credit denominated in dollars, with respect to any Lender, the percentage of the total Available Commitments represented by such Lender's Available Commitment and (b) when used in calculating amounts outstanding under or in respect of Loans or Letters of Credit denominated in an Alternative Currency, (i) with respect to any Multicurrency Lender, the percentage of the total Commitments of the Multicurrency Lenders represented by such Multicurrency Lender's Commitment and (ii) with respect to the Domestic Lender, 0%. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any Eurocurrency Revolving Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "Eurocurrency Spread", "Swingline Spread" or "Facility Fee Rate", as the case may be, based upon the Leverage Ratio applicable on such date:

	Leverage Ratio	Eurocurrency Spread	Swingline Spread	Facility Fee Rate
	-----	-----	-----	-----
Category 1	Greater than or equal to 2.50 to 1	1.250%	1.500%	.300%
Category 2	Greater than or equal to 2.00 to 1 but less than 2.50 to 1	1.000%	1.250%	.275%
Category 3	Greater than or equal to 1.50 to 1 but less than 2.00 to 1	.750%	1.000%	.250%
Category 4	Greater than or equal to 1.00 to 1 but less than 1.50 to 1	.625%	.875%	.225%
Category 5	Less than 1.00 to 1	.500%	.750%	.200%

For purposes of the foregoing, (a) the Leverage Ratio shall be determined as of the end of each fiscal quarter of the Company based upon the Company's consolidated financial statements delivered pursuant to Section 5.01(a) or (b); and (b) each change in the Applicable Rate resulting from a change in the Leverage Ratio shall be effective during the period commencing on and including the date of delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next change in the Applicable Rate; provided that the Leverage Ratio shall be deemed to be in Category 1 (i) at any time that an Event of Default has occurred and is continuing and has not been waived or (ii) if the Company fails to deliver the consolidated financial statements required to be delivered by it pursuant to Section 5.01(a) or (b), during the period from the expiration of the time for delivery thereof until such consolidated financial statements are delivered. Assuming no Event of Default has occurred and is continuing, the initial Applicable Rate shall be determined by reference to Category 4.

Subject to Section 10.02(b), the Swingline Lender may from time to time adjust the "Swingline Spread" by notice to the Company and the Administrative Agent (each such notice to be effective upon the date given) based upon changes in the differences between prevailing interest rates in the relevant currencies and each such adjustment by the Swingline Lender shall be conclusive absent manifest error.

"Assessment Rate" means, for any day, the annual assessment rate in effect on such day that is payable by a member of the Bank Insurance Fund classified as "well-capitalized" and within supervisory subgroup "B" (or a comparable successor risk classification) within the meaning of 12 C.F.R. Part 327 (or any successor provision) to the Federal Deposit Insurance Corporation for insurance by such Corporation of time deposits made in dollars at the offices of such member in the United States; provided that if, as a result of any change in any law, rule or regulation, it is no longer possible to determine the Assessment Rate as aforesaid, then the Assessment Rate shall be such annual rate as shall be determined by the Administrative Agent to be representative of the cost of such insurance to the Lenders.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Available Commitment" means (after giving effect to the contemporaneous repayment of Loans and LC Disbursements), with respect to any Lender, the excess of (a) the aggregate Commitment of such Lender over (b) the aggregate Revolving Credit Exposure of such Lender.

"Availability Period" means 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.

"Base CD Rate" means the sum of (a) the Three-Month Secondary CD Rate multiplied by the Statutory Reserve Rate plus (b) the Assessment Rate.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means the Company or any Borrowing Subsidiary.

"Borrowing" means Loans of the same Type, Class and currency made, converted or continued on the same date and, in the case of Eurocurrency Loans or Money Market Loans, as to which a single Interest Period is in effect.

"Borrowing Date" means any Business Day specified in a notice pursuant to Section 2.03 or 2.04 as a date on which the applicable Borrower requests Loans to be made hereunder.

"Borrowing Request" means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.03.

"Borrowing Subsidiary" means, at any time, each Wholly-Owned Subsidiary designated as a Borrowing Subsidiary by the Company pursuant to Section 2.19, in each case until such Person has ceased to be a Borrowing Subsidiary pursuant to Section 2.19.

"Borrowing Subsidiary Agreement" means each agreement entered into among the Company, the applicable Wholly-Owned Subsidiary and the Administrative Agent whereby such Wholly-Owned Subsidiary is designated as a Borrowing Subsidiary pursuant to Section 2.19, which agreement shall be substantially in the form of Exhibit D.

"Borrowing Subsidiary Termination" means each termination delivered by the Company and the applicable Wholly-Owned Subsidiary whereby such Wholly-Owned Subsidiary shall cease to be a Borrowing Subsidiary pursuant to Section 2.19, which termination shall be substantially in the form of Exhibit E.

"Business Day" means, subject to Section 10.15(d), any day that is not a Saturday, Sunday or other day on which commercial banks in London or New York City are authorized or required by law to remain closed; provided that when used in connection with a Loan denominated in an Alternative Currency, the term "Business Day" shall also exclude any day on which banks in the jurisdiction where such Loans are being made and where payments thereof are required to be made are authorized or required by law to remain closed.

"Calculation Date" means (a) the last Business Day of each calendar month and (b) at any time when (i) the Dollar Equivalent of the total Revolving Credit Exposures denominated in an Alternative Currency exceeds 25% of the total Commitments or (ii) the Dollar Equivalent of the total Revolving Credit Exposures exceeds 75% of the total Commitments, the last Business Day of each calendar week.

"Capital Expenditure Ratio" means, on any date, the ratio of (a) Consolidated Capital Expenditures (exclusive of amounts expended in connection with Permitted Business Acquisitions)

for the period of four consecutive fiscal quarters of the Company most recently ended as of such date to (b) Consolidated EBITDA for the period of four consecutive fiscal quarters of the Company most recently ended as of such date.

"Capital Expenditures" means, for any period, the dollar amount of gross expenditures (including Capital Lease Obligations) made for the acquisition of any fixed assets, real property, plant and equipment, and all renewals, improvements and replacements thereto (but not repairs thereof) incurred during such period in each case which are required to be capitalized for financial reporting purposes in accordance with GAAP.

"Capital Lease Obligations" of any Person means 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 the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing but in any event excluding, prior to the conversion thereof, the Subordinated Notes.

"Change in Control" means (a) the acquisition (other than by Constantine Macricostas and Affiliates controlled by him) of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934, as amended, and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) of shares representing more than 35% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Company; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Company by Persons who were neither (i) nominated by the board of directors of the Company nor (ii) appointed by directors so nominated; or (c) the occurrence of a "change in control" (or similar event, howsoever denominated) under and as defined in any indenture or other agreement in respect of Material Indebtedness to which any Loan Party is a party.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 2.14(b), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Charges" has the meaning assigned to such term in Section 10.13.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Swingline Loans.

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

"Collateral" means all of the right, title and interest of the Company or any Subsidiary in and to the property in which such Person has granted a Lien to the Administrative Agent for its benefit and the ratable benefit of the Lenders under any Loan Document.

"Committed Currency" means dollars or any Alternative Currency.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.08 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is \$125,000,000.

"Company" means Photronics, Inc., a Connecticut corporation.

"Consolidated Capital Expenditures" means, for any period, the aggregate amount of Capital Expenditures of the Company and its consolidated Subsidiaries for such period, as determined on a consolidated basis in accordance with GAAP.

"Consolidated EBIT" means, for any period, Consolidated Net Income for such period, minus the aggregate amount of extraordinary or nonrecurring gains for such period, plus, without duplication and to the extent deducted from revenues in determining Consolidated Net Income for such period, the sum of (a) the aggregate amount of Consolidated Interest Expense for such period, plus (b) the aggregate amount of income tax expense for such period, plus (c) if such period ends on or before January 31, 1999, the aggregate amount of noncash charges taken during the fiscal quarter ended on May 3, 1998 in connection with the closing of the Colorado Springs operation up to \$3,800,000, plus (d) the aggregate amount of extraordinary or nonrecurring noncash charges taken during the period for which Consolidated EBIT is calculated to the extent that the aggregate amount of extraordinary or nonrecurring noncash charges from August 2, 1998 to the end of such period does not exceed 5% of Consolidated Net Worth as determined as of the end of such period, all as determined on a consolidated basis with respect to the Company and its consolidated Subsidiaries in accordance with GAAP.

"Consolidated EBITDA" means, for any period, Consolidated EBIT for such period, plus, without duplication and to the extent deducted from revenues in determining Consolidated Net Income, the aggregate amount of depreciation and amortization for such period, all as determined

on a consolidated basis with respect to the Company and its consolidated Subsidiaries in accordance with GAAP.

"Consolidated Indebtedness" means, as of any date of determination, the aggregate principal amount of Indebtedness of the Company and its consolidated Subsidiaries outstanding as of such date, as determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" means, for any period, the interest expense, both expensed and capitalized (including the interest component in respect of Capital Lease Obligations), accrued or paid by the Company and its consolidated Subsidiaries during such period, as determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means, for any period, net income or loss of the Company and its consolidated Subsidiaries for such period, as determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means, at any date of determination thereof, all amounts that would be included under stockholders' equity on a consolidated balance sheet of the Company and its consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"Consolidated Subordinated Indebtedness" means, at any date of determination thereof, the Subordinated Notes and any other Indebtedness of the Company that is subordinated to the obligations owed to each of the Lenders issued on terms and conditions acceptable to the Lenders in their sole discretion.

"Control" means 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 ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

"Documentation Agent" means The Bank of New York, in its capacity as documentation agent for the Lenders hereunder.

"Dollar Equivalent" means, on any date of determination, (a) with respect to any amount in dollars, such amount, and (b) with respect to any amount in any Alternative Currency, the equivalent in dollars of such amount, determined by the Administrative Agent pursuant to Section 1.05(a) using the Exchange Rate with respect to such Alternative Currency then in effect.

"Dollars" or "\$" refers to lawful money of the United States of America.

"Domestic Lender" means People's Bank, a Connecticut state chartered bank.

"Domestic Plan" means 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 or Section 302 of ERISA, and in respect of which the Company or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Domestic Subsidiary" means any Subsidiary that is organized under the laws of any jurisdiction in the United States.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 10.02).

"Eligible Currency" means, on any date of determination, any currency (other than dollars) that is freely tradeable and exchangeable into dollars in the London market and for which an Exchange Rate can be determined by reference to the Reuters World Currency Page or another publicly available service for displaying exchange rates.

"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 management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company or any Subsidiary directly or indirectly resulting from or based upon (a) violation of 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 or threatened release of any Hazardous Materials into the environment 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" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Company, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Domestic Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Company or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Domestic Plan; (e) the receipt by the Company or any ERISA Affiliate from the PBGC or any other Governmental Authority or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan or Plans; (f) the incurrence by the Company or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Company or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Company or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurocurrency", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

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

"Exchange Rate" means, on any day, with respect to any Alternative Currency, the rate at which such Alternative Currency may be currently exchanged into dollars (and, for purposes of the definition of "Alternative Currency Equivalent" and Section 2.07(e), 2.13(i) or 2.14(e)(ii), the rate at which dollars may be exchanged into such Alternative Currency), as set forth at approximately 11:00 a.m., London time, on such date on the Reuters World Currency Page for such Alternative Currency. In the event that such rate does not appear on any Reuters World Currency Page, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the Company, or, in the absence of such agreement, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Person then serving as the Administrative Agent in the market where its foreign currency exchange operations in respect of such Alternative Currency are then being conducted, at or about 10:00 a.m., local time, on such date for the purchase of dollars (or such Alternative Currency, as the case may be) for delivery two Business Days later; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any reasonable method it deems appropriate to determine such rate, and such determination shall be presumed correct absent manifest error.

"Excluded Subsidiary" means any Subsidiary (i) in the case of Domestic Subsidiaries, that is not a Guarantor and (ii) in the case of Foreign Subsidiaries, whose voting Capital Stock is not pledged to the Administrative Agent for its benefit and the ratable benefit of the Lenders.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) such recipient's net income (including branch profits or similar taxes) imposed by a Governmental Authority of the jurisdiction in which such Lender or the applicable lending office designated by such Lender and (b) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Company under Section 2.18(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender (i) to the extent it is in effect and would apply as of the date such Foreign Lender becomes a party to this Agreement or (ii) to the extent it relates to payments received by a new lending office designated by such Foreign Lender and is in effect and would apply at the time such lending office is designated, except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the applicable Borrower with respect to such withholding tax pursuant to Section 2.16(a) (other than, in the case of (b)(i) or (b)(ii) above, any withholding tax imposed on payments (A) by any Borrowing Subsidiary that is designated after such Foreign Lender becomes a party to this Agreement or designates a new lending office or (B) by any Borrower from a payment location other than one specifically identified in this Agreement or any schedule hereto as of the date such Foreign Lender becomes a party to this Agreement or designates a new lending office), or (iii) that is attributable to such Foreign Lender's failure to comply with Section 2.16(e).

"Existing Credit Agreement" means the Credit Agreement dated as of March 1, 1995 between the Company and The Chase Manhattan Bank, as amended.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Company.

"Fixed Charge Coverage Ratio" means, on any date, the ratio of (a) the result of (i) Consolidated EBITDA for the period of four consecutive fiscal quarters of the Company most recently ended as of such date minus (ii) Consolidated Capital Expenditures made during such four fiscal quarters to (b) the sum of (i) all principal payments due on, and with respect to, Consolidated Indebtedness during the period of four consecutive fiscal quarters of the Company

most recently ended as of such date plus (ii) Consolidated Interest Expense for such four fiscal quarters.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Relevant Jurisdiction is located.

"Foreign Plan" means any pension plan or other deferred compensation plan, program or arrangement maintained by any Foreign Subsidiary which may or may not, under applicable local law, be required to be funded through a trust or other funding vehicle.

"Foreign Subsidiary" means any Subsidiary that is not organized under the laws of any jurisdiction in the United States.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Granting Lender" has the meaning assigned to such term in Section 10.04(h).

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party or applicant in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantee Agreement" means each Guarantee delivered by the applicable Subsidiary to the Administrative Agent whereby such Subsidiary shall guarantee the obligations under the Loan Documents, which Guarantee shall be substantially in the form of Exhibit F.

"Guarantors" means the Subsidiaries that are or become parties to a Guarantee Agreement.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Indebtedness" of any Person means, 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 acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (including installment obligations but excluding current accounts payable and other accrued expenses incurred in the ordinary course of business whether via purchase orders, system purchases or otherwise), (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 Indebtedness secured thereby has been assumed, but only to the extent of the amount of such Indebtedness secured by such Lien, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person and all obligations of such Person under Synthetic Leases, (i) all obligations, contingent or otherwise, of such Person as an account party or applicant in respect of letters of credit and letters of guaranty, (j) all obligations of such Person in respect of Hedging Agreements, (k) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances, and (l) all obligations of such Person arising with respect to Capital Stock that is mandatorily redeemable by such Person. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitee" has the meaning assigned to such term in Section 10.03(b).

"Information Memorandum" means the Confidential Information Memorandum dated September 22, 1998 relating to the Company and the Transactions.

"Interest Coverage Ratio" means, on any date, the ratio of (a) Consolidated EBIT for the period of four consecutive fiscal quarters of the Company most recently ended as of such date to

(b) Consolidated Interest Expense for the period of four consecutive fiscal quarters of the Company most recently ended as of such date.

"Interest Election Request" means a request by a Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.07.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each calendar month, (b) with respect to any Eurocurrency Loan with an Interest Period of one, two or three months, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurocurrency Loan with an Interest Period of six months' duration, that day three months after the first day of such Interest Period and the last day of such Interest Period and (c) with respect to any Swingline Loan, the Swingline Loan Maturity Date.

"Interest Period" means (a) with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the applicable Borrower may elect, and (b) with respect to any Money Market Borrowing, the period commencing on the date of such Borrowing and ending on a date no later than 10 Business Days thereafter, as the Company may elect; provided, that (i) 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 a Eurocurrency Borrowing 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 and (ii) any Interest Period pertaining to a Eurocurrency Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Issuing Bank" means The Chase Manhattan Bank, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.05(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"Joint Venture" means any corporation, partnership, limited liability company or other legal entity or arrangement in which the Company or any Subsidiary has an equity investment and direct or indirect Control.

"Judgment Currency" has the meaning assigned to such term in Section 10.14(b).

"LC Disbursement" means a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the Dollar Equivalent of the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the Dollar Equivalent of the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Company at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement.

"Leverage Ratio" means, on any date, the ratio of (a) Consolidated Indebtedness as of such date to (b) Consolidated EBITDA for the period of four consecutive fiscal quarters of the Company most recently ended as of such date.

"LIBO Rate" means, with respect to any Eurocurrency Borrowing in any Committed Currency for any Interest Period, the rate appearing on the page for such Committed Currency of the Telerate Service (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in such Committed Currency in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for deposits in such Committed Currency with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurocurrency Borrowing for such Interest Period shall be the rate at which deposits in such Committed Currency of \$5,000,000 (or the Dollar Equivalent of which is approximately equal to \$5,000,000) and for a maturity comparable to such Interest Period are offered by the principal London office of the Person then serving as the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) 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 Parties" means the Company, the Borrowing Subsidiaries and the Guarantors.

"Loans" means the loans made by the Lenders to the Borrowers pursuant to this Agreement.

"Loan Documents" means this Agreement, each Borrowing Subsidiary Agreement, each Guarantee Agreement, each Security Document, each promissory note issued pursuant to Section 2.09(e) and each Hedging Agreement between a Loan Party and a Lender, as each may be amended or supplemented from time to time.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of the Company and the Subsidiaries, taken as a whole, (b) the ability of any Loan Party to perform, or the enforceability against any Loan Party of, any of its obligations under any Loan Document or (c) the rights of or benefits available to the Lenders under any Loan Document.

"Material Indebtedness" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Hedging Agreements, of any one or more of the Company and its Subsidiaries in an aggregate principal amount exceeding \$3,000,000 individually or \$5,000,000 in the aggregate. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Company or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Company or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Maturity Date" means November 19, 2003.

"Maximum Rate" has the meaning assigned to such term in Section 10.13.

"Money Market", when used in reference to any Loan or Borrowing, refers to whether such Loan or the Loans comprising such Borrowing are bearing interest at a rate determined by reference to the Money Market Rate.

"Money Market Rate" means the quoted rate per annum offered by the Swingline Lender to the Company no later than three hours after the quote is requested by the Company, which quote shall be requested by the Company (a) in the case of a Borrowing denominated in dollars, in no event later than 9:00 a.m., New York City time, on the relevant date of Borrowing, or (b) in the case of a Borrowing denominated in an Alternative Currency, in no event later than 9:00 a.m., London time, one Business Day before the relevant date of Borrowing.

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

"Multicurrency Lenders" means the Lenders other than the Domestic Lender.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Obligations" means the obligations of each of the Borrowing Subsidiaries under this Agreement and the Borrowing Subsidiary Agreements, whether for principal, interest, guaranties, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all reasonable fees and disbursements of counsel to the Administrative Agent or any Lender) or otherwise. Without limiting the generality of the foregoing, the definition of "Obligations" includes all amounts that would be owed by each of the Borrowing Subsidiaries to the Lenders and the Administrative Agent under this Agreement and the Borrowing Subsidiary Agreements but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving a Borrowing Subsidiary.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Participant" has the meaning assigned such term in Section 10.04(e).

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Business Acquisition" means any acquisition if immediately after giving effect thereto: (a) such acquisition is of all or substantially all the assets of, or shares or other equity interests in, a Person or division or line of business of a Person (or any subsequent investment made in a previously acquired Permitted Business Acquisitions) and relates to the photomask manufacturing business, (b) no Default shall have occurred and be continuing or would result therefrom, (c) all transactions related thereto shall be consummated in accordance with applicable laws, (d) any acquired or newly formed corporation, partnership or limited liability company shall be a Wholly-Owned Subsidiary and all actions required to be taken, if any, with respect to such acquired or newly formed Subsidiary under Section 5.09 shall have been taken and (e) the Company shall be in compliance, on a pro forma basis after giving effect to such acquisition or formation, with the covenants contained in Sections 6.13, 6.14, 6.15 and 6.16 recomputed as at the last day of the most recently ended fiscal quarter of the Company as if, for the purposes of calculating Consolidated Interest Expense, principal due on Consolidated Indebtedness and Consolidated Capital Expenditures but not for the purposes of calculating Consolidated Net Income, Consolidated EBIT and Consolidated EBITDA, such acquisition and related financings or other transactions had occurred on the first day of the period for testing such compliance, and, if the amount of such investment or series of related investments exceeds \$10,000,000, then the Company shall have delivered to the Administrative Agent and the Lenders an officers' certificate to such effect, together with all relevant financial information for such Subsidiary or assets.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that (i) are not overdue by more than 30 days, (ii) do not exceed \$3,000,000 individually or \$5,000,000 in the aggregate or (iii) are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Company or any Subsidiary; provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within three years from the date of acquisition thereof;

(b) investments in commercial paper maturing within one year from the date of acquisition thereof and either issued by a Lender or having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within one year from the date of acquisition thereof issued or guaranteed by or

placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than \$500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above;

(e) investments in tax exempt obligations of any state of the United States of America or any municipality thereof maturing within three years of the date of acquisition thereof and which is rated "A1" or higher by Moody's or "AA" or higher by S&P;

(f) investments in auction rate preferred stock maturing within 180 days of the date of acquisition thereof and which is rated "A1" or higher by Moody's or "AA" or higher by S&P; and

(g) investments in money market mutual funds having assets in excess of \$1,000,000,000 whose sole investments are securities described in clauses (a) through (e) above.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any Domestic Plan or Foreign Plan.

"Pledge Agreement" means each pledge agreement delivered by the Company or any Subsidiary to the Administrative Agent, which pledge agreement shall be substantially in the form of Exhibit H.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by The Chase Manhattan Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Register" has the meaning assigned to such term in Section 10.04(c).

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

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

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

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

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Relevant Jurisdiction" means (a) in the case of any Loan to the Company, the United States of America or any state thereof, and (b) in the case of any Loan to any other Borrowing Subsidiary, the jurisdiction imposing (or having the power to impose) withholding tax on payments by such Borrowing Subsidiary under this Agreement.

"Required Lenders" means, at any time while any Loan or Letter of Credit is outstanding, Lenders having Revolving Credit Exposures representing more than 50% of the sum of the total Revolving Credit Exposures at such time and, at any time while no Loan or Letter of Credit is outstanding, Lenders having more than 50% of the sum of the Commitments.

"Reset Date" has the meaning assigned to such term in Section 1.05.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any shares of any class of Capital Stock of the Company or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of Capital Stock of the Company or any Subsidiary or any option, warrant or other right to acquire any such shares of Capital Stock of the Company or any Subsidiary.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and its LC Exposure and Swingline Exposure at such time.

"Revolving Loan" means a Loan made pursuant to Section 2.03.

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

"SBR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Swingline Base Rate.

"Security Documents" means each Pledge Agreement and each other security document from time to time delivered to the Administrative Agent (including all financing statements, assignments, stock powers and stock certificates).

"Significant Subsidiary" means any Subsidiary, including its subsidiaries, which meets any of the following conditions: (a) for the period of four consecutive fiscal quarters of the Company most recently ended, the gross revenues of such Subsidiary (exclusive of revenues derived from sales of such Subsidiary to the Company or another Subsidiary) exceed ten percent (10%) (or, if aggregated with the gross revenues of all other Excluded Subsidiaries, twenty percent (20%)) of the gross revenues of the Company and its consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP, or (b) as of the end of the most recently ended fiscal quarter of the Company, the gross assets of such Subsidiary exceed ten percent (10%) (or, if aggregated with the gross assets of all other Excluded Subsidiaries, twenty percent (20%)) of the total assets of the Company and its consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"SPC" has the meaning assigned to such term in Section 10.04(h).

"Statutory Reserve Rate" means 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 percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by any Governmental Authority with jurisdiction over the Administrative Agent or any Lender (including any branch, affiliate or other funding office thereof making or holding a Loan) for any category of liabilities which includes deposits by reference to which the Base CD Rate, the Adjusted LIBO Rate, the Money Market Rate or the Swingline Base Rate in respect of any Borrowing is determined. Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurocurrency Loans shall be deemed to constitute Eurocurrency funding and 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 such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Note Indenture" means the Indenture dated as of May 29, 1997 from the Company to The Chase Manhattan Bank, as Trustee, as in effect on the Effective Date, pursuant to which the Company issued the Subordinated Notes.

"Subordinated Notes" means the \$103,500,000 6% Convertible Subordinated Notes due May 15, 2004, as in effect on the Effective Date, issued pursuant to the terms of the Subordinated Note Indenture.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other

corporation, limited liability company, partnership, association or other 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, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, 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" means any subsidiary of the Company including any subsidiary of the Company created or acquired by the Company after the date hereof.

"Swingline Base Rate" means, for any day, (a) with respect to any Swingline Loan that is denominated in an Alternative Currency, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the average rate at which overnight deposits in the currency in which such Swingline Loan is denominated and approximately equal in principal amount to such Swingline Loan are obtainable by the Swingline Lender on such day at its lending office for such Swingline Loan in the interbank market (or, if there is not an inter-bank market, any other market for overnight funds in such currency customarily utilized by the Swingline Lender), adjusted to reflect any direct or indirect costs of obtaining such deposits (including costs analogous to the Statutory Reserve Rate and the Assessment Rate, to the extent applicable) and (b) with respect to any Swingline Loan that is denominated in dollars, the Alternate Base Rate. The Swingline Base Rate applicable to any Swingline Loan shall be determined for each day by the Swingline Lender in respect of such Loan and such determination shall be conclusive absent manifest error.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lender" means The Chase Manhattan Bank, in its capacity as lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.04.

"Swingline Loan Maturity Date" means the maturity date requested by the Company in connection with a Swingline Loan (which date shall in no event be later than the earlier of (a) 10 Business Days after the date of such Borrowing thereof and (b) the Maturity Date).

"Synthetic Lease" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Three-Month Secondary CD Rate" means, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day is not a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day) or, if such rate is not so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day is not a Business Day, on the next preceding Business Day) by the Administrative Agent from three negotiable certificate of deposit dealers of recognized standing selected by it.

"Transactions" means the execution, delivery and performance by each of the Company and the Subsidiaries of each of the Loan Documents to which it is a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, the Money Market Rate, the Alternate Base Rate or the Swingline Base Rate.

"Wholly-Owned Subsidiary" means a Subsidiary all the Capital Stock of which (other than directors' qualifying shares or, if there are legal requirements for more than one shareholder, the minimum number of shares required to comply with such requirement so long as such minimum number does not exceed 1% of the outstanding shares of such Capital Stock) is owned by the Company and/or one or more other Wholly-Owned Subsidiaries.

"Withdrawal Liability" means 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. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurocurrency Loan") or by Class and Type (e.g., a "Eurocurrency Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurocurrency Borrowing") or by Class and Type (e.g., a "Eurocurrency Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to 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". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement,

instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. 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 that, if the Company notifies the Administrative Agent that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Company that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

SECTION 1.05. Exchange Rates. (a) Not later than 1:00 p.m., New York City time, on each Calculation Date, the Administrative Agent shall (i) determine the Exchange Rate as of such Calculation Date with respect to each Alternative Currency and (ii) give notice thereof to the Lenders and the Company. The Exchange Rates so determined shall become effective on the first Business Day immediately following the relevant Calculation Date (a "Reset Date"), shall remain effective until the next succeeding Reset Date, and shall for all purposes of this Agreement (other than Section 2.07, Section 2.13(i), Section 2.14(e)(ii), Section 10.14, or any other provision expressly requiring the use of a current Exchange Rate) be the Exchange Rates employed in converting any amounts between dollars and Alternative Currencies; and (b) not later than 5:00 p.m., New York City time, on each Reset Date and each Borrowing Date with respect to Loans denominated in an Alternative Currency, the Administrative Agent shall (i) determine the Dollar Equivalent of the Revolving Credit Exposure at such time (after giving effect to any Loans made or repaid on such date) and (ii) notify the Lenders and the Company of the results of such determination.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to any Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) the Dollar Equivalent of such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the Dollar Equivalent of the total Revolving Credit Exposures denominated in an Alternative Currency exceeding 40% of the total Commitments of the Multicurrency Lenders. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan denominated in dollars shall be made as part of a Borrowing consisting of Revolving Loans denominated in dollars made by the Lenders ratably in accordance with their respective Available Commitments. Each Revolving Loan denominated in an Alternative Currency shall be made as part of a Borrowing consisting of Revolving Loans denominated in the same Alternative Currency made by the Multicurrency Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.13 and Section 2.14(e), each Revolving Borrowing shall be comprised of ABR Loans (if denominated in dollars) or Eurocurrency Loans, as the applicable Borrower may request in accordance herewith. Each Swingline Borrowing shall be composed of SBR Loans or Money Market Loans, as the Company may request in accordance herewith. Each Lender at its option may make any Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that (i) any exercise of such option shall not affect the obligation of any Borrower to repay such Loan in accordance with the terms of this Agreement and (ii) unless any Borrower shall request that an Affiliate of a Lender make a Loan, a Lender may not recover for any increased costs under Sections 2.14 or 2.16 incurred solely as a result of an Affiliate of such Lender, rather than such Lender, making a Loan, if, without economic disadvantage to, and consistent with the policies and practices of, such Lender, such Loan could have been made in a manner that would have avoided such increased costs under Section 2.14 or 2.16.

(c) At the commencement of each Interest Period for any Eurocurrency Revolving Borrowing, such Borrowing shall be in an aggregate amount that is not less than \$1,000,000 (or the Alternative Currency Equivalent thereof) and, in the case of a Borrowing denominated in dollars, an integral multiple of \$100,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is not less than \$500,000 and an integral multiple of \$100,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is

required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.05(e). Each Swingline Borrowing shall be in an amount that is not less than \$100,000 (or the Alternative Currency Equivalent thereof). Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of fifteen Eurocurrency Revolving Borrowings and Swingline Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, no Borrower shall be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, a Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurocurrency Borrowing denominated in dollars, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing, (b) in the case of an ABR Borrowing, not later than 9:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing, and (c) in the case of a Eurocurrency Borrowing denominated in an Alternative Currency, not later than 10:00 a.m., London time, three Business Days before the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the applicable Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing;

(iv) in the case of a Eurocurrency Borrowing, the currency thereof, which shall be a Committed Currency;

(v) in the case of a Eurocurrency Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(vi) the location and number of the applicable Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.06.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing if denominated in dollars or a Eurocurrency Revolving Borrowing if denominated in an Alternative Currency. If no election as to the currency of

Revolving Borrowing is specified, then the requested Revolving Borrowing shall be denominated in dollars. If no Interest Period is specified with respect to any requested Eurocurrency Revolving Borrowing, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section 2.03, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Revolving Loan to be made as part of the requested Borrowing.

SECTION 2.04. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Company from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$10,000,000, (ii) the Dollar Equivalent of the total Revolving Credit Exposures denominated in an Alternative Currency exceeding 40% of the total Commitments of the Multicurrency Lenders, or (iii) the Dollar Equivalent of the total Revolving Credit Exposures exceeding the total Commitments; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. If the Swingline Lender shall have received written notice that a Default has occurred and is continuing or that the Commitments have been terminated, the Swingline Lender shall not make additional Swingline Loans without the consent of each Lender. Within the foregoing limits and subject to the terms and conditions set forth herein, the Company may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Borrowing, the Company shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than (i) in the case of a Swingline Borrowing denominated in dollars, 9:00 a.m., New York City time, on the day of a proposed Swingline Borrowing, and (ii) in the case of a Swingline Borrowing denominated in an Alternative Currency, 9:00 a.m., London time, one Business Day before the date of the proposed Swingline Borrowing. Each such notice shall be irrevocable and shall specify (i) the requested date (which shall be a Business Day), (ii) the amount of the requested Swingline Loan, (iii) whether such Borrowing is to be an SBR Borrowing or a Money Market Borrowing, (iv) the currency of the requested Swingline Loan (which shall be a Committed Currency) and (v) in the case of a Money Market Borrowing, the Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period". The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Company. The Swingline Lender shall make each Swingline Loan available to the Company by means of a credit to the general deposit account of the Company with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.05(e), by remittance to the Issuing Bank) on the requested date of such Swingline Loan by (i) in the case of a Swingline Loan denominated in dollars, 3:00 p.m., New York City time, and (ii) in the case of a Swingline Loan denominated in an Alternative Currency, 3:00 p.m., London time.

(c) The Swingline Lender may by written notice given to the Administrative Agent (i) in the case of a Swingline Loan denominated in dollars, not later than 10:00 a.m., New York City time, on the Business Day of the proposed acquisition of participations and (ii) in the

case of a Swingline Loan denominated in an Alternative Currency, not later than 10:00 a.m., London time, two Business Days before the date of the proposed acquisition of participations, require the Lenders to acquire participations on any Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Upon the giving of any such notice, each Money Market Swingline Loan shall be converted to an SBR Borrowing at the end of the Interest Period applicable thereto and the right of the Company to request any further Money Market Borrowings shall be terminated. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon the date of the proposed acquisition of participations as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans in the same currency in which such Loans are denominated. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments but excluding additional Swingline Loans made in contravention of Section 2.04(a), and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.06 with respect to Revolving Loans made by such Lender (and Section 2.06 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Company of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Company (or other party on behalf of the Company) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Company of any default in the payment thereof.

SECTION 2.05. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Company may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period. If the Issuing Bank shall have received written notice that a Default has occurred and is continuing or that the Commitments have been terminated, the Issuing Bank shall not issue Letters of Credit without the consent of each Lender. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Company to, or entered into by the Company with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Company shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the currency in which such Letter of Credit is to be denominated (which shall be a Committed Currency), the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Company also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Company shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the Dollar Equivalent of the LC Exposure shall not exceed \$10,000,000, (ii) the Dollar Equivalent of the total Revolving Credit Exposures denominated in an Alternative Currency shall not exceed 40% of the total Commitments of the Multicurrency Lenders, and (iii) the Dollar Equivalent of the total Revolving Credit Exposures shall not exceed the total Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date not later than one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Company on the date due as provided in paragraph (e) of this Section in the same currency in which such LC Disbursement is designated, or of any reimbursement payment required to be refunded to the Company for any reason in the currency in which such reimbursement payment is denominated. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments but excluding additional Letters of

Credit issued in contravention of Section 2.05(a), and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Company shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement in the same currency in which such LC Disbursement is denominated not later than (i) in the case of an LC Disbursement denominated in dollars, 12:00 noon, New York City time, and (ii) in the case of an LC Disbursement denominated in an Alternative Currency, 11:00 a.m., London time, on the Business Day immediately following the date the Company shall have received notice of such LC Disbursement; provided that, the Company may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.04 that such payment be financed with an ABR Revolving Borrowing (if denominated in dollars) or a Swingline Borrowing in an equivalent amount and, to the extent so financed, the Company's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Borrowing. If the Company fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Company in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Company, in the same manner as Revolving Loans made by such Lender (and Section 2.06 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Company pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Company of its obligation to reimburse such LC Disbursement. Notwithstanding anything to the contrary contained herein, the obligation of a Lender to provide a Loan (or a participation in a Loan) or to reimburse the Issuing Bank with respect to an LC Disbursement shall not exceed such Lender's Applicable Percentage of such LC Disbursement.

(f) Obligations Absolute. The Company's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of

this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Company's obligations hereunder. Neither the Administrative Agent, the Lenders nor the Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Company to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Company to the extent permitted by applicable law) suffered by the Company that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Company by telephone (confirmed by teletype) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Company of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Company shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Company reimburses such LC Disbursement, at the Swingline Base Rate plus the Swingline Margin plus 2%. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Company, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Company shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.11(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Company receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Company shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Company described in clause (h) or (i) of Article VII. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Company under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Company's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Company for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing greater than 50% of the total LC Exposure), be applied to satisfy other obligations of the Company under this Agreement. If the Company is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Company within three Business Days after all Events of Default have been cured or waived.

SECTION 2.06. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available

funds by (i) 12:00 noon, New York City time, in the case of a Loan denominated in dollars, and (ii) 11:00 a.m., London time, in the case of a Loan denominated in an Alternative Currency, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that Swingline Loans shall be made as provided in Section 2.04. The Administrative Agent will make such Loans available to the applicable Borrower by promptly crediting the amounts so received, in like funds, to an account of such applicable Borrower maintained with the Administrative Agent (i) in the case of a Loan denominated in dollars, in New York City, and (ii) in the case of a Loan denominated in an Alternative Currency, in London, in each case as designated by such applicable Borrower in the applicable Borrowing Request; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.05(e) shall be remitted by the Administrative Agent to the Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the applicable Borrower severally agree to pay (without duplication) to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the applicable Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, (x) the Federal Funds Effective Rate (in the case of a Borrowing in dollars) and (y) the rate reasonably determined by the Administrative Agent to be the cost to it of funding such amount (in the case of a Borrowing in an Alternative Currency) or (ii) in the case of such Borrower, the interest rate applicable to the subject Loan. If a Lender pays its share of such Borrowing with interest thereon to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing as of the date of such Borrowing and the obligations of the applicable Borrower to pay such Loan to the Administrative Agent under this Section 2.06(b) shall terminate.

SECTION 2.07. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurocurrency Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the applicable Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurocurrency Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. A Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. Notwithstanding any contrary provision herein, this Section shall not be construed to permit any Borrower to change the currency or Class of any Borrowing.

(b) To make an election pursuant to this Section, a Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if such Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the applicable Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) if the Borrowing to which such Interest Election Request applies is denominated in dollars, whether the resulting Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing; and

(iv) if the resulting Borrowing is a Eurocurrency Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurocurrency Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the applicable Borrower fails to deliver a timely Interest Election Request with respect to a Eurocurrency Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing (unless such Borrowing is denominated in an Alternative Currency, in which case such Borrowing shall become due and payable on the last day of such Interest Period). Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the applicable Borrower and the Company, then, so long as

an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurocurrency Borrowing and (ii) unless repaid, each Eurocurrency Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto (and, in the case of a Eurocurrency Borrowing denominated in an Alternative Currency, such Borrowing shall be converted into dollars at the Exchange Rate determined by the Administrative Agent on the last day of the Interest Period applicable thereto).

SECTION 2.08. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Company may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$100,000 and not less than \$500,000 and (ii) the Company shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.10, (A) the Dollar Equivalent of the total Revolving Credit Exposures denominated in an Alternative Currency would exceed 40% of the total Commitments of the Multicurrency Lenders or (B) the Dollar Equivalent of the total Revolving Credit Exposures would exceed the total Commitments.

(c) The Company shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Company pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Company may state that such notice is conditioned upon the effectiveness of other credit facilities or issuances of debt or equity securities or sale of assets or any line of business, in which case such notice may be revoked by the Company (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.09. Repayment of Loans; Evidence of Debt. (a) Each Borrower hereby unconditionally promises to pay on the Maturity Date to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan provided by such Lender to such Borrower. The Company hereby unconditionally promises to pay to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the Swingline Loan Maturity Date; provided that on each date that a Revolving Borrowing in a specified Committed Currency is made, the Company shall repay all Swingline Loans in such Committed Currency then outstanding.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the applicable Borrower to such Lender resulting from

each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class, Type and currency thereof and the Interest Period (if any) applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of any Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note; provided that the Loans made by the Domestic Lender shall, in any event, be evidenced by a promissory note. In the event that a Multicurrency Lender requests a promissory note or in the case of the Domestic Lender, each Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent, substantially in the form of Exhibit G. After the delivery of any such promissory note, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.10. Prepayment of Loans. (a) Subject to Section 2.15, any Borrower shall have the right at any time and from time to time to prepay any Borrowing of such Borrower in whole or in part, subject to prior notice in accordance with paragraph (c) of this Section.

(b) If (i) the Dollar Equivalent of the total Revolving Credit Exposures denominated in an Alternative Currency exceeds 40% of the total Commitments of the Multicurrency Lenders or (ii) the Dollar Equivalent of the total Revolving Credit Exposures exceeds the total Commitments, the Company, on such day, shall cause the Borrowers to prepay one or more Borrowings, in whole or in part, in an amount sufficient to eliminate such excess.

(c) The applicable Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurocurrency Revolving Borrowing denominated in dollars, not later than 9:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of a Eurocurrency Revolving Borrowing denominated in an Alternative Currency, not later than 9:00 a.m., London time, three

Business Days prior to the date of prepayment, (iii) in the case of prepayment of a Money Market Borrowing denominated in dollars, not later than 9:00 a.m., New York City time, two Business Days before the date of prepayment, (iv) in the case of prepayment of a Money Market Borrowing denominated in an Alternative Currency, not later than 9:00 a.m., London time, two Business Days before the date of prepayment, (v) in the case of prepayment of an ABR Revolving Borrowing or SBR Swingline Borrowing denominated in dollars, not later than 9:00 a.m., New York City time, one Business Day before the date of prepayment, and (vi) in the case of prepayment of an SBR Swingline Borrowing denominated in an Alternative Currency, not later than 9:00 a.m., London time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.08, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.08. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.12.

SECTION 2.11. Fees. (a) The Company agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily unused amount of the Commitment of such Lender during the period from and including the date hereof to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). For purposes of this Section 2.11(a), the unused amount of the Commitment of such Lender shall be deemed to be the excess of (i) the aggregate Commitment of such Lender over (ii) the aggregate Revolving Credit Exposure of such Lender (exclusive of Swingline Exposure).

(b) The Company agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate as interest on Eurocurrency Revolving Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but

excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon between the Company and the Issuing Bank on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Company agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Company and the Administrative Agent. The Company agrees to pay to the Documentation Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Company and the Documentation Agent.

(d) The Company agrees to pay on the Effective Date to the Administrative Agent, for the account of each Lender, an upfront fee equal to (i) in the case of a Multicurrency Lender, .125% of such Lender's Commitment and (ii) in the case of the Domestic Lender, .100% of such Lender's Commitment.

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of facility fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.12. Interest. (a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate.

(b) The Loans comprising each Eurocurrency Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) The Loans comprising each SBR Borrowing shall bear interest at the Swingline Base Rate plus, in the case of an SBR Borrowing denominated in an Alternative Currency, the Applicable Rate.

(d) The Loans comprising each Money Market Borrowing shall bear interest at the Money Market Rate for the Interest Period in effect for such Borrowing.

(e) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by any Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section and (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(f) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, (iii) in the event of any conversion of any Eurocurrency Revolving Loan or Money Market Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion and (iv) all accrued interest shall be payable upon termination of the Commitments.

(g) All interest hereunder shall be computed on the basis of a year of 360 days shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.13. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurocurrency Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that in their reasonable determination the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period; or

(c) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that deposits in the applicable Committed Currency are not

generally available, or cannot be obtained by the Lenders, in the London interbank market, as applicable;

then the Administrative Agent shall give notice thereof to the Company and the applicable Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Company and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurocurrency Borrowing shall be ineffective, and any Eurocurrency Borrowing so requested to be continued shall, at the option of the Company or the applicable Borrower, be repaid on the last day of the then current Interest Period with respect thereto or shall be converted to an ABR Borrowing denominated in dollars at the Exchange Rate determined by the Administrative Agent in accordance with this Agreement on the last day of the then current Interest Period with respect thereto, (ii) if any Borrowing Request requests a Eurocurrency Revolving Borrowing in dollars, such Borrowing shall be made as an ABR Borrowing and (iii) any request by any Borrower for any other Eurocurrency Borrowing in the affected Committed Currency shall be ineffective; provided that (A) if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted and (B) if the circumstances giving rise to such notice do not affect all applicable currencies, then requests for Eurocurrency Borrowings may be made in the currencies that are not affected thereby.

SECTION 2.14. Increased Costs; Illegality.

(a) If any Change in Law shall:

(i) 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, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate, the Money Market Rate or the Swingline Base Rate) or the Issuing Bank; or

(ii) impose on any Lender or the Issuing Bank or the London interbank market (or any other market in which the funding operations of such Lender shall be conducted with respect to any Committed Currency) any other condition affecting this Agreement or Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Loan (or of maintaining its obligation to make any Loan) or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or otherwise), then the Company will pay or cause the applicable Borrower to pay to such Lender or the Issuing Bank, as the case may be, such

additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Company will pay or cause the applicable Borrower to pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company, as the case may be, as specified in paragraph (a) or (b) of this Section 2.14 and in reasonable detail the basis for such amount and the allocation to the applicable Borrower(s) of such amount shall be delivered to the Company and shall be conclusive absent manifest error. The Company shall pay or cause the applicable Borrower to pay such Lender or the Issuing Bank, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section 2.14 shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Company shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section 2.14 for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or the Issuing Bank notifies the Company of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) Notwithstanding any other provision of this Agreement, if, after the date hereof, (i) any Change in Law shall make it unlawful for any Lender to make or maintain any Loan or to give effect to its obligations as contemplated hereby with respect to any 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 the introduction of different types of currency to replace the currency in which such Loan was made (other than as provided in Section 10.15)) or currency exchange rates which would make it

impracticable in such Lender's reasonable determination for any Lender to make or maintain Loans denominated in a particular Committed Currency to, or for the account of, any Borrower, then, by written notice to the Company and the applicable Borrower and to the Administrative Agent:

(i) such Lender may declare that Loans (in the affected currency or currencies) will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods), whereupon any request for a Borrowing (in the affected currency or currencies) (or to continue a Borrowing (in the affected currency or currencies) for an additional Interest Period) shall, as to such Lender only, be deemed a request for a Loan denominated in dollars (or a request to convert a Eurocurrency Loan (in the affected currency or currencies) into a Eurocurrency Loan denominated in dollars on the last day of the then current Interest Period with respect thereto), unless such declaration shall be subsequently withdrawn;

(ii) such Lender may require that all outstanding Loans (in the affected currency or currencies) made by it be converted to Loans denominated in dollars, in which event all such Loans (in the affected currency or currencies) shall be converted to Loans denominated in dollars as of the effective date of such notice as provided in paragraph (f) below and at the Exchange Rate on the date of such conversion; provided the applicable Borrower shall retain the option to prepay such loans under Section 2.10 (so long as the Loans of the other Lenders of the same Type, Class, currency and Interest Period are prepaid at the same time) in each affected currency if such affected currency in an Eligible Currency at the time of such prepayment; and

(iii) in the case of any such change affecting the Issuing Bank's ability to issue, or the Swingline Lender's ability to lend, or any Lender's ability to acquire participations in, Letters of Credit or Swingline Loans, such Issuing Bank or such Lender shall declare that Letters or Credit will not thereafter be issued, or Swingline Loans will not be made, in the affected currency or currencies, whereupon the affected currency or currencies shall be deemed (for the duration of such unlawfulness or impracticability) not to constitute a Committed Currency for purposes of the issuance of Letters of Credit or the making of Swingline Loans, unless such declaration shall be subsequently withdrawn.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal that would otherwise have been applied to repay the Loans that would have been made by such Lender or the converted Loans of such Lender shall instead be applied to repay the Loans denominated in dollars, as the case may be, made by such Lender in lieu of, or resulting from the conversion of, such Loans.

(f) In addition to any other indemnification or other "gross-up" provisions contained herein, if any law, or any governmental or quasi-governmental rule, regulation, policy, guideline, or directive of any jurisdiction outside of the United States, imposes or deems applicable any reserve, assessment or other charge or cost on any Lender domiciled in the United States and the result of any of the foregoing is to increase the cost to such Lender of making or maintaining any Loan to a Borrowing Subsidiary not incorporated under the laws of the United States or to reduce the return received by such Lender in connection with any such Loan, then, to the extent that such Lender is not otherwise indemnified (whether pursuant to the definition of the term Statutory Reserve Rate or otherwise) hereunder for same, such Borrowing Subsidiary shall pay such Lender such additional amount or amounts as will compensate such Lender for such increased costs or reduction in the amount received. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lenders setting forth in reasonable detail the basis for such amount and the allocation to the Company and the applicable Borrower shall be delivered to the Company which shall be conclusive absent manifest error.

(g) For purposes of this Section 2.14, a notice to the Company and the applicable Borrower by any Lender shall be effective as to each Loan made by such Lender, 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 thereof by the Company and the applicable Borrower.

SECTION 2.15. Break Funding Payments. In the event of (a) the payment of any principal of any Eurocurrency Loan or Money Market Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurocurrency Loan or Money Market Loan other than on the last day of the Interest Period applicable thereto, (c) the conversion of a Alternative Currency Loan to a dollar denominated Loan pursuant to Section 2.13(i) or Section 2.14(e)(ii), (d) the failure to borrow, onvert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.10(c) and is revoked in accordance therewith), or (e) the assignment of any Eurocurrency Loan or Money Market Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Company pursuant to Section 2.18, then, in any such event, the Company shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurocurrency Loan or Money Market Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan, had such event not occurred, at the Adjusted LIBO Rate (in the case of a Eurocurrency Loan) or at the Money Market Rate (in the case of a Money Market Loan) that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for deposits of a comparable amount, in the same currency and for the same period from other banks in the Eurocurrency market. A certificate of any Lender setting forth any

amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Company and the applicable Borrower and shall be conclusive absent manifest error. The Company shall pay or shall cause the applicable Borrower to pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.16. Taxes. (a) Any and all payments by or on account of any obligation of any Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if any Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.16) the Administrative Agent, a Lender or the Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrowers shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The applicable Borrower shall indemnify the Administrative Agent, each Lender and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of such Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 2.16) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Company by a Lender or the Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by any Borrower to a Governmental Authority, any Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the Relevant Jurisdiction or any treaty to which such Relevant Jurisdiction is a party, with respect to payments under this Agreement shall, assuming reasonable prior written notification by the applicable Borrower to such Foreign Lender of the existence of such law or treaty, deliver to the Company and the applicable Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed

and executed documentation prescribed by applicable law or reasonably requested by the Company as will permit such payments to be made without withholding or at a reduced rate of withholding.

(f) If a Lender, the Issuing Bank or the Administrative Agent receives a refund from a taxing authority in respect of any Indemnified Taxes or Other Taxes for which it has been indemnified by a Borrower, or with respect to which any Borrower has paid additional amounts pursuant to this Section 2.16, it shall within 10 days from the date of such receipt pay over the amount of such refund to the applicable Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the applicable Borrower under this Section 2.16 with respect to the Indemnified Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of such Lender, the Issuing Bank or the Administrative Agent and without interest (other than interest paid by the relevant taxing authority with respect to such refund); provided, however, that each Borrower upon the request of such Lender, the Issuing Bank or the Administrative Agent agrees to repay the amount paid over to such Borrower (plus penalties, interest or other charges) to such Lender, the Issuing Bank or the Administrative Agent in the event such Lender, the Issuing Bank or the Administrative Agent is required to repay such refund to such taxing authority.

(g) Nothing contained in this Section 2.16 shall require any Lender, the Issuing Bank or Administrative Agent to make available its tax returns or any other information relating to Taxes or Other Taxes that such Lender, the Issuing Bank or Administrative Agent deems to be confidential; provided, however, that any Taxes or Other Taxes shall, to the extent resulting from such Lender's, the Issuing Bank's or the Administrative Agent's failure to make available any such tax returns, be deemed to be Excluded Taxes.

SECTION 2.17. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) Each Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.14, 2.15 or 2.16, or otherwise) from a payment location in the United States (or such other payment location hereafter specified by such Borrower) prior to 12:00 noon, New York City time (or 12:00 noon, London time, in respect of principal of or interest on any Loan denominated in an Alternative Currency), on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York (or, in the case of any amounts due in any Alternative Currency, to the Administrative Agent at its offices at Trinity Tower, 9 Thomas Moore Street, London, England E19YT or at such other office as shall be specified for such Alternative Currency by the Administrative Agent), except payments to be made directly to the Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.14, 2.15, 2.16 and 10.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment

shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension at the same rate then in effect with respect thereto. All payments of principal and interest (but not fees, which shall be payable in dollars) hereunder shall be made in the applicable Committed Currency, except as otherwise expressly provided herein.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion (based on the Revolving Credit Exposures of such Lender as a percentage of the aggregate Revolving Credit Exposures of all Lenders) of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion (based on the Revolving Credit Exposures of such other Lender as a percentage of the aggregate Revolving Credit Exposures of all Lenders) received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by any Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Company or applicable Borrower prior to the date on which any payment is due to the

Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if such Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, (i) in the case of a Borrowing or an LC Disbursement in dollars, at the Federal Funds Effective Rate and (ii) in the case of a Borrowing or an LC Disbursement in an Alternative Currency, at the rate reasonably determined by the Administrative Agent to be the cost to it of funding such amount.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.04(c), 2.05(d) or (e), 2.06(b) or 2.17(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.18. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.14, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.14 or 2.16, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Company hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.14, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, or if any Lender defaults in its obligation to fund Loans hereunder, or if any Multicurrency Lender does not approve any Currency as an Alternative Currency, then the Company may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, 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 an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Company shall have received the prior written consent of the Administrative Agent (and, if a Commitment is being assigned, the Issuing Bank and Swingline Lender), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans,

accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Company (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.14 or payments required to be made pursuant to Section 2.16, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

SECTION 2.19. Borrowing Subsidiaries. On or after the Effective Date, the Company may designate any Wholly-Owned Subsidiary as a Borrowing Subsidiary by delivery to the Administrative Agent of a Borrowing Subsidiary Agreement executed by such Subsidiary and the Company, and upon such delivery such Subsidiary shall for all purposes of this Agreement be a Borrowing Subsidiary and a party to this Agreement. The Company may cause any Borrowing Subsidiary to cease to be a party to this Agreement by executing and delivering to the Administrative Agent a Borrowing Subsidiary Termination with respect to such Subsidiary, whereupon such Subsidiary shall cease to be a Borrowing Subsidiary and a party to this Agreement. Notwithstanding the foregoing, no Borrowing Subsidiary Termination will become effective as to any Borrowing Subsidiary at a time when any principal of or interest on any Loan made directly to such Borrowing Subsidiary shall be outstanding hereunder; provided that such Borrowing Subsidiary Termination shall be effective to terminate such Borrowing Subsidiary's right to make further Borrowings under this Agreement. As soon as practicable upon receipt of a Borrowing Subsidiary Agreement, the Administrative Agent shall send a copy thereof to each Lender.

ARTICLE III Representations and Warranties

Each Borrower (as to itself and its subsidiaries) represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Each of the Company and the Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to own or lease its property and to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required. Schedule 3.01 sets forth the correct and complete list of each Subsidiary indicating (a) its jurisdiction of organization, (b) its ownership (by holder and percentage interest), (c) its business and primary geographic scope of operation and (d) whether such Subsidiary is a Significant Subsidiary.

SECTION 3.02. Authorization; Enforceability. The Transactions to be entered into by each Loan Party are within such Loan Party's corporate, partnership or limited liability

company powers and have been duly authorized by all necessary corporate, partnership or limited liability company and, if required, stockholder, partner or member action. Each Loan Document to which any Loan Party is a party has been duly executed and delivered by such Loan Party and constitutes a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require the Company or any Subsidiary to obtain or make any consent or approval of, registration or filing with, or other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect or that could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, (b) will not violate any law or regulation applicable to the Company or any Subsidiary, or the charter, by-laws or other organizational documents of the Company or any Subsidiary, or any order of any Governmental Authority applicable to the Company or any Subsidiary, except as to any law, regulation or order the violation of which could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Company or any Subsidiary or their respective assets, or give rise to a right thereunder to require any payment to be made by the Company or any of its Subsidiaries, except for any such violations, defaults or rights to require payment that could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, and (d) will not result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries. No exchange control law or regulation materially restricts any Borrower from complying with its obligations in respect of any Loan or Letter of Credit denominated in a Committed Currency.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The Company has heretofore furnished to the Lenders the consolidated and consolidating balance sheets of the Company and its consolidated Subsidiaries and the related statements of income, stockholders equity and cash flows (i) as of and for the fiscal years ended October 31, 1995, October 31, 1996 and November 2, 1997, such consolidated financial statements being reported on by Deloitte & Touche LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended August 2, 1998, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial condition and results of operations and cash flows of the Company and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Since August 2, 1998, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Company and the Subsidiaries, taken as a whole.

SECTION 3.05. Properties. (a) Each of the Company and the Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business reflected in the financial statements described in Section 3.04, except for minor defects in title that do not materially interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) Each of the Company and the Subsidiaries owns, or is licensed to use, all trademarks, tradenames, service marks, copyrights, patents and other intellectual property material to its business, the use thereof by the Company and the Subsidiaries does not infringe upon the rights of any other Person, except any such infringements that could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, and, to the knowledge of any Borrower, no other Person has materially infringed upon the rights of the Company and the Subsidiaries thereto.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of any Borrower, threatened in writing against or affecting the Company or any Subsidiary (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement, any other Loan Document or the Transactions.

(b) Except for the Disclosed Matters 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 Subsidiary (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.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements. Each of the Company and the Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary is in default with respect to any such law, regulation, order, indenture, agreement or other instrument, except for any such default that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.08. Investment and Holding Company Status. Neither the Company nor any Subsidiary is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.09. Taxes. Each of the Company and the Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Company or such Subsidiary, as applicable, has set aside on its books adequate reserves in conformity with GAAP or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than \$1,000,000, the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than \$1,000,000, the fair market value of the assets of all such underfunded Plans.

SECTION 3.11. Disclosure. The Company has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. Neither the Information Memorandum nor any of the other reports, financial statements, certificates or other information furnished by or on behalf of the Company to the Administrative Agent or any Lender in connection with the negotiation of the Loan Documents or delivered thereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.12. Federal Reserve Regulations. (a) Neither the Company nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purposes of buying or carrying Margin Stock (as defined under Regulation U).

(b) No part of the proceeds of any Loan, and no Letter of Credit, will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any

purpose that entails a violation of, or that is inconsistent with, the provisions of the Regulations of the Board, including Regulation T, U or X.

SECTION 3.13. Senior Indebtedness. The obligations of the Company hereunder and under the other Loan Documents constitute "Senior Indebtedness" under and as defined in the Subordinated Note Indenture.

SECTION 3.14. Solvency. Immediately after the consummation of the Transactions (a) the fair value of the assets of each Borrower and each Loan Party that is a Significant Subsidiary at a fair valuation will exceed its debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the property of each Borrower and each Loan Party that is a Significant Subsidiary will be greater than the amount that will be required to pay the probable liability of its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured, considering all financing alternatives and potential asset sales reasonably available to such Borrower or Loan Party; (c) each Borrower and each Loan Party that is a Significant Subsidiary will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, considering all financing alternatives and potential asset sales reasonably available to such Borrower; and (d) each Borrower and each Loan Party that is a Significant Subsidiary will not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted following the Effective Date.

SECTION 3.15. Year 2000. Any reprogramming required to permit the proper functioning, in and following the year 2000, of (a) computer systems of the Company and the Subsidiaries and (b) equipment containing embedded microchips (including systems and equipment supplied by others or with which the Company's and the Subsidiaries' systems interface) and the testing of all such systems and equipment, as so reprogrammed, will be completed, and all such systems and equipment shall be year 2000 compliant, by August 1, 1999. The cost to the Company and its Subsidiaries of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to the Company and the Subsidiaries (including, without limitation, reprogramming errors and the failure of others' systems or equipment) will not result in a Default or a Material Adverse Effect. Except for such of the reprogramming referred to in the preceding sentence as may be necessary, the computer and management information systems of the Company and the Subsidiaries are and, with ordinary course upgrading and maintenance, will continue for the term of this Agreement to be, sufficient to permit the Company and the Subsidiaries to conduct its business without Material Adverse Effect.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date

on which each of the following conditions is satisfied (or waived in accordance with Section 10.02):

(a) The Administrative Agent and the Documentation Agent (or their 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 reasonably satisfactory to the Administrative Agent and the Documentation 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 and the Documentation Agent (or their counsel) shall have received from each of the Guarantors either (i) a counterpart of the Guarantee Agreement signed on behalf of such party or (ii) written evidence reasonably satisfactory to the Administrative Agent and the Documentation Agent (which may include telecopy transmission of a signed signature page of the Guarantee Agreement) that such party has signed a counterpart of the Guarantee Agreement.

(c) The Administrative Agent and the Documentation Agent (or their counsel) shall have received from each of the Company and the Subsidiaries, as applicable, either (i) a counterpart of each Security Document signed on behalf of such party or (ii) written evidence reasonably satisfactory to the Administrative Agent and the Documentation Agent (which may include telecopy transmission of a signed signature page of such Security Document) that such party has signed a counterpart of such Security Document. The Administrative Agent shall have received stock certificates representing 65% of the outstanding voting Capital Stock of each of the Foreign Subsidiaries subject to a Pledge Agreement together with undated stock powers executed in blank. The Administrative Agent for its benefit and the ratable benefit of the Lenders shall have a legal, valid and enforceable perfected first-priority Lien on the Collateral.

(d) The Administrative Agent and the Documentation Agent shall have received favorable written opinions (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Thelen, Reid & Priest LLP, Jeffrey P. Moonan, Esq. and local Texas counsel, counsel for the Loan Parties, substantially in the form of Exhibit B-1, Exhibit B-2 and Exhibit B-3, respectively, and covering such other matters relating to the Loan Parties, this Agreement or the Transactions as the Required Lenders shall reasonably request. The Borrowers hereby request such counsel to deliver such opinions.

(e) The Administrative Agent and the Documentation Agent shall have received such documents and certificates as the Administrative Agent, the Documentation Agent or their counsel may reasonably request relating to the organization, existence and good standing of the Loan Parties, the authorization of the Transactions and any other legal matters relating to the Loan Parties, the Loan Documents or the Transactions, all in form and substance reasonably satisfactory to the Administrative Agent, the Documentation Agent and their counsel.

(f) Concurrently with the first Borrowing, the Company shall have repaid, or made adequate provision to repay, in full the principal of all loans outstanding, interest thereon

and other amounts due and payable under the Existing Credit Agreement and the Administrative Agent shall have received duly executed documentation in form and substance reasonably satisfactory thereto either evidencing or necessary for (i) the termination of the Existing Credit Agreement, (ii) the cancellation of all commitments thereunder and (iii) the release of all Liens granted by the Company or any Subsidiary in connection therewith.

(g) The Administrative Agent and the Documentation Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Company, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(h) The Administrative Agent and the Documentation Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Company hereunder.

(i) All consents and approvals necessary to be obtained from any Governmental Authority (including, without limitation, to the extent required by applicable law, prior to any Borrowing or issuance of any Letter of Credit in Singapore dollars, the approval of the Monetary Authority of Singapore) or other Person in connection with the financing contemplated hereby and the continuing operation of the Company and the Subsidiaries shall have been obtained and be in full force and effect, and all applicable waiting periods and appeal periods shall have expired, in each case without the imposition of any burdensome conditions.

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, the obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.02) at or prior to 3:00 p.m., New York City time, on November 19, 1998 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties set forth in this Agreement and the other Loan Documents shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, except that any representation or warranty limited by its terms to a specific date shall be true and correct as of such specific date.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default

shall have occurred and be continuing and there are no laws, rules, regulations or orders that would cause the making or maintaining of such Loan or such Letter of Credit to be unlawful or otherwise unenforceable.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Company and the applicable Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section 4.02.

SECTION 4.03. Each Borrowing Subsidiary Credit Event. The obligation of each Lender to make Loans hereunder to any Borrowing Subsidiary that becomes a party hereto after the Effective Date is subject to the satisfaction of the following additional conditions:

(a) The Administrative Agent (or its counsel) shall have received from each party thereto either (i) a counterpart of such Borrowing Subsidiary's Borrowing Subsidiary Agreement or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page thereof) that such party has signed a counterpart of such Borrowing Subsidiary Agreement.

(b) The Administrative Agent shall have received a favorable written opinion of counsel for such Borrowing Subsidiary (which counsel shall be reasonably acceptable to the Administrative Agent), substantially in the form of Exhibit C, and covering such other matters relating to such Borrowing Subsidiary or its Borrowing Subsidiary Agreement as the Required Lenders shall reasonably request.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of such Borrowing Subsidiary, the authorization of the Transactions relating to such Borrowing Subsidiary and any other legal matters relating to such Borrowing Subsidiary, its Borrowing Subsidiary Agreement and such Transactions, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Company covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. The Company will furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year of the Company, the audited consolidated and unaudited consolidating (including by business segment) balance sheets of the Company and its consolidated Subsidiaries and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures as of the end of and for the previous fiscal year, such consolidated financial statements being reported on by Deloitte & Touche LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries 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 of the Company, the unaudited consolidated and consolidating (including by business segment) balance sheets of the Company and its consolidated Subsidiaries and related statements of operations and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding date or period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Company (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Sections 6.13, 6.14, 6.15 and 6.16 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) concurrently with any delivery of financial statements under clause (a), a narrative explanation signed by a Financial Officer of the Company of any material variance from the Company's budget for the fiscal year that is reflected in such financial statements;

(f) within 30 days of the commencement of each fiscal year of the Company, (i) projected consolidated and consolidating balance sheets of the Company and its consolidated

Subsidiaries for such fiscal year and (ii) an operating plan for the Company and its consolidated Subsidiaries for such fiscal year, including budget, personnel, facilities, capital expenditure and research and development projections and projected consolidated and consolidating (including by business segment) income and cash flow statements for such fiscal year, incorporating the items detailed in such operating plan for such fiscal year, and accompanied by a description of the material assumptions used in making such operating plan;

(g) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements, registration statements and other materials filed by the Company or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Company to its shareholders generally, as the case may be; and

(h) promptly following any request therefor, such other information regarding the operations, business, affairs and financial condition of the Company or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.02. Notices of Material Events. The Company will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Company or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Company and the Subsidiaries in an aggregate amount exceeding \$1,000,000; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Company setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. The Company will, and will cause each of the Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and

franchises material to the conduct of its business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03.

SECTION 5.04. Payment of Obligations. The Company will, and will cause each of the Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Company or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Maintenance of Properties; Insurance. The Company will, and will cause each of the Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 5.06. Books and Records; Inspection Rights. The Company will, and will cause each of the Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities; provided that, with respect to each of the Foreign Subsidiaries, such entries may be made in accordance with generally accepted accounting principles in effect in its jurisdiction of organization until such time that such entries are consolidated with the entries of the Company and the Domestic Subsidiaries. The Company will, and will cause each of the Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 5.07. Compliance with Laws. The Company will, and will cause each of the Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds and Letters of Credit. The proceeds of the Loans will be used only for general corporate purposes (including working capital, capital expenditures and acquisitions). The proceeds of Loans denominated in Singapore dollars will be used only for economic activities in Singapore or for hedging the Singapore dollar exchange rate and interest rate risks arising from the economic activities. No part of the proceeds of any Loan, and no Letter of Credit, will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X. Letters of Credit will be issued only to support obligations of the Company incurred in the ordinary course of business.

SECTION 5.09. Additional Guarantors. (a) Promptly upon any Domestic Subsidiary becoming a Significant Subsidiary or a Borrowing Subsidiary, the Company will (i) cause such Domestic Subsidiary to guarantee the obligations under the Loan Documents, pursuant to a Guarantee substantially in the form of the Guarantee Agreement and (ii) deliver such proof of corporate, partnership or limited liability company action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by the Company pursuant to Article IV or as the Administrative Agent shall have reasonably requested.

(b) Promptly upon any Foreign Subsidiary becoming a Significant Subsidiary, the Company will (i) cause 65% of the voting Capital Stock of such Foreign Subsidiary to be pledged and delivered to the Administrative Agent for its benefit and the ratable benefit of the Lenders, pursuant to the Pledge Agreement and (ii) deliver such proof of corporate, partnership or limited liability company action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by the Company pursuant to Article IV or as the Administrative Agent shall have reasonably requested.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Company covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness. The Company will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness created hereunder;

(b) Indebtedness existing on the date hereof and set forth in Schedule 6.01, and, subject to Section 6.06(b)(iv), any extensions, renewals or replacements of any such Indebtedness, provided that the principal amount does not increase;

(c) Indebtedness of the Company to any Wholly-Owned Subsidiary or of any Wholly-Owned Subsidiary to the Company or any other Wholly-Owned Subsidiary, in each case incurred in the ordinary course of business and either consistent with past practices or for cash management purposes; provided that, upon request of the Required Lenders, such Indebtedness shall be evidenced by a promissory note in form and substance reasonably acceptable to the Required Lenders;

(d) Indebtedness of the Company or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations and obligations under Synthetic Leases, and any Indebtedness assumed in connection

with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that (i) such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this clause (d) shall not exceed \$10,000,000 at any time outstanding; and (e) Indebtedness of the Company or any Subsidiary as an account party in respect of trade letters of credit.

SECTION 6.02. Liens. The Company will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any property or asset of the Company or any Subsidiary existing on the date hereof and set forth in Schedule 6.02; provided that (i) such Lien shall not apply to any other property or asset of the Company or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof;

(c) any Lien existing on any property or asset prior to the acquisition thereof by the Company or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien secures Indebtedness permitted by clause (d) of Section 6.01, (ii) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (iii) such Lien shall not apply to any other property or assets of the Company or any Subsidiary, and (iv) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be; and

(d) any Lien on fixed or capital assets acquired, constructed or improved by the Company or any Subsidiary; provided that (i) such Lien secures Indebtedness permitted by clause (d) of Section 6.01, (ii) such Lien and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed 100% of the direct costs and 80% of the direct and indirect costs of acquiring, constructing or improving such fixed or capital assets and (iv) such Lien shall not apply to any other property or assets of the Company or any Subsidiary.

SECTION 6.03. Fundamental Changes. (a) The Company will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or any substantial part of its assets, or (whether now

owned or hereafter acquired) or sell, transfer, lease or otherwise dispose of any Capital Stock of any Subsidiary, or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any Person may merge into the Company in a transaction in which the Company is the surviving corporation, (ii) any Person may merge into any Wholly-Owned Subsidiary in a transaction in which the surviving entity is a Wholly-Owned Subsidiary, (iii) any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to the Company or to a Wholly-Owned Subsidiary; provided that, upon request of the Required Lenders, any deferred purchase price shall be evidenced by a promissory note in form and substance reasonably acceptable to the Required Lenders, (iv) the Company or any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to the extent permitted by Section 6.07(c) and (v) any Subsidiary other than a Borrowing Subsidiary may liquidate or dissolve if the Company determines in good faith that such liquidation or dissolution is in the best interests of the Company and is not materially disadvantageous to the Lenders; provided that any such merger involving a Person that is not a Wholly-Owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.04.

(b) The Company will not, and will not permit any Subsidiary to, engage to any material extent in any business other than businesses of the type conducted by the Company and the Subsidiaries on the date of execution of this Agreement and businesses reasonably related thereto.

SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions. The Company will not, and will not permit any Subsidiary to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a Wholly-Owned Subsidiary prior to such merger) any Capital Stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit (or material portion thereof), except:

(a) Permitted Investments;

(b) with respect to any Foreign Subsidiary, direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the government of the country in which such Foreign Subsidiary is organized or has its principal place of business, in each case maturing within one year from the date of acquisition thereof, so long as the aggregate amount of all such obligations for all Foreign Subsidiaries does not exceed \$5,000,000 in the aggregate at any time outstanding;

(c) loans, advances or investments existing on the date hereof by the Company and the Subsidiaries to or in their respective subsidiaries;

(d) loans or advances made after the Effective Date by the Company to any Wholly-Owned Subsidiary or by any Wholly-Owned Subsidiary to the Company or any other Wholly-Owned Subsidiary; provided that, upon request of the Required Lenders, such loans or advances shall be evidenced by a promissory note in form and substance reasonably acceptable to the Required Lenders;

(e) Guarantees constituting Indebtedness permitted by Section 6.01 and Guarantees by the Company of rental obligations or accounts payable of any Subsidiary;

(f) investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case in the ordinary course of business;

(g) investments made in connection with a sale of assets permitted by Section 6.07 to the extent of the non-cash consideration received by the Company or a Subsidiary;

(h) Permitted Business Acquisitions so long as (i) the aggregate consideration paid by the Company and the Subsidiaries in respect of any such Permitted Business Acquisition does not exceed (A) in the case of acquisitions of Domestic Subsidiaries or assets in the United States, \$50,000,000, and (B) in the case of acquisitions of Foreign Subsidiaries or assets outside of the United States, \$30,000,000, and (ii) the aggregate cash and non-cash consideration (including the concurrent repayment or assumption of any indebtedness) paid by the Company and the Subsidiaries in respect of such Permitted Business Acquisition and all prior Permitted Business Acquisitions during the same fiscal quarter of the Company and the prior three fiscal quarters of the Company does not exceed \$100,000,000;

(i) investments by the Company or any Subsidiary existing on the date hereof and set forth in Schedule 6.04;

(j) investments by the Company or any Subsidiary after the Effective Date in Joint Ventures that do not exceed \$20,000,000 in the aggregate at any time outstanding; and

(k) investments in addition to those permitted by (a) through (j) by the Company or any Subsidiary (including investments made to meet minimum capital requirements of foreign jurisdictions) that do not exceed \$5,000,000 in the aggregate for the Company and all Subsidiaries at any time outstanding.

SECTION 6.05. Hedging Agreements. The Company will not, and will not permit any Subsidiary to, enter into any Hedging Agreement, other than Hedging Agreements entered into in the ordinary course of business to hedge or mitigate risks to which the Company or any Subsidiary is exposed in the conduct of its business or the management of its liabilities.

SECTION 6.06. Restricted Payments; Certain Payments of Indebtedness. (a) The Company will not, and will not permit any Subsidiary to, declare or make, or agree to pay or

make, directly or indirectly, any Restricted Payment, except (i) the Company may declare and pay dividends with respect to its Capital Stock payable solely in additional shares of its Capital Stock, (ii) Subsidiaries may declare and pay cash dividends to the Company or any Wholly-Owned Subsidiary with respect to its Capital Stock and Wholly-Owned Subsidiaries may redeem for cash shares of Capital Stock held by the Company or any other Wholly-Owned Subsidiary, (iii) the Company may make Restricted Payments, not exceeding \$1,000,000 during any fiscal year, pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Company and its Subsidiaries, and (iv) so long as at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, the Company or any Subsidiary may make Restricted Payments in an aggregate amount not to exceed \$10,000,000 for the Company and all Subsidiaries during any fiscal year of the Company.

(b) The Company will not, and will not permit any Subsidiary to, make or agree to pay or make, directly or indirectly, any payment or other distribution (whether in cash, securities or other property) of or in respect of principal of or interest on any Indebtedness, or any payment or other distribution (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Indebtedness, except:

(i) payment of Indebtedness created under the Loan Documents;

(ii) payment of regularly scheduled interest and principal payments as and when due in respect of any Indebtedness (subject to any subordination provisions thereof);

(iii) prepayment at the consummation of a Permitted Business Acquisition of Indebtedness assumed in connection with such Permitted Business Acquisition;

(iv) prepayment, purchase, redemption, retirement or other acquisition of the Subordinated Notes by exchange for or, within 90 days of such issuance or incurrence, out of the proceeds received from a substantially concurrent issue of new shares of its non-mandatorily redeemable Capital Stock or from a substantially concurrent incurrence of Consolidated Subordinated Indebtedness (including mandatorily redeemable Capital Stock);

(v) so long as at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, prepayment, purchase, redemption, retirement or other acquisition in cash of the Subordinated Notes in an amount not to exceed \$1,000,000 in the aggregate for the period commencing on the date hereof and ending on the date that the Commitments are terminated and no Revolving Credit Exposure is outstanding; and

(vi) payment of secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness.

SECTION 6.07. Disposition of Assets. The Company will not, and will not permit any Subsidiary to, sell, transfer, lease or otherwise dispose of any asset, including any Capital Stock, except:

(a) sales of inventory, used or surplus equipment and Permitted Investments in the ordinary course of business;

(b) sales, transfers and dispositions permitted by Section 6.03; and

(c) sales, transfers and dispositions of assets (other than Capital Stock of a Subsidiary) that are not permitted by any other clause of this Section 6.07; provided that the aggregate fair market value of all assets sold, transferred or otherwise disposed of in reliance upon this clause (c) shall not exceed \$10,000,000 during any fiscal year of the Company;

provided that all sales, transfers, leases and other dispositions permitted hereby shall be made for fair value.

SECTION 6.08. Transactions with Affiliates. The Company will not, and will not permit any Subsidiary to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) transactions in the ordinary course of business and 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, (b) the possible purchase of 45 Secor Road, Brookfield, Connecticut from Constantine Macricostas or Affiliates controlled by him, Indebtedness permitted by Sections 6.01(b) and 6.01(c), investments permitted by Section 6.04 and fundamental changes permitted by Section 6.03 so long as each such transaction is at a price 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, (c) transactions between or among the Company and the Guarantors not involving any other Affiliate, (d) any Restricted Payment permitted by Section 6.06, (e) transactions existing on the date hereof and set forth in Schedule 6.08 and (f) any Affiliate who is an individual may serve as a director, officer or employee of the Company or such Subsidiary and receive compensation (including stock options) for his or her services in such capacity.

SECTION 6.09. Restrictive Agreements. The Company will not, and will not permit any Subsidiary to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement (other than this Agreement) that prohibits, restricts or imposes any condition upon (a) the ability of the Company or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its Capital Stock or to make or repay loans or advances to the Company or any other Subsidiary or to Guarantee Indebtedness of the Company or any other Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.09 (but shall apply to any extension

or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by Section 6.01(d) if such restrictions or conditions apply only to the property or assets securing such Indebtedness or the Subsidiary owning such property or assets, (v) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof and (vi) clause (b) of the foregoing shall not apply to restrictions or conditions imposed by the organizational documents of any Joint Venture to the extent that an investment in such Joint Venture is permitted by Section 6.04(j).

SECTION 6.10. Issuances of Capital Stock by Subsidiaries.

The Company will not permit any Subsidiary to issue any additional shares of its Capital Stock or interest other than (a) to the Company or a Wholly-Owned Subsidiary, (b) any such issuance that does not change the Company's direct or indirect percentage ownership interest in such Subsidiary and (c) any such issuance that is permitted pursuant to Section 6.03 or 6.04.

SECTION 6.11. Amendment of Material Documents.

The Company will not, and will not permit any Subsidiary to, amend, modify or waive (a) any of its rights under its certificate of incorporation, by-laws or other organizational documents, in each case in any respect adverse to the Lenders or (b) any of the terms of any Consolidated Subordinated Indebtedness (including, without limitation, the terms contained in the Subordinated Note Indenture and the Subordinated Notes), in each case in any respect adverse to the Lenders (for the purposes of this Section 6.11(b) and without limitation of the scope of the definition of "adverse", any amendment to increase the principal amount, the interest rate or fees or other amounts payable, to advance the dates upon which payments are made or to alter any subordination provision (or any definition related thereto) shall be deemed to be "adverse").

SECTION 6.12. Borrowing Subsidiaries.

The Company will not cease to own, directly or indirectly, and Control 100% (other than directors' qualifying shares) of the ordinary voting power of any Borrowing Subsidiary.

SECTION 6.13. Interest Coverage Ratio.

The Company will not permit the Interest Coverage Ratio as determined as of the end of each fiscal quarter of the Company to be less than 4.00 to 1.00.

SECTION 6.14. Fixed Charge Coverage Ratio.

The Company will not permit the Fixed Charge Coverage Ratio as determined as of the end of each fiscal quarter of the Company ending on or after January 31, 2000 to be less than (a) if such fiscal quarter ends on or after January 31, 2000 and before April 30, 2000, .75 to 1.00, (b) if such fiscal quarter ends on or after April 30, 2000 and before July 31, 2000, 1.00 to 1.00, (c) if such fiscal quarter ends on or after July 31, 2000 and before October 31, 2000, 1.25 to 1.00 and (d) if such fiscal quarter ends on or after October 31, 2000, 2.00 to 1.00.

SECTION 6.15. Leverage Ratio. The Company will not permit the Leverage Ratio as determined as of the end of each fiscal quarter of the Company to be greater than 2.50 to 1.00.

SECTION 6.16. Capital Expenditure Ratio. The Company will not permit the Capital Expenditure Ratio as determined as of the end of each fiscal quarter of the Company to exceed 1.25 to 1.00.

ARTICLE VII

Events of Default

If any of the following events ("Events of Default") shall occur:

(a) any Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement 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 otherwise;

(b) any Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable;

(c) any representation or warranty made or deemed made by or on behalf of the Company or any Subsidiary in or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, shall prove to have been incorrect in any material respect when made or deemed made or furnished;

(d) the Company shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to the Company's existence) or 5.08 or in Article VI;

(e) the Company or any Subsidiary shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Company (which notice will be given at the request of any Lender);

(f) the Company or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (after giving effect to any grace period applicable thereto) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Company or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Company or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or any Subsidiary or for a substantial part of its assets, (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 or (vi) take any action for the purpose of effecting any of the foregoing;

(j) the Company or any Subsidiary shall admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of \$3,000,000 individually or \$5,000,000 in the aggregate shall be rendered against the Company, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Company or any Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of the Company and the Subsidiaries in an aggregate amount exceeding \$1,000,000;

(m) (i) any Security Document shall for any reason (other than the gross negligence or willful misconduct of the Administrative Agent) cease to create in favor of the Administrative Agent for its benefit and the ratable benefit of the Lenders a legal, valid and enforceable perfected first-priority Lien on the Collateral as security for the obligations of the Loan Parties under the Loan Documents; or (ii) any Loan Document executed by the Company or any Subsidiary shall at any time after its execution and delivery and for any reason cease to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by any party thereto or any party thereto shall deny in writing it has any further liability or obligation thereunder or shall fail to perform its obligations thereunder;

(n) the Required Lenders shall have determined in good faith (which determination shall be conclusive absent manifest error) that a material adverse change has occurred in the business, operations, properties, assets or condition (financial or otherwise) of the enterprise comprised of the Company and the Subsidiaries taken as a whole; or

(o) a Change in Control shall occur;

then, and in every such event (other than an event with respect to any Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Company, take any or all of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable) and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Borrower, and (iii) enforce its rights under the Guarantee Agreement and each Security Document on behalf of the Lenders and the Issuing Bank; and in case of any event with respect to a Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Borrower.

ARTICLE VIII

The Administrative Agent

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Company or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.02), and (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.02) or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by a Loan Party or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the any Loan Party), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Company and the Administrative Agent may be removed at any time with or without cause by the Required Lenders; provided that the other Lenders, the Issuing Bank and the Company shall be promptly notified thereof. Upon any such resignation or removal, the Required Lenders shall have the right, in consultation with the Company so long as no Default has occurred and is continuing, 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 or the Required Lenders' removal of the Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, 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. The fees payable by the Company to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Company and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

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, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

Subject to the foregoing provisions of this Article VIII, the Administrative Agent shall, on behalf of the Lenders, (i) execute each Security Document on behalf of the Lenders, (ii) hold and apply the Collateral, and the proceeds thereof, at any time received by it, in accordance with the provisions of the Security Documents and this Agreement, (iii) exercise any and all rights,

powers and remedies of the Lenders under this Agreement or any of the Security Documents, including the giving of any consent or waiver or the entering into of any amendment, subject to the provisions of Section 10.02, (iv) execute, deliver and file financing statements, assignments and other such agreements, and possess instruments on behalf of the Lenders and (v) in the event of acceleration of the obligations of the Borrowers hereunder, exercise the rights of the Lenders under the Security Documents upon and at the direction of the Required Lenders.

Each party hereto agrees and acknowledges that the Documentation Agent, the arrangers, the book manager and the co-agents do not have any duties or responsibilities in their capacities as Documentation Agent, arrangers, book manager and co-agents, respectively, hereunder and shall not have, or become subject to, any liability hereunder in such capacities.

ARTICLE IX

Guarantee

In order to induce the Lenders to extend credit hereunder, the Company whereby absolutely, irrevocably and unconditionally guarantees, as a primary obligor and not merely as a surety, the timely payment of any and all of the Obligations. The Company further agrees that the due and punctual payment of the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its Guarantee hereunder notwithstanding any such extension or renewal of any Obligation.

The Company waives presentment to, demand of payment from and protest to any Borrowing Subsidiary of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of the Company hereunder shall not be affected by (a) the failure of any Lender or the Administrative Agent to assert any claim or demand or to enforce or exercise any right or remedy against any Loan Party under the provisions of this Agreement, of any other Loan Document or otherwise or (b) any rescission, waiver, amendment or modification of any of the terms or provisions of this Agreement, any Borrowing Subsidiary Agreement, any other Loan Document or any other agreement or the release or other impairment of any Collateral or the release of any Borrowing Subsidiary. The Company shall be obligated to keep informed of the financial condition of the Borrowing Subsidiaries; provided that the failure of the Company to keep so informed shall not affect its obligations hereunder.

The Company further agrees that its agreement under this Article IX constitutes a promise of payment when due (whether or not any bankruptcy or similar proceeding shall have stayed the accrual or collection of any of the Obligations or operated as a discharge thereof) and not merely of collection, and waives any right to require that any resort be had by any Lender to any balance of any deposit account or credit on the books of any Lender in favor of any Loan Party or any other Person or to any other remedy against any Loan Party.

The Administrative Agent and any Lender may at any time and from time to time without the consent of, or notice to, the Company, without incurring responsibility to the Company, without impairing or releasing the obligations of the Company hereunder or under any security provided by the Company for performance of its obligations hereunder, upon or without any terms or conditions and in whole or in part: (a) subject to Section 10.02(b), change the manner, place or terms of payment (including the currency thereof) of and/or change or extend the time of payment of, renew or alter any of the Obligations, any security therefor, or any liability incurred directly or indirectly in respect thereof, and the guarantee herein made shall apply to the Obligations as so changed, extended, renewed or altered; (b) sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, the Obligations or any liabilities (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and/or any offset thereagainst; (c) fail to assert any claims or demand or exercise or refrain from exercising any rights or remedies against any Subsidiary Borrower or others or otherwise act or refrain from acting; (d) subject to Section 10.02(b), settle or compromise any of the Obligations, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of any Subsidiary Borrower; (e) apply any sum by whomsoever paid or howsoever realized to any liability or liabilities of any Subsidiary Borrower or any other guarantor of any Obligations to the Lenders regardless of what liability or liabilities of the Subsidiary Borrowers remain unpaid; and/or (f) consent to or waive any breach of, or any act, omission or default under, this Agreement or any other Loan Documents or otherwise amend, modify or supplement this Agreement, any other Loan Documents or any of such other instruments or agreements.

The obligations of the Company under this Article IX shall not be subject to any reduction, limitation, impairment or termination for any reason, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability of any of the Obligations, any impossibility in the performance of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Company under this Article IX shall not be discharged or impaired or otherwise affected by the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any remedy under this Agreement or any other agreement, by any waiver or modification in respect of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Obligations, or by any other act or omission which may or might in any manner or to any extent vary the risk of the Company or otherwise operate as a discharge of the Company or any other Loan party as a matter of law or equity.

The Company further agrees that its obligations under this Article IX shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by the Administrative Agent or any Lender upon the bankruptcy or reorganization of any Loan Party or otherwise.

In furtherance of the foregoing and not in limitation of any other right which the Administrative Agent or any Lender may have at law or in equity against the Company by virtue of this Article IX, upon the failure of any Borrowing Subsidiary to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, the Company hereby promises to and will, upon receipt of written demand by the Administrative Agent, forthwith pay, or cause to be paid, in cash the amount of such unpaid Obligation. The Company further agrees that if payment in respect of any Obligation shall be due in a currency other than dollars and/or at a place of payment other than New York and if, by reason of any Change in Law, disruption of currency or foreign exchange markets, war or civil disturbance or similar event, payment of such Obligation in such currency or at such place of payment shall be impossible or, in the reasonable judgment of any applicable Lender, not consistent with the protection of its rights or interests, then, at the election of any applicable Lender, the Company shall make payment of such Obligation in dollars (based upon the applicable Exchange Rate in effect on the date of payment) and/or in New York, and shall indemnify such Lender against any losses or expenses that it shall sustain as a result of such alternative payment.

Upon payment by the Company of any sums as provided above, all rights of the Company against any Borrowing Subsidiary arising as a result thereof by way of right of subrogation, contribution, indemnity or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full in cash of all the Obligations owed by such Borrowing Subsidiary to the Lenders and the Company shall not exercise any such rights until such payment in full and the Commitments are terminated.

The Guarantee of the Company under this Article IX is a continuing guarantee and all liabilities to which it applies or may apply under the terms hereof shall be conclusively presumed to have been created in reliance hereon.

ARTICLE X

Miscellaneous

SECTION 10.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all 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 any Borrower, to it in care of the Company at Photronics, Inc., 15 Secor Road, Brookfield, Connecticut 06804, Attention of Robert J. Bollo (Telecopy No. (203) 775-5601) with a copy to Jeffrey P. Moonan, Esq.;

(b) if to the Administrative Agent, to The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Susan Rosario-Cancar (Telecopy No. (212) 552-5650) with a copy to Chase

Manhattan Corporation, 999 Broad Street, Bridgeport, Connecticut 06604, Attention of David Short, (Telecopy No. (203) 384-5362);

(c) if to the Issuing Bank, to it at The Chase Manhattan Bank, 4 Chase Metrotech Center, 8th Floor, Brooklyn, New York 11245, Attention of Ginger Marco (Telecopy No. (718) 242-6535);

(d) if to the Swingline Lender, to it at The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10017, Attention of Susan Rosario-Cancar (Telecopy No. (212) 552-5650); and

(e) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties 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.

SECTION 10.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, the Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document 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, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Company and the Subsidiaries that are parties thereto and the Required Lenders or by the Company and the Subsidiaries that are parties thereto and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, or increase the percentage of total Commitments of the Multicurrency Lenders allocable to Revolving Credit Exposures denominated in an Alternative Currency without the written consent of each Multicurrency Lender, (ii) reduce the principal amount of any Loan or obligation to reimburse any

LC Disbursement or reduce the rate of interest on any Loan or LC Disbursement, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the date fixed for the payment or prepayment of the principal amount of any Loan or the reimbursement of any LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, or amend or waive the application of Section 2.10(b) or Section 2.18(b), without the written consent of each Lender affected thereby, (iv) release the Company from its Guarantee under Article IX, or limit its liability in respect of such Guarantee, without the written consent of each Lender, (v) except in the event of any merger, consolidation, liquidation or dissolution permitted under Section 6.03, release any Subsidiary from its Guarantee under a Guarantee Agreement or, except pursuant to Section 2.19, its obligations under the applicable Borrowing Subsidiary Agreement, or limit its liability in respect of such Guarantee or such Guarantee Agreement or its obligation to enter into and provide a Guarantee pursuant to a Guarantee Agreement, without the written consent of each Lender, (vi) except in the event of any merger, consolidation, liquidation or dissolution permitted under Section 6.03, release all or any part of the Collateral or permit the creation of any Lien on the Collateral, without the written consent of each Lender, (vii) change Section 2.17(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (viii) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender, (ix) modify or amend Section 2.16, without the written consent of each Lender, (x) consent to the amendment, modification or waiver of any of the terms of any Consolidated Subordinated Indebtedness not permitted under Section 6.11, or consent to any payment or other distribution on any Consolidated Subordinated Indebtedness not permitted under Section 6.06(b), or consent to the incurrence of additional Consolidated Subordinated Indebtedness, or amend or waive the application of Section 6.06(b) or Section 6.11(b) with respect to any Consolidated Subordinated Indebtedness, in each case without the written consent of each Lender, (xi) consent to the assignment or transfer by any Loan Party of its rights or obligations hereunder or under any Loan Document, without the written consent of each Lender, or (xii) waive any of the conditions precedent set forth in Article 4 hereof, without the 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, the Issuing Bank or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, the Issuing Bank or the Swingline Lender, as the case may be.

SECTION 10.03. Expenses; Indemnity; Damage Waiver. (a) The Company shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any

demand for payment thereunder and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Bank or any Lender, in connection with the enforcement or protection of its rights with respect to any Loan Party in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Company shall indemnify the Administrative Agent, the Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated hereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Company or any of its Subsidiaries, or any Environmental Liability related in any way to the Company or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, 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 Indemnitee.

(c) To the extent that the Company fails to pay any amount required to be paid by it to the Administrative Agent, the Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Issuing Bank or the Swingline Lender, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Issuing Bank or the Swingline Lender in its capacity as such. To the extent that the Administrative Agent, the Issuing Bank or the Swingline Lender subsequently receives reimbursement of such unpaid amount from the Company, the Administrative Agent, the Issuing Bank or the Swingline Lender will distribute the amount of such reimbursement to the Lenders who paid the Administrative Agent, the Issuing Bank or the Swingline Lender.

(d) To the extent permitted by applicable law, no Borrower shall assert, and each Borrower hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any other Loan Document or any agreement or instrument contemplated hereby or thereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section 10.03 shall be payable promptly after written demand therefor (subject to reimbursement, together with interest thereon from the date of payment, if there is a determination that such Indemnitee was not entitled in whole or in part to such amount).

SECTION 10.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto (including the parties to any Borrowing Subsidiary Agreement) and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Company and the Administrative Agent (and, in the case of an assignment of all or a portion of a Commitment or any Lender's obligations in respect of its LC Exposure or Swingline Exposure, the Issuing Bank and the Swingline Lender) must give their prior written consent to such assignment (which consent, in each case, shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, 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 \$10,000,000 unless each of the Company and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$2,500 (which, in the case of an assignment pursuant to Section 2.18(b), shall be payable by the Company or the assignee), and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and provided further that any consent of

the Company otherwise required under this paragraph shall not be required if an Event of Default under clause (h) or (i) of Article VII has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance 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 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 of the 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 2.14, 2.15, 2.16, 10.03 and 10.14). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrowers, 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 and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent, the Issuing Bank 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, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section 10.04 and any written consent to such assignment required by paragraph (b) of this Section 10.04, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of any Borrower (subject to paragraph (f) of this Section), the Administrative Agent, the Issuing Bank or the Swingline Lender, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided 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 and (iii) the Borrowers, the Administrative Agent, the Issuing Bank 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. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 10.02(b) that affects such Participant. Subject to paragraph (f) of this Section, each Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.14, 2.15 and 2.16 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section 10.04. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.17(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.14, 2.15 or 2.16 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Company's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.16 unless the Company is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrowers, to comply with Sections 2.16(e) and (f) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section 10.04 shall not apply to any such pledge or assignment of a security interest (provided that, other than in connection with a pledge to a Federal Reserve Bank, this Section 10.04 shall apply to any transferee (including the pledgee or assignee) upon the exercise of rights under such pledge or assignment); provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC") of such Granting Lender, identified as such in writing from time to time by such Granting Lender to the Administrative Agent and the Company, the option to provide to the Company all or any part of any Loan that such Granting Lender would otherwise be obligated to make to a Borrower pursuant to Section 2.01, provided that (i) nothing herein shall constitute a commitment to make any Loan by any SPC, (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, such Granting Lender shall be obligated to make such Loan pursuant to the terms hereof and (iii) all credit decisions (including without limitation any decisions with respect to amendments and waivers) will continue to be made by such Granting Lender. The making of a Loan by an SPC hereunder shall utilize the Commitment of the applicable Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any payment under this Agreement for which

a Lender would otherwise be liable, for so long as, and to the extent, the related Granting Lender makes such payment. In furtherance of the foregoing, each party hereto hereby agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section, any SPC may (i) with notice to, but without the prior written consent of, the Company or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to its Granting Lender in connection with liquidity and/or credit facilities to or for the account of such SPC to fund such Loans and (ii) subject to the provisions of Section 10.12, disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of a surety, guarantee or credit or liquidity enhancement to such SPC.

SECTION 10.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, 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 is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.14, 2.15, 2.16, 10.03 and 10.15(i) and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 10.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. The Loan Documents and the separate letter agreements with respect to fees payable to the Administrative Agent and the Documentation Agent constitute the entire contract among the parties relating to the subject matter thereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors

and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 10.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 10.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, at any time held and other obligations at any time owing by such Lender or Affiliate, in any currency, to or for the credit or the account of any Borrower against any of and all the obligations of such Borrower, in any currency, now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured or denominated in a different currency. The amount of any setoff involving obligations denominated in different currencies shall be determined by the Administrative Agent utilizing the Exchange Rate in effect on the date of such setoff. The rights of each Lender under this Section 10.08 are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.09. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, 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 or any other Loan Document shall affect any right that the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Borrower or its properties in the courts of any jurisdiction.

(c) 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 in any court referred to in paragraph (b) of this Section 10.09. 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.

(d) Each party to this Agreement (including any Borrowing Subsidiaries) irrevocably consents to service of process in the manner provided for notices in Section 10.01. Each of the Subsidiary Borrowers hereby appoints the Company as its agent to receive on its behalf service of proceedings arising out of or relating to this Agreement or any other Loan Document in any court, such service being hereby acknowledged by each Borrowing Subsidiary to be effective and binding service in every respect. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 10.10. 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 ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). 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 BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.10.

SECTION 10.11. 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 shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 10.12. Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies under any Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder or to which the Administrative Agent, the Issuing Bank or such Lender is a party, (f) subject to an agreement containing provisions substantially the same as those of this Section 10.12, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its

rights or obligations under this Agreement, (g) with the consent of the Company or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section 10.12 or (ii) becomes available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis from a source other than a Loan Party. For the purposes of this Section 10.12, "Information" means all information received from a Loan Party relating to a Loan Party or its business, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by a Loan Party; provided that, in the case of information received from a Loan Party after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 10.12 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 10.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon to the date of repayment, shall have been received by such Lender.

SECTION 10.14. Conversion of Currencies. (a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which such judgment is given.

(b) The obligations of each Borrower in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the "Applicable Creditor") shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which such sum is stated to be due hereunder (the "Agreement Currency"), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, such Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable

Creditor against such loss. The obligations of the Borrowers contained in this Section 10.14 shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

SECTION 10.15. European Economic and Monetary Union. (a) Definitions. In this Section 10.15 and in each other provision of this Agreement to which reference is made in this Section 10.15 expressly and impliedly, the following terms have the meanings given to them in this Section 10.15:

"commencement of the third stage of EMU" means the date of commencement of the third stage of EMU (at the date of this Agreement expected to be January 1, 1999) or the date on which circumstances arise which (in the opinion of the Administrative Agent) have substantially the same effect and result in substantially the same consequences as commencement of the third stage of EMU as contemplated by the Treaty on European Union.

"EMU" means economic and monetary union as contemplated in the Treaty on European Union.

"EMU legislation" means legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency (whether known as the euro or otherwise), being in part the implementation of the third stage of EMU;

"euro" means the single currency of participating member states of the European Union;

"euro unit" means the currency unit of the euro;

"national currency unit" means the unit of any Alternative Currency (other than a euro unit) of a participating member state;

"participating member state" means each state so described in any EMU legislation; and

"target operating day" means any day that is not (i) a Saturday or Sunday, (ii) Christmas Day or New Year's Day or (iii) any other day on which the Trans-European Real-time Gross Settlement Operating System (or any successor settlement system) is not operating (as determined by the Administrative Agent).

"Treaty on European Union" means the Treaty of Rome of March 25, 1957, as amended by the Single European Act 1986 and the Maastricht Treaty (which was signed at Maastricht on February 7, 1992, and came into force on November 1, 1993), as amended from time to time.

(b) Effectiveness of Provisions. The provisions of paragraphs (c) to (i) below (inclusive) shall be effective at and from the time of commencement of the third stage of EMU, provided that if and to the extent that any such provision relates to any state (or the currency of such state) that is not a participating member state on the commencement of the third stage of

EMU, such provision shall become effective in relation to such state (and the currency of such state) at and from the date on which such state becomes a participating member state.

(c) Borrowings After the Commencement of the Third Stage of EMU. From and after the commencement of the third stage of EMU but in any case only so long as and to the extent permitted by EMU Legislation and the rules and regulations thereunder, the applicable Borrower may from time to time request Loans and the Company may request Letters of Credit in euro units or in any national currency units that are an Alternative Currency in which Loans or Letters of Credit may be denominated under the terms and conditions of this Agreement, and in response thereto the Multicurrency Lenders and the Issuing Bank, as applicable, shall, on and subject to the terms and conditions of this Agreement, make the requested Loans and issue the requested Letters of Credit, as applicable, in euro units or in such national currency units as requested by such Borrower or the Company, and the principal of and interest on such Loans or on reimbursement of any LC Disbursements shall be payable in euro units or such national currency units.

(d) Determination of Eurocurrency Rate and Swingline Base Rate. For the purposes of determining the date on which the Eurocurrency Rate or Swingline Base Rate is determined under this Agreement for any Loan denominated in the euro (or any national currency unit) for any Interest Period therefor, references in this Agreement to Business Days shall be deemed to be references to target operating days. In addition, if the Administrative Agent determines that there is no LIBO Rate or Swingline Base Rate displayed on the Telerate Service for deposits denominated in the national currency unit in which any Loans are denominated, the LIBO Rate or Swingline Base Rate for such Loans shall be based upon the rate displayed on the Telerate Service for the offering of deposits denominated in euro units.

(e) Payments to the Administrative Agent. Sections 2.06 and 2.17 shall be construed so that, in relation to the payment of any amount of euro units or national currency units, such amount shall be made available to the Administrative Agent in immediately available, freely transferable, cleared funds to such account with such bank in Frankfurt am Main, Germany (or such other principal center in such participating member state as the Administrative Agent may from time to time nominate for this purpose) as the Administrative Agent shall from time to time nominate for this purpose.

(f) Payments by the Administrative Agent Generally. In relation to the payment of any amount denominated in the euro or in a national currency unit, the Administrative Agent shall not be liable to any Borrower or any of the Lenders in any way whatsoever for any delay, or the consequences of any delay, in the crediting to any account of any amount required by this Agreement to be paid by the Administrative Agent if the Administrative Agent shall have taken all relevant steps to achieve, on the date required by this Agreement, the payment of such amount in immediately available, freely transferable, cleared funds (in the euro unit or, as the case may be, in a national currency unit) to the account of any Lender in the principal financial center in the participating member state which the applicable Borrower or, as the case may be, any Lender shall have specified for such purpose. In this paragraph (f), "all relevant steps" means all

such steps as may be prescribed from time to time by the regulations or operating procedures of such clearing or settlement system as the Administrative Agent may from time to time determine for the purpose of clearing or settling payments of the euro.

(g) Basis of Accrual. If the basis of accrual of interest or fees expressed in this Agreement with respect to the currency of any state that becomes a participating member state shall be inconsistent with any convention or practice in the London interbank market for the basis of accrual of interest or fees in respect of the euro, such convention or practice shall replace such expressed basis effective as of and from the date on which such state becomes a participating member state; provided, that if any Loan in the currency of such state is outstanding on such date, such replacement shall take effect, with respect to such Loan, at the end of the then current Interest Period.

(h) Rounding and Other Consequential Changes. Without prejudice and in addition to any method of conversion or rounding prescribed by any EMU legislation and without prejudice to the respective liabilities for indebtedness of the Borrower to the Lenders and the Lenders to the Borrowers under or pursuant to this Agreement: (i) each reference in this Agreement to a minimum amount (or an integral multiple thereof) in a national currency unit to be paid to or by the Administrative Agent shall be replaced by a reference to such reasonably comparable and convenient amount (or an integral multiple thereof) in the euro unit as the Administrative Agent may from time to time specify; and (ii) except as expressly provided in this Section 10.15, each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be necessary or appropriate to reflect the introduction of or changeover to the euro in participating member states.

(i) Increased Costs. Subject to Section 2.18, the Company shall or shall cause the applicable Borrower to, from time to time, at the request of the Administrative Agent, pay to the Administrative Agent for the account of each Lender as reasonably determined by such Lender the amount of any cost or increased cost incurred by, or of any reduction in any amount payable to or in the effective return on its capital to, or of interest or other return foregone by, such Lender or any holding company of such Lender as a result of the introduction of, changeover to or operation of the euro in any participating member state (except to the extent reflected in the Adjusted LIBO Rate, the Money Market Rate or the Swingline Base Rate). A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender setting forth in reasonable detail the basis for such amount and the allocation to the Company and the applicable Borrower shall be delivered to the Company which shall be conclusive absent manifest error.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

PHOTRONICS, INC., a Connecticut corporation

By

Name:
Title:

THE CHASE MANHATTAN BANK,
individually and as
Administrative Agent,

By

Name:
Title:

THE BANK OF NEW YORK,
individually and as
Documentation Agent

By

Name:
Title:

FIRST UNION NATIONAL BANK

By

Name:
Title:

FLEET NATIONAL BANK

[SIGNATURE PAGE TO CREDIT AGREEMENT]

By

Name:
Title:

MARINE MIDLAND BANK

By

Name:
Title:

PEOPLE'S BANK

By

Name:
Title:

STATE STREET BANK AND TRUST
COMPANY

By

Name:
Title:

[SIGNATURE PAGE TO CREDIT AGREEMENT]

This schedule contains summary financial information extracted from the Condensed Consolidated Statement of Earnings and the Consolidated Balance Sheet and is qualified in its entirety by reference to such financial statements.

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3-MOS	6-MOS	9-MOS	12-MOS
NOV-02-1997	NOV-02-1997	NOV-02-1997	NOV-02-1997
FEB-02-1997	MAY-04-1997	AUG-03-1997	NOV-02-1997
	7,836	11,115	65,320
5,104		0	28,358
25,702		30,638	33,993
235		235	235
9,102		9,292	9,421
54,280	57,974	142,950	138,937
	191,916	207,801	237,263
56,673	61,307	66,595	71,900
209,075	223,821	337,609	365,212
37,786	30,870	40,315	57,539
0	2,005	17,023	106,412
0	0	0	0
	240	238	240
160,433	167,115	177,026	185,732
209,075	223,821	337,609	365,212
	40,029	89,063	142,144
40,029	89,063	142,144	197,451
	25,347	55,630	88,050
25,347	55,630	88,050	121,502
0	0	0	0
0	0	0	0
36	140	1,408	2,466
8,625	18,609	29,548	41,436
3,300	7,100	11,200	15,800
5,325	11,509	18,348	25,636
0	0	0	0
0	0	0	0
	0	0	0
5,325	11,509	18,348	25,636
0.22	0.48	0.77	1.07
0.22	0.46	0.73	1.03

This schedule contains summary financial information extracted from the Condensed Consolidated Statement of Earnings and the Consolidated Balance Sheet and is qualified in its entirety by reference to such financial statements.

3-MOS	6-MOS	9-MOS	12-MOS
OCT-31-1996	OCT-31-1996	OCT-31-1996	OCT-31-1996
JAN-31-1996	APR-30-1996	JUL-31-1996	OCT-31-1996
	38,846	28,860	24,707
	5,195	4,025	2,260
	17,761	23,638	25,441
	195	195	195
	6,446	7,715	7,899
71,757	69,132	65,026	65,580
	127,321	139,702	161,775
	43,524	46,370	49,523
	179,440	188,934	200,190
28,104	27,654	39,299	43,967
0	1,800	1,790	1,781
	0	0	0
	236	238	238
179,440	140,102	147,165	149,849
	188,934	200,190	211,903
	34,668	75,182	117,859
34,668	21,252	46,063	72,312
	21,252	46,063	72,312
	0	0	0
	0	0	0
40	80	120	160
7,551	16,018	24,931	33,903
	2,900	6,100	9,500
4,651	9,918	15,431	21,003
	0	0	0
	0	0	0
	0	0	0
	4,651	9,918	15,431
	0.20	0.42	0.66
	0.19	0.41	0.64
			0.89
			0.87

September 21, 1998

Toppan Printing Co., Ltd.
1, Kanda Izumi-cho
Chiyoda-ku, Tokyo 101-0024
Japan

Gentlemen:

This will confirm our agreement regarding the purchase by Photronics, Inc. ("Photronics") of 1,000,000 shares of common stock ("Common Stock") of Photronics from Toppan Printing Co., Ltd. ("Toppan").

We have agreed that Photronics will purchase, and Toppan will sell, 1,000,000 shares of Common Stock currently owned by Toppan as follows:

- a) On or before September 25, 1998, Photronics will purchase 500,000 shares at a price of \$13.50 per share.
- b) On or before December 25, 1998, Photronics will purchase 250,000 shares at a price of \$13.70 per share; and
- c) On or before March 25, 1999, Photronics will purchase 250,000 shares at a price of \$13.90 per share.

All of the shares to be sold to Photronics by Toppan shall be delivered against payment free and clear of all liens, claims and encumbrances.

We have also agreed that provided Photronics does not default in its purchase obligations set forth above, until March 25, 1999, Toppan shall not sell, transfer, pledge or otherwise dispose of any shares of Common Stock other than the sales to Photronics.

If the foregoing accurately sets forth our agreement, please so indicate by signing in the space provided below.

Very truly yours,

JEFFREY P. MOONAN
Jeffrey P. Moonan
Senior Vice President
General Counsel

Agreed to Accepted by:

TOPPAN PRINTING CO., LTD.

By: A. NAGATA
Name: Akihiro Nagata
Title: Director, Finance & Accounting Division
Date: September 22, 1998