

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2003

OR

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

Commission File Number 1-9397

BAKER HUGHES INCORPORATED
(Exact Name of Registrant as Specified in its Charter)

DELAWARE
(State or Other Jurisdiction
of Incorporation or Organization)

76-0207995
(IRS Employer Identification No.)

3900 ESSEX LANE, SUITE 1200, HOUSTON, TEXAS
(Address of Principal Executive Offices)

77027
(Zip Code)

Registrant's Telephone Number, Including Area Code: (713) 439-8600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
YES NO

As of August 1, 2003, the registrant has outstanding 334,695,802 shares of Common Stock, \$1 par value.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BAKER HUGHES INCORPORATED
 CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
 (In millions, except per share amounts)
 (Unaudited)

THREE MONTHS ENDED SIX MONTHS ENDED JUNE 30, JUNE 30, ----- ----- ----- -----	2003 2002 2003 2002 ----- ----- -----
Revenues \$	
1,341.4 \$	
1,245.1 \$	
2,567.9 \$	
2,448.1 -----	

Costs and expenses:	
Cost of revenues	
970.7 901.2	
1,894.0	
1,776.4	
Selling, general and administrative	
213.4 219.8	
415.2 424.8	
Restructuring charge reversal --	
(1.9) --	
(1.9) -----	

Total 1,184.1	
1,119.1	
2,309.2	
2,199.3 -----	

Operating income 157.3	
126.0 258.7	
248.8 Equity in income (loss) of affiliates	
(3.6) 5.9	
(4.0) 19.0	
Interest expense	
(24.6) (27.4)	
(53.0) (55.8)	
Interest income 0.5	
1.1 3.1 2.2 -	

Income from continuing	

operations
before income
taxes 129.6
105.6 204.8
214.2 Income
taxes (48.0)
(37.0) (75.8)
(75.0) -----

Income from
continuing
operations
81.6 68.6
129.0 139.2
Income from
discontinued
operations,
net of tax --
3.8 2.7 9.0 -

--- Income
before
cumulative
effect of
accounting
change 81.6
72.4 131.7
148.2
Cumulative
effect of
accounting
change, net
of tax -- --
(5.6) (42.5)

---- Net
income \$ 81.6
\$ 72.4 \$
126.1 \$ 105.7
=====
=====
=====
=====

Basic
earnings per
share: Income
from
continuing
operations \$
0.24 \$ 0.20 \$
0.38 \$ 0.41
Income from
discontinued
operations --
0.01 0.01
0.03
Cumulative
effect of
accounting
change -- --
(0.02) (0.13)

---- Net
income \$ 0.24
\$ 0.21 \$ 0.37
\$ 0.31
=====
=====
=====
=====

Diluted
earnings per
share: Income
from
continuing

operations \$		
0.24 \$	0.20 \$	
0.38 \$	0.41	
Income from		
discontinued		
operations --		
0.01	0.01	
0.02		
Cumulative		
effect of		
accounting		
change -- --		
(0.02)	(0.12)	

---- Net		
income \$	0.24	
\$ 0.21	\$ 0.37	
\$ 0.31		
=====		
=====		
=====		
=====		
Cash		
dividends per		
share \$	0.115	
\$ 0.115	\$	
0.23	\$ 0.23	
=====		
=====		
=====		
=====		

See accompanying notes to consolidated condensed financial statements.

BAKER HUGHES INCORPORATED
CONSOLIDATED CONDENSED BALANCE SHEETS
(In millions)

JUNE 30,
DECEMBER 31,
2003 2002
(UNAUDITED)
(AUDITED) --

- ASSETS
Current

Assets: Cash
and cash
equivalents

\$ 71.0 \$
143.9

Accounts
receivable,
net 1,174.1

1,110.6

Inventories

1,081.4
1,032.0

Other
current

assets 209.8

204.7 Assets

of

discontinued
operations -

- 64.3 -----

Total
current
assets

2,536.3
2,555.5 -----

Investment
in

affiliates

899.5 872.0

Property,
net 1,362.4

1,354.7

Goodwill

1,234.0
1,226.6

Intangible
assets, net

142.8 136.8

Other assets

262.4 255.2

--- Total
assets \$

6,437.4 \$
6,400.8
=====

=====

LIABILITIES
AND

STOCKHOLDERS'
EQUITY

Current

Liabilities:

Accounts
payable \$

396.3 \$

389.2 Short-
term

borrowings
and current

portion of
long-term

debt	34.7	
	123.5	
Accrued		
employee		
compensation		
	217.3	254.0
Other		
accrued		
liabilities		
	280.4	267.4
Liabilities		
of		
discontinued		
operations -		
-	46.0	-----

Total		
current		
liabilities		
	928.7	
	1,080.1	-----

Long-term		
debt	1,571.6	
	1,424.3	
Deferred		
income taxes		
	117.0	166.7
Other long-		
term		
liabilities		
	360.3	332.5
Stockholders'		
equity:		
Common stock		
	334.7	335.8
Capital in		
excess of		
par value		
	3,074.7	
	3,111.6	
Retained		
earnings		
	245.1	196.3
Accumulated		
other		
comprehensive		
loss (194.7)		
(246.5)		-----

Total		
stockholders'		
equity		
	3,459.8	
	3,397.2	-----

Total		
liabilities		
and		
stockholders'		
equity \$		
	6,437.4	\$
	6,400.8	
=====		
=====		

See accompanying notes to consolidated condensed financial statements.

BAKER HUGHES INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

SIX MONTHS
ENDED JUNE
30, -----

2003 2002 -

Cash flows from operating activities:		
Income from continuing operations	\$ 129.0	\$ 139.2
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	161.4	147.8
Benefit for deferred income taxes	(8.7)	(0.5)
Gain on disposal of assets	(10.0)	(22.9)
Equity in (income) loss of affiliates	4.0	(19.0)
Change in accounts receivable	(47.1)	68.6
Change in inventories	(36.0)	(29.1)
Change in accounts payable	(4.7)	1.8
Change in accrued employee compensation and other accrued liabilities	(18.4)	(145.1)
Change in other long-term liabilities	13.0	(4.3)
Changes in other assets and liabilities		

(61.2) 45.9

Net cash
flows from
continuing
operations

121.3 182.4

Net cash
flows from
discontinued
operations

1.4 47.4 --

Net cash
flows from
operating
activities

122.7 229.8

Cash flows
from
investing
activities:

Expenditures
for capital
assets

(151.0)

(136.0)

Acquisition
of
businesses,
net of cash
acquired

(9.4)

(38.8)

Investment
in
affiliates

(34.1)

(12.5)

Proceeds
from sale
of business

22.0 --

Proceeds
from
disposal of
assets

36.4

37.1 -----

---- Net
cash flows
from
continuing
operations

(136.1)

(150.2) Net
cash flows
from

discontinued
operations

-- (0.2) --

Net cash
flows from
investing
activities

(136.1)

(150.4) ---

Cash flows
from
financing
activities:

Net
borrowings

(repayments)
of

Income
taxes paid
\$ 110.5 \$
82.7
Interest
paid \$ 59.9
\$ 57.3

See accompanying notes to consolidated condensed financial statements.

BAKER HUGHES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 1. GENERAL

NATURE OF OPERATIONS

Baker Hughes Incorporated ("Baker Hughes") is engaged primarily in the oilfield services industry. Baker Hughes is a major supplier of wellbore related products, technology services and systems to the oil and gas industry on a worldwide basis and provides products and services for drilling, formation evaluation, completion and production of oil and gas wells. Baker Hughes also participates in the continuous process industry where it manufactures and markets a broad range of continuous and batch centrifuges and specialty filters.

BASIS OF PRESENTATION

The unaudited consolidated condensed financial statements of Baker Hughes and its subsidiaries (the "Company") included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The Company believes that the presentations and disclosures herein are adequate to make the information not misleading. The unaudited consolidated condensed financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the interim periods. These unaudited consolidated condensed financial statements should be read in conjunction with the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2002. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

In the notes to the unaudited consolidated condensed financial statements, all dollar and share amounts in tabulations are in millions of dollars and shares, respectively, unless otherwise indicated.

NOTE 2. DISCONTINUED OPERATIONS

In November 2002, the Company sold EIMCO Process Equipment ("EIMCO"), a division of the Process segment, and received total proceeds of \$48.9 million, of which \$4.9 million was held in escrow pending completion of final adjustments of the purchase price. In April 2003, all purchase price adjustments were completed, resulting in the release of the escrow balance, of which \$2.9 million was returned to the buyer and \$2.0 million was received by the Company. In the first quarter of 2003, the Company also recorded an additional loss on sale due to purchase price adjustments of \$2.5 million, net of tax of \$1.3 million.

In December 2002, the Company entered into exclusive negotiations for the sale of the Company's interest in its oil producing operations in West Africa and received \$10.0 million as a deposit. The transaction was effective as of January 1, 2003, and resulted in a gain on sale of \$4.1 million, net of a tax benefit of \$0.2 million, recorded in the first quarter of 2003. The sales price was \$32.0 million and the Company received the remaining \$22.0 million upon closing, which occurred in April 2003.

BAKER HUGHES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)

The Company has reclassified the consolidated financial statements for all prior periods to present both of these operations as discontinued. Summarized financial information from discontinued operations is as follows:

	THREE MONTHS ENDED SIX MONTHS ENDED JUNE 30, JUNE 30, ----- ----- ----- ----- -----	2003	2002	2003	2002
		-----	-----	-----	-----
Revenues:					
EIMCO \$ --					
\$ 43.2 \$ --					
\$ 88.1 Oil producing operations					
-- 13.5 4.2					
26.5 -----					

---- Total					
\$ -- \$ 56.7					
\$ 4.2 \$					
114.6					
=====					
=====					
=====					
=====					
Income (loss) before income taxes:					
EIMCO \$ --					
\$ (0.2) \$ -					
- \$ 1.5 Oil producing operations					
-- 5.2 1.8					
10.6 -----					

---- Total					
-- 5.0 1.8					
12.1 -----					

---- Income taxes:					
EIMCO --					
0.1 --					
(0.5) Oil producing operations					
-- (1.3)					
(0.7) (2.6)					

Total --					
(1.2) (0.7)					
(3.1) -----					

```

-----
-----
-----
-----
Income
(loss)
before gain
(loss) on
disposal:
EIMCO --
(0.1) --
1.0 Oil
producing
operations
-- 3.9 1.1
8.0 -----
-----
-----
--- Total -
- 3.8 1.1
9.0 -----
-----
-----
--- Gain
(loss) on
disposal:
EIMCO -- --
(2.5) --
Oil
producing
operations
-- -- 4.1 -
-----
-----
-----
- Total --
-- 1.6 -- -
-----
-----
-----
Income from
discontinued
operations
$ -- $ 3.8
$ 2.7 $ 9.0
=====
=====
=====
=====

```

NOTE 3. ACQUISITIONS AND INVESTMENT IN AFFILIATES

In the second quarter of 2003, the Company made an acquisition within its Oilfield segment for an aggregate purchase price of \$12.6 million, of which \$9.4 million was paid in cash. As a result of this acquisition, the Company recorded approximately \$2.0 million of goodwill. The purchase price is allocated based on fair value of the acquisition. Pro forma results of operations have not been presented because the effect of this acquisition was not material to the Company's consolidated financial statements.

During the six months ended June 30, 2003, the Company invested cash of \$34.1 million in affiliates, of which \$30.1 million related to the Company's 50% interest in the QuantX Wellbore Instrumentation venture ("QuantX") with Expro International ("Expro"), which occurred in the second quarter of 2003. The venture is engaged in the permanent in-well monitoring market and was formed by combining Expro's existing permanent monitoring business with one of the Company's product lines. The Company accounts for its ownership in QuantX using the equity method of accounting.

In the first quarter of 2002, the Company made three acquisitions within its Oilfield segment for an adjusted aggregate purchase price of \$51.7 million. As a result of these acquisitions, the Company paid \$38.8 million in cash and recorded approximately \$30.5 million of goodwill through June 30, 2002. The purchase prices are allocated based on fair values of the acquisitions. The purchase price of one of the acquisitions may be subject to change pending the final outcome of arbitration proceedings. Pro forma results of operations have not been presented because the effects of these acquisitions were not material to the Company's consolidated financial statements on either an individual or

aggregate basis.

=====
Basic EPS
As reported
\$ 0.24 \$
0.21 \$ 0.37
\$ 0.31 Pro
forma 0.23
0.20 0.34
0.28
Diluted EPS
As reported
\$ 0.24 \$
0.21 \$ 0.37
\$ 0.31 Pro
forma 0.22
0.20 0.34
0.28

These pro forma calculations may not be indicative of future amounts since the pro forma disclosure does not apply to options granted prior to 1996 and additional awards in future years are anticipated.

BAKER HUGHES INCORPORATED
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6. FINANCIAL INSTRUMENTS

In April 2003, the Company entered into an interest rate swap agreement for a notional amount of \$325.0 million associated with the Company's 6.25% Notes due January 2009 that had been designated and had qualified as a fair value hedging instrument. In June 2003, the Company terminated the interest rate swap agreement and received proceeds of \$15.5 million upon cancellation. This deferred gain is being amortized as a reduction of interest expense over the remaining life of the underlying debt security, which matures in January 2009.

At June 30, 2003, the Company had entered into several foreign currency forward contracts with notional amounts aggregating \$85.5 million to hedge exposure to currency fluctuations in various foreign currencies, including the British Pound Sterling, the Euro, the Norwegian Krone, the Brazilian Real and the Indonesian Rupiah. These contracts are designated as fair value hedges. Based on quoted market prices as of June 30, 2003 for contracts with similar terms and maturity dates, the Company recorded a gain of \$2.4 million to adjust these foreign currency forward contracts to their fair market value. This gain is included in selling, general and administrative expense in the consolidated condensed statement of operations.

NOTE 7. RESTRUCTURING CHARGE REVERSAL

In 2001, the Company initiated a restructuring of its German operations of BIRD Machine, a division of the Process segment. The restructuring consisted of downsizing its German operations from a full manufacturing facility to an assembly and repair facility. As a result, the Company recorded a charge of \$6.0 million relating to expected severance for approximately 100 employees. The employee groups that were terminated were comprised of engineering, field service and support personnel. The amount accrued for severance was based upon the positions eliminated and the Company's specific or statutory severance plans in place for these operations and did not include any portion of the employees' salary through their severance dates. The Company terminated 67 employees and paid \$4.1 million of accrued severance in 2001 and 2002. The remaining accrual of \$1.9 million was reversed during the second quarter of 2002 due to unanticipated voluntary terminations and more favorable separation payments than had been originally estimated.

NOTE 8. EARNINGS PER SHARE

A reconciliation of the number of shares used for the basic and diluted EPS calculation is as follows:

THREE	
MONTHS	
ENDED SIX	
MONTHS	
ENDED JUNE	
30, JUNE	
30, -----	

2003 2002	
2003 2002	

Weighted	
average	
common	
shares	
outstanding	
for basic	
EPS 335.4	
337.3	
336.0	
337.1	
Effect of	
dilutive	
securities	
- stock	
plans 0.9	
1.5 1.0	
1.3 -----	

```

-----
-----
-----
Adjusted
weighted
average
common
shares
outstanding
for
diluted
EPS 336.3
    338.8
    337.0
    338.4
=====
=====
=====
=====
Future
potentially
anti-
dilutive
shares
excluded
from
diluted
EPS:
Options
with
option
price
greater
than
average
market
price for
the period
    5.7 4.6
    5.8 5.0
=====
=====
=====
=====

```

NOTE 9. INVENTORIES

Inventories are comprised of the following:

```

JUNE 30,
DECEMBER
31, 2003
2002 -----
-----
-----
Finished
goods $
    880.4 $
842.7 Work
in process
114.3 96.7
Raw
materials
86.7 92.6 -
-----
-----
- Total $
    1,081.4 $
    1,032.0
=====
=====

```


BAKER HUGHES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)

The Process segment consists of one operating division, BIRD Machine, and the Company's investment in the Petreco venture, a venture between the Company and Sequel Holdings, Inc. BIRD Machine manufactures and sells a broad range of continuous and batch centrifuges and specialty filters for separating, dewatering or classifying process and waste streams. The principal markets for this segment include all regions of the world where there are significant industrial, municipal and chemical wastewater applications. Customers include municipalities, contractors, pharmaceuticals and industrial companies.

The Company evaluates the performance of its Oilfield and Process segments based on income from continuing operations before income taxes, accounting changes, restructuring charges or reversals and interest income and expense. Intersegment sales and transfers are not significant.

Summarized financial information is shown in the following table. The "Other" column includes corporate-related items, results of insignificant operations and, as it relates to segment profit (loss), income and expense not allocated to reportable segments. The "Other" column at December 31, 2002 also includes assets of discontinued operations.

OILFIELD
PROCESS
OTHER
TOTAL -

-- ----

--- ---

REVENUES

Three months ended June 30, 2003 \$	1,314.8	\$ 26.6	\$ --	\$ 1,341.4
Three months ended June 30, 2002	1,211.8	33.3 --		1,245.1
Six months ended June 30, 2003	2,514.9	53.0 --		2,567.9
Six months ended June 30, 2002	2,387.9	60.2 --		2,448.1
SEGMENT PROFIT (LOSS)				
Three months ended June 30, 2003 \$				

192.8 \$
 (1.6) \$
 (61.6)
 \$ 129.6
 Three
 months
 ended
 June
 30,
 2002
 167.4
 (1.1)
 (60.7)
 105.6
 Six
 months
 ended
 June
 30,
 2003
 332.9
 (6.4)
 (121.7)
 204.8
 Six
 months
 ended
 June
 30,
 2002
 341.4
 (4.4)
 (122.8)
 214.2
 TOTAL
 ASSETS
 As of
 June
 30,
 2003 \$
 5,819.0
 \$ 157.1
 \$ 461.3
 \$
 6,437.4
 As of
 December
 31,
 2002
 5,648.1
 163.0
 589.7
 6,400.8

The following table presents the details of "Other" segment loss:

THREE MONTHS ENDED SIX MONTHS ENDED JUNE 30, JUNE 30, --- ----- ----- ----- ----- -- 2003 2002 2003 2002 -- ----- ----- -----
Corporate expenses \$
(37.5) \$
(36.3) \$
(71.8) \$
(71.1)
Interest, net (24.1)
(26.3)
(49.9)

(53.6)
Restructuring
charge
reversal --
1.9 -- 1.9 -

----- Total
\$ (61.6) \$
(60.7) \$
(121.7) \$
(122.8)
=====
=====
=====
=====

NOTE 12. GUARANTEES

In the normal course of business with customers, vendors and others, the Company is contingently liable for performance under letters of credit and other bank issued guarantees which totaled approximately \$219.1 million at June 30, 2003. In addition, at June 30, 2003, the Company has guaranteed debt and other obligations of third parties totaling \$123.3 million, which includes \$90.6 million for a lease on a seismic vessel. This lease was transferred to WesternGeco at the time of the formation of the venture and Schlumberger has indemnified the Company for 70% of the total lease obligation.

The Company sells certain of its products to customers with a product warranty that provides that customers can return a defective product during a specified warranty period following the purchase in exchange for a replacement product, repair at no cost to the customer or the issuance of a credit to the customer. The Company accrues amounts for estimated warranty claims based upon both current and historical product sales data and warranty costs incurred.

BAKER HUGHES INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)

The changes in the aggregate product warranty liabilities for the six months ended June 30, 2003 are as follows:

Balance as of December 31, 2002	\$	12.2
Claims paid		(2.1)
Additional warranties issued		2.5
Revisions in estimates for previously issued warranties		(0.6)
Other		1.2

Balance as of June 30, 2003	\$	13.2
		=====

NOTE 13. NEW ACCOUNTING STANDARDS

Effective January 1, 2003, the Company adopted SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of long-lived assets. SFAS No. 143 requires that the fair value of a liability associated with an asset retirement obligation ("ARO") be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The liability for the ARO is revised each subsequent period due to the passage of time and changes in estimates. The associated retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently depreciated over the estimated useful life of the asset.

The adoption of SFAS No. 143 in the first quarter of 2003 resulted in a charge of \$5.6 million, net of tax of \$2.8 million, recorded as the cumulative effect of accounting change in the consolidated condensed statement of operations. In conjunction with the adoption, the Company recorded ARO liabilities of \$11.4 million primarily for anticipated costs of obligations associated with the future disposal of power source units at certain of its Oilfield divisions and refurbishment costs associated with certain leased facilities in Europe and with a fleet of leased railcars and tanks.

In November 2002, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 45 ("FIN 45"), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 elaborates on required disclosures by a guarantor in its financial statements about obligations under certain guarantees that it has issued and requires a guarantor to recognize, at the inception of certain guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee. The adoption of the provisions of FIN 45 relating to the initial recognition and measurement of guarantor liabilities, which were effective for qualifying guarantees entered into or modified after December 31, 2002, did not have an impact on the consolidated condensed financial statements of the Company. The Company adopted the new disclosure requirements in 2002.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), Consolidation of Variable Interest Entities. An entity is subject to the consolidation rules of FIN 46 and is referred to as a variable interest entity if the entity's equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its operations without additional financial support. FIN 46 applies immediately to variable interest entities created or acquired after January 31, 2003. The Company has no such newly created or acquired entities. FIN 46 applies after July 1, 2003, for variable interest entities created or acquired prior to February 1, 2003. The Company is reviewing the provisions of FIN 46 but does not expect the adoption to have a material impact, if any, on the consolidated condensed financial statements.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, with some exceptions for hedging relationships designated after June 30, 2003. The Company adopted SFAS No. 149 on July 1, 2003.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, which modifies the accounting for certain financial instruments. SFAS No. 150 requires that these financial instruments be classified as liabilities and applies immediately for financial instruments entered into or modified after May 31, 2003, and

otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted SFAS No. 150 on July 1, 2003.

NOTE 14. SUBSEQUENT EVENTS

In July 2003, the Company entered into a \$500.0 million three-year committed revolving credit facility (the "facility") to be used for commercial paper backup and general corporate purposes. The facility replaces an aggregate of \$594.0 million in committed facilities which were to mature in September 2003 (\$56 million) and October 2003 (\$538 million). The facility contains certain covenants which, among other things, require the maintenance of a funded indebtedness to total capitalization ratio, limit the amount of subsidiary indebtedness and restrict the sale of significant assets, defined as 10% or more of total consolidated assets. As of June 30, 2003, the Company has classified commercial paper and \$349.4 million of debt due within one year as long-term debt to the extent of the facility because the Company has the ability under the facility and the intent to maintain these obligations for longer than one year.

Also in July 2003, the Company entered into an interest rate swap agreement for a notional amount of \$325.0 million associated with the Company's 6.25% Notes due January 2009. Under this agreement, the Company receives interest at a fixed rate of 6.25% and pays interest at a floating rate of six-month LIBOR plus a spread of 2.4425%. This interest rate swap will settle semi-annually and terminates in January 2009. The interest rate swap agreement has been designated and qualified as a fair value hedging instrument. The interest rate swap agreement will be fully effective, resulting in no gain or loss recorded in the consolidated condensed statement of operations. In the unlikely event that the counterparty fails to meet the terms of the interest rate swap agreement, the Company's exposure is limited to the interest rate differential.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Company's consolidated condensed financial statements and the related notes thereto.

FORWARD-LOOKING STATEMENTS

MD&A and certain statements in the Notes to Consolidated Condensed Financial Statements include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, (each a "Forward-Looking Statement"). The words "anticipate," "believe," "expect," "if," "intend," "estimate," "project," "forecasts," "outlook," "will," "could," "would," "may," "likely" and similar expressions, and the negative thereof, are intended to identify forward-looking statements. Baker Hughes' expectations about its business outlook, customer spending, oil and gas prices and the business environment for the Company and the industry in general are only its forecasts regarding these matters. These forecasts may be substantially different from actual results, which are affected by the following risk factors: the level of petroleum industry exploration and production expenditures; drilling rig and oil and gas industry manpower and equipment availability; the Company's ability to implement and effect price increases for its products and services; the Company's ability to control its costs; the availability of sufficient manufacturing capacity and subcontracting capacity at forecasted costs to meet the Company's revenue goals; the ability of the Company to introduce new technology on its forecasted schedule and at its forecasted cost; the ability of the Company's competitors to capture market share; the Company's ability to retain or increase its market share; world economic conditions; the price of, and the demand for, crude oil and natural gas; drilling activity; weather conditions that affect the demand for energy and severe weather conditions, such as hurricanes, that affect exploration and production activities; the legislative and regulatory environment in the U.S. and other countries in which the Company operates; outcome of government and internal investigations; Organization of Petroleum Exporting Countries ("OPEC") policy and the adherence by OPEC nations to their OPEC production quotas; war, military action or extended period of international conflict, particularly involving the U.S., Middle East or other major petroleum-producing or consuming regions; any future acts of war, armed conflicts or terrorist activities; civil unrest or in-country security concerns where the Company operates; the development of technology by Baker Hughes or its competitors that lowers overall finding and development costs; new laws and regulations that could have a significant impact on the future operations and conduct of all businesses; labor-related actions, including strikes, slowdowns and facility occupations; the condition of the capital and equity markets in general; adverse foreign exchange fluctuations and adverse changes in the capital markets in international locations where the Company operates; and the timing of any of the foregoing. See "Business Environment" for a more detailed discussion of certain of these risk factors.

Baker Hughes' expectations regarding its level of capital expenditures described in "Liquidity and Capital Resources" below are only its forecasts regarding these matters. In addition to the factors described in the previous paragraph and in "Business Environment," these forecasts may be substantially different from actual results, which are affected by the following factors: the accuracy of the Company's estimates regarding its spending requirements; regulatory, legal and contractual impediments to spending reduction measures; the occurrence of any unanticipated acquisition or research and development opportunities; changes in the Company's strategic direction; and the need to replace any unanticipated losses in capital assets.

BUSINESS ENVIRONMENT

The Company currently has seven operating divisions that have separate management teams that are engaged in the oilfield services and continuous process industries. The divisions have been aggregated into two reportable segments - "Oilfield" and "Process".

The Oilfield segment consists of six operating divisions - Baker Atlas, Baker Oil Tools, Baker Petrolite, Centrilift, Hughes Christensen and INTEQ - that manufacture and sell products and provide services used in the oil and gas exploration industry, including drilling, formation evaluation, completion and production of oil and gas wells. The Oilfield segment also includes the Company's 30% interest in WesternGeco, a seismic venture between the Company and Schlumberger Limited ("Schlumberger"), and other similar businesses.

The Process segment consists of one operating division, BIRD Machine, and the Company's investment in the Petreco venture, a venture between the Company and Sequel Holdings, Inc. BIRD Machine manufactures and sells a broad range of

continuous and batch centrifuges and specialty filters for separating, dewatering or classifying process and waste streams.

The business environment for the Company's Oilfield segment and its corresponding operating results can be significantly affected by the level of energy industry capital expenditures for the exploration and production ("E&P") of oil and gas reserves. These expenditures are influenced strongly by expectations about the supply and demand for crude oil and natural gas products and by the energy price environment.

The Company does business in approximately 70 countries. According to Transparency International's annual Corruption Perceptions Index ("CPI") survey, a high degree of corruption is perceived to exist in many of these countries. For example, the Company does business in approximately one-half of the 30 countries having the worst scores in Transparency International's CPI survey for 2002. The Company devotes significant resources to the development, maintenance and enforcement of its Business Code of Conduct policy, its Foreign Corrupt Practices Act (the "FCPA") policy, its internal control processes and procedures, as well as other compliance related policies. Notwithstanding the devotion of such resources, and in part as a consequence thereof, the Company, from time to time, discovers or receives information alleging potential violations of the FCPA and the Company's policies, processes and procedures. The Company conducts internal investigations of these potential violations. The Company anticipates that the devotion of significant resources to compliance related issues, including the necessity for such internal investigations, will continue to be an aspect of doing business in a number of the countries in which oil and gas exploration, development and production take place and the Company is requested to conduct operations.

Key risk factors currently influencing the worldwide crude oil and gas markets are:

- o Production control - the degree to which individual OPEC nations and other large oil and gas producing countries, including, but not limited to, Mexico, Norway and Russia, are willing and able to control production and exports of crude oil, to decrease or increase supply and to support their targeted oil price while meeting their market share objectives. Key measures of production control include actual production levels compared with target or quota production levels, oil price compared with targeted oil price and changes in each country's market share.
- o Global economic growth - particularly the impact of the U.S. and Western European economies and the economic activity in Japan, China, South Korea and the developing areas of Asia where the correlation between energy demand and economic growth is strong. An important factor in the global economic growth in 2003 will be the strength and timing of a U.S. economic recovery. Key measures include U.S. and global economic activity, global energy demand and forecasts of future demand by governments and private organizations.
- o Oil and gas storage inventory levels - a measure of the balance between supply and demand. A key measure of U.S. natural gas inventories is the storage level reported weekly by the U.S. Department of Energy compared with historic levels. Key measures for oil inventories include U.S. inventory levels reported by the U.S. Department of Energy and American Petroleum Institute and worldwide estimates reported by the International Energy Agency, again compared with historic levels.
- o Ability to produce natural gas - the amount of natural gas that can be produced is a function of the number of new wells drilled, completed and connected to pipelines as well as the rate of reservoir depletion and production from existing wells. Advanced technologies, such as horizontal drilling, result in improved total recovery, but also result in a more rapid production decline.
- o Technological progress - in the design and application of new products that allow oil and gas companies to drill fewer wells and to drill, complete and produce wells faster, recover more hydrocarbons and to do so at lower cost. Also key are the overall levels of research and engineering spending and the pace at which new technology is introduced commercially and accepted by customers.
- o Maturity of the resource base - of known hydrocarbon reserves in the North Sea, U.S., Canada and Latin America.
- o Pace of new investment - access to capital and the reinvestment of available cash flow into existing and emerging markets. Key measures of access to capital include cash flow, interest rates, analysis of oil and gas company leverage and equity offering activity. Access to capital is particularly important for smaller independent oil and gas companies.
- o Energy prices and price volatility - the impact of widely fluctuating commodity prices on the stability of the market and subsequent impact on customer spending. Sustained higher energy prices can be an impediment to

economic growth. While current energy prices are important contributors to positive cash flow at E&P companies, expectations for future prices are more important for determining future E&P spending.

- o Impact of energy prices and price volatility on demand for hydrocarbons - short-term price changes can result in companies switching to the most economic sources of fuel or temporary curtailment of demand while long-term price changes can lead to

permanent changes in demand. Key indicators include hydrocarbon prices on a Btu equivalent basis and indicators of hydrocarbon demand, such as electricity generation or industrial production.

- o Access to prospects - which are economically attractive to individual oil and gas companies based on their expectations of required returns, forecasted energy prices and required investment. Access to prospects may be limited because host governments do not allow access to the reserves or because another oil and gas company owns the rights to develop the prospect.
- o Possible supply disruptions - from key oil exporting countries, including, but not limited to, Iraq, Saudi Arabia or other Middle Eastern countries, Nigeria and Venezuela, due to political instability, civil unrest or military activity. In addition, adverse weather such as hurricanes could impact production facilities, causing supply disruptions.
- o Weather - the impact of variations in temperatures as compared with normal weather patterns and the related effect on demand for oil and natural gas. A key measure of the impact of weather on energy demand is population-weighted heating and cooling degree days as reported by the U.S. Department of Energy and forecasts of warmer than normal or cooler than normal temperatures.

OIL AND GAS PRICES

Generally, customers' expectations about their prospects from oil and gas sales and customers' expenditures to explore for or produce oil and gas rise or fall with corresponding changes in the prices of oil or gas. Accordingly, changes in these expenditures will normally result in increased or decreased demand for the Company's products and services in its Oilfield segment. West Texas Intermediate ("WTI") crude oil and U.S. Spot natural gas prices are summarized in the table below as averages of the daily closing prices during each of the periods indicated.

THREE
MONTHS
ENDED
SIX
MONTHS
ENDED
JUNE 30,
JUNE 30,

--- 2003
2002
2003
2002 ---

WTI
crude
oil
(\$/bbl)
\$ 29.02
\$ 26.29
\$ 31.45
\$ 24.01
U.S.
Spot
natural
gas
(\$/MMBtu)
5.64
3.39
6.00
2.98

WTI crude oil prices averaged \$29.02/bbl in the second quarter of 2003. After falling into the high \$20/bbl range in late March and early April due to the beginning of conflict in Iraq and a growing belief that related supply disruptions would be avoided, prices briefly crossed \$30/bbl in mid-April before falling to a quarter low of \$25.24/bbl on April 29, 2003. Prices then rose

steadily, peaking at \$32.36/bbl in mid-June before leveling off at around \$30/bbl for the remainder of the month. Modest increases in Iraqi oil production have not negatively impacted the oil markets.

During the second quarter of 2003, natural gas prices averaged \$5.64/MMBtu. Natural gas prices rose from \$4.90/MMBtu at the beginning of the quarter to a high of \$6.41/MMBtu in early June. Prices declined somewhat thereafter and ended the quarter at \$5.35/MMBtu. Following the end of the second quarter, prices fell to approximately \$5.00/MMBtu. During May and June, unseasonably cool weather and higher gas prices resulted in reduced gas consumption and allowed storage operators to make record injections narrowing the year-over-year deficit in storage levels.

RIG COUNTS

The Company is engaged in the oilfield service industry providing products and services that are used in exploring for, developing and producing oil and gas reservoirs. When drilling or workover rigs are active, they consume many of the products and services provided by the oilfield service industry. The rig counts act as a leading indicator of consumption of products and services used in drilling, completing, producing and processing hydrocarbons. Rig count trends are governed by the exploration and development spending by oil and gas companies, which in turn is influenced by current and future price expectations for oil and natural gas. Rig counts, therefore, generally reflect the relative strength and stability of energy prices.

The Company has been providing rig counts to the public since 1944. The Company gathers all relevant data through its field service personnel worldwide who obtain this information from routine visits to the various rigs, customers, contractors, or other outside sources. This data is then compiled and distributed to various wire services and trade associations and is published on the Company's website. Rig counts are compiled weekly for the U.S. and Canada and monthly for all international and workover rigs. North American rigs are counted as active if the well being drilled has been started and drilling has not been completed on the day the count is taken. For an international rig to be counted as active on a monthly basis, drilling operations must comprise at least 15 days during the month. Published international rig counts do not include rigs drilling in certain countries, such as Russia and onshore

1,800

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=====
=====
=====
U.S.
Workover
Rigs 1,147
994 1,098
993
=====
=====
=====
=====

INDUSTRY OUTLOOK

Caution is advised that the factors described above in "Forward Looking Statements" and "Business Environment" could negatively impact the Company's expectations for oil and gas demand, oil and gas prices and drilling activity.

Oil - The balance between oil supply and oil demand remained tight as the third quarter of 2003 began. The supply disruptions caused by military action in Iraq and the general strike in Venezuela in the first quarter tested, but did not exceed, OPEC's ability to increase supply to stabilize the market. In the second quarter, Venezuelan production increased but a significant Iraqi oil production capability has yet to be restored. WTI crude oil prices are expected to remain volatile and trade between \$25/bbl and \$34/bbl for the balance of 2003. Oil prices could move above this trading range if supply is disrupted again in the Middle East, Africa or Venezuela. Oil prices could move below this trading range if OPEC proves unwilling or unable to restrain production to match market demand or if the U.S. and/or world economy slows.

North America Natural Gas - Prices are expected to trade between \$4.00/MMBtu and \$6.00/MMBtu, as these prices must be sustained to discourage some industrial demand and increase the amount of gas that can be injected into storage before the start of the 2003/2004 heating season. Storage levels are expected to be at normal levels at the start of the winter withdrawal season, traditionally in early November. Gas prices could move to the top of this trading range and spike above it if warmer than normal weather drives demand higher or if supply is disrupted - e.g., by a Gulf of Mexico hurricane. Gas prices could move to the bottom of this range if storage levels are high and demand does not increase as prices fall.

Customer Spending - Based upon the Company's discussions with its major customers, its review of published industry reports and the Company's outlook for oil and gas prices described above, the anticipated customer spending trends are as follows:

- o North America - Spending in North America, primarily towards developing natural gas supplies, is expected to increase approximately 10% to 15% in 2003 compared with 2002.
- o Outside North America - Customer spending, primarily directed at developing oil supplies, is expected to be flat to up by 5% in 2003 compared with 2002.
- o Total spending is expected to be up 4% to 6% in 2003 compared with 2002.

Drilling Activity - Based upon the Company's outlooks for oil and natural gas prices and customer spending described above, the Company's outlook for drilling activity, as measured by the Baker Hughes rig count, is as follows:

- o The North American rig count is expected to increase approximately 8% to 10% in 2003 compared with 2002. The U.S. rig count is expected to remain stable or increase slightly over the remainder of the year and end the year at approximately 1,100 to 1,200 rigs.
- o Drilling activity outside of North America, excluding Venezuela, is expected to remain steady in 2003 and is expected to increase as much as 3% to 5% compared with 2002.

COMPANY OUTLOOK

The Company expects that 2003 will be stronger than 2002, with revenues expected to increase by approximately 6% to 8% as compared with 2002, with related improvements in operating results, primarily in the second half of the year. Activity is expected to improve in the second half of 2003 as a result of anticipated increased drilling activity in the U.S., primarily due to relatively higher commodity prices. Activity outside of the U.S. is also expected to increase as a result of the relatively high crude oil prices. The Company expects the third quarter of 2003 activity to be up 1% to 3% compared with the second quarter of 2003 due to improving international activity and seasonal increases in Canadian activity.

In the first quarter of 2003, civil unrest related to electoral issues in Nigeria resulted in a number of operators curtailing operations in Nigeria in March 2003 and the delay of several export-direct customer orders for Nigerian customers. Nigeria held national elections in April 2003 and activity stabilized in the second quarter.

The military action in Iraq impacted the Company's operations in the Middle East in the first quarter and resulted in delays affecting several export-direct customer orders. The military action in Iraq entered a new phase in the second quarter and the shipment of orders delayed in the first quarter was completed.

Activity in the North Sea, particularly in the U.K. sector, is expected to be depressed for the next 12 to 18 months. As a result, the Company took steps in the second quarter to reduce its cost structure in the North Sea. Although activity is expected to increase seasonally, a meaningful increase in activity levels is dependent upon a large number of assets being sold by the major oil and gas companies to the independents.

NEW ACCOUNTING STANDARDS

Effective January 1, 2003, the Company adopted SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of long-lived assets. SFAS No. 143 requires that the fair value of a liability associated with an asset retirement obligation ("ARO") be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The liability for the ARO is revised each subsequent period due to the passage of time and changes in estimates. The associated retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently depreciated over the estimated useful life of the asset.

The adoption of SFAS No. 143 in the first quarter of 2003 resulted in a charge of \$5.6 million, net of tax of \$2.8 million, recorded as the cumulative effect of accounting change in the consolidated condensed statement of operations. In conjunction with the adoption, the Company recorded ARO liabilities of \$11.4 million primarily for anticipated costs of obligations associated with the future disposal of power source units at certain of its Oilfield divisions and refurbishment costs associated with certain leased facilities in Europe and with a fleet of leased railcars and tanks.

In November 2002, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 45 ("FIN 45"), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 elaborates on required disclosures by a guarantor in its financial statements about obligations under certain guarantees that it has issued and requires a guarantor to recognize, at the inception of certain guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee. The adoption of the provisions of FIN 45 relating to the initial recognition and measurement of guarantor liabilities, which were effective for qualifying guarantees entered into or modified after December 31, 2002, did not have an impact on the consolidated condensed financial statements of the Company. The Company adopted the new disclosure requirements in 2002.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), Consolidation of Variable Interest Entities. An entity is subject to the consolidation rules of FIN 46 and is referred to as a variable interest entity if the entity's equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to

finance its operations without additional financial support. FIN 46 applies immediately to variable interest entities created or


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=====
Income
(loss)
before
income
taxes:
EIMCO $ --
$ (0.2) $ -
- $ 1.5 Oil
producing
operations
-- 5.2 1.8
10.6 -----
-----
-----
-----
---- Total
-- 5.0 1.8
12.1 -----
-----
-----
---- Income
taxes:
EIMCO --
0.1 --
(0.5) Oil
producing
operations
-- (1.3)
(0.7) (2.6)
-----
-----
-----
-----
Total --
(1.2) (0.7)
(3.1) -----
-----
-----
-----
Income
(loss)
before gain
(loss) on
disposal:
EIMCO --
(0.1) --
1.0 Oil
producing
operations
-- 3.9 1.1
8.0 -----
-----
-----
-----
---- Total -
- 3.8 1.1
9.0 -----
-----
-----
-----
--- Gain
(loss) on
disposal:
EIMCO -- --
(2.5) --
Oil
producing
operations
-- -- 4.1 -
-----
-----
-----
-----
- Total --
-- 1.6 -- -
-----
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-----
-----
Income from

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discontinued
operations
\$ -- \$ 3.8
\$ 2.7 \$ 9.0
=====
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=====
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RESULTS OF OPERATIONS

REVENUES

Revenues for the three months ended June 30, 2003 were \$1,341.4 million, an increase of 7.7% compared with the three months ended June 30, 2002. The Company is primarily engaged in the oilfield service industry, which accounted for 98.0% and 97.3% of total revenues for the three months ended June 30, 2003 and 2002, respectively. Oilfield revenues were \$1,314.8 million, an increase of 8.5% compared with the three months ended June 30, 2002. Oilfield revenues in North America, which account for 41.8% of total Oilfield revenues, increased 15.8% for the three months ended June 30, 2003 compared with the three months ended June 30, 2002. This increase reflects increased activity in U.S. land operations and Canada, as evidenced by a 29.0% increase in the North American rig count. Outside North America, Oilfield revenues increased 3.8% for the three months ended June 30, 2003 compared with the three months ended June 30, 2002. This increase reflects the improvement in international drilling activity, particularly in Latin America, the Middle East and Asia Pacific, partially offset by weakening North Sea markets and price erosion in certain markets and product lines.

Revenues for the six months ended June 30, 2003 were \$2,567.9 million, an increase of 4.9% compared with the six months ended June 30, 2002. Revenues were positively impacted by the increased activity in North America, Latin America and the Middle East, partially offset by the continued weakness in the North Sea markets.

COST OF REVENUES

Cost of revenues for the three months ended June 30, 2003 was \$970.7 million, an increase of 7.7% compared with the three months ended June 30, 2002. Cost of revenues as a percentage of consolidated revenues was 72.4% for both the three months ended June 30, 2003 and 2002. Cost of revenues for the six months ended June 30, 2003 was \$1,894.0 million, an increase of 6.6% compared with the six months ended June 30, 2002. Cost of revenues as a percentage of consolidated revenues was 73.8% and 72.6% for the six months ended June 30, 2003 and 2002, respectively. The increase is primarily the result of pricing pressures and changes in the geographic and product mix from the sale of the Company's products and services.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative ("SG&A") expenses for the three months ended June 30, 2003 were \$213.4 million, a decrease of 2.9% compared with the three months ended June 30, 2002. SG&A expenses as a percentage of consolidated revenues for the three months ended June 30, 2003 and 2002 were 15.9% and 17.7%, respectively. SG&A expenses for the six months ended June 30, 2003 were \$415.2 million, a decrease of 2.3% compared with the six months ended June 30, 2002. SG&A expenses as a percentage of consolidated revenues for the six months ended June 30, 2003 and 2002 were 16.2% and 17.4%, respectively. These decreases were primarily due to improvement in foreign exchange gains and losses partially offset by higher marketing expenses.

RESTRUCTURING CHARGE

In 2001, the Company initiated a restructuring of its German operations of BIRD Machine, a division of the Process segment. The restructuring consisted of downsizing its German operations from a full manufacturing facility to an assembly and repair facility. As a result, the Company recorded a charge of \$6.0 million relating to expected severance for approximately 100 employees. The Company terminated 67 employees and paid \$4.1 million of accrued severance in 2001 and 2002. The remaining accrual of \$1.9 million was reversed during the second quarter of 2002 due to unanticipated voluntary terminations and more favorable separation payments than had been originally estimated.

EQUITY IN INCOME (LOSS) OF AFFILIATES

Equity in income (loss) of affiliates relates to the Company's share of the income (loss) of affiliates accounted for using the equity method of accounting. The Company's most significant equity method investment is its 30% interest in WesternGeco. The operating results of WesternGeco continue to be adversely affected by the continuing weakness in the seismic industry. Accordingly, equity in income (loss) of affiliates decreased \$9.5 million for the three months ended June 30, 2003 compared with the three months ended June 30, 2002, and decreased \$23.0 million for the six months ended June 30, 2003 compared with the six months ended June 30, 2002.

INTEREST EXPENSE

Interest expense for the three months ended June 30, 2003 decreased \$2.8 million compared with the three months ended June 30, 2002. The decrease was primarily due to lower total debt levels resulting from the repayment of \$100.0 million of long-term debt in February 2003 coupled with lower average interest rates on interest rate swaps and amortization of deferred gains related to terminated interest rate swaps.

Interest expense for the six months ended June 30, 2003 decreased \$2.8 million compared with the six months ended June 30, 2002. The decrease was primarily due to lower total debt levels coupled with lower average interest rates on the Company's commercial paper and money market borrowings partially offset by additional interest expense incurred related to the final settlement of outstanding obligations with a venture partner. Total debt levels decreased due to cash flow from operations and the repayment of \$100.0 million of long-term debt in February 2003. The approximate average interest rate on the Company's commercial paper and money market borrowings was 1.3% for the six months ended June 30, 2003 compared with 1.8% for the six months ended June 30, 2002.

INCOME TAXES

The Company's effective tax rate for the three and six months ended June 30, 2003 of 37% differs from the statutory income tax rate of 35% due to state income taxes, differing rates of tax on international operations and higher taxes within the WesternGeco venture that arose due to: (i) the venture being taxed in certain foreign jurisdictions based on a deemed profit basis, which is a percentage of revenues rather than profits, and (ii) unbenefitted foreign losses of the venture, which are operating losses in certain foreign jurisdictions where there was no current tax benefit and where a deferred tax asset was not recorded due to the uncertainty of its realization.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE

On January 1, 2003, the Company adopted SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of long-lived assets. SFAS No. 143 requires that the fair value of a liability associated with an asset retirement obligation ("ARO") be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The liability for the ARO is revised each subsequent period due to the passage of time and changes in estimates. The associated retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently depreciated over the estimated useful life of the asset.

The adoption of SFAS No. 143 in the first quarter of 2003 resulted in a charge of \$5.6 million, net of tax of \$2.8 million, recorded as the cumulative effect of accounting change in the consolidated condensed statement of operations. In conjunction with the adoption, the Company recorded ARO liabilities of \$11.4 million primarily for anticipated costs of obligations associated with the future disposal of power source units at certain of the Oilfield divisions and refurbishment costs associated with certain leased facilities in Europe and with a fleet of leased railcars and tanks.

On January 1, 2002, the Company adopted SFAS No. 142, Goodwill and Other Intangible Assets. The adoption of SFAS No. 142 required the Company to cease amortizing goodwill and to perform a transitional impairment test of goodwill in each of its reporting units as of January 1, 2002. The Company's reporting units were based on its organizational and reporting structure. Corporate and other assets and liabilities were allocated to the reporting units to the extent that they related to the operations of those reporting units. Valuations of the reporting units were performed by an independent third party. The goodwill in both the EIMCO and BIRD Machine operating divisions of the Company's Process segment was determined to be impaired using a combination of a market value and discounted cash flows approach to estimate fair value. Accordingly, the Company recognized transitional impairment losses of \$42.5 million, net of tax of \$20.4 million. The transitional impairment losses were recorded in the first quarter of 2002 as the cumulative effect of accounting change in the consolidated condensed statement of operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital requirements have been principally related to working capital needs, payment of dividends and long-term debt, repurchase of its common stock and capital expenditures. These requirements have been met through a combination of commercial paper borrowings, cash on hand and internally generated funds.

In the six months ended June 30, 2003, net cash inflows from operating

activities of continuing operations totaled \$121.3 million, a decrease of \$61.1 million compared with the six months ended June 30, 2002. This decrease was primarily due to lower income from continuing operations and an increase in working capital due to increased activity.

Expenditures for capital assets totaled \$151.0 million and \$136.0 million for the six months ended June 30, 2003 and 2002, respectively. The majority of these expenditures were for machinery and equipment and rental tools. During the six months ended June 30, 2003 and 2002, the Company received proceeds of \$36.4 million and \$37.1 million, respectively, from the disposal of assets.

During the six months ended June 30, 2003, the Company made an acquisition within its Oilfield segment having an aggregate purchase price of \$12.6 million, of which \$9.4 million was paid in cash. As a result of this acquisition, the Company recorded approximately \$2.0 million of goodwill. The purchase price is allocated based on fair value of the acquisition. In addition, during the six months ended June 30, 2003, the Company invested \$34.1 million in affiliates, of which \$30.1 million related to the Company's 50% interest in the QuantX Wellbore Instrumentation venture, which is engaged in the permanent in-well monitoring market

In the second quarter of 2003, the Company received the remaining \$22.0 million in proceeds from the sale of its interest in its oil producing operations in West Africa.

During 2002, the Company's Board of Directors authorized the Company to repurchase up to \$275.0 million of its common stock. During the six months ended June 30, 2003, the Company repurchased 2.5 million shares at an average cost of \$28.69 per share, for a total of \$72.9 million. Upon repurchase, the shares were retired. The Company has authorization remaining to repurchase up to \$153.0 million in common stock.

In April 2003, the Company entered into an interest rate swap agreement for a notional amount of \$325.0 million associated with the Company's 6.25% Notes due January 2009 that had been designated and had qualified as a fair value hedging instrument. In June 2003, the Company terminated the interest rate swap agreement and received proceeds of \$15.5 million upon cancellation. This deferred gain is being amortized as a reduction of interest expense over the remaining life of the underlying debt security, which matures in January 2009.

Total debt outstanding at June 30, 2003 was \$1,606.3 million, an increase of \$58.5 million compared with December 31, 2002. The Company repaid the \$100.0 million 5.8% Notes due February 2003. The repayment was funded with cash on hand, cash flow from operations and the issuance of commercial paper. The debt to equity ratio was 0.46 at June 30, 2003 and December 31, 2002. The Company's long-term objective is to maintain a debt to equity ratio between 0.40 and 0.60.

At June 30, 2003, the Company had \$986.1 million of credit facilities with commercial banks, of which \$594.0 million was committed. The committed facilities were to expire in September 2003 (\$56 million) and October 2003 (\$538 million). There were no direct borrowings under these facilities during the six months ended June 30, 2003; however, to the extent the Company has outstanding commercial paper, available borrowings under the committed credit facilities are reduced. At June 30, 2003, the Company had \$120.0 million in commercial paper outstanding with a weighted average interest rate of 1.3%. At December 31, 2002, the Company had no outstanding commercial paper.

In July 2003, the Company replaced its \$594.0 million committed credit facilities with a \$500.0 million three-year committed revolving credit facility (the "facility") to be used for commercial paper backup and general corporate purposes. The facility contains certain covenants which, among other things, require the maintenance of a funded indebtedness to total capitalization ratio, limit the amount of subsidiary indebtedness and restrict the sale of significant assets, defined as 10% or more of total consolidated assets. As of June 30, 2003, the Company has classified commercial paper and \$349.4 million of debt due within one year as long-term debt to the extent of the facility because the Company has the ability under the facility and the intent to maintain these obligations for longer than one year. Available borrowings under the facility will be reduced to the extent the Company has outstanding commercial paper.

Cash flows from continuing operations and borrowings from short-term debt and commercial paper are expected to be the principal sources of liquidity in 2003. The Company believes that cash flow from continuing operations, combined with its new and existing credit facilities, will provide the Company with sufficient capital resources and liquidity to manage its operations, meet debt obligations and fund projected capital expenditures. The Company currently expects 2003 capital expenditures to be between \$310.0 million and \$330.0 million, excluding acquisitions. The expenditures are expected to be used primarily for normal, recurring items necessary to support the growth and operations of the Company.

If the Company incurred a reduction in its debt ratings or stock price, there are no provisions in the Company's debt or lease agreements that would accelerate their repayment, require collateral or require material changes in terms. Other than normal operating leases, the Company does not have any

off-balance sheet financing arrangements such as securitization agreements, liquidity trust vehicles or special purpose entities. As such, the Company is not materially exposed to any financing, liquidity, market or credit risk that could arise if the Company had engaged in such financing arrangements.

In the normal course of business with customers, vendors and others, the Company is contingently liable for performance under letters of credit and other bank issued guarantees which totaled approximately \$219.1 million at June 30, 2003. In addition, at June 30, 2003, the Company has guaranteed debt and other obligations of third parties totaling \$123.3 million, which includes \$90.6 million for a lease on a seismic vessel. This lease was transferred to WesternGeco at the time of the formation of the venture and Schlumberger has indemnified the Company for 70% of the total lease obligation.

The words "believes," "will," "would," "if," "to be," "expected" and "expects" are intended to identify Forward-Looking Statements in "Liquidity and Capital Resources". See "Forward-Looking Statements" and "Business Environment" above for a description of risk factors related to these Forward-Looking Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's operations are conducted around the world in a number of different currencies. The majority of the Company's significant foreign subsidiaries have designated the local currency as their functional currency. As such, future earnings are subject to change due to changes in foreign currency exchange rates when transactions are denominated in currencies other than the Company's functional currencies. To minimize the need for foreign currency contracts, the Company's objective is to manage its foreign currency exposure by maintaining a minimal consolidated net asset or net liability position in a currency other than the functional currency.

At June 30, 2003, the Company had entered into several foreign currency forward contracts with notional amounts aggregating \$85.5 million to hedge exposure to currency fluctuations in various foreign currencies, including the British Pound Sterling, the Euro, the Norwegian Krone, the Brazilian Real and the Indonesian Rupiah. These contracts are designated as fair value hedges. Based on quoted market prices as of June 30, 2003 for contracts with similar terms and maturity dates, the Company recorded a gain of \$2.4 million to adjust these foreign currency forward contracts to their fair market value. This gain is included in selling, general and administrative expense in the consolidated condensed statement of operations.

The counterparties to the Company's forward contracts are major financial institutions. The credit ratings and concentration of risk of these financial institutions are monitored on a continuing basis. In the unlikely event that the counterparties fail to meet the terms of a foreign currency contract, the Company's exposure is limited to the foreign currency rate differential.

In April 2003, the Company entered into an interest rate swap agreement for a notional amount of \$325.0 million associated with the Company's 6.25% Notes due January 2009 that had been designated and had qualified as a fair value hedging instrument. In June 2003, the Company terminated the interest rate swap agreement and received proceeds of \$15.5 million upon cancellation. This deferred gain is being amortized as a reduction of interest expense over the remaining life of the underlying debt security, which matures in January 2009.

In July 2003, the Company entered into an interest rate swap agreement for a notional amount of \$325.0 million associated with the Company's 6.25% Notes due January 2009. Under this agreement, the Company receives interest at a fixed rate of 6.25% and pays interest at a floating rate of six-month LIBOR plus a spread of 2.4425%. This interest rate swap will settle semi-annually and terminates in January 2009. The interest rate swap agreement has been designated and qualified as a fair value hedging instrument. The interest rate swap agreement will be fully effective, resulting in no gain or loss recorded in the consolidated condensed statement of operations. In the unlikely event that the counterparty fails to meet the terms of the interest rate swap agreement, the Company's exposure is limited to the interest rate differential.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this quarterly report, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This evaluation was carried out under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer. Based on this evaluation, these officers have concluded that the design and operation of the Company's disclosure controls and procedures are effective. There were no significant changes to the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation. No significant deficiencies or material weaknesses in the internal controls were identified during the evaluation and, as a consequence, no corrective action is required to be taken.

Disclosure controls and procedures are the Company's controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, such as this Quarterly Report, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required

to be disclosed by the Company in the reports that the Company files under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On March 25, 2002, a former employee alleging improper activities relating to Nigeria filed a civil complaint against the Company in the 281st District Court in Harris County, Texas, seeking back pay and damages, including future lost wages. On August 2, 2002, the same former employee filed substantially the same complaint against the Company in the federal district court for the Southern District of Texas. The state court case has been stayed pending the outcome of the federal suit. Discovery in the federal suit is in the preliminary stages.

On March 29, 2002, the Company announced that it had been advised that the Securities and Exchange Commission ("SEC") and the Department of Justice ("DOJ") are conducting investigations into allegations of violations of law relating to Nigeria and other related matters. The SEC has issued a formal order of investigation into possible violations of provisions under the Foreign Corrupt Practices Act ("FCPA") regarding anti-bribery, books and records and internal controls, and the DOJ has asked to interview current and former employees. Prior to the filing of the former employee's complaint, the Company had independently initiated an investigation regarding its operations in Nigeria, which is ongoing. The Company is providing documents to and cooperating fully with the SEC and the DOJ.

The Company's ongoing internal investigation has identified apparent deficiencies with respect to certain operations in Nigeria in its books and records and internal controls, and potential liabilities to governmental authorities in Nigeria. The investigation was substantially completed during the first quarter of 2003. Based upon current information, the Company does not expect that any such potential liabilities will have a material adverse effect on the Company's results of operations or financial condition.

On August 6, 2003, the SEC issued a subpoena seeking information about the Company's operations in Angola and Kazakhstan as part of its ongoing investigation. The Company intends to provide documents and to cooperate with the SEC. In addition, the Company is conducting an internal investigation into these matters.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The information concerning the matters submitted to a vote of the stockholders and the voting results from the Company's Annual Meeting of Stockholders held on April 23, 2003 was previously reported in response to Item 4 of Part II of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

ITEM 5. OTHER INFORMATION

On July 29, 2003, the Company issued a press release announcing certain management changes, a copy of which is filed with this Quarterly Report on Form 10-Q as Exhibit 99.1 and incorporated herein by reference.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

- 10.1 Form of Baker Hughes Incorporated Stock Option Award Agreement, dated July 22, 2003 for employees and for directors and officers.
- 10.2 Form of Amendment 1 to Severance Agreement between Baker Hughes Incorporated and each of G. Stephen Finley and Andrew J. Szescila effective November 11, 1998.

- 10.3 Baker Hughes Incorporated 1998 Employee Stock Option Plan, as amended by Amendment No. 1999-1 to 1998 Employee Stock Option Plan.
- 10.4 Form of Nonqualified Stock Option Agreement for employees effective October 1, 1998.
- 10.5 Form of Credit Agreement dated July 7, 2003, among Baker Hughes Incorporated and a syndicate of thirteen banks for \$500,000,000 in the aggregate for all banks.
- 10.6 Interest Rate Swap Confirmation, dated July 30, 2003, and Schedule to the Master Agreement (Multicurrency-Cross Border), dated July 30, 2003.
- 31.1 Certification of Michael E. Wiley, Chief Executive Officer, dated August 8, 2003, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
- 31.2 Certification of G. Stephen Finley, Chief Financial Officer, dated August 8, 2003, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
- 32 Statement of Michael E. Wiley, Chief Executive Officer, and G. Stephen Finley, Chief Financial Officer, dated August 8, 2003, furnished pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended.
- 99.1 Press release of the Company dated July 29, 2003 regarding certain management changes.

(b) Reports on Form 8-K:

A Current Report on Form 8-K was filed with the SEC on April 15, 2003, to furnish under "Item 9. Regulation FD Disclosure" pursuant to "Item 12. Results of Operations and Financial Condition" (in accordance with SEC Release No. 33-8216) the Company's updated outlook for the three months ended March 31, 2003.

A Current Report on Form 8-K was filed with the SEC on April 25, 2003, (a) to report under "Item 5. Other Events and Required FD Disclosure" the preliminary results of the Company's Annual Meeting of Stockholders and the election of certain members of the Board of Directors and stockholder proposals and (b) to furnish under "Item 9. Regulation FD Disclosure" pursuant to "Item 12. Results of Operations and Financial Condition" (in accordance with SEC Release No. 33-8216) the Company's announcement of financial results for the first quarter of 2003.

A Current Report on Form 8-K was filed with the SEC on July 8, 2003, to report under "Item 5. Other Events and Required FD Disclosure" the issuance of a press release whereby the Company announced that it had entered into a \$500 million three-year revolving credit facility to be used for commercial paper backup and general corporate purposes.

A Current Report on Form 8-K was filed with the SEC on July 24, 2003, to furnish under "Item 9. Regulation FD Disclosure" pursuant to "Item 12. Results of Operations and Financial Condition" (in accordance with SEC Release No. 33-8216) the Company's announcement of financial results for the second quarter of 2003.

SIGNATURES

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

BAKER HUGHES INCORPORATED
(REGISTRANT)

Date: August 8, 2003

By: /s/ G. STEPHEN FINLEY

G. Stephen Finley
Sr. Vice President - Finance and
Administration and Chief Financial Officer

Date: August 8, 2003

By: /s/ ALAN J. KEIFER

Alan J. Keifer
Vice President and Controller

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BAKER HUGHES INCORPORATED
STOCK OPTION AGREEMENT

NAME
GRANTEE

Date of Grant: JULY 22, 2003

Total Number of Shares Granted: GRANT AMOUNT

Exercise Price per Share: \$32.62

Expiration Date: JULY 22, 2013

Term of Award; Vesting Schedule: 3 YEARS, WITH VESTING OF 33 1/3% ON THE ANNIVERSARY DATE OF THE DATE OF GRANT IN EACH OF THE YEARS 2004, 2005, AND 2006.

Other Terms of Award: TERMS AND CONDITIONS ARE PROVIDED UPON REQUEST AND ARE LOCATED ON THE BHI INTRANET AT:
HTTP://INTERCHANGE/HUMANRESOURCES/COMPENSATION

GRANT OF OPTION

Pursuant to action taken by the Compensation Committee of the Board of Directors of Baker Hughes Incorporated, a Delaware corporation (the "Company"), for the purposes of administration of the [BAKER HUGHES INCORPORATED 2002 EMPLOYEE LONG-TERM INCENTIVE PLAN OR BAKER HUGHES INCORPORATED 2002 DIRECTOR & OFFICER LONG-TERM INCENTIVE PLAN] (the "Plan"), the above-named Grantee is hereby granted a [NONQUALIFIED OR AN INCENTIVE] stock option to purchase the above number of shares of the Company's \$1 par value per share common stock at the exercise price stated above for each share subject to this option, with the exercise price payable at the time of exercise. This option may not be exercised after the Expiration Date.

By your acceptance of the option, you agree that the option is granted under and governed by the terms of the Plan, this Stock Option Agreement and the Terms and Conditions of Option Agreements (dated January 2003).

BAKER HUGHES INCORPORATED

/S/ MICHAEL E. WILEY

Michael E. Wiley - Chairman, President & CEO

AMENDMENT 1 TO SEVERANCE AGREEMENT

This Amendment 1 to Severance Agreement ("Amendment 1") is made and entered into effective November 11, 1998, by and between BAKER HUGHES INCORPORATED, A Delaware corporation (the "Company") and _____ (the "Executive").

WHEREAS, the Company and the Executive desire to make certain changes to that certain Severance Agreement dated as of July 23, 1997, by and between the Company and the Executive (the "Severance Agreement"), to conform the Severance Agreement with the form executed by other executives of the Company and to take into account the recent Change in Control (as defined in the Severance Agreement) involving Western Atlas Inc.;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, the Company and the Executive hereby agree as follows:

1. Term. The following shall be added to the end of Paragraph 2 of the Severance Agreement:

"; and further provided, however, that solely with respect to any rights or claims of the Executive in connection with the Change in Control brought about by the merger with Western Atlas Inc. which occurred on August 10, 1998, the Term shall be deemed to expire on September 1, 2000, but for all other purposes and other events of Change in Control which may occur subsequent to August 10, 1998, this proviso shall have no force or effect."

2. 13th Month Good Reason Waiver. The following language which appears in lines 3, 4, and 5 of Section 6.1(ii) of the Severance Agreement is hereby deleted:

"or (ii) the Executive voluntarily terminates his employment for any reason during the one-month period commencing on the first anniversary of the Change in Control,"

All capitalized terms in this Amendment 1 shall have the definition ascribed to those terms in the Severance Agreement. The Severance Agreement continues in full force and effect, except as amended hereby. This Amendment 1 may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

EXECUTED effective the day and year first written above.

Company:
BAKER HUGHES INCORPORATED

By: _____
John F. Maher
Chairman-Compensation Committee
of the Board of Directors

Executive:

BAKER HUGHES INCORPORATED
1998 EMPLOYEE STOCK OPTION PLAN

ARTICLE I
INTRODUCTION

1. PURPOSE. This 1998 Employee Stock Option Plan, which shall be known as the "1998 EMPLOYEE STOCK OPTION PLAN" and which is hereinafter referred to as the "PLAN," is intended to promote the interests of Baker Hughes Incorporated ("COMPANY") and its stockholders by encouraging employees of the Company and its subsidiaries to increase their equity interest in the Company, thereby giving them an added incentive to work toward the continued growth and success of the Company. The Board of Directors also contemplates that through the adoption of the Plan, the Company, its subsidiaries and affiliated entities will be better able to compete for the services of personnel needed for the continued growth and success of the Company.

2. SHARES SUBJECT TO THE PLAN. Subject to adjustment as provided in Article I, Paragraph 4 and Article II, Paragraph 3(e), the aggregate number of shares of Common Stock, \$1 par value per share, of the Company ("COMMON STOCK") to be delivered upon exercise of all options granted under the Plan shall not exceed 3,500,000 shares. In the event the number of shares to be delivered upon the exercise in full of any option granted under the Plan is reduced for any reason whatsoever or in the event any option granted under the Plan can no longer under any circumstances be exercised, the number of shares no longer subject to such option shall thereupon be released from such option and shall thereafter be available to be re-optioned under the Plan. Shares issued pursuant to the exercise of options granted under the Plan shall be fully paid and nonassessable.

3. ADMINISTRATION OF THE PLAN. Subject to the provisions of the Plan, for purposes other than Article I, Paragraph 9, the Compensation Committee of the Board of Directors of the Company (the "COMMITTEE") shall interpret the Plan and all options granted under the Plan, shall make such rules as it deems necessary for the proper administration of the Plan, shall make all other determinations necessary or advisable for the administration of the Plan and shall correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any option granted under the Plan in the manner and to the extent that the Committee deems desirable to carry the Plan or any option into effect. Any action taken or determination made by the Committee pursuant to this and the other paragraphs of the Plan shall be conclusive on all parties. The act or determination of a majority of the Committee shall be deemed to be the act or determination of the Committee.

4. AMENDMENT AND DISCONTINUANCE OF THE PLAN. The Board of Directors of the Company may amend, suspend or terminate the Plan; provided, further, however, that no amendment, suspension or termination of the Plan may, without the consent of the holder of an option, terminate such option or adversely affect such person's rights in any material respect. The Board of Directors of the Company may increase the aggregate number of shares of Common Stock that may be issued under the Plan.

5. GRANTING OF OPTIONS TO EMPLOYEES. The Committee shall have authority to grant, prior to the expiration date of the Plan, to employees of the Company and its subsidiaries (as defined in section 424 of the Internal Revenue Code of 1986, as amended) ("EMPLOYEE OPTIONEES"), options to purchase, on the terms and conditions hereinafter set forth in Article II, authorized but unissued, or reacquired, shares of Common Stock, in such amounts and at such times as determined in the discretion of the Committee.

6. OPTION AGREEMENTS. Each option under the Plan shall be evidenced by a written agreement between the Company and the Eligible Optionee which shall contain such terms and conditions, and may be exercisable for such periods, as may be approved by the Committee, which terms and conditions need not be identical.

7. EFFECTIVE DATE. The Plan shall become effective as of October 1, 1998. Except with respect to options then outstanding, if not sooner terminated under the provisions of Article I, Paragraph 4, the Plan shall terminate upon and no further options shall be granted after the expiration of ten years from October 1, 1998.

8. MISCELLANEOUS. All references in the Plan to "Articles," "Paragraphs," and other subdivisions refer to the corresponding Articles, Paragraphs, and subdivisions of the Plan.

9. CHANGE IN CONTROL. The following provisions shall apply only in connection with a Change in Control or Potential Change in Control.

(a) Notwithstanding any provision of the Plan to the contrary other than Article I, Paragraph 10, in the event of an occurrence of a Change in Control, all options granted pursuant to this Plan shall become fully vested and exercisable.

(b) Notwithstanding any provision of the Plan to the contrary, all outstanding options held by an Employee Optionee shall become fully vested and exercisable as of the effective date of termination of such Employee Optionee's employment if (i) such Employee Optionee's employment is terminated by the Company without Cause prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control, (ii) such Employee Optionee terminates his or her employment for Good Reason prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of the Person described in clause (i), or (iii) such Employee Optionee's employment is terminated by the Company without Cause or by the Employee Optionee for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs).

(c) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Securities Act of 1934 (the "EXCHANGE ACT")

(d) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 promulgated under the Exchange Act.

(e) "Cause" for termination by the Company of the Employee Optionee's employment shall mean (i) the willful and continued failure by the Employee Optionee to substantially perform the Employee Optionee's duties with the Company (other than any such failure resulting from the Employee Optionee's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a notice of termination for Good Reason by the Employee Optionee) after a written demand for substantial performance is delivered to the Employee Optionee by the Committee, which demand specifically identifies the manner in which the Committee believes that the Employee Optionee has not substantially performed the Employee Optionee's duties, or (ii) the willful engaging by the Employee Optionee in conduct which is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, (x) no act, or failure to act, on the Employee Optionee's part shall be deemed "willful" unless done, or omitted to be done, by the Employee Optionee not in good faith and without reasonable belief that the Employee Optionee's act, or failure to act, was in the best interest of the Company and (y) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Company establishes to the Committee by clear and convincing evidence that Cause exists.

(f) A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(1) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (3) below; or

(2) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board of Directors of the Company and any new director (other than a director whose initial assumption of office is in connection

with an actual or threatened election contest relating to the election of directors of the Company) whose

appointment or election by the Board of Directors of the Company or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(3) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, at least 65% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates other than in connection with the acquisition by the Company or its Affiliates of a business) representing 20% or more of the combined voting power of the Company's then outstanding securities; or

(4) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 65% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

(g) "Committee" shall mean (i) the individuals (not fewer than three in number) who, on the date six months before a Change in Control, constitute the Compensation Committee of the Board of Directors of the Company, plus (ii) in the event that fewer than three individuals are available from the group specified in clause (i) above for any reason, such individuals as may be appointed by the individual or individuals so available (including for this purpose any individual or individuals previously so appointed under this clause (ii)); provided, however, that the maximum number of individuals constituting the Committee shall not exceed six (6).

(h) "Good Reason" for termination by the Employee Optionee of the Employee Optionee's employment shall mean the occurrence (without the Employee Optionee's express written consent) after any Change in Control, or prior to a Change in Control under the circumstances described in clauses (ii) and (iii) of Article I, Paragraph 9(b) hereof (treating all references in paragraphs (1) through (7) below to a "Change in Control" as references to a "Potential Change in Control"), of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraph (1), (5), (6) or (7) below, such act or failure to act is corrected prior to the effective date of the Employee Optionee's termination for Good Reason;

(1) the assignment to the Employee Optionee of any duties inconsistent with the status of the Employee Optionee's position with the Company or a substantial adverse alteration in the nature or status of the Employee Optionee's responsibilities from those in effect

immediately prior to the Change in Control;

(2) a reduction by the Company in the Employee Optionee's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all individuals having a similar level of authority and responsibility with the Company and all individuals having a similar level of authority and responsibility with any Person in control of the Company;

(3) the relocation of the Employee Optionee's principal place of employment to a location more than 50 miles from the Employee Optionee's principal place of employment immediately prior to the Change in Control or the Company's requiring the Employee Optionee to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Company's business to an extent substantially consistent with the Employee Optionee's present business travel obligations;

(4) the failure by the Company to pay to the Employee Optionee any portion of the Employee Optionee's current compensation except pursuant to an across-the-board compensation deferral similarly affecting all individuals having a similar level of authority and responsibility with the Company and all individuals having a similar level of authority and responsibility with any Person in control of the Company, or to pay to the Employee Optionee any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven (7) days of the date such compensation is due;

(5) the failure by the Company to continue in effect any compensation plan in which the Employee Optionee participates immediately prior to the Change in Control which is material to the Employee Optionee's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Employee Optionee's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Employee Optionee's participation relative to other participants, as existed immediately prior to the Change in Control;

(6) the failure by the Company to continue to provide the Employee Optionee with benefits substantially similar to those enjoyed by the Employee Optionee under any of the Company's pension, savings, life insurance, medical, health and accident, or disability plans in which the Employee Optionee was participating immediately prior to the Change in Control (except for across-the-board changes similarly affecting all individuals having a similar level of authority and responsibility with the Company and all individuals having a similar level of authority and responsibility with any Person in control of the Company), the taking of any other action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Employee Optionee of any material fringe benefit or perquisite enjoyed by the Employee Optionee at the time of the Change in Control, or the failure by the Company to provide the Employee Optionee with the number of paid vacation days to which the Employee Optionee is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(7) if the Employee Optionee is party to an individual employment, severance, or similar agreement with the Company, any purported termination of the Employee Optionee's employment which is not effected pursuant to the notice of termination or other procedures specified therein satisfying the requirements thereof; for purposes of this Plan, no such purported termination shall be effective.

The Employee Optionee's right to terminate the Employee Optionee's employment for Good Reason shall not be affected by the Employee Optionee's incapacity due to physical or mental illness. The Employee Optionee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

For purposes of any determination regarding the existence of Good Reason, any claim by the Employee Optionee that Good Reason exists shall be presumed to be correct unless the Company establishes to the Committee by clear and convincing evidence that Good Reason does not exist.

(i) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(j) A "Potential Change in Control" shall be deemed to have

occurred if the event set forth in any one of the following paragraphs shall have occurred:

(1) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(2) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(3) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 15% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its affiliates); or

(4) the Board of Directors of the Company adopts a resolution to the effect that, for purposes of this Plan, a Potential Change in Control has occurred.

10. SPECIAL ACCOUNTING PROVISION. In the event that the Company is party to a transaction which is otherwise intended to qualify for "pooling of interests" accounting treatment then (a) the provisions of the Plan shall, to the extent practicable, be interpreted so as to permit such accounting treatment, and (b) to the extent that the application of clause (a) of this sentence does not preserve the availability of such accounting treatment, then, to the extent that any of the provisions of the Plan disqualifies the transaction as a "pooling" transaction, the Board of Directors of the Company may amend any provisions of the Plan, amend the provisions of any outstanding option and/or declare any of the provisions of the Plan or the entire Plan as well as any outstanding options null and void if and to the extent necessary (including declaring such provision or provisions to be null and void as of the date hereof) so that such transaction may be accounted for as a "pooling of interests." All determinations with respect to this paragraph shall be made by the Company, based upon the advice of the accounting firm whose opinion with respect to "pooling of interests" is required as a condition to the consummation of such transaction.

ARTICLE II

NONQUALIFIED STOCK OPTIONS

1. ELIGIBLE EMPLOYEES. All Employee Optionees shall be eligible to receive nonqualified options under this Article II.

2. CALCULATION OF EXERCISE PRICE. The exercise price to be paid for each share of Common Stock deliverable upon exercise of each nonqualified option granted under this Article II shall be equal to the fair market value per share of Common Stock at the time of grant as determined by the Committee, based on the composite transactions in the Common Stock as reported by The Wall Street Journal, and shall be equal to the per share price of the last sale of Common Stock on the trading day prior to the grant of such option. The exercise price for each nonqualified option granted under this Article II shall be subject to adjustment as provided in this Article II, Paragraph 3(e).

3. TERMS AND CONDITIONS OF OPTIONS. Nonqualified options granted under this Article II shall be in such form as the Committee may from time to time approve. Options granted under this Article II shall be subject to the following terms and conditions and may contain such additional terms and conditions, not inconsistent with this Article II, as the Committee shall deem desirable:

(a) OPTION PERIOD AND CONDITIONS AND LIMITATIONS ON EXERCISE.

Subject to this Article II, Paragraph 3, no nonqualified option granted under this Article II shall be exercisable with respect to any of the shares subject to the option later than the date which is ten years after the date of grant (the "NONQUALIFIED OPTION EXPIRATION DATE"). To the extent not prohibited by other provisions of the Plan, each nonqualified option granted under this Article II shall be exercisable at such time or times as the Committee in its discretion may determine at or prior to the time such option is granted (unless otherwise extended by the Committee pursuant to this Article II, Paragraph 3(b)(2)(iii)); provided, however, that unless the Committee determines otherwise, each nonqualified option granted under this Article II shall be exercisable from time to time, in whole or in part, at any time prior to the Nonqualified Option Expiration Date.

(b) TERMINATION OF EMPLOYMENT AND DEATH. For purposes of this Article II and each nonqualified option granted under this Article II, an Employee Optionee's employment shall be deemed to have terminated at the close of business on the day preceding the first date on which he is no longer for any reason whatsoever (including his death) employed by the Company or a subsidiary of the Company. An Employee Optionee shall be considered to be in the employment of the Company or a subsidiary of the Company as long as he remains an employee of the Company or a subsidiary of the Company, whether active or on an authorized leave of absence. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee and its determination shall be final. Unless otherwise determined by the Committee, if an Employee Optionee's employment is terminated for any reason whatsoever (including his death), each nonqualified option granted to him under this Article II and all of his rights thereunder shall wholly and completely terminate:

(1) With respect to options not then exercisable, at the time the Employee Optionee's employment is terminated; and

(2) With respect to options then exercisable:

(i) At the time the Employee Optionee's employment is terminated if his employment is terminated because he is discharged for fraud, theft or embezzlement committed against the Company or a subsidiary, affiliated entity or customer of the Company, or for conflict of interest (other than legitimate competition), if such termination of employment occurs prior to a Change in Control or after the second anniversary of a Change in Control, and thirty days following such termination of employment if such termination occurs within two years following a Change in Control (in each case, as such term is defined in Article I, Paragraph 9 hereof) (but in no event later than the Nonqualified Option Expiration Date); or

(ii) At the expiration of a period of one year after the Employee Optionee's death (but in no event later than the Nonqualified Option Expiration Date) if the Employee Optionee's employment is terminated by reason of his death. A nonqualified option granted under this Article II may be exercised by the Employee Optionee's estate or by the person or persons who acquire the right to exercise his option by bequest or inheritance with respect to any or all of the shares remaining subject to his option at the time of his death; or

(iii) Unless it is otherwise provided in the option agreement or otherwise extended in the discretion of the Committee in the event of the Employee Optionee's retirement, at the expiration of a period of three years after the Employee Optionee's employment is terminated because of retirement or disability (but in no event later than the Nonqualified Option Expiration Date); or

(iv) At the expiration of a period of three months after the Employee Optionee's employment is terminated (but in no event later than the Nonqualified Option Expiration Date) if the Employee Optionee's employment is terminated for any reason other than his death, retirement, disability or the reasons specified in this Article II, Paragraph 3(b)(2)(i).

(c) MANNER OF EXERCISE. In order to exercise a nonqualified option granted under this Article II, the person or persons entitled to exercise it shall deliver to the Company payment in full for the shares being purchased, together with any required withholding tax. The payment of the exercise price for each option granted under this Article II and any required withholding tax shall either be in cash or through delivery to the Company of shares of Common Stock, or by any combination of cash or shares; the value of each share of Common Stock delivered shall be deemed to be equal to the per share price of the last sale of Common Stock on the trading day prior to the date the option is exercised, based on the composite transactions in the Common Stock as reported in The Wall Street Journal. If the Committee so

requires, such person or persons shall also deliver a written representation that all shares being purchased are being acquired for investment and not with a view to, or for resale in connection with, any distribution of such shares. An option agreement may, in the discretion of the Committee, provide for a "cashless exercise" of a nonqualified option by establishing procedures whereby the Employee Optionee, by a properly executed written notice, directs (1) an immediate market sale or margin loan respecting all or a part of the shares of Common Stock to which he is entitled upon

exercise pursuant to an extension of credit by the Company to the Employee Optionee of the option price, (2) the delivery of the shares of Common Stock from the Company directly to a brokerage firm and (3) the delivery of the option price from sale or margin loan proceeds from the brokerage firm directly to the Company. An option agreement may also, in the discretion of the Committee, provide for the withholding of Federal, state or local income tax upon exercise of a nonqualified option from any cash or stock remuneration (from the Plan or otherwise) then or thereafter payable by the Company to the Employee Optionee.

(d) OPTIONS NOT TRANSFERABLE. No nonqualified option granted under this Article II shall be transferable otherwise than by will or by the laws of descent and distribution and, during the lifetime of the Employee Optionee to whom any such option is granted, it shall be exercisable only by the Employee Optionee. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of, or to subject to execution, attachment or similar process, any nonqualified option granted under this Article II, or any right thereunder, contrary to the provisions hereof, shall be void and ineffective, shall give no right to the purported transferee, and shall, at the sole discretion of the Committee, result in forfeiture of the option with respect to the shares involved in such attempt.

(e) ADJUSTMENT OF SHARES. In the event that at any time after the effective date of the Plan the outstanding shares of Common Stock are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, stock split, stock dividend, or combination of shares, the Committee shall make an appropriate and equitable adjustment in the number and kind of shares subject to this Article II (including shares as to which all outstanding nonqualified options granted under this Article II, or portions thereof then unexercised, shall be exercisable), to the end that after such event the shares subject to this Article II of the Plan and each Employee Optionee's proportionate interest shall be maintained as before the occurrence of such event. Such adjustment in an outstanding nonqualified option granted under this Article II shall be made without change in the total price applicable to the option or the unexercised portion of the option (except for any change in the aggregate price resulting from rounding-off of share quantities or prices) and with any necessary corresponding adjustment in exercise price per share. Any such adjustment made by the Committee shall be final and binding upon all Employee Optionees, the Company, and all other interested persons.

(f) LISTING AND REGISTRATION OF SHARES. Each nonqualified option granted under this Article II shall be subject to the requirement that if at any time the Committee determines, in its discretion, that the listing, registration, or qualification of the shares subject to such option under any securities exchange or under any state or Federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable is a condition of, or in connection with, the issue or purchase of shares hereunder, such option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained and the same shall have been free of any conditions not acceptable to the Committee.

(g) CERTAIN REGRANTS/REPRICING IS NOT PERMITTED. Once granted, no option may be repriced or exchanged for an option having a lower exercise price.

4. AMENDMENT. The Committee may, with the consent of the person or persons entitled to exercise any outstanding nonqualified option granted under this Article II, amend such nonqualified option. The Committee may at any time or from time to time, in its discretion, in the case of any nonqualified option previously granted under this Article II which is not then immediately exercisable in full, accelerate the time or times at which such option may be exercised to any earlier time or times.

5. OTHER PROVISIONS.

(a) The person or persons entitled to exercise, or who have exercised, a nonqualified option granted under this Article II shall not be entitled to any rights as a stockholder of the Company with respect to any shares subject to such option until he shall have become the holder of record of such shares.

(b) No nonqualified option granted under this Article II shall be construed as limiting any right which the Company or any subsidiary of the Company may have to terminate at any time, with or without

cause, the employment of any person to whom such option has been granted.

(c) Notwithstanding any provision of the Plan or the terms of any nonqualified option granted under this Article II, the Company shall not be required to issue any shares hereunder if such issuance would, in the judgment of the Committee, constitute a violation of any state or Federal law or of the rules or regulations of any governmental regulatory body.

AMENDMENT NO. 1999-1 TO THE
1998 EMPLOYEE STOCK OPTION PLAN

This Amendment No. 1999-1 is made to the Baker Hughes Incorporated 1998 Employee Stock Option Plan ("the Plan"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan.

WHEREAS, Baker Hughes Incorporated (the "Company") has determined that it is in its best interest and that of its stockholders to amend the Plan as set forth herein;

NOW, THEREFORE, the Plan is amended as follows:

1. Article I, Paragraphs 9(a), (b) and (f) of the Plan are amended in their entirety to read as follows:

"9. Change in Control.

(a) Notwithstanding any provision of the Plan to the contrary other than Article I, Paragraph 10, in the event of an occurrence of a Change in Control other than an event described only in clause (3) of Article I, Paragraph 9(f) of the Plan, all options granted pursuant to this Plan shall become fully vested and exercisable.

(b) Notwithstanding any provision of the Plan to the contrary, all outstanding options held by an Employee Optionee shall become fully vested and exercisable as of the effective date of termination of such Employee Optionee's employment if (i) such Employee Optionee's employment is terminated by the Company without Cause prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control, (ii) such Employee Optionee terminates his or her employment for Good Reason prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of the Person described in clause (i), (iii) such Employee Optionee's employment is terminated by the Company without Cause or by the Employee Optionee for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs) or (iv) such Employee Optionee's employment is terminated by the Company without Cause or by the Employee Optionee for Good Reason, in either case within 2 years following the occurrence of a Change in Control described in clause (3) of Article I, Paragraph 9(f) of the Plan.

(f) A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(1) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (3) below; or

(2) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board of Directors of the Company and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company) whose appointment or election by the Board of Directors of the Company or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(3) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the

surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, at least 65% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates other than in connection with the acquisition by the Company or its Affiliates of a business) representing 20% or more of the combined voting power of the Company's then outstanding securities; or

(4) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than a merger or consolidation immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the Company, the entity surviving such merger or any parent thereof (or a majority plus one member where such board comprises an odd number of members); or

(5) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 65% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions."

2. Article II, Paragraph 3(b)(2)(iv) of the Plan is amended in its entirety to read as follows:

"At the expiration of a period of three months after the Employee Optionee's employment is terminated (but in no event later than the Nonqualified Option Expiration Date) if the Employee Optionee's employment is terminated for any reason other than his death, retirement, disability or the reasons specified in this Article II, Paragraph 3(b)(2)(i), if such termination of employment occurs prior to a Change in Control or after the second anniversary of a Change in Control, and two years following such termination of employment (but in no event later than the Nonqualified Option Expiration Date) if such termination is either by the Company without Cause or by the Employee Optionee for Good Reason and, in either case, occurs within two years following a Change in Control (in each case, as such term is defined in Article I, Paragraph 9 hereof)."

The effective date of this Amendment No. 1999-1 shall be January 27, 1999; provided, however, that, in the event that (A) the Company is party to a transaction which is otherwise intended to qualify for "pooling of interests" accounting treatment, (B) such transaction constitutes a Change in Control within the meaning of the Plan and (C) individuals who satisfy the requirements in clauses (i) and (ii) below constitute at least two-thirds (2/3) of the number of directors of the entity surviving such transaction or any parent thereof: individuals who (i) immediately prior to such transaction constitute the Board of Directors of the Company and (ii) on the date hereof constitute the Board of Directors of the Company and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company) whose appointment or election by the Board of Directors of the Company or nomination for election by the Company's stockholders was approved or recommended, by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended then (a) this Amendment No. 1999-1 shall, to the extent practicable, be interpreted so as to permit such accounting treatment, and (b) to the extent that the application of clause (a) of this sentence does not preserve the availability of such

accounting treatment, then, to the extent that any provision or combination of provisions of this Amendment No. 1999-1 disqualifies the transaction as a "pooling" transaction (including, if applicable, this entire Amendment No. 1999-1), the Board of Directors of the Company shall amend such provision or provisions if and to the extent necessary (including declaring such provision or provisions to be null and void as of the date hereof) so that such transaction may be accounted for as a

"pooling of interests." All determinations with respect to this paragraph shall be made by the Company, based upon the advice of the accounting firm whose opinion with respect to "pooling of interests" is required as a condition to the consummation of such transaction. Except as herein modified, the Plan shall remain in full force and effect.

BAKER HUGHES INCORPORATED

By:

Name: G.S. Finley
Title: Senior Vice President
and Chief Administrative Officer

BAKER HUGHES INCORPORATED
NONQUALIFIED STOCK OPTION AGREEMENT

Grantee	Shares Granted
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Pursuant to action taken by the Compensation Committee of the Board of Directors of Baker Hughes Incorporated, a Delaware corporation (the "Company"), for the purposes of administration of the Baker Hughes Incorporated 1998 Employee Stock Option Plan (the "Plan"), the above-named Grantee is hereby granted a nonqualified stock option to purchase the above number of shares of the Company's \$1 par value per share common stock at the exercise price of \$21.00 for each share subject to this option, payable at the time of exercise. Subject to the terms of the Plan and this Stock Option Agreement regarding exercise, this option will vest and become exercisable with respect to increments of thirty-three and one-third percent (33-1/3%) of the shares subject to this option on the first day of October in each of the years 1999, 2000 and 2001, provided the Grantee remains employed by the Company or its subsidiaries. This option may not be exercised after October 1, 2008.

The following provisions will apply in the event of Grantee's termination of employment:

1. If Grantee's employment is terminated for any reason (other than fraud, theft, embezzlement, conflict of interest, death, retirement or disability which is covered by paragraphs 2, 3 and 4 below), this option will wholly and completely terminate on the date of termination of employment, to the extent it is not then exercisable; however, to the extent the option is exercisable, Grantee shall have three months from the date of termination of employment to exercise the option but in no event later than October 1, 2008.

2. If Grantee's employment is terminated because of fraud, theft or embezzlement committed against the Company or one of its subsidiaries, or for conflict of interest as provided in the Plan, this option will wholly and completely terminate on the date of termination of employment.

3. In the event of the retirement (such that the Grantee's age plus years of service with the Company equals or exceeds 65) or disability of the Grantee, all granted but unvested options shall immediately vest upon the Grantee's retirement or disability. The Grantee shall have three years from the date of termination of employment due to retirement or disability to exercise this option (but in no event later than October 1, 2008).

4. Upon the death of the Grantee in active service, all granted but unvested options shall immediately vest upon the Grantee's death and otherwise shall be exercisable for a period of one year following Grantee's death (but in no event later than October 1, 2008).

Cashless exercise, in accordance with the terms of the Plan, shall be available to Grantee for the shares subject to this option.

To the extent the exercise of this option results in taxable income to Grantee, the Company is authorized to withhold from any remuneration payable to Grantee any tax required to be withheld by reason of such taxable income.

This option is granted under and is subject to all of the provisions of the Plan. This option is not transferable by the Grantee otherwise than by will or by the laws of descent and distribution, and is exercisable during the Grantee's lifetime only by the Grantee.

Date of Grant: October 1, 1998

BAKER HUGHES INCORPORATED

G.S. FINLEY
SENIOR VICE PRESIDENT

CREDIT AGREEMENT

among

BAKER HUGHES INCORPORATED

as Borrower,

AND

THE LENDERS IDENTIFIED HEREIN,

AND

BANK OF AMERICA, N.A.

as Administrative Agent,

[BANK]

[BANK] AND

[BANK],

as Syndication Agents,

[BANK],

as Documentation Agent,

and

[BANK],

as Managing Agent

DATED AS OF JULY 7, 2003

BANC OF AMERICA SECURITIES LLC,
As Sole Lead Arranger and Sole Book Manager

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Exhibit 7.01(c)	Form of Officer's Certificate
Exhibit 11.03(b)	Form of Assignment and Assumption

SCHEDULES

Schedule 1.01(a)	Commitments/Pro Rata Shares
Schedule 1.01(b)	Existing Credit Agreements
Schedule 1.01(c)	Significant Subsidiaries
Schedule 8.07	Subsidiary Indebtedness
Schedule 11.01	Notice Information

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Credit Agreement"), dated as of July 7, 2003, is entered into among BAKER HUGHES INCORPORATED, a Delaware corporation (the "Borrower"), the Lenders (as defined below), [BANK], [BANK] and [BANK], as Syndication Agents, [BANK], as Documentation Agent, [BANK], as Managing Agent and [BANK], as Administrative Agent for the Lenders (the "Administrative Agent").

RECITALS

WHEREAS, the Borrower has requested that the Lenders provide a revolving credit facility in an aggregate amount up to \$500 million; and

WHEREAS, the Lenders have agreed to provide the requested \$500 million revolving credit facility upon and subject to the terms and conditions set forth herein.

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

1.01 DEFINITIONS.

As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Defined terms herein shall include in the singular number the plural and in the plural the singular:

"Adjusted Eurodollar Rate" means the Eurodollar Rate plus the Applicable Percentage for Eurodollar Loans.

"Administrative Agent" means Bank of America or any successor administrative agent appointed pursuant to Section 10.09.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 11.01, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

"Administrative Fees" has the meaning set forth in Section 3.04(e).

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

"Affiliate" of any Person means (a) any other Person which directly, or indirectly through one or more intermediaries, controls such Person or (b) any other Person which directly, or indirectly through one or more intermediaries, is controlled by or is under common control with such Person. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agent-Related Persons" means the Administrative Agent, together with its Affiliates, and the officers, directors, employees, agents and attorneys-in-fact of the Administrative Agent and its Affiliates.

"Applicable Percentage" means the appropriate applicable percentages for Eurodollar Rate Loans, Letters of Credit, Commitment Fees and Utilization Fees, in each case, corresponding to the Debt Rating of the Borrower in effect from time to time as described below:

PRICING LEVEL	DEBT RATING	APPLICABLE PERCENTAGE FOR EURODOLLAR RATE LOANS AND LETTERS OF CREDIT	APPLICABLE PERCENTAGE FOR COMMITMENT FEES	APPLICABLE PERCENTAGE FOR UTILIZATION FEES
I	> or = A from S&P/ > or = A2 from Moody's	0.40%	0.10%	0.10%
II	> or = A- from S&P/ > or = A3 from Moody's	0.50%	0.125%	0.125%
III	> or = BBB+ but < A- from S&P/ > or = Baa1 but < A3 from Moody's	0.75%	0.15%	0.125%
IV	> BBB- but < BBB+ from S&P/ > Baa3 but < Baa1 from Moody's	0.875%	0.20%	0.25%
V	< or = BBB- from S&P or not rated by S&P/ < or = Baa3 from Moody's or not rated by Moody's	1.25%	0.25%	0.50%

The Applicable Percentage for Eurodollar Loans, Letters of Credit, Commitment Fees and Utilization Fees shall be determined and adjusted on the date (each a "Calculation Date") one Business Day after the date on which the Borrower's Debt Rating is upgraded or downgraded in a manner which requires a change in the then applicable Pricing Level set forth above. If at any time there is a split in the Borrower's Debt Ratings between S&P and Moody's, the Applicable Percentages shall be determined by the higher of the two Debt Ratings (i.e., the lower pricing); provided that if the two Debt Ratings are more than one level apart, the Applicable Percentage shall be based on the Debt Rating which is one level higher than the lower rating. Each Applicable Percentage shall be effective from one Calculation Date until the next Calculation Date. Any adjustment in the Applicable

Percentage shall be applicable to all existing Eurodollar Loans as well as any new Eurodollar Loans made.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Arranger" means Banc of America Securities LLC, together with its successors and/or assigns.

"Assignment and Assumption" means an Assignment and Assumption substantially in the form of Exhibit 11.03(b).

"Attorney Costs" means all reasonable fees, expenses and disbursements of any law firm or other external counsel.

"Bank of America" means Bank of America, N.A. and its successors.

"Bankruptcy Code" means the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

"Base Rate" means, for any day, a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by the Administrative Agent as its "prime rate." The "prime rate" is a rate set by the Administrative Agent based upon various factors including the Lender's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by the Administrative Agent shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" means a Loan which bears interest based on the Base Rate.

"Borrower" has the meaning set forth in the preamble hereof.

"Borrower Obligations" means, without duplication, all of the obligations of the Borrower to the Lenders, whenever arising, under this Credit Agreement, the Notes or any of the other Credit Documents.

"Borrowing" means a borrowing consisting of simultaneous Loans of the same Type and, in the case of Eurodollar Loans, having the same Interest Period made by each of the Lenders pursuant to Section 2.01.

"Business Day" means any day other than a Saturday, a Sunday, or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in New York, New York or the state where the Administrative Agent's Office is located and, if such day relates to any Eurodollar Loans, means any such day on which dealings in Dollar

deposits are conducted by and between banks in the London interbank market.

"Calculation Date" has the meaning set forth in the definition of Applicable Percentage.

"Capital Stock" means (a) in the case of a corporation, all classes of capital stock of such corporation, (b) in the case of a partnership, partnership interests (whether general or limited), (c) in the case of a limited liability company, membership interests and (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of the assets of, the issuing Person, including, in each case, all warrants, rights or options to purchase any of the foregoing.

"Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the applicable L/C Issuer and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Administrative Agent and the applicable L/C Issuer (which documents are hereby consented to by the Lenders). Derivatives of such term (i.e., "Cash Collateral" etc.) have corresponding meanings.

"Change of Control" means, with respect to any Person, an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire (such right, an "option right"), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 20% or more of the equity securities of such Person entitled to vote for members of the board of directors or equivalent governing body of such Person on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right); or

(b) during any period of 24 consecutive months, a majority of the members of the board of directors or other equivalent governing body of such Person cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that

board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors).

"Closing Date" means the date hereof.

"Code" means the Internal Revenue Code of 1986, and the rules and regulations promulgated thereunder, as amended, modified, replaced or succeeded from time to time.

"Commitment" means, with respect to each Lender, the commitment of such Lender to (a) make its Pro Rata Share of Loans to the Borrower and (b) purchase participations in L/C Obligations, in an aggregate amount up to the amount set forth in Schedule 1.01(a), as it may be adjusted from time to time pursuant to assignment in accordance with Section 11.03(b) or a reduction in the Committed Amount pursuant to Section 2.08 and "Commitments" means the aggregate of each such Commitment.

"Committed Amount" means FIVE HUNDRED MILLION DOLLARS (\$500,000,000), as such amount may be otherwise reduced in accordance with Section 2.08.

"Commitment Fees" has the meaning set forth in Section 3.04(a).

"Contingent Obligations" means, with respect to any Person, without duplication, any obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (a) to purchase any such Indebtedness or other obligation or any property constituting security therefor, (b) to advance or provide funds or other support for the payment or purchase of such Indebtedness or obligation or to maintain working capital, solvency or other balance sheet condition of such other Person (including, without limitation, maintenance agreements, take or pay arrangements, put agreements or similar agreements or arrangements) for the benefit of the holder of Indebtedness of such other Person, (c) to lease or purchase property, securities or services primarily for the purpose of assuring the owner of such Indebtedness or (d) to otherwise assure or hold harmless the owner of such Indebtedness or obligation against loss in respect thereof. The amount of any Contingent Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Contingent Obligation is made.

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

"Credit Agreement" has the meaning set forth in the Preamble hereof.

"Credit Documents" means this Credit Agreement, the Notes, any Notice of Borrowing, any Notice of Continuation/Conversion and all other related agreements and documents issued or delivered hereunder or thereunder or pursuant hereto or thereto.

"Credit Exposure" has the meaning set forth in the definition of "Required Lenders."

"Debt Rating" means the long-term senior unsecured, non-credit enhanced debt rating of the Borrower from S&P and Moody's.

"Debtor Relief Laws" means the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" means any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Default Rate" means an interest rate equal to two percent (2%) plus the rate that otherwise would be applicable (or if no rate is applicable, the Base Rate plus two percent (2%) per annum).

"Defaulting Lender" means, at any time, any Lender that, (a) has failed to make a Loan or purchase or fund a Participation Interest (but only for so long as such Loan is not made or such Participation Interest is not purchased or funded or is the subject of a good faith dispute), (b) has failed to pay to the Administrative Agent or any Lender an amount owed by such Lender pursuant to the terms of this Credit Agreement (but only for so long as such amount has not been repaid or is the subject of a good faith dispute) or (c) has been deemed insolvent or has become subject to a bankruptcy or insolvency proceeding or to a receiver, trustee or similar official.

"Dollars" and "\$" means dollars in lawful currency of the United States of America.

"Eligible Assignee" means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund and (d) any other Person approved by the Administrative Agent and the Borrower (such approval not to be unreasonably withheld or delayed); provided that (i) the Borrower's consent is not required during the existence and continuation of a Default or an Event of Default, (ii) approval by the Borrower shall be deemed given if no objection is received by the assigning Lender and the Administrative Agent from the Borrower within five Business Days after notice of such proposed assignment has been delivered to the Borrower and (iii) neither the Borrower nor any Subsidiary or Affiliate of the Borrower shall qualify as an Eligible Assignee.

"Environmental Laws" means any legal requirement of any Governmental Authority pertaining to (a) the protection of health, safety and the indoor or outdoor environment, (b) the conservation, management, or use of natural resources and wildlife, (c) the protection or use of surface water and groundwater or (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, release, threatened release, abatement, removal, remediation or handling of, or exposure to, any hazardous or toxic substance or material or (e) pollution (including any release to land surface water and groundwater) and includes, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 USC 9601 et seq., Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Waste Amendment of 1984, 42 USC 6901 et seq., Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 USC 1251 et seq., Clean Air Act of 1966, as amended, 42 USC 7401 et seq., Toxic Substances Control Act of 1976, 15 USC 2601 et seq., Hazardous Materials Transportation Act, 49 USC App. 1801 et seq., Occupational Safety and Health Act of 1970, as amended, 29 USC 651 et seq., Oil Pollution Act of 1990, 33 USC 2701 et seq., Emergency Planning and Community Right-to-Know Act of 1986, 42 USC 11001 et seq., National Environmental Policy Act of 1969, 42 USC 4321 et seq., Safe Drinking Water Act of 1974, as amended, 42 USC 300(f) et seq., any analogous implementing or successor law, and any amendment, rule, regulation, order, or directive issued thereunder.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto, as interpreted by the rules and regulations thereunder, all as the same may be in effect from time to time. References to Sections of ERISA shall be construed also to refer to any successor sections.

"ERISA Affiliate" means an entity, whether or not incorporated, which is under common control with the Borrower or any of its Subsidiaries within the meaning of Section 4001(a)(14) of ERISA, or is a member of a group which includes the Borrower or any of its Subsidiaries and which is treated as a single employer under Sections 414(b), (c), (m), or (o) of the Code.

"Eurodollar Loan" means a Loan bearing interest at the Adjusted Eurodollar Rate.

"Eurodollar Base Rate" means, for any Interest Period:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period; or

(b) if the rate referenced in the preceding clause (a) does not appear on

such page or service or such page or service shall not be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period; or

(c) if the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted and with a term equivalent to such Interest Period would be offered by the Administrative Agent's London branch to major banks in the London interbank eurodollar market at their request at approximately 4:00 p.m. (London time) two Business Days prior to the first day of such Interest Period.

"Eurodollar Rate" means, with respect to any Eurodollar Loan, for the Interest Period applicable thereto, a rate per annum determined pursuant to the following formula:

$$\text{"Eurodollar Rate"} = \frac{\text{Eurodollar Base Rate}}{1 - \text{Eurodollar Reserve Percentage}}$$

"Eurodollar Reserve Percentage" means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, carried out to five decimal places) in effect on such day applicable to the Administrative Agent under regulations issued from time to time by the Board of Governors of the Federal Reserve System of the United States for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"). The Eurodollar Rate for each outstanding Eurodollar Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

"Event of Default" has the meaning specified in Section 9.01.

"Existing Credit Agreements" means those credit agreements set forth on Schedule 1.01(b) hereto.

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

such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"Fee Letter" means that certain letter agreement, dated as of May 13, 2003, among the Borrower, Bank of America and the Arranger, as amended, modified, supplemented or restated from time to time.

"Financial Officer" means any of the chief financial officer, the treasurer or the controller of the Borrower.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Funded Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all Contingent Obligations of such Person with respect to Funded Indebtedness of another Person, (d) the principal portion of all obligations of such Person under (i) capital lease obligations and (ii) any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product of such Person where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP, and after giving effect in any of the foregoing in this clause (d) to any third-party indemnification, and (e) all obligations of such Person with respect to Redeemable Preferred Stock. The Funded Indebtedness of any Person shall include the Funded Indebtedness of any partnership or unincorporated joint venture for which such Person is legally obligated. For the avoidance of doubt, Funded Indebtedness shall exclude any actual fair value adjustment arising from any interest rate swap transactions entered into in the ordinary course of business and not for investment or speculative purposes.

"GAAP" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

"Government Acts" has the meaning set forth in Section 2.04(j)(i).

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, 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 specified in Section 11.03(g).

"Honor Date" has the meaning set forth in Section 2.04(c)(i).

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person to the extent of the value of such property (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations, other than intercompany items, of such Person issued or assumed as the deferred purchase price of property or services purchased by such Person which would appear as liabilities on a balance sheet of such Person, (e) 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, or payable out of the proceeds of production from, property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (f) all Contingent Obligations of such Person, (g) the principal portion of all obligations of such Person under (i) capital lease obligations and (ii) any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product of such Person where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP, and after giving effect in any of the foregoing in this clause (g) to any third-party indemnification, (h) all obligations of such Person with respect to Redeemable Preferred Stock, (i) the Swap Termination Value (including both debit and credit values) in respect of any Swap Contract of such Person and (j) the maximum amount of all bid, performance and standby letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed). The Indebtedness of any Person shall include the Indebtedness of any partnership or unincorporated joint venture for which such Person is legally obligated.

"Indemnified Liabilities" has the meaning set forth in Section 11.05(b).

"Indemnitees" has the meaning set forth in Section 11.05(b).

"Interest Payment Date" means (a) as to Base Rate Loans, the last day of each fiscal quarter of the Borrower and the Maturity Date and (b) as to Eurodollar Loans, the last day of each applicable Interest Period and the Maturity Date and, in addition, where the applicable Interest Period for a Eurodollar Loan is greater than three months, then also on the last day of each three-month period during such Interest Period. If an Interest Payment Date falls on a date which is not a Business Day, such Interest Payment Date shall be deemed to be the next succeeding Business Day, except that in the case of Eurodollar Loans where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day.

"Interest Period" means, as to Eurodollar Loans, a period of one, two, three or six months' duration, as the Borrower may elect, commencing, in each case, on the date of the borrowing (including continuations and conversions of Eurodollar Loans); provided, however, (a) if any Interest Period would end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day (except that where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day), (b) no Interest Period shall extend beyond the Maturity Date and (c) where an Interest Period begins on a day for which there is no numerically corresponding day in the calendar month in which the Interest Period is to end, such Interest Period shall end on the last Business Day of such calendar month.

"L/C Advance" means, with respect to each Lender, such Lender's funding of its participation in any L/C Borrowing in accordance with its Pro Rata Share.

"L/C Borrowing" means an extension of credit to the Borrower resulting from a drawing under any Letter of Credit, which extension of credit has not been reimbursed on the date when made or refinanced as a Borrowing.

"L/C Credit Extension" means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the renewal or increase of the amount thereof.

"L/C Issuers" means (a) Bank of America in its capacity as issuer of Letters of Credit hereunder, (b) JPMorgan Chase Bank in its capacity as issuer of Letters of Credit hereunder, (c) ABN AMRO Bank N.V. in its capacity as issuer of Letters of Credit hereunder, (d) The Bank of New York in its capacity as issuer of Letters of Credit hereunder or (e) any successor issuer of Letters of Credit hereunder, and "L/C Issuer" means any one of them.

"L/C Obligations" means, as at any date of determination, the aggregate undrawn amount of all outstanding Letters of Credit plus the aggregate of all L/C Borrowings.

"Lender" means any of the Persons identified as a "Lender" on the signature pages hereto, and any Eligible Assignee which may become a Lender by way of assignment in accordance with the terms hereof, together with their successors and permitted assigns.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

"Letter of Credit" means any letter of credit issued hereunder.

"Letter of Credit Application" means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the applicable L/C Issuer.

"Letter of Credit Expiration Date" means the day that is seven days prior to the Maturity Date then in effect (or, if such day is not a Business Day, the next preceding Business Day).

"Letter of Credit Sublimit" means an amount equal to \$100,000,000. The Letter of Credit Sublimit is part of, and not in addition to, the Committed Amount.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the Uniform Commercial Code as adopted and in effect in the relevant jurisdiction or other similar recording or notice statute, and any lease in the nature thereof).

"Loans" means the loans made by the Lenders to the Borrower pursuant to Section 2.01.

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

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole, (b) the ability of the Borrower to perform its obligations under this Credit Agreement or (c) the validity or enforceability of this Credit Agreement, any of the other Credit Documents, or the rights and remedies of the Administrative Agent and the Lenders hereunder or thereunder.

"Material Subsidiary" means any Subsidiary of the Borrower (a) with a net book value in excess of \$100,000,000, calculated as of the end of the most recent fiscal quarter or (b) whose revenues for the immediately preceding twelve month period exceeded \$100,000,000.

"Maturity Date" means July 7, 2006.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Multiemployer Plan" means a Plan covered by Title IV of ERISA which is a multiemployer plan as defined in Section 3(37) or 4001(a)(3) of ERISA.

"Multiple Employer Plan" means a Plan covered by Title IV of ERISA, other than a Multiemployer Plan, to which the Borrower or any ERISA Affiliate and at least one employer other than the Borrower or any ERISA Affiliate are contributing sponsors.

"Net Worth" means, as of any date, all of the shareholders' equity or net worth (excluding, for the avoidance of doubt, Redeemable Preferred Stock) of the Borrower and its Subsidiaries, on a consolidated basis, as determined in accordance with GAAP

"Notes" means the promissory notes of the Borrower in favor of each of the Lenders evidencing the Loans and substantially in the form of Exhibit 2.07, as such promissory notes may be amended, modified, supplemented or replaced from time to time.

"Notice of Borrowing" means a request by the Borrower for a Loan in the form of Exhibit 2.02.

"Notice of Continuation/Conversion" means a request by the Borrower for the continuation or conversion of a Loan in the form of Exhibit 2.05.

"Other Taxes" has the meaning set forth in Section 4.01(b).

"Participation Interest" means (a) the purchase by a Lender of a participation in Loans as provided in Section 3.09 or (b) the purchase by a Lender of a participation in Letters of Credit or L/C Obligations as provided in Section 2.04

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA and any successor thereto.

"Person" means any individual, partnership, joint venture, firm, corporation, association, trust, limited liability company or other enterprise (whether or not incorporated), or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" any employee benefit plan (as defined in Section 3(3) of ERISA) which is either (i) maintained by a member of the Controlled Group for employees of a member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Pro Rata Share" means, with respect to each Lender at any time, a fraction (expressed as a percentage, carried out to the ninth decimal place), the numerator of which is the amount of the Commitment of such Lender at such time to make Loans to the Borrower pursuant to Sections 2.01 hereof and the denominator of which is the amount of the Committed Amount at such time; provided that if the Commitments have been terminated pursuant to Section 9.02 or otherwise, then such Pro Rata Share of each such Lender shall be determined based on such Lender's percentage ownership of the principal amount of outstanding Loans plus its Participation Interest in the outstanding principal amount of L/C Obligations. The initial Pro Rata Share of each Lender is set forth opposite the name of such Lender on Schedule 1.01(a) or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

"Redeemable Preferred Stock" of any Person means any preferred stock issued by such Person which is at any time prior to the Maturity Date either (a) mandatorily redeemable (by sinking fund or similar payment or otherwise) or (b) redeemable at the

option of the holder thereof.

"Regulation D, U, or X" means Regulation D, U or X, respectively, of the Board of Governors of the Federal Reserve System of the United States as from time to time in effect and any successor to all or a portion thereof.

"Reportable Event" means a "reportable event" as defined in Section 4043 of ERISA with respect to which the notice requirements to the PBGC have not been waived.

"Required Lenders" means Lenders whose aggregate Credit Exposure (as hereinafter defined) constitutes more than 50% of the Credit Exposure of all Lenders at such time; provided, however, that if any Lender shall be a Defaulting Lender at such time then there shall be excluded from the determination of Required Lenders the aggregate principal amount of Credit Exposure of such Lender at such time. For purposes of the preceding sentence, the term "Credit Exposure" as applied to each Lender shall mean (i) at any time prior to the termination of the Commitments, the Pro Rata Share of such Lender of the Committed Amount multiplied by the Committed Amount and (ii) at any time after the termination of the Commitments, the principal balance of the outstanding Loans and Participation Interests of such Lender.

"Requirement of Law" means, with respect to any Person, the organizational documents of such Person and any law applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject or otherwise pertaining to any or all of the transactions contemplated by this Credit Agreement and the other Credit Documents.

"Responsible Officer" means the President, the Chief Financial Officer, the Chief Operating Officer, any Vice President, the Treasurer, the Controller, or the Assistant Treasurer of the Borrower.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other equity interest of the Borrower 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 capital stock or other equity interest or of any option, warrant or other right to acquire any such capital stock or other equity interest.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors.

"SEC" means the Securities and Exchange Commission or any successor thereto.

"Significant Subsidiary" shall mean a Subsidiary of the Borrower (a) with total assets (excluding intercompany advance receivables) that are in excess of ten percent (10%) of Total Assets or (b) whose revenues for the immediately preceding twelve month

period exceeded five percent (5%) of Total Consolidated Revenue, in each case calculated as of the end of the most recent fiscal quarter. The Significant Subsidiaries as of the Closing Date are set forth on Schedule 1.01(c) hereto.

"Single Employer Plan" means any Plan which is covered by Title IV of ERISA and adopted solely by the Borrower, by an ERISA Affiliate or by a group consisting of the Borrower and one or more ERISA Affiliates.

"Solvent" means, with respect to any Person as of a particular date, that on such date (a) such Person is able to pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (b) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature in their ordinary course, (c) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's assets would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged or is to engage and (d) the book value of the assets of such Person as set forth on such Person's balance sheet is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed as the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"SPC" has the meaning set forth in Section 11.03(g).

"Subsidiary" means, as to any Person, any corporation, partnership, association, joint venture, limited liability company or other entity more than 50% of whose Voting Stock (irrespective of whether or not at the time, any such Voting Stock shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries.

"Swap Contract" means (a) any and all interest rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any

such obligations or liabilities under any Master Agreement.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) (including both debit and credit values) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) (including both debit and credit values) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"Taxes" has the meaning set forth in Section 4.01.

"Termination Event" means (a) with respect to any Single Employer Plan, the occurrence of a Reportable Event or the substantial cessation of operations (within the meaning of Section 4062(e) of ERISA), (b) the withdrawal of the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in Section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan, (c) the distribution of a notice of intent to terminate a Single Employer Plan pursuant to Section 4041(a)(2) of ERISA, (d) the institution of proceedings to terminate or the actual termination of a Single Employer Plan by the PBGC under Section 4042 of ERISA, (e) any event or condition which might reasonably constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Single Employer Plan, or (f) the complete or partial withdrawal of the Borrower or any ERISA Affiliate from a Multiemployer Plan or the termination of a Multiemployer Plan.

"Total Assets" means all assets of the Borrower and its Subsidiaries as shown on its most recent quarterly consolidated balance sheet, as determined in accordance with GAAP.

"Total Capitalization" means the sum of (a) Net Worth plus (b) all Funded Indebtedness of the Borrower and its Subsidiaries.

"Total Consolidated Revenue" shall mean consolidated revenue of the Borrower and its Subsidiaries as of the end of a fiscal quarter for the immediately prior four quarter period.

"Type" means, with respect to any Loan, its character as a Base Rate Loan or a Eurodollar Loan.

"Unreimbursed Amount" has the meaning set forth in Section 2.04(c)(i).

"Unused Commitment" means, for any day from the Closing Date to the Maturity Date, the amount by which the then Committed Amount on such day exceeds the aggregate

principal amount of all Loans outstanding plus the aggregate L/C Obligations outstanding on such day.

"Utilization Fees" has the meaning set forth in Section 3.04(b).

"Utilized Committed Amount" means the amount equal to the aggregate principal amount of Loans outstanding plus the aggregate L/C Obligations outstanding.

"Voting Stock" means (a) with respect to a corporation, all classes of the Capital Stock of such corporation then outstanding and normally entitled to vote in the election of directors and (b) with respect to a partnership, association, joint venture, limited liability company, real estate investment or other trust or other entity, all Capital Stock of such entity entitled to exercise voting power or management control.

1.02 INTERPRETIVE PROVISIONS.

(a) For purposes of computation of periods of time hereunder, the word "from" means "from and including," the words "to" and "until" each mean "to but excluding" and the word "through" means "to and including."

(b) References in this Credit Agreement to "Articles", "Sections", "Schedules" or "Exhibits" shall be to Articles, Sections, Schedules or Exhibits of or to this Credit Agreement unless otherwise specifically provided.

(c) The term "including" is by way of example and not limitation.

(d) The term "documents" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

(e) The headings of the Sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Credit Agreement.

1.03 ACCOUNTING TERMS/CALCULATION OF FINANCIAL COVENANTS.

(a) Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lenders hereunder shall be prepared in accordance with GAAP applied on a consistent basis. All calculations made for the purposes of determining compliance with this Credit Agreement shall (except as otherwise expressly provided herein) be made by application of GAAP applied on a basis consistent with the most recent annual or quarterly financial statements delivered pursuant to Section 7.01 (or, prior to the delivery of the first financial statements pursuant to Section 7.01, consistent with the financial statements described in Section 5.01(d)); provided, however, if (i) the Borrower shall object to determining such compliance on such basis at the time of delivery of such financial statements due to any change in

GAAP or the rules promulgated with respect thereto or (ii) the Lenders shall so object in writing within 30 days after delivery of such financial statements, then such calculations shall be made on a basis consistent with the most recent financial statements delivered by the Borrower to the Lenders as to which no such objection shall have been made.

(b) All financial covenant ratios shall be calculated by carrying the result to one more place than the number of places by which such ratio is expressed and rounding the result up or down to the nearest number (and rounding up if there is no nearest number).

1.04 TIME.

All references to time herein shall be references to Central Standard Time or Central Daylight Time, as then in effect, unless specified otherwise.

1.05 REFERENCES TO AGREEMENTS AND REQUIREMENT OF LAWS.

Unless otherwise expressly provided herein: (a) references to organization documents, agreements (including the Credit Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Credit Document and (b) references to any Requirement of Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Requirement of Law.

ARTICLE II

COMMITMENTS AND LOANS

2.01 LOANS.

Subject to the terms and conditions set forth herein, each Lender severally agrees to make revolving loans (each a "Loan" and collectively the "Loans"), in Dollars, to the Borrower, at any time and from time to time, during the period from and including the Closing Date to but not including the Maturity Date (or such earlier date if the Commitments have been terminated as provided herein); provided, however, that after giving effect to any Borrowing (i) the sum of the aggregate principal amount of outstanding Loans plus the aggregate amount of outstanding L/C Obligations shall not exceed the Committed Amount and (ii) with respect to each individual Lender, the sum of the aggregate principal amount of outstanding Loans of such Lender plus such Lender's Pro Rata Share of all outstanding L/C Obligations shall not exceed such Lender's Pro Rata Share of the Committed Amount. Subject to the terms of this Credit Agreement, the Borrower may borrow, repay and reborrow Loans. Loans may be Base Rate Loans or Eurodollar Loans, as the Borrower may elect, subject to the terms set forth below.

2.02 METHOD OF BORROWING FOR LOANS.

By no later than 10:00 a.m. (a) on the date of the requested Borrowing of Loans that will be Base Rate Loans and (b) three Business Days prior to the date of the requested Borrowing of Loans that will be Eurodollar Loans, the Borrower shall telephone the Administrative Agent as well as submit a written Notice of Borrowing in the form of Exhibit 2.02 to the Administrative Agent setting forth (i) the amount requested, (ii) the date of the requested Borrowing, (iii) the Type of Loan, (iv) with respect to Loans that will be Eurodollar Loans, the Interest Period applicable thereto, and (v) certification that the Borrower has complied in all respects with Section 5.02. If the Borrower shall fail to specify (A) an Interest Period, in the case of a Eurodollar Loan, then such Eurodollar Loan shall be deemed to have an Interest Period of one month or (B) the Type of Loan requested, then such Loan shall be deemed to be a Base Rate Loan. All Loans made on the Closing Date shall be Base Rate Loans. Thereafter, all or any portion of the Loans may be converted into Eurodollar Loans in accordance with the terms of Section 2.05.

2.03 FUNDING OF LOANS.

Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly inform the Lenders as to the terms thereof. Each Lender shall make its Pro Rata Share of the requested Loans available to the Administrative Agent in Dollars and in immediately available funds at the Administrative Agent's Office not later than 12:00 noon on the Business Day specified in the applicable Notice of Borrowing. Upon satisfaction of the conditions set forth in Section 5.02, the amount of the requested Loans will then be made available to the Borrower by the Administrative Agent either by (a) crediting the account of the Borrower on the books of the Administrative Agent with the amount of such funds or (b) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower; provided, however, that if, on the date of the Notice of Borrowing with respect to such Borrowing is given by the Borrower, there are L/C Borrowings outstanding, then the proceeds of such Borrowing shall be applied, first, to the payment in full of any such L/C Borrowing and second, to the Borrower as provided above.

2.04 LETTERS OF CREDIT.

(a) The Letter of Credit Commitment.

(i) Subject to the terms and conditions set forth herein and other terms and conditions that an L/C Issuer may reasonably require, (A) the L/C Issuers agree, in reliance upon the agreements of the other Lenders set forth in this Section 2.04, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit in Dollars for the account of the Borrower, and to amend or renew Letters of Credit previously issued by it, in accordance with subsection (b) below, and (2) to honor drafts under the Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Borrower; provided that no L/C Issuer shall be obligated to make any L/C Credit Extension with respect to any Letter of Credit, and no Lender shall be obligated to

participate in any Letter of Credit if as of the date of such L/C Credit Extension, (x) the sum of the aggregate principal amount of outstanding Loans plus the aggregate principal amount of L/C Obligations would exceed the Committed Amount, (y) the sum of the aggregate principal amount of the outstanding Loans of any Lender, plus the aggregate principal amount of outstanding L/C Obligations of such Lender, would exceed such Lender's Commitment, or (z) the aggregate amount of all outstanding L/C Obligations would exceed the Letter of Credit Sublimit. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed.

(ii) No L/C Issuer shall issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such L/C Issuer from issuing such Letter of Credit, or any Law applicable to such L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such L/C Issuer shall prohibit, or request that the L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon such L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which such L/C Issuer in good faith deems material to it;

(B) subject to Section 2.04(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last renewal, unless the Required Lenders have approved such expiry date;

(C) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders have approved such expiry date;

(D) the issuance of such Letter of Credit would violate one or more policies of the applicable L/C Issuer; or

(E) such Letter of Credit is in an initial amount less than \$100,000, or is to be used for a purpose other than as permitted by Section 7.09 or denominated in a currency other than Dollars.

(iii) No L/C Issuer shall amend any Letter of Credit if (A) such L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(b) Procedures for Issuance and Amendment of Letters of Credit;
Auto-Renewal Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to an L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer. Such Letter of Credit Application must be received by the applicable L/C Issuer and the Administrative Agent not later than 10:00 a.m. at least two Business Days (or such later date and time as such L/C Issuer may agree in a particular instance in its sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the applicable L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as such L/C Issuer may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the applicable L/C Issuer (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as such L/C Issuer may require.

(ii) Promptly after receipt of any Letter of Credit Application, such L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, such L/C Issuer will provide the Administrative Agent with a copy thereof. Within twenty-four (24) hours of receipt of the copy of the Letter of Credit Application, the Administrative Agent will deliver to the applicable L/C Issuer confirmation that the requested issuance or amendment is permitted in accordance with the terms hereof, and upon receipt by such L/C Issuer of confirmation from the Administrative Agent, such L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with such L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the applicable L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Pro Rata Share times the amount of such Letter of Credit.

(iii) If the Borrower so requests in any applicable Letter of Credit Application, the applicable L/C Issuer may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic renewal provisions (each, an "Auto-Renewal Letter of Credit"); provided that any such Auto-Renewal Letter of Credit must permit such L/C Issuer to prevent any such renewal at least once in each twelve-month period

(commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Nonrenewal Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by such L/C Issuer, the Borrower shall not be required to make a specific request to such L/C Issuer for any such renewal. Once an Auto-Renewal Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) such L/C Issuer to permit the renewal of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that such L/C Issuer shall not permit any such renewal if (A) such L/C Issuer has determined that it would have no obligation at such time to issue such Letter of Credit in its renewed form under the terms hereof (by reason of the provisions of Section 2.04(a)(ii) or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is two Business Days before the Nonrenewal Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such renewal or (2) from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in Section 5.02 is not then satisfied.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the applicable L/C Issuer will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon receipt from the beneficiary of any Letter of Credit of any presentment of a drawing request under any Letter of Credit, the applicable L/C Issuer shall promptly notify the Borrower and the Administrative Agent thereof. Provided the Borrower has received notice of the presentment of a drawing request by 9:00 a.m. on the date of any payment by such L/C Issuer under a Letter of Credit (each such date, an "Honor Date"), then not later than 10:00 a.m. on such Honor Date, the Borrower shall reimburse such L/C Issuer by payment made to the Administrative Agent for the account of such L/C Issuer in an amount equal to the amount of such drawing. If the Borrower fails to so reimburse the applicable L/C Issuer by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount"), and the amount of such Lender's Pro Rata Share thereof. In such event, the Borrower shall be deemed to have requested a Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.06 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Commitments and the conditions set forth in Section 5.02 (other than the delivery of a Notice of Borrowing). Any notice given by an L/C Issuer or the Administrative Agent pursuant to this Section 2.04(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender (including any Lender acting as L/C Issuer) shall upon any

notice pursuant to Section 2.04(c)(i) make funds available to the Administrative Agent for the account of the applicable L/C Issuer at the Administrative Agent's Office in an amount equal to its Pro Rata Share of the Unreimbursed Amount not later than 12:00 noon on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.04(c)(iii), each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the applicable L/C Issuer.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Borrowing of Base Rate Loans because the conditions set forth in Section 5.02 cannot be satisfied or for any other reason, or which has not been Cash Collateralized, the Borrower shall be deemed to have incurred from the applicable L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Administrative Agent for the account of the applicable L/C Issuer pursuant to Section 2.04(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.04.

(iv) Until each Lender funds its Loan or L/C Advance pursuant to this Section 2.04(c) to reimburse the applicable L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender's Pro Rata Share of such amount shall be solely for the account of such L/C Issuer.

(v) (A) Each Lender's obligation to make Loans to reimburse the applicable L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.04(c), shall be absolute and unconditional and shall not be affected by any circumstance, including any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the applicable L/C Issuer, the Borrower or any other Person for any reason whatsoever; or any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Loans pursuant to this Section 2.04(c) is subject to the conditions set forth in Section 5.02 (other than delivery by the Borrower of a Notice of Borrowing); and

(B) Each Lender's obligation to make L/C Advances to reimburse the applicable L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.04(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (I) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the applicable L/C Issuer, the Borrower or any other Person for any reason whatsoever; (II) the occurrence or continuance of a Default, or (III) any other occurrence, event or condition, whether or not similar to any of the foregoing. No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to

reimburse the applicable L/C Issuer through the Administrative Agent for the amount of any payment made by such L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of the applicable L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.04(c) by the time specified in Section 2.04(c)(ii), the applicable L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the applicable L/C Issuer at a rate per annum equal to the Federal Funds Rate from time to time in effect. A certificate of an L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after an L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.04(c), if the Administrative Agent receives for the account of such L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Pro Rata Share thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of an L/C Issuer pursuant to Section 2.04(c)(i) is required to be returned under any of the circumstances described in Section 11.02 (including pursuant to any settlement entered into by such L/C Issuer in its discretion), each Lender shall pay to the Administrative Agent for the account of such L/C Issuer its Pro Rata Share thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect.

(e) Obligations Absolute. The obligation of the Borrower to reimburse the applicable L/C Issuer for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) the existence of any claim, counterclaim, set-off, defense or other right

that the Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), such L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by such L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by such L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower;

provided, however, that the Borrower shall not be obligated to reimburse an L/C Issuer under this subsection (e) if the L/C Issuer determines there is a discrepancy in the documents presented for a drawing under the Letter of Credit and the L/C Issuer pays under such Letter of Credit in spite of such discrepancy without the Borrower's approval.

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will notify the applicable L/C Issuer in writing or by telephone within one Business Day of receipt of the Letter of Credit document or amendment. The Borrower shall be conclusively deemed to have waived any such claim against such L/C Issuer and its correspondents unless such notice is given as aforesaid.

(f) Role of L/C Issuers. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, no L/C Issuer shall have any responsibility to obtain any document other than any sight draft, certificates and documents expressly required by the Letter of Credit. None of the L/C Issuers, any Agent-Related Person nor any of the respective correspondents, participants or assignees of an L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Letter of Credit Application. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary

or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuers, any Agent-Related Person, nor any of the respective correspondents, participants or assignees of an L/C Issuer, shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.04(e). In furtherance and not in limitation of the foregoing, an L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and such L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(g) Cash Collateral. Upon the request of the Administrative Agent, (i) if an L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing, or (ii) if, as of the Letter of Credit Expiration Date, (A) any Letter of Credit for any reason remains outstanding and partially or wholly undrawn or (B) any amount remains available to be drawn under any Letter of Credit by reason of the operation of Section 3.14 of the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance), the Borrower shall immediately Cash Collateralize the then aggregate amount of all L/C Obligations (in an amount equal to such aggregate amount determined as of the date of such L/C Borrowing or the Letter of Credit Expiration Date, as the case may be). The Borrower hereby grants to the Administrative Agent, for the benefit of the applicable L/C Issuer and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash Collateral shall be maintained in blocked, interest bearing deposit accounts at Bank of America, with the interest for the Borrower's account.

(h) Applicability of ISP98. Unless otherwise expressly agreed by the applicable L/C Issuer and the Borrower when a Letter of Credit is issued, the rules of the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance) shall apply to each standby Letter of Credit.

(i) Conflict with Letter of Credit Application. In the event of any conflict between the terms hereof and the terms of any Letter of Credit Application, the terms hereof shall control.

(j) Indemnification of L/C Issuers.

(i) In addition to its other obligations under this Credit Agreement, the Borrower hereby agrees to protect, indemnify, pay and hold the L/C Issuers harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) that any L/C Issuer may incur or be subject to as a direct or indirect result of (A) the issuance of any Letter of Credit or (B) the failure of such L/C Issuer to honor a drawing under a Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority (all such acts or omissions, herein called "Government Acts").

(ii) As between the Borrower and the L/C Issuers, the Borrower shall assume all risks of the acts, omissions or misuse of any Letter of Credit by the beneficiary thereof. In the absence of gross negligence or willful misconduct, no L/C Issuer shall be responsible for: (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (D) errors in interpretation of technical terms; (E) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under a Letter of Credit or of the proceeds thereof; and (F) any consequences arising from causes beyond the control of an L/C Issuer, including, without limitation, any Government Acts. None of the above shall affect, impair, or prevent the vesting of the L/C Issuers' rights or powers hereunder.

(iii) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by any L/C Issuer, under or in connection with any Letter of Credit or the related certificates, if taken or omitted in good faith, shall not put such L/C Issuer under any resulting liability to the Borrower. It is the intention of the parties that this Credit Agreement shall be construed and applied to protect and indemnify the L/C Issuers against any and all risks involved in the issuance of the Letters of Credit, all of which risks are hereby assumed by the Borrower, including, without limitation, any and all risks of the acts or omissions, whether rightful or wrongful, of any present or future Government Acts. No L/C Issuer shall, in any way, be liable for any failure by such L/C Issuer or anyone else to pay any drawing under any Letter of Credit as a result of any Government Acts or any other cause beyond the control of such L/C Issuer.

(iv) Nothing in this subsection (j) is intended to limit the reimbursement obligation of the Borrower contained in this Section 2.04. The obligations of the Borrower under this subsection (j) shall survive the termination of this Credit Agreement. No act or omission of any current or prior beneficiary of a Letter of Credit shall in any way affect or impair the rights of the L/C Issuers to enforce any right, power or benefit under this Credit Agreement.

(k) Letter of Credit Amounts. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit or the Letter of Credit Application therefor, whether or not such maximum face amount is in effect at such time.

2.05 CONTINUATIONS AND CONVERSIONS.

Subject to the terms below, the Borrower shall have the option, on any Business Day prior to the Maturity Date, to continue existing Eurodollar Loans for a subsequent Interest Period, to convert Base Rate Loans into Eurodollar Loans or to convert Eurodollar Loans into Base Rate

Loans. By no later than 10:00 a.m. (a) on the date of the requested conversion of a Eurodollar Loan to a Base Rate Loan and (b) three Business Days prior to the date of the requested continuation of a Eurodollar Loan or conversion of a Base Rate Loan to a Eurodollar Loan, the Borrower shall provide telephonic notice to the Administrative Agent, followed promptly by a written Notice of Continuation/Conversion in the form of Exhibit 2.05, setting forth whether the Borrower wishes to continue or convert such Loans. Notwithstanding anything herein to the contrary, (i) except as provided in Section 4.02, Eurodollar Loans may only be continued or converted into Base Rate Loans on the last day of the Interest Period applicable thereto, (ii) Eurodollar Loans may not be continued nor may Base Rate Loans be converted into Eurodollar Loans during the existence and continuation of a Default or an Event of Default and (iii) any request to continue a Eurodollar Loan that fails to comply with the terms hereof or any failure to request a continuation of a Eurodollar Loan at the end of an Interest Period (and assuming the Borrower has not delivered a notice of prepayment pursuant to Section 3.02(a)) shall be deemed a request to convert such Eurodollar Loan to a Base Rate Loan on the last day of the applicable Interest Period.

2.06 MINIMUM AMOUNTS.

Each request for a Loan or a conversion or continuation hereunder shall be subject to the following requirements: (a) each Eurodollar Loan shall be in a minimum of \$5,000,000 (and in integral multiples of \$1,000,000 in excess thereof), (b) each Base Rate Loan shall be in a minimum amount of the lesser of \$1,000,000 (and in integral multiples of \$100,000 in excess thereof) or the remaining amount available to be borrowed and (c) no more than ten Eurodollar Loans shall be outstanding hereunder at any one time. For the purposes of this Section 2.06, all Eurodollar Loans with the same Interest Periods that begin and end on the same date shall be considered as one Eurodollar Loan, but Eurodollar Loans with different Interest Periods, even if they begin on the same date, shall be considered separate Eurodollar Loans.

2.07 NOTES.

If requested by a Lender, the Loans made by each Lender shall be evidenced by a duly executed promissory note of the Borrower payable to such Lender in substantially the form of Exhibit 2.07.

2.08 REDUCTION OF COMMITTED AMOUNT.

The Borrower shall have the right, upon notice to the Administrative Agent, to permanently terminate or reduce the aggregate unused amount of the Committed Amount at any time and from time to time; provided that (a) such notice must be received by the Administrative Agent not later than 10:00 a.m. five Business Days prior to the date of termination or reduction, (b) each partial reduction shall be in an aggregate amount at least equal to \$5,000,000 and in integral multiples of \$1,000,000 above such amount and (c) no reduction shall be made which would reduce the Committed Amount to an amount less than the sum of the outstanding Loans plus outstanding L/C Obligations. Any reduction in (or termination of) the Committed Amount shall be permanent and may not be reinstated. If after giving effect to any reduction of the Committed Amount, the Letter of Credit Sublimit exceeds the Committed Amount, such sublimit shall be automatically reduced by the amount of such excess.

ARTICLE III

PAYMENTS

3.01 INTEREST.

(a) Interest Rate.

(i) All Base Rate Loans shall accrue interest at the Base Rate.

(ii) Each Eurodollar Loan shall accrue interest at the Adjusted Eurodollar Rate applicable to such Eurodollar Loan.

(b) Default Rate of Interest. Upon the occurrence, and during the continuation, of an Event of Default, the principal of and, to the extent permitted by law, interest on the Loans and any other amounts owing hereunder or under the other Credit Documents shall bear interest, payable on demand, at a per annum rate equal to the Default Rate.

(c) Interest Payments. Interest on Loans shall be due and payable in arrears on each Interest Payment Date.

3.02 PREPAYMENTS.

(a) Voluntary Prepayments. The Borrower shall have the right, upon notice to the Administrative Agent, to prepay the Loans in whole or in part from time to time without premium or penalty; provided, however, that (i) such notice must be received by the Administrative Agent not later than 10:00 a.m. (A) three Business Days' prior to any date of prepayment of Eurodollar Loans and (B) on the date of prepayment of Base Rate Loans, (ii) each such partial prepayment of Eurodollar Loans shall be in the minimum principal amount of \$5,000,000 and integral multiples of \$1,000,000 and (iii) each such partial prepayment of Base Rate Loans shall be in the minimum principal amount of \$1,000,000 and integral multiples of \$100,000 or, in the case of clauses (ii) and (iii), if less than such minimum amounts, the entire principal amount thereof then outstanding. Amounts prepaid pursuant to this Section 3.02(a) shall be applied as the Borrower may elect based on the Lenders' Pro Rata Shares; provided, however, if the Borrower fails to specify, such prepayment shall be applied by the Administrative Agent, subject to Section 3.08, in such manner as it deems reasonably appropriate.

(b) Mandatory Prepayments. If at any time the aggregate principal amount of Loans outstanding plus the aggregate amount of L/C Obligations outstanding exceeds the Committed Amount, the Borrower shall immediately make a principal payment to the Administrative Agent in a manner and in an amount to be in compliance with Sections 2.01 and as directed by the Administrative Agent.

(c) Application of Prepayments. All prepayments pursuant to Section 3.02 shall be

(i) unless otherwise directed by the Borrower pursuant to Section 3.02(a), applied first to Base Rate Loans and second to Eurodollar Loans in direct order of Interest Period maturities, (ii) subject to Section 4.05 and (iii) accompanied by the interest on the principal amount prepaid through the date of prepayment.

3.03 PAYMENT IN FULL AT MATURITY.

On the Maturity Date, the entire outstanding principal balance of all Loans, together with accrued but unpaid interest and all fees and other sums owing under the Credit Documents, including, without limitation, all Borrower Obligations shall be due and payable in full, unless accelerated sooner pursuant to Section 9.02; provided that if the Maturity Date is not a Business Day, then such principal, interest, fees and other sums shall be due and payable in full on the next preceding Business Day.

3.04 FEES.

(a) Commitment Fees. The Borrower shall pay to the Administrative Agent, for the pro rata benefit of each Lender based on its Pro Rata Share of the Committed Amount, a per annum fee equal to the Applicable Percentage for Commitment Fees for each day during the period of determination multiplied by the Unused Commitment for each such day (the "Commitment Fees"). The Commitment Fees shall commence to accrue on the Closing Date and shall be due and payable in arrears on the last Business Day of each fiscal quarter of the Borrower (as well as on the Maturity Date and on any date that the Committed Amount is reduced) for the fiscal quarter (or portion thereof) then ending, beginning with the first of such dates to occur after the Closing Date.

(b) Utilization Fees. If on any day the aggregate amount of outstanding Loans plus the outstanding L/C Obligations exceeds an amount equal to thirty-three percent (33%) of the Committed Amount, the Borrower shall pay to the Administrative Agent, for the pro rata benefit of each Lender based on its Pro Rata Share of the Committed Amount, a per annum fee equal to the Applicable Percentage for Utilization Fees for each day during the period of determination multiplied by the Utilized Committed Amount for each such day (the "Utilization Fees"). The Utilization Fees shall be due and payable in arrears on the last Business Day of each fiscal quarter of the Borrower (as well as on the Maturity Date and on any date that the Commitment Amount is reduced) for the fiscal quarter (or portion thereof) then ending, beginning with the first of such dates to occur after the Closing Date.

(c) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Pro Rata Share a Letter of Credit fee for each Letter of Credit equal to the Applicable Percentage for Letters of Credit times the daily maximum amount available to be drawn under such Letter of Credit (whether or not such maximum amount is then in effect under such Letter of Credit) (the "Letter of Credit Fees"). Such Letter of Credit Fees shall be computed on a quarterly basis in arrears. The Letter of Credit Fees shall be due and payable in arrears on the last Business Day of each fiscal quarter of the Borrower (as well as on the Letter of Credit

Expiration Date), beginning with the first such date to occur after the issuance of such Letter of Credit. If there is any change in the Applicable Percentage during any quarter, the daily maximum amount of each Letter of Credit shall be computed and multiplied by the Applicable Percentage separately for each period during such quarter that such Applicable Percentage was in effect.

(d) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer. The Borrower shall pay directly to the applicable L/C Issuer for its own account a fronting fee with respect to each Letter of Credit issued by such L/C Issuer in an amount equal to 0.125% on the maximum amount available to be drawn under such Letter of Credit (whether or not such maximum amount is then in effect under such Letter of Credit). Such Fronting Fees shall be computed on a quarterly basis in arrears and shall be due and payable in arrears on the last Business Day of each fiscal quarter of the Borrower (as well as on the Letter of Credit Expiration Date), beginning with the first such date to occur after the issuance of such Letter of Credit. In addition, the Borrower shall pay directly to the applicable L/C Issuer for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of such L/C Issuer relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(e) Administrative Fees. The Borrower agrees to pay to the Administrative Agent, for its own account, an annual fee as agreed to between the Borrower and the Administrative Agent (the "Administrative Fees") in the Fee Letter.

3.05 PAYMENTS GENERALLY.

(a) No Deductions; Place and Time of Payments. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 1:00 p.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Pro Rata Share (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 1:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

(b) Payment Dates. Subject to the definition of "Interest Period," if any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(c) Advances by Administrative Agent. Unless the Borrower or any Lender has notified the Administrative Agent, prior to the date any payment is required to be made by it to

the Administrative Agent hereunder, that the Borrower or such Lender, as the case may be, will not make such payment, the Administrative Agent may assume that the Borrower or such Lender, as the case may be, has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in Dollars and in immediately available funds, then:

(i) if the Borrower failed to make such payment, each Lender shall forthwith on demand repay to the Administrative Agent the portion of such assumed payment that was made available to such Lender in Dollars and in immediately available funds, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent in immediately available funds at the Federal Funds Rate from time to time in effect; and

(ii) if any Lender failed to make such payment, such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in Dollars and in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent (the "Compensation Period") at a rate per annum equal to the Federal Funds Rate from time to time in effect. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in the applicable Borrowing. If such Lender does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor upon the Borrower, and the Borrower shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to such Borrowing. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Commitment or to prejudice any rights which the Administrative Agent or the Borrower may have against any Lender as a result of any default by such Lender hereunder.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (c) shall be conclusive, absent manifest error.

(d) Several Obligations. The obligations of the Lenders hereunder to make Loans and to fund or purchase Participation Interests are several and not joint. The failure of any Lender to make any Loan or to fund or purchase any Participation Interest on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or fund its Participation Interest.

(e) Funding Offices. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

3.06 COMPUTATIONS OF INTEREST AND FEES.

(a) Calculation of Interest. Except for Base Rate Loans on which interest shall be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, all computations of interest and fees hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days. Interest shall accrue from and including the Closing Date or from the first date of Borrowing (or from any continuation or conversion thereof) to but excluding the last day occurring in the period for which such interest is payable.

(b) Usury. It is the intent of the Lenders and the Borrower to conform to and contract in strict compliance with applicable usury law from time to time in effect. All agreements between the Lenders and the Borrower are hereby limited by the provisions of this paragraph which shall override and control all such agreements, whether now existing or hereafter arising and whether written or oral. In no way, nor in any event or contingency (including but not limited to prepayment or acceleration of the maturity of the Borrower Obligations), shall the interest taken, reserved, contracted for, charged, or received under this Credit Agreement, under the Notes or otherwise, exceed the maximum nonusurious amount permissible under applicable law. If, from any possible construction of any of the Credit Documents or any other document, interest would otherwise be payable in excess of the maximum nonusurious amount, any such construction shall be subject to the provisions of this paragraph and interest owing pursuant to such documents shall be automatically reduced to the maximum nonusurious amount permitted under applicable law, without the necessity of execution of any amendment or new document. If any Lender shall ever receive anything of value which is characterized as interest on the Loans under applicable law and which would, apart from this provision, be in excess of the maximum lawful amount, an amount equal to the amount which would have been excessive interest shall, without penalty, be applied to the reduction of the principal amount owing on the Loans and not to the payment of interest, or refunded to the Borrower or the other payor thereof if and to the extent such amount which would have been excessive exceeds such unpaid principal amount of the Loans. The right to demand payment of the Loans or any other Indebtedness evidenced by any of the Credit Documents does not include the right to receive any interest which has not otherwise accrued on the date of such demand, and the Lenders do not intend to charge or receive any unearned interest in the event of such demand. All interest paid or agreed to be paid to the Lenders with respect to the Loans shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term (including any renewal or extension) of the Loans so that the amount of interest on account of the Loans does not exceed the maximum nonusurious amount permitted by applicable law.

3.07 EVIDENCE OF DEBT.

The Loans made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Loans made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay

any amount owing with respect to the Borrower Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto. In addition to the foregoing accounts and records, each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

3.08 PRO RATA TREATMENT.

Except to the extent otherwise provided herein, each Borrowing, each payment or prepayment of principal of any Loan, each payment of interest, each payment of fees (other than Administrative Fees paid to the Administrative Agent and letter of credit fees paid to an L/C Issuer for its own account), each conversion or continuation of any Loans and each reduction in the Committed Amount, shall be allocated pro rata among the relevant Lenders in accordance with their Pro Rata Shares; provided that, if any Lender shall have failed to pay its Pro Rata Share of any Loan or purchase or fund its Participation Interest, then any amount to which such Lender would otherwise be entitled pursuant to this Section 3.08 shall instead be payable to the Administrative Agent until the share of such Loan or such Participation Interest not purchased or funded by such Lender has been purchased or funded unless such Lender's obligations are the subject of a good faith dispute. In the event any principal, interest, fee or other amount paid to any Lender pursuant to this Credit Agreement or any other Credit Document is rescinded or must otherwise be returned by the Administrative Agent, (a) such principal, interest, fee or other amount that had been satisfied by such payment shall be revived, reinstated and continued in full force and effect as if such payment had not occurred and (b) such Lender shall, upon the request of the Administrative Agent, repay to the Administrative Agent the amount so paid to such Lender, with interest for the period commencing on the date such payment is returned by the Administrative Agent until the date the Administrative Agent receives such repayment at a rate per annum equal to the Federal Funds Rate if repaid within two Business Days after such request and thereafter the Base Rate.

3.09 SHARING OF PAYMENTS.

The Lenders agree among themselves that, except to the extent otherwise provided herein, in the event that any Lender shall obtain payment in respect of any Loan, any L/C Obligation or any other obligation owing to such Lender under this Credit Agreement through the exercise of a right of setoff, banker's lien or counterclaim, or pursuant to a secured claim under Section 506 of the Bankruptcy Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable Debtor Relief Law or other similar law or otherwise, or by any other means, in excess of its Pro Rata Share of such payment as provided for in this Credit Agreement, such Lender shall promptly pay in cash or purchase from the other Lenders a participation in such Loans, L/C Obligations and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Lenders share such

payment in accordance with their Pro Rata Shares. The Lenders further agree among themselves that if payment to a Lender obtained by such Lender through the exercise of a right of setoff, banker's lien, counterclaim or other event as aforesaid shall be rescinded or must otherwise be returned, each Lender which shall have shared the benefit of such payment shall, by payment in cash or a repurchase of a participation theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Lender whose payment shall have been rescinded or otherwise returned. The Borrower agrees that (a) any Lender so purchasing such a participation may, to the fullest extent permitted by law, exercise all rights of payment, including setoff, banker's lien or counterclaim, with respect to such participation as fully as if such Lender were a holder of such Loan, L/C Obligation or other obligation in the amount of such participation and (b) the Borrower Obligations that have been satisfied by a payment that has been rescinded or otherwise returned shall be revived, reinstated and continued in full force and effect as if such payment had not occurred. Except as otherwise expressly provided in this Credit Agreement, if any Lender or the Administrative Agent shall fail to remit to any other Lender or the Administrative Agent an amount payable by such Lender or the Administrative Agent to such other Lender or the Administrative Agent pursuant to this Credit Agreement on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Administrative Agent or such other Lender at a rate per annum equal to the Federal Funds Rate. If under any applicable Debtor Relief Law or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section 3.09 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this Section 3.09 to share in the benefits of any recovery on such secured claim.

ARTICLE IV

TAXES, YIELD PROTECTION AND ILLEGALITY

4.01 TAXES.

(a) Any and all payments by the Borrower to or for the account of the Lenders under any Credit Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding taxes imposed on or measured by its overall net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the law of which a Lender is organized or maintains a lending office (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by any laws to deduct any Taxes or Other Taxes from or in respect of any sum payable under any Loan Document to a Lender, (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), such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable laws, and (iv) the

Borrower shall make commercially reasonable efforts to obtain a governmental receipt within the time frame customary for the relevant taxing authority, and shall furnish to such Lender the original or a certified copy of such receipt within 30 days of receiving such receipt.

(b) In addition, the Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under any Credit Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "Other Taxes").

(c) The Borrower agrees to indemnify each Lender for (i) the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by each Lender, (ii) amounts payable under Section 4.01(a) and (iii) any liability (including additions to tax, penalties, interest and expenses) arising therefrom or with respect thereto, in each case whether or not such Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Payment under this subsection (c) shall be made within 30 days after the date a Lender makes a demand therefor.

(d) Each payment hereunder or under any other Credit Document by or on behalf of the Borrower shall be made by a payor that is a United States person. For purposes of this subsection (d), the term "United States person" shall have the meanings specified in Section 7701 of the Code.

(e) Foreign Lenders. Each Lender that is a foreign corporation, foreign partnership or foreign trust within the meaning of the Code shall deliver to the Administrative Agent, prior to receipt of any payment subject to withholding under the Code, two duly signed completed copies of either IRS Form W-8BEN or any successor thereto (relating to such Lender and entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to such Lender by the Borrower pursuant to this Credit Agreement), as appropriate, or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Lender by the Borrower pursuant to this Credit Agreement) or such other evidence satisfactory to the Borrower and the Administrative Agent that such Lender is entitled to an exemption from, or reduction of, United States withholding tax. Thereafter and from time to time, each such Lender shall (i) promptly submit to the Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities), as appropriate, as may reasonably be requested by the Borrower or the Administrative Agent and then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to the Borrower and the Administrative Agent of any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to such Lender by the Borrower pursuant to this Credit Agreement, (ii) promptly notify the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (iii) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any Requirement of Law that the Borrower make any deduction or withholding for taxes from

amounts payable to such Lender. If the forms or other evidence provided by such Lender at the time such Lender first becomes a party to this Credit Agreement indicate a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such forms; provided, however, that, if at the date of any assignment pursuant to which a Lender becomes a party to this Credit Agreement, the assignor Lender was entitled to payments under Section 4.01(a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the assignee Lender on such date. If such Lender fails to deliver the above forms or other evidence, then the Administrative Agent may withhold from any interest payment to such Lender an amount equal to the applicable withholding tax imposed by Sections 1441 and 1442 of the Code, without reduction. If any Governmental Authority asserts that the Administrative Agent did not properly withhold any tax or other amount from payments made in respect of such Lender, such Lender shall indemnify the Administrative Agent therefor, including all penalties and interest, any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section 4.01(f), and costs and expenses (including the reasonable fees and expenses of legal counsel) of the Administrative Agent. For any period with respect to which a Lender has failed to provide the Borrower with the above forms or other evidence (other than if such failure is due to a change in the applicable Requirement of Law, or in the interpretation or application thereof, occurring after the date on which such form or other evidence originally was required to be provided or if such form or other evidence otherwise is not required), such Lender shall not be entitled to indemnification under subsection (a) or (c) of this Section 4.01 with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver such form or other evidence required hereunder, the Borrower shall take such steps as such Lender shall reasonably request to assist such Lender in recovering such Taxes. The obligations of the Lenders under this Section 4.01(f) shall survive the payment of all Borrower Obligations and the resignation or replacement of the Administrative Agent.

(f) Reimbursement. In the event that an additional payment is made under this Section 4.01 for the account of any Lender and such Lender, in its reasonable judgment, determines that it has finally and irrevocably received or been granted a credit against or release or remission for, or repayment of, any tax paid or payable by it in respect of or calculated with reference to the deduction or withholding giving rise to such payment, such Lender shall, to the extent that it determines that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Borrower such amount as such Lender shall, in its reasonable judgment, have determined to be attributable to such deduction or withholding and which will leave such Lender (after such payment) in no worse position than it would have been in if the Borrower had not been required to make such deduction or withholding. Nothing herein contained shall interfere with the right of a Lender to arrange its tax affairs in whatever manner it thinks fit nor oblige any Lender to claim any tax credit or to disclose any information relating to its tax affairs or any computations in respect thereof or require any Lender to do anything that would prejudice its ability to benefit from any other credits, reliefs, remissions or repayments to

which it may be entitled.

4.02 ILLEGALITY.

If a Lender determines that any Requirement of Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or its Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, then, on notice thereof by such Lender to the Borrower, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until such Lender notifies the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender, prepay or, if applicable, convert all applicable Eurodollar Rate Loans to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted. Each Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

4.03 INABILITY TO DETERMINE EURODOLLAR RATE.

If the Administrative Agent determines that for any reason adequate and reasonable means do not exist for determining the Eurodollar Base Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or that the Eurodollar Base Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to the Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of a Eurodollar Rate Loan or, failing that, will be deemed to have converted such request into a request for a Borrowing of a Base Rate Loan in the amount specified therein.

4.04 INCREASED COST AND REDUCED RETURN; CAPITAL ADEQUACY.

(a) If a Lender determines that as a result of the introduction of or any change in or in the interpretation of any Requirement of Law, or such Lender's compliance therewith, there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Loans, or a reduction in the amount received or receivable by such Lender in connection with any of the foregoing (excluding for purposes of this subsection (a) any such increased costs or reduction in amount resulting from (i) Taxes or Other Taxes (as to which Section 4.01 shall govern), (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or any foreign jurisdiction or any political subdivision of either thereof under the laws of which such Lender is organized or has its Lending Office, and (iii) reserve requirements utilized in the determination of the Eurodollar Rate), then from time to

time upon demand of such Lender and upon presentment of written documentation (in the form of a detailed calculation and explanation), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such increased cost or reduction, provided such increased cost or reduction is related solely to Borrowings under this Credit Agreement.

(b) If a Lender determines that the introduction of any law regarding capital adequacy or any change therein or in the interpretation thereof, or compliance by such Lender (or its Lending Office) therewith, has the effect of reducing the rate of return on the capital of such Lender or any corporation controlling such Lender as a consequence of such Lender's obligations hereunder (taking into consideration its policies with respect to capital adequacy and such Lender's desired return on capital), then from time to time upon demand of such Lender, the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such reduction.

4.05 FUNDING LOSSES.

Upon demand of any Lender from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

(b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to borrow, continue, convert or prepay any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower,

including any loss, cost or expense (other than loss of the Applicable Percentage) arising from the liquidation or reemployment of funds obtained by such Lender to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to a Lender under this Section 4.05, such Lender shall be deemed to have funded each Eurodollar Rate Loan at the Eurodollar Base Rate used in determining the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

4.06 REQUESTS FOR COMPENSATION.

A certificate of a Lender claiming compensation under this Article IV and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, a Lender may use any reasonable averaging and

attribution methods.

4.07 SURVIVAL.

All of the Borrower's obligations under this Article IV shall survive termination of the Commitments and repayment of all other Borrower Obligations hereunder.

ARTICLE V

CONDITIONS PRECEDENT

5.01 CLOSING CONDITIONS.

The obligation of the Lenders to enter into this Credit Agreement and to make the initial Loans to the Borrower or the L/C Issuers to issue the initial Letters of Credit on the Closing Date, if any, is subject to satisfaction (or waiver) of the following conditions:

(a) Executed Credit Documents. Receipt by the Administrative Agent of duly executed copies of this Credit Agreement, the Notes in favor of each Lender requesting a Note, and all other Credit Documents, each in form and substance acceptable to the Lenders.

(b) Corporate Documents. Receipt by the Administrative Agent of the following:

(i) Charter Documents. Copies of the articles of incorporation or other charter documents of the Borrower certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of its incorporation and certified by a secretary or assistant secretary of the Borrower to be true and correct as of the Closing Date.

(ii) Bylaws. A copy of the bylaws of the Borrower certified by a secretary or assistant secretary of the Borrower to be true and correct as of the Closing Date.

(iii) Resolutions. Copies of resolutions of the Board of Directors of the Borrower approving the transactions contemplated by this Credit Agreement and authorizing certain officers of the Borrower to negotiate, execute and deliver the Credit Documents, certified by a secretary or assistant secretary of the Borrower to be true and correct and in full force and effect as of the Closing Date.

(iv) Incumbency. An incumbency certificate of the Borrower certified by a secretary or assistant secretary of the Borrower to be true and correct as of the Closing Date.

(v) Good Standing. Copies of certificates of good standing, existence or

their equivalent with respect to the Borrower, certified as of a recent date by the appropriate Governmental Authority of the state of its incorporation.

(c) Opinions of Counsel. Receipt by the Administrative Agent of such opinions from legal counsel to the Borrower, addressed to the Lenders, dated as of the Closing Date, and covering matters that customarily are addressed in connection with the transactions contemplated by this Credit Agreement, in form and substance reasonably satisfactory to the Administrative Agent.

(d) Financial Statements. Receipt by the Administrative Agent of a copy of (i) the annual consolidated financial statements (including balance sheets, income statements and cash flow statements) of the Borrower and its Subsidiaries for fiscal years 2001 and 2002, audited by independent public accountants of recognized national standing, (ii) the consolidated balance sheet and income statement of the Borrower and its Subsidiaries for the fiscal quarter ended March 31, 2003, together with the related consolidated statement of income for such fiscal quarter and a year to date statement of cash flows and (iii) such other financial information regarding the Borrower as the Administrative Agent may reasonably request.

(e) Fees and Expenses. Payment by the Borrower of all fees and expenses owed by it to the Administrative Agent or any Lender.

(f) Litigation. There shall be no material actions, suits, investigations or legal, equitable, arbitration or administrative proceedings pending or, to the knowledge of the Borrower, threatened against the Borrower which have not been disclosed in the Borrower's reports filed with the SEC and which would have or would reasonably be expected to have a Material Adverse Effect.

(g) Material Adverse Effect. No event or condition shall have occurred since March 31, 2003 that would have or would reasonably be expected to have a Material Adverse Effect.

(h) Officer's Certificate. The Administrative Agent shall have received a certificate or certificates executed by a Financial Officer as of the Closing Date stating that (i) the Borrower is in compliance in all material respects with all existing material financial obligations, (ii) no action, suit, investigation or proceeding is pending or, to such Financial Officer's knowledge, threatened in any court or before any arbitrator or governmental instrumentality that purports to affect the Borrower or any transaction contemplated by the Credit Documents, if such action, suit, investigation or proceeding would have or would reasonably be expected to have a Material Adverse Effect, (iii) the financial statements and information delivered to the Lenders on or before the Closing Date were prepared in good faith and in accordance with GAAP except that the quarterly financial statements are unaudited and are subject to year-end adjustments, and (iv) immediately after giving effect to this Credit Agreement, the other Credit Documents and all the transactions contemplated therein to occur on such date, (A) no Default or Event of Default exists, (B) all representations and warranties contained herein and in the other Credit Documents are true

and correct in all material respects on and as of the date made, (C) the Borrower is Solvent and (D) as of the fiscal quarter ended March 31, 2003, the Borrower is in compliance with the financial covenant set forth in Section 7.02, as demonstrated by the calculations set forth on a Schedule attached thereto.

(i) Existing Credit Agreements. The Existing Credit Agreements shall have been terminated or will be terminated on the Closing Date and all amounts owing thereunder shall have been paid in full.

(j) Other. Receipt by the Lenders of such other documents, instruments, agreements or information as reasonably requested by any Lender.

5.02 CONDITIONS TO LOANS.

The Lenders shall not be obligated to make a Loan and no L/C Issuer shall be obligated to issue a Letter of Credit unless:

(a) Notice of Borrowing. The Borrower shall have timely delivered a duly executed and completed Notice of Borrowing or Letter of Credit Application in conformance with all the terms and conditions of this Credit Agreement.

(b) Representations and Warranties. The representations and warranties made by the Borrower in this Credit Agreement and all other Credit Documents are true and correct in all material respects at and as if made as of the date of the funding of such Loan or the issuance of such Letter of Credit.

(c) No Default. No Default or Event of Default shall exist or be continuing either prior to or after giving effect to such Loan or Letter of Credit.

(d) Availability. Immediately after giving effect to the making of such Loan or the issuance of such Letter of Credit, the aggregate amount of Loans outstanding plus L/C Obligations outstanding shall not exceed the Committed Amount.

The delivery of each Notice of Borrowing and each Letter of Credit Application shall constitute a representation and warranty by the Borrower of the correctness of the matters specified in subsections (b), (c) and (d) above.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants to the Lenders that:

6.01 ORGANIZATION AND GOOD STANDING.

The Borrower (a) is a corporation, duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) is duly qualified and in good standing as a foreign entity authorized to do business in every other jurisdiction where the failure to so qualify would have a Material Adverse Effect and (c) has the requisite power and authority to own its properties and to carry on its business as now conducted and as proposed to be conducted.

6.02 DUE AUTHORIZATION.

The Borrower (a) has the requisite power and authority to execute, deliver and perform this Credit Agreement and the other Credit Documents and to incur the obligations herein and therein provided for and (b) has been authorized by all necessary action to execute, deliver and perform this Credit Agreement and the other Credit Documents.

6.03 NO CONFLICTS.

Neither the execution and delivery of this Credit Agreement and the other Credit Documents, nor the consummation of the transactions contemplated herein and therein, nor performance of and compliance with the terms and provisions hereof and thereof by the Borrower will (a) violate or conflict with any provision of its organizational documents, (b) violate, contravene or conflict with any Requirement of Law or any law (including without limitation, the Public Utility Holding Company Act of 1935, as amended), regulation (including without limitation, Regulation U and Regulation X), order, writ, judgment, injunction, decree or permit applicable to it, (c) violate, contravene or conflict with contractual provisions of, or cause an event of default under, any indenture, loan agreement, mortgage, deed of trust, contract or other agreement or instrument to which it is a party or by which it may be bound, the violation of which would have or would be reasonably expected to have a Material Adverse Effect or (d) result in or require the creation of any Lien upon or with respect to its properties, other than the Liens contemplated hereby.

6.04 CONSENTS.

No consent, approval, authorization or order of, or filing, registration or qualification with, any court or Governmental Authority or third party is required in connection with the execution, delivery or performance of this Credit Agreement or any of the other Credit Documents that has not been obtained or made.

6.05 ENFORCEABLE OBLIGATIONS.

This Credit Agreement and the other Credit Documents have been duly executed and delivered and constitute the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except as may be limited by Debtor Relief Laws or similar laws affecting creditors' rights generally or by general equitable principles.

6.06 FINANCIAL CONDITION.

The financial statements delivered to the Lenders pursuant to Section 5.01(d) and pursuant to Sections 7.01(a) and (b): (i) have been prepared in accordance with GAAP except that the quarterly financial statements are unaudited and are subject to year-end adjustments and have fewer footnotes than annual statements and (ii) present fairly the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries as of such date and for such periods. No opinion provided with respect to the Borrower's financial statements pursuant to Section 7.01 (or as to any prior annual financial statements) has been withdrawn.

6.07 NO MATERIAL ACQUISITION OR DISPOSITION.

Since March 31, 2003, there has been no sale, transfer or other disposition by the Borrower of any material part of its business or property, and no purchase or other acquisition by the Borrower of any business or property (including the Capital Stock of any other Person) material in relation to the financial condition of the Borrower, in each case which is not (i) reflected in the most recent financial statements delivered to the Lenders pursuant to Section 5.01(d) or 7.01 or in the notes thereto or (ii) otherwise permitted by the terms of this Credit Agreement and communicated to the Lenders.

6.08 NO DEFAULT.

The Borrower is not in default in any respect under any contract, lease, loan agreement, indenture, mortgage, security agreement or other agreement or obligation to which it is a party or by which any of its properties is bound which default has had or would reasonably be expected to have a Material Adverse Effect. No Default or Event of Default presently exists and is continuing.

6.09 LITIGATION.

There are no actions, suits, investigations or legal, equitable, arbitration or administrative proceedings, pending or, to the knowledge of the Borrower, threatened against the Borrower which would have or would reasonably be expected to have a Material Adverse Effect.

6.10 TAXES.

The Borrower has filed, or caused to be filed, all material tax returns (federal, state, local and foreign) required to be filed and paid all amounts of taxes shown thereon to be due (including interest and penalties) and has paid all other taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing

by it, except for such taxes which are not yet delinquent or that are being contested in good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP.

6.11 COMPLIANCE WITH LAW.

The Borrower is in compliance with all laws, rules, regulations, orders and decrees applicable to it or to its properties, unless such failure to comply has not had or would not reasonably be expected to have a Material Adverse Effect.

6.12 ERISA.

Except as would not result or reasonably be expected to result in a Material Adverse Effect:

(a) During the five-year period prior to the date on which this representation is made or deemed made: (i) no Termination Event has occurred, and, to the best knowledge of the Borrower, no event or condition has occurred or exists as a result of which any Termination Event would be reasonably expected to occur; (ii) no "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, has occurred with respect to any Single Employer Plan; (iii) each Plan has been maintained, operated, and funded in compliance with its own terms and in material compliance with the provisions of ERISA, the Code, and any other applicable federal or state laws; and (iv) no Lien in favor of the PBGC or a Plan has arisen or is reasonably likely to arise on account of any Plan.

(b) The actuarial present value of all "benefit liabilities" under each Single Employer Plan (determined within the meaning of Section 401(a)(2) of the Code, utilizing the actuarial assumptions used to fund such Plans), whether or not vested, did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the current value of the assets of such Plan allocable to such accrued liabilities, except as disclosed in the Borrower's financial statements.

(c) Neither the Borrower nor any ERISA Affiliate has incurred, or, to the best knowledge of the Borrower, is reasonably expected to incur, any withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Borrower nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), is insolvent (within the meaning of Section 4245 of ERISA), or has been terminated (within the meaning of Title IV of ERISA), and no Multiemployer Plan is, to the best knowledge of the Borrower, reasonably expected to be in reorganization, insolvent, or terminated.

(d) No prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility has occurred with respect to a Plan which has subjected or would be reasonably likely to subject the Borrower or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the

Borrower or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

(e) The present value (determined using actuarial and other assumptions which are reasonable with respect to the benefits provided and the employees participating) of the liability of the Borrower and each ERISA Affiliate for post-retirement welfare benefits to be provided to their current and former employees under Plans which are welfare benefit plans (as defined in Section 3(1) of ERISA), net of all assets under all such Plans allocable to such benefits, are reflected on the financial statements referenced in Section 7.01 in accordance with FASB 106.

(f) Each Plan which is a welfare plan (as defined in Section 3(1) of ERISA) to which Sections 601-609 of ERISA and Section 4980B of the Code apply has been administered in compliance in all material respects with such sections.

6.13 USE OF PROCEEDS; MARGIN STOCK.

The proceeds of the Loans hereunder will be used solely for the purposes specified in Section 7.09. The Borrower is not incurring the indebtedness evidenced by the Notes hereunder for the purpose, directly or indirectly, of purchasing or carrying Margin Stock, except the Borrower may purchase its common stock, if after giving effect to such purchases, such indebtedness would not violate any Requirement of Law. Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

6.14 GOVERNMENT REGULATION.

(a) Neither the Borrower nor any of its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, as amended.

(b) The Borrower is not an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or controlled by such a company.

6.15 SOLVENCY.

The Borrower is and, after the consummation of the transactions contemplated by this Credit Agreement, will be Solvent.

6.16 DISCLOSURE.

Neither this Credit Agreement nor any financial statements delivered to the Lenders nor any other document, certificate or statement furnished to the Lenders by or on behalf of the Borrower in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein or herein, taken as a whole, not misleading.

6.17 ENVIRONMENTAL MATTERS.

Except as would not result or reasonably be expected to result in a Material Adverse Effect: (a) each of the properties of the Borrower (the "Properties") and all operations at the Properties are in substantial compliance with all applicable Environmental Laws, (b) there is no undocumented or unreported violation of any Environmental Law with respect to the Properties or the businesses operated by the Borrower (the "Businesses") that the Borrower is aware of, and (c) there are no conditions relating to the Businesses or Properties that have given rise to or would reasonably be expected to give rise to a liability under any applicable Environmental Laws.

6.18 TAX SHELTER REGULATIONS.

The Borrower does not intend to treat the Loans and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event the Borrower determines to take any action inconsistent with such intention, it will promptly notify the Administrative Agent thereof. The Borrower acknowledges that one or more of the Lenders or the Administrative Agent may treat its Loans as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and such Lender, Lenders or Administrative Agent, as applicable, may maintain the lists and other records required by such Treasury Regulation.

6.19 INSURANCE.

The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts (after giving effect to any self-insurance compatible with the following standards), with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or the applicable Subsidiary operates.

6.20 INTELLECTUAL PROPERTY; LICENSES, ETC.

The Borrower and its Subsidiaries own, or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the best knowledge of the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower or any Subsidiary infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Borrower, threatened, which, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

ARTICLE VII

AFFIRMATIVE COVENANTS

The Borrower hereby covenants and agrees that so long as this Credit Agreement or any other Credit Document is in effect and until the Loans, together with interest, fees and other obligations hereunder, have been paid in full and the Commitments shall have terminated:

7.01 INFORMATION COVENANTS.

The Borrower will furnish, or cause to be furnished, to the Administrative Agent, which in turn shall distribute to the Lenders:

(a) Annual Financial Statements. As soon as available, and in any event within 90 days after the close of each fiscal year of the Borrower, a consolidated balance sheet and income statement of the Borrower and its Subsidiaries, as of the end of such fiscal year, together with the related consolidated statements of income and of cash flows for such fiscal year, setting forth in comparative form figures for the preceding fiscal year, all such financial information described above to be in reasonable form and detail and, in each case, audited by independent certified public accountants of recognized national standing reasonably acceptable to the Lenders and whose opinion shall be furnished to the Lenders, and shall be to the effect that such financial statements have been prepared in accordance with GAAP (except for changes with which such accountants concur) and shall not be limited as to the scope of the audit or qualified in any respect. Notwithstanding the above, it is understood and agreed that delivery of the Borrower's applicable Form 10-K shall satisfy the requirements of this Section 7.01(a).

(b) Quarterly Financial Statements. As soon as available, and in any event within 45 days after the close of each fiscal quarter of the Borrower (other than the fourth fiscal quarter), a consolidated balance sheet and income statement of the Borrower and its Subsidiaries as of the end of such fiscal quarter, together with the related consolidated statement of income for such fiscal quarter and a year to date statement of cash flows, in each case setting forth in comparative form figures for the corresponding period of the preceding fiscal year, all such financial information described above to be in reasonable form and detail and reasonably acceptable to the Lenders, and, in each case, accompanied by a certificate of a Financial Officer of the Borrower to the effect that such quarterly financial statements fairly present in all material respects the financial condition of such Person and have been prepared in accordance with GAAP, subject to changes resulting from audit and normal year-end audit adjustments. Notwithstanding the above, it is understood and agreed that delivery of the Borrower's applicable Form 10-Q shall satisfy the requirements of this Section 7.01(b).

(c) Officer's Certificate. At the time of delivery of the financial statements provided for in Sections 7.01(a) and 7.01(b) above, a certificate of a Financial Officer substantially in the form of Exhibit 7.01(c): (i) setting forth calculations demonstrating compliance by the Borrower with the financial covenant set forth in Section 7.02 as of the end of such fiscal period and (ii) stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Borrower proposes to take with respect thereto.

(d) Reports. Notice of the filing by the Borrower of any Form 10-Q, Form 10-K or Form 8-K with the SEC promptly upon the filing thereof and copies of all financial statements, proxy statements, notices and reports as the Borrower shall send to its shareholders concurrently with the mailing of any such statements, notices or reports to its shareholders. Promptly after the Borrower has notified the Administrative Agent of any intention by the Borrower to treat the Loans and related transactions as being a "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4, a duly completed copy of IRS Form 8886 or any successor form.

(e) Notices. Upon the Borrower's obtaining knowledge thereof, the Borrower will give written notice to the Administrative Agent within five Business Days of (i) the occurrence of a Default or Event of Default, specifying the nature and extent thereof and what action the Borrower proposes to take with respect thereto, (ii) any change in the Debt Rating and (iii) the occurrence of any of the following with respect to the Borrower (A) the pendency or commencement of any litigation, arbitration or governmental proceeding against the Borrower which, if adversely determined, would have or would reasonably be expected to have a Material Adverse Effect or (B) the institution of any proceedings against the Borrower with respect to, or the receipt of notice by such Person of potential liability or responsibility for violation or alleged violation of, any federal, state or local law, rule or regulation (including, without limitation, any Environmental Law), the violation of which would have or would reasonably be expected to have a Material Adverse Effect. The Borrower will immediately give written notice to the Administrative Agent of any change in the fiscal year of the Borrower.

(f) ERISA. Upon the Borrower or any ERISA Affiliate obtaining knowledge thereof, the Borrower will give written notice to the Administrative Agent promptly (and in any event within five Business Days) of any of the following which would result in or reasonably would be expected to result in a Material Adverse Effect: (i) any event or condition, including, but not limited to, any Reportable Event, that constitutes, or would be reasonably expected to lead to, a Termination Event; (ii) with respect to any Multiemployer Plan, the receipt of notice as prescribed in ERISA or otherwise of any withdrawal liability assessed against the Borrower or any of its ERISA Affiliates, or of a determination that any Multiemployer Plan is in reorganization or insolvent (both within the meaning of Title IV of ERISA); (iii) the failure to make full payment on or before the due date (including extensions) thereof of all amounts which the Borrower or any of its Subsidiaries or ERISA Affiliates is required to contribute to each Plan pursuant to its terms and as required to meet the minimum funding standard set forth in ERISA and the Code with respect thereto; or (iv) a change in the funding status of any Plan, in each case together with a description of

any such event or condition or a copy of any such notice and a statement by an officer of the Borrower briefly setting forth the details regarding such event, condition, or notice, and the action, if any, which has been or is being taken or is proposed to be taken with respect thereto. Promptly upon request, the Borrower shall furnish the Administrative Agent with such additional information concerning any Plan as may be reasonably requested, including, but not limited to, copies of each annual report/return (Form 5500 series), as well as all schedules and attachments thereto required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA and the Code, respectively, for each "plan year" (within the meaning of Section 3(39) of ERISA).

(g) Other Information. With reasonable promptness upon any such request, such other information regarding the business, properties or financial condition of the Borrower as any Lender may reasonably request.

7.02 FUNDED INDEBTEDNESS-TO-CAPITALIZATION.

The Borrower shall at all times maintain a ratio of (a) Funded Indebtedness of the Borrower and its Subsidiaries to (b) Total Capitalization that is less than or equal to .50 to 1.0.

7.03 PRESERVATION OF EXISTENCE AND FRANCHISES.

(a) The Borrower will, and will cause its Material Subsidiaries to, do all things necessary to preserve and keep in full force and effect its existence and rights, franchises and authority.

(b) The Borrower will, and will cause its Subsidiaries to, generally maintain its properties in good condition and not waste or otherwise permit such properties to deteriorate, reasonable wear and tear excepted.

7.04 BOOKS AND RECORDS.

The Borrower will, and will cause its Subsidiaries to, keep complete and accurate books and records of its transactions in accordance with good accounting practices on the basis of GAAP (including the establishment and maintenance of appropriate reserves).

7.05 COMPLIANCE WITH LAW.

(a) The Borrower will, and will cause its Subsidiaries to, comply with all Requirements of Law and all other laws (including, without limitation, all Environmental Laws and ERISA laws), rules, regulations (including without limitation, Regulation U and Regulation X), and orders, and all applicable restrictions imposed by all Governmental Authorities, applicable to it and its properties, if the failure to comply would have or would reasonably be expected to have a Material Adverse Effect or would violate any restrictions on its ability to incur or assume Indebtedness.

(b) The Borrower will, and will cause its Subsidiaries to, take such action to ensure that all authorizations from and filings with any governmental body, agency or official, as may

be reasonably necessary for its performance of this Agreement, the Notes and the other Credit Documents are in full force and effect.

7.06 PAYMENT OF TAXES AND OTHER INDEBTEDNESS.

The Borrower will, and will cause its Subsidiaries to, pay, settle or discharge (a) all taxes, assessments and governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties, before they shall become delinquent, (b) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, might give rise to a Lien upon any of its properties, and (c) all of its other Indebtedness as it shall become due (to the extent such repayment is not otherwise prohibited by this Credit Agreement); provided, however, that the Borrower shall not be required to pay any such tax, assessment, charge, levy, claim or Indebtedness which is being contested in good faith by appropriate proceedings and as to which adequate reserves therefor have been established in accordance with GAAP, unless the failure to make any such payment would have or would be reasonably expected to have a Material Adverse Effect.

7.07 INSURANCE.

The Borrower will, and will cause its Subsidiaries to, at all times maintain in full force and effect insurance (including worker's compensation insurance and general liability insurance) in such amounts, covering such risks and liabilities and with such deductibles or self-insurance retentions as are in accordance with normal industry practice.

7.08 PERFORMANCE OF OBLIGATIONS.

The Borrower will, and will cause its Subsidiaries to, perform in all material respects all of its obligations under the terms of all material agreements, indentures, mortgages, security agreements or other debt instruments to which it is a party or by which it is bound.

7.09 USE OF PROCEEDS.

The proceeds of the Loans may be used solely for working capital and other general corporate purposes.

7.10 AUDITS/INSPECTIONS.

Upon reasonable notice and during normal business hours, the Borrower will, and will cause its Subsidiaries to, permit representatives appointed by the Administrative Agent, including, without limitation, independent accountants, agents, attorneys, and appraisers to visit and inspect the Borrower's and its Subsidiaries' property, including its books and records, its accounts receivable and inventory, the Borrower's and its Subsidiaries' facilities and its other business assets, and to make photocopies or photographs thereof and to write down and record any information such representative obtains and shall permit the Administrative Agent or its representatives to investigate and verify the accuracy of information provided to the Administrative Agent and to discuss all such matters with the officers, employees and representatives of the Borrower and its Subsidiaries; provided, that an officer or authorized agent of the Borrower and its Subsidiaries shall be present

during any such discussions between the officers, employees or representatives of the Borrower and its Subsidiaries and the representatives of the Administrative Agent, and provided further that any such nonpublic information obtained by any Person during such audit or inspection shall be treated as confidential information in accordance with the disclosure standards set forth in Section 11.15. Any information obtained by the Administrative Agent shall be made available to any Lender upon such Lender's request.

ARTICLE VIII

NEGATIVE COVENANTS

The Borrower hereby covenants and agrees that so long as this Credit Agreement is in effect and until the Loans, together with interest, fees and other obligations hereunder, have been paid in full and the Commitments shall have terminated:

8.01 NATURE OF BUSINESS.

The Borrower will not, nor will it permit its Subsidiaries to, materially alter the character of its business from that conducted as of the Closing Date.

8.02 CONSOLIDATION AND MERGER.

The Borrower will not, nor will it permit its Significant Subsidiaries to (a) enter into any transaction of merger or (b) consolidate, liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); provided that, so long as no Default or Event of Default shall exist or be caused thereby, a Person may be merged or consolidated with or into the Borrower or one of its Significant Subsidiaries so long as (i) the Borrower or a Significant Subsidiary is the surviving entity and (ii) if the transaction is between the Borrower and one of its Significant Subsidiaries, the Borrower is the surviving entity.

8.03 SALE OR LEASE OF ASSETS.

Other than (i) sales or dispositions by a Subsidiary to the Borrower or another Subsidiary or (ii) sales in the ordinary course of business, the Borrower, during the term of this Credit Agreement, will not, nor will it permit its Significant Subsidiaries to, in the aggregate, convey, sell, lease, transfer or otherwise dispose of assets, business or operations with a net book value in excess of ten percent (10%) of Total Assets, as calculated as of the end of the most recent fiscal quarter.

8.04 AFFILIATE TRANSACTIONS.

Other than transactions between wholly-owned Subsidiaries of the Borrower, the Borrower will not, nor will it permit its Subsidiaries to, enter into any transaction or series of transactions, whether or not in the ordinary course of business, with any Affiliate other than on terms and conditions substantially as favorable as would be obtainable in a comparable arm's-length

transaction with a Person other than an Affiliate.

8.05 LIENS.

The Borrower will not, nor will it permit its Subsidiaries to, contract, create, incur, assume or permit to exist any Lien with respect to any of its property or assets of any kind (whether real or personal, tangible or intangible), whether now owned or hereafter acquired, securing any Indebtedness other than the following: (a) Liens securing Borrower Obligations, (b) Liens for taxes not yet due or Liens for taxes being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof), (c) Liens in respect of property imposed by law arising in the ordinary course of business such as materialmen's, mechanics', warehousemen's, carrier's, landlords' and other nonconsensual statutory Liens which are not yet due and payable, which have been in existence less than 90 days or which are being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof), (d) pledges or deposits made in the ordinary course of business to secure payment of worker's compensation insurance, unemployment insurance, pensions or social security programs, (e) Liens arising from good faith deposits in connection with or to secure performance of tenders, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business (other than obligations in respect of the payment of borrowed money), (f) Liens arising from good faith deposits in connection with or to secure performance of statutory obligations and surety and appeal bonds, (g) easements, rights-of-way, restrictions (including zoning restrictions), minor defects or irregularities in title and other similar charges or encumbrances not, in any material respect, impairing the use of the encumbered property for its intended purposes, (h) judgment Liens that would not constitute an Event of Default, (i) Liens arising by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights as to deposit accounts or other funds maintained with a creditor depository institution, (j) any Lien on any property or assets acquired from a corporation or other entity which is merged with or into the Borrower or its Subsidiaries in accordance with Section 8.02, and is not created in anticipation of any such transaction (unless such Lien is created to secure or provide for the payment of any part of the purchase price of such corporation or other entity), (k) any Lien on any property or assets existing at the time of acquisition of such property or assets by the Borrower and which is not created in anticipation of such acquisition (unless such Lien was created to secure or provide for the payment of any part of the purchase price of such property or assets), (l) any Lien on Margin Stock, (m) other Liens not previously described in the foregoing clauses (a) through (l) to the extent such Liens do not secure Indebtedness exceeding five percent (5%) of Net Worth in the aggregate, and (n) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Liens referred to in the foregoing clauses (a) through (m), for amounts not exceeding the principal amount of the Indebtedness secured by the Lien so extended, renewed or replaced, provided that such extension, renewal or replacement Lien is limited to all or a part of the same property or assets that were covered by the Lien extended, renewed or replaced (plus improvements on such property or assets).

8.06 BURDENSOME AGREEMENTS.

Neither the Borrower nor any of its Subsidiaries shall enter into any contractual obligation (other than this Credit Agreement or any other Credit Document) that (a) materially limits the ability (i) of any Subsidiary to make Restricted Payments to the Borrower or to otherwise transfer property to the Borrower, (ii) of any Subsidiary to guarantee the Indebtedness of the Borrower or (iii) of the Borrower or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person; or (b) requires the grant of a Lien to secure an obligation of such Person if a Lien is granted to secure another obligation of such Person.

8.07 SUBSIDIARY INDEBTEDNESS.

The Borrower will not permit any of its Subsidiaries to, contract, create, incur, assume or permit to exist any Indebtedness, other than:

(a) Indebtedness in respect of current accounts payable and accrued expenses incurred in the ordinary course of business;

(b) Indebtedness owing by a Subsidiary of the Borrower to the Borrower or another Subsidiary of the Borrower;

(c) purchase money Indebtedness to finance the purchase of fixed assets (including equipment); provided that (i) the total of all such Indebtedness shall not exceed an aggregate principal amount of \$25,000,000 (less any purchase money Indebtedness incurred by the Borrower) at any one time outstanding; (ii) such Indebtedness when incurred shall not exceed the purchase price of the asset(s) financed; and (iii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing;

(d) Indebtedness evidenced by Swap Contract entered into in the ordinary course of business and not for speculative purposes;

(e) Indebtedness incurred after the Closing Date in connection with the acquisition of a Person or Property as long as such Indebtedness existed prior to such acquisition and was not created in anticipation thereof;

(f) Indebtedness existing on the Closing Date as set forth on Schedule 8.07; and

(g) other unsecured Indebtedness in an amount not to exceed five percent (5%) of Net Worth, in the aggregate, at any one time outstanding.

ARTICLE IX

EVENTS OF DEFAULT

9.01 EVENTS OF DEFAULT.

An Event of Default shall exist upon the occurrence of any of the following specified events (each an "Event of Default"):

(a) Payment. The Borrower shall: (i) subject to subclause (ii) of this clause (a), default in the payment when due of any principal of any of the Loans or any L/C Obligations, (ii) default in the payment when due of any principal of any of the Loans or any L/C Obligations and (A) such default is due to an event the result of which is an impairment of the financial markets that makes it impossible for the Borrower to timely make such payment when due and (B) such default shall continue for three or more Business Days; or (iii) default, and such default shall continue for three or more Business Days, in the payment when due of any interest on the Loans or of any fees or other amounts owing hereunder, under any of the other Credit Documents or in connection herewith or therewith.

(b) Representations. Any representation, warranty or statement made or deemed to be made by the Borrower herein, in any of the other Credit Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove untrue in any material respect on the date as of which it was deemed to have been made.

(c) Covenants. The Borrower shall:

(i) default in the due performance or observance of any term, covenant or agreement contained in Sections 7.01(e)(i), 7.02, 7.03(a), 7.04, 7.05, 7.09 or Article VIII, inclusive; or

(ii) default in the due performance or observance by it of any term, covenant or agreement contained in Section 7.01 (other than Section 7.01(e)(i)) and such default shall continue unremedied for a period of five Business Days after the earlier of the Borrower becoming aware of such default or notice thereof given by the Administrative Agent or any Lender; or

(iii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b), (c)(i), or (c)(ii) of this Section 9.01) contained in this Credit Agreement or any other Credit Document and such default shall continue unremedied for a period of at least 30 days after the earlier of the Borrower becoming aware of such default or notice thereof given by the Administrative Agent or any Lender.

(d) Credit Documents. Any Credit Document shall fail to be in force and effect or the Borrower shall so assert or any Credit Document shall fail to give the Administrative

Agent and the Lenders the rights, powers, liens and privileges purported to be created thereby.

(e) Bankruptcy, etc. The occurrence of any of the following with respect to the Borrower or any of its Material Subsidiaries (i) a court or governmental agency having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower or any such Material Subsidiary in an involuntary case under any applicable Debtor Relief Law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Borrower or any such Material Subsidiary or for any substantial part of its property or ordering the winding up or liquidation of its affairs; or (ii) an involuntary case under any applicable Debtor Relief Law now or hereafter in effect is commenced against the Borrower or any such Material Subsidiary and such petition remains unstayed and in effect for a period of 60 consecutive days; or (iii) the Borrower or any such Material Subsidiary shall commence a voluntary case under any applicable Debtor Relief Law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of such Person or any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Borrower or any such Material Subsidiary shall admit in writing its inability to pay its debts generally as they become due or any action shall be taken by any Person in furtherance of any of the aforesaid purposes.

(f) Defaults under Other Agreements.

(i) The Borrower or any of its Subsidiaries shall default in the due performance or observance (beyond the applicable grace period with respect thereto) of any material obligation or condition of any contract or lease to which it is a party, if such default would have or would reasonably be expected to have a Material Adverse Effect.

(ii) With respect to any Indebtedness of the Borrower or any of its Subsidiaries (other than Indebtedness outstanding under this Credit Agreement) in excess of \$50,000,000 in the aggregate (A) the Borrower or any such Subsidiary shall (x) default in any payment (beyond the applicable grace period with respect thereto, if any) with respect to such Indebtedness, or (y) default (after giving effect to any applicable grace period) in the observance or performance of any covenant or agreement relating to such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event or condition shall occur or condition exist, the effect of which default or other event or condition is to cause or permit the holder or the holders of such Indebtedness (or any trustee or agent on behalf of such holders) to cause (determined without regard to whether any notice or lapse of time is required) such Indebtedness to become due prior to its stated maturity; or (B) such Indebtedness shall be declared due and payable, or required to be prepaid other than by a regularly scheduled required prepayment prior to the stated maturity thereof; or (C) such Indebtedness shall mature and remain unpaid.

(g) Judgments. One or more judgments, orders, or decrees shall be entered against the Borrower or any of its Subsidiaries involving a liability of \$50,000,000 or more, in the aggregate, (to the extent not paid or covered by insurance provided by a carrier who has acknowledged coverage) and such judgments, orders or decrees shall be final and unappealable or shall not have been vacated, satisfied, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; provided that if such judgment, order or decree provides for periodic payments over time then the Borrower or such Subsidiary shall have a grace period of 30 days with respect to each such periodic payment but only so long as no lien attaches during such period.

(h) ERISA. The occurrence of any of the following events or conditions if any of the same would have or would be reasonably expected to result in liability of the Borrower in excess of \$100,000,000: (i) any "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of the Borrower or any ERISA Affiliate in favor of the PBGC or a Plan; (ii) a Termination Event shall occur with respect to a Single Employer Plan which is, in the reasonable opinion of the Administrative Agent, likely to result in the termination of such Plan for purposes of Title IV of ERISA; (iii) a Termination Event shall occur with respect to a Multiemployer Plan or Multiple Employer Plan which is, in the reasonable opinion of the Administrative Agent, likely to result in (A) the termination of such Plan for purposes of Title IV of ERISA, or (B) the Borrower or any ERISA Affiliate incurring any liability in connection with a withdrawal from, reorganization of (within the meaning of Section 4241 of ERISA), or insolvency (within the meaning of Section 4245 of ERISA) of such Plan; or (iv) any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility shall occur which would be reasonably expected to subject the Borrower or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

(i) Change of Control. There shall occur a Change of Control.

(j) Licenses, Permits, Authorizations. The Borrower or any of its Subsidiaries shall lose or fail to maintain any license, permit or authorization if such loss or failure would have or would reasonably be expected to have a Material Adverse Effect.

9.02 ACCELERATION; REMEDIES.

Upon the occurrence of an Event of Default, and at any time thereafter unless and until such Event of Default has been waived by the Lenders or the Required Lenders, as applicable, the Administrative Agent may, or upon the request and direction of the Required Lenders shall, by written notice to the Borrower, take any of the following actions without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against the Borrower, except as otherwise specifically provided for herein:

(a) Termination of Commitments. Declare the Commitments terminated, whereupon the Commitments shall be immediately terminated.

(b) Acceleration of Loans. Declare the unpaid amount of all Borrower Obligations to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower.

(c) Cash Collateral. Direct the Borrower to Cash Collateralize (and the Borrower agrees that upon receipt of such notice, or upon the occurrence of an Event of Default under Section 9.1(e), it will immediately Cash Collateralize) L/C Obligations in respect of subsequent drawings under all then outstanding Letters of Credit in an amount equal to the then outstanding principal amount of L/C Obligations.

(d) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Credit Documents, including, without limitation, all rights of set-off.

Notwithstanding the foregoing, if an Event of Default specified in Section 9.01(e) shall occur, then the Commitments and any obligation of any L/C Issuer to make L/C Credit Extensions shall automatically terminate and all Loans, all L/C Obligations, all accrued interest in respect thereof, all accrued and unpaid fees and other Borrower Obligations owing to the Administrative Agent and the Lenders hereunder shall immediately become due and payable without the giving of any notice or other action by the Administrative Agent or the Lenders, which notice or other action is expressly waived by the Borrower.

Notwithstanding the fact that enforcement powers reside primarily with the Administrative Agent, each Lender has, to the extent permitted by Law, a separate right of payment and shall be considered a separate "creditor" holding a separate "claim" within the meaning of Section 101(5) of the Bankruptcy Code or any other Debtor Relief Law.

9.03 ALLOCATION OF PAYMENTS AFTER EVENT OF DEFAULT.

Notwithstanding any other provisions of this Credit Agreement, after the occurrence of an Event of Default and the exercise of remedies by the Administrative Agent or the Lenders pursuant to Section 9.02 (or after the Commitments shall automatically terminate and the Loans (with accrued interest thereon) and all other amounts under the Credit Documents shall automatically become due and payable in accordance with the terms of such Section), all amounts collected or received by the Administrative Agent or any Lender on account of amounts outstanding under any of the Credit Documents shall be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees) of the Administrative Agent or any of the Lenders in connection with enforcing its rights under the Credit Documents ratably among them in proportion to the amounts described in this clause "FIRST" payable to them;

SECOND, to payment of any fees owed to the Administrative Agent or any of the Lenders ratably among them in proportion to the amounts described in this clause "SECOND" payable to them;

THIRD, to the payment of all accrued interest payable to the Lenders hereunder ratably among them in proportion to the amounts described in this clause "THIRD" payable to them;

FOURTH, to the payment of the outstanding principal amount of the Loans (including the Cash Collateralization of the outstanding L/C Obligations) ratably among them in proportion to the amounts described in this clause "FOURTH" payable to them;

FIFTH, to all other obligations which shall have become due and payable under the Credit Documents and not repaid pursuant to clauses "FIRST" through "FOURTH" above ratably among the holders of the Borrower Obligations in proportion to the amounts described in this clause "FIFTH" payable to them; and

SIXTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category.

Subject to Section 2.04(c), amounts used to Cash Collateralize the aggregate undrawn amount of Letters of Credit pursuant to clause Fourth above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Borrower Obligations, if any, in the order set forth above.

ARTICLE X

AGENCY PROVISIONS

10.01 APPOINTMENT AND AUTHORIZATION OF THE ADMINISTRATIVE AGENT.

(a) Each Lender hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Credit Agreement and each other Credit Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Credit Agreement or any other Credit Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Credit Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Credit Agreement or any other Credit

Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in the other Credit Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Requirement of Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) Each L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and each L/C Issuer shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article X with respect to any acts taken or omissions suffered by such L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in this Article X and in the definition of "Agent-Related Person" included such L/C Issuer with respect to such acts or omissions, and (ii) as additionally provided herein with respect to the L/C Issuers.

10.02 DELEGATION OF DUTIES.

The Administrative Agent may execute any of its duties under this Credit Agreement or any other Credit Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

10.03 LIABILITY OF AGENTS.

No Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Credit Agreement or any other Credit Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by the Borrower or any officer thereof, contained herein or in any other Credit Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Credit Agreement or any other Credit Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Credit Agreement or any other Credit Document, or for any failure of the Borrower or any other party to any Credit Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Credit Agreement or any other Credit Document, or to inspect the properties, books or records of the Borrower or any Affiliate thereof.

10.04 RELIANCE BY ADMINISTRATIVE AGENT.

(a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, electronic mail message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under any Credit Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Credit Agreement or any other Credit Document in accordance with a request or consent of the Required Lenders (or such greater number of Lenders as may be expressly required hereby in any instance) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 5.01, each Lender that has signed this Credit Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

10.05 NOTICE OF DEFAULT.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Borrower referring to this Credit Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default." The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be directed by the Required Lenders in accordance with Article IX; provided, however, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Lenders.

10.06 CREDIT DECISION; DISCLOSURE OF INFORMATION BY THE ADMINISTRATIVE AGENT.

Each Lender acknowledges that no Agent-Related Person has made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of the Borrower or any Affiliate

thereof, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender as to any matter, including whether Agent-Related Persons have disclosed material information in their possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries, and all applicable bank or other regulatory Requirement of Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Credit Agreement and to extend credit to the Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Credit Agreement and the other Credit Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent herein, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower or any of its Affiliates which may come into the possession of any Agent-Related Person.

10.07 INDEMNIFICATION OF THE ADMINISTRATIVE AGENT.

Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower to do so), on a pro rata basis, and hold harmless each Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; provided, however, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Agent-Related Person's own gross negligence or willful misconduct; provided further, however, that no action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including, without limitation, the reasonable fees and expenses of legal counsel) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Credit Agreement, any other Credit Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section shall survive termination of the Commitments, the payment of all Borrower Obligations and the resignation of the Administrative Agent.

10.08 ADMINISTRATIVE AGENT IN ITS INDIVIDUAL CAPACITY.

Bank of America and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Borrower and its Affiliates as though Bank of America were not the Administrative Agent or an L/C Issuer hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Bank of America or its Affiliates may receive information regarding the Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Borrower or such Affiliate) and acknowledge that Bank of America shall be under no obligation to provide such information to them. With respect to its Loans, Bank of America shall have the same rights and powers under this Credit Agreement as any other Lender and may exercise such rights and powers as though it were not the Administrative Agent or an L/C Issuer, and the terms "Lender" and "Lenders" include Bank of America in its individual capacity.

10.09 SUCCESSOR AGENT.

The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders; provided, that any such resignation by Bank of America shall also constitute its resignation as an L/C Issuer. If the Administrative Agent resigns under this Credit Agreement, the Required Lenders shall appoint from among the Lenders a successor Administrative Agent for the Lenders, which successor Administrative Agent shall be consented to by the Borrower at all times other than during the existence of an Event of Default (which consent of the Borrower shall not be unreasonably withheld or delayed). If no successor Administrative Agent is appointed prior to the effective date of the resignation of the retiring Administrative Agent, the retiring Administrative Agent may appoint, after consulting with the Lenders and the Borrower, a successor Administrative Agent from among the Lenders. Upon the acceptance of its appointment as successor Administrative Agent hereunder, the Person acting as such successor Administrative Agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and L/C Issuer, and the terms "Administrative Agent" and "L/C Issuer" shall mean such successor administrative agent and L/C Issuer and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated without any other or further act or deed on the part of the resigning Administrative Agent and the retiring L/C Issuer's rights, powers and duties as such shall be terminated without any other or further act of deed on the part of such retiring L/C Issuer or any other Lender other than the obligation of the successor L/C Issuer to issue letters of credit in substitution for the Letters of Credit issued by such retiring L/C Issuer, if any, outstanding at the time of such succession or to make other arrangements satisfactory to the retiring L/C Issuer to effectively assume the obligations of the retiring L/C Issuer with respect to such Letters of Credit. After the Administrative Agent's resignation hereunder as the Administrative Agent, the provisions of this Article X and Section 11.05 shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent under this Credit Agreement. If no successor Administrative Agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the

Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above.

10.10 ADMINISTRATIVE AGENT MAY FILE PROOFS OF CLAIM.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Borrower Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 3.04 and 11.05) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 3.04 and 11.05).

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Borrower Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

10.11 OTHER AGENTS, ARRANGERS AND MANAGERS.

None of the Lenders or other Persons identified on the facing page or signature pages of this Credit Agreement as a "syndication agent," "documentation agent," "managing agent," "co-agent," "book manager," "lead manager," "arranger," "lead arranger" or "co-arranger" shall have any right, power, obligation, liability, responsibility or duty under this Credit Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting

the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Credit Agreement or in taking or not taking action hereunder.

ARTICLE XI

MISCELLANEOUS

11.01 NOTICES AND OTHER COMMUNICATIONS; FACSIMILE COPIES.

(a) General. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission). All such written notices shall be mailed, faxed or delivered to the address, facsimile number or (subject to subsection (c) below) electronic mail address specified for notices to the applicable party on Schedule 11.01; or to such other address, facsimile number or electronic mail address as shall be designated by such party in a notice to the other party. All notices and other communications expressly permitted hereunder to be given by telephone shall be made to the telephone number specified for notices to the applicable party on Schedule 11.01, or to such other telephone number as shall be designated by such party in a notice to the other party. All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the relevant party hereto and (ii) (A) if delivered by hand or by courier, when signed for by or on behalf of the relevant party hereto; (B) if delivered by mail, four Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of subsection (c) below), when delivered on a Business Day (and if not delivered on a Business Day, then the next succeeding Business Day); provided, however, that notices and other communications to the Administrative Agent and the L/C Issuers pursuant to Article II shall not be effective until actually received by such Person. In no event shall a voicemail message be effective as a notice, communication or confirmation hereunder.

(b) Effectiveness of Facsimile Documents and Signatures. Credit Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable law, have the same force and effect as manually-signed originals and shall be binding on the Borrower and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(c) Limited Use of Electronic Mail. Electronic mail and Internet and intranet websites may be used only to distribute routine communications, such as financial statements and other information, and to distribute Credit Documents for execution by the parties thereto, and may not be used for any other purpose, including Article II notices.

(d) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify each Agent-Related Person and each Lender, their Affiliates, and their respective officers, directors, employees, agents and attorneys-in-fact from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower, except that the Borrower shall not be obligated to indemnify any Person under the provisions of this subsection (d) where such losses, costs, expenses and liabilities are the result of such Person's willful misconduct or gross negligence. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and the Borrower hereby consents to such recording.

11.02 RIGHT OF SET-OFF.

In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default and the commencement of remedies described in Section 9.02, each Lender, to the extent permitted by law, is authorized at any time and from time to time, without presentment, demand, protest or other notice of any kind (all of which rights being hereby expressly waived), to set-off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by each Lender (including, without limitation branches, agencies or affiliates of such Lender wherever located) to or for the credit or the account of the Borrower against obligations and liabilities of the Borrower to the Lenders hereunder, under the Notes, the other Credit Documents or otherwise, irrespective of whether the Administrative Agent or the Lenders shall have made any demand hereunder and although such obligations, liabilities or claims, or any of them, may be contingent or unmatured, and any such set-off shall be deemed to have been made immediately upon the occurrence of an Event of Default even though such charge is made or entered on the books of such Lender subsequent thereto. The Borrower hereby agrees that any Person purchasing a participation in the Loans and Commitments hereunder pursuant to Sections 3.09 or 11.03(e) may exercise all rights of set-off with respect to its Participation Interest as fully as if such Person were a Lender hereunder.

11.03 BENEFIT OF AGREEMENT.

(a) The provisions of this Credit Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section, or (iv) to an SPC in accordance with the provisions of subsection (g) of this Section (and any other attempted

assignment or transfer by any party hereto shall be null and void). Nothing in this Credit Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Credit Agreement.

(b) Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Credit Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations) at the time owing to it); provided that (i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Credit Agreement with respect to the Loans or the Commitment assigned, (iii) any assignment of a Commitment must be approved by the Administrative Agent unless the Person that is the proposed assignee is itself a Lender or an Affiliate of a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500. Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Credit Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Credit Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Credit Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Credit Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 4.01, 4.04, 4.05, and 11.05(b) with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Credit Agreement that does not comply with this subsection shall be treated for purposes of this Credit Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office located in Charlotte, North Carolina a copy of each Assignment and Assumption delivered to it and a register for the

recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations 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 Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Credit Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Credit Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations) owing to it); provided that (i) such Lender's obligations under this Credit 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 Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Credit 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 Credit Agreement and to approve any amendment, modification or waiver of any provision of this Credit Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 11.06 that directly affects such Participant. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 4.01, 4.04 and 4.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 3.08 as though it were a Lender, provided such Participant agrees to be subject to Section 3.09 as though it were a Lender.

(e) A Participant shall not be entitled to receive any greater payment under Section 4.01, 4.04 or 4.05 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 Borrower'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 4.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 4.01(f) as though it were a Lender.

(f) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Credit Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower (an "SPC") the option to provide all or any part of any Loan that such Granting Lender would otherwise be obligated to make pursuant to this Credit Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to fund any Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. Each party hereto hereby agrees that (A) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Credit Agreement (including its obligations under Sections 4.01, 4.04 and 4.05), (B) no SPC shall be liable for any indemnity or similar payment obligation under this Credit Agreement for which a Lender would be liable, and (C) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Credit Document, remain the lender of record hereunder. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Credit Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt 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 proceeding under the Laws of the United States or any State thereof. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or any portion of its right to receive payment with respect to any Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Loans to any rating agency, commercial paper dealer or provider of any surety or guarantee or credit or liquidity enhancement to such SPC.

(h) Notwithstanding anything to the contrary contained herein, any Lender that is a Fund may create a security interest in all or any portion of the Loans owing to it and the Note, if any, held by it to the trustee for holders of obligations owed, or securities issued, by such Fund as security for such obligations or securities, provided that unless and until such trustee actually becomes a Lender in compliance with the other provisions of this Section 11.03, (i) no such pledge shall release the pledging Lender from any of its obligations under the Credit Documents and (ii) such trustee shall not be entitled to exercise any of the rights of a Lender under the Credit Documents even though such trustee may have acquired ownership rights with respect to the pledged interest through foreclosure or otherwise.

11.04 NO WAIVER; REMEDIES CUMULATIVE.

No failure or delay on the part of the Administrative Agent or any Lender in exercising any right, power (including, without limitation, any power of attorney) or privilege hereunder or under any other Credit Document and no course of dealing between the Borrower, the Administrative Agent or any Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or

further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Administrative Agent or any Lender would otherwise have. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent or any Lender to any other or further action in any circumstances without notice or demand.

11.05 ATTORNEY COSTS, EXPENSES, TAXES AND INDEMNIFICATION BY BORROWER.

(a) The Borrower agrees (i) to pay or reimburse the Administrative Agent and the Arranger for all reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation, negotiation and execution of this Credit Agreement and the other Credit Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all reasonable fees and expenses of legal counsel, and (ii) to pay or reimburse the Administrative Agent and each Lender for all costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Credit Agreement or the other Credit Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Borrower Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all reasonable fees and expenses of legal counsel. The foregoing costs and expenses shall include all search, filing, recording, and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the Arranger and the cost of independent public accountants and other outside experts retained by the Administrative Agent, the Arranger or any Lender. Other than costs and expenses payable in connection with the closing of the transactions contemplated by this Credit Agreement pursuant to Section 11.05(a) (which shall be payable on the Closing Date unless otherwise agreed by the Administrative Agent and the Arranger), all amounts due under this Section 11.05 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the termination of the Commitments and repayment of all other Borrower Obligations.

(b) Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold harmless each Agent-Related Person, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses and disbursements (including the reasonable fees and expenses of legal counsel) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (i) the execution, delivery, enforcement, performance or administration of any Credit Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (ii) any Commitment, Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by any L/C Issuer 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 substances on or from any property currently or formerly owned or operated by the Borrower, any of its Subsidiaries, or any environmental claim related in any way to the Borrower 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 (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"), in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of the Indemnitee; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses or disbursements are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. Neither the Borrower nor any Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in connection with this Credit Agreement, nor shall any Indemnitee have any liability for any indirect or consequential damages relating to this Credit Agreement or any other Credit Document or arising out of its activities in connection herewith or therewith (whether before or after the Closing Date). All amounts due under this Section 11.05 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all the other Borrower Obligations.

11.06 AMENDMENTS, WAIVERS AND CONSENTS.

Neither this Credit Agreement nor any other Credit Document nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing and signed by the Required Lenders and the Borrower; provided that no such amendment, change, waiver, discharge or termination shall, without the consent of each Lender directly affected thereby:

- (a) extend the Maturity Date;
- (b) reduce the rate or extend the time of payment of interest (other than as a result of waiving the applicability of any post-default increase in interest rates) on the Loans or fees hereunder;
- (c) reduce or waive the principal amount of any Loan or extend the time of payment thereof;
- (d) increase or extend the Commitment of a Lender (it being understood and agreed that a waiver of any Default or Event of Default or a waiver of any mandatory reduction in the Commitments shall not constitute a change in the terms of any Commitment of any Lender);

(e) release the Borrower from its obligations or consent to the assignment or transfer by the Borrower of any of its rights and obligations under (or in respect of) the Credit Documents;

(f) amend, modify or waive any provision of this Section 11.06 or Sections 3.08, 3.09, 9.01(a), 11.02, 11.03 or 11.05; or

(g) reduce any percentage specified in, or otherwise modify, the definition of Required Lenders.

Notwithstanding the above, (i) no provision of Section 3.04(e) may be amended or modified without the consent of the Administrative Agent, (ii) no provision of Sections 2.04, 3.04(c) or 3.04(d) may be amended or modified without the consent of the then L/C Issuers and (iii) no provision of this Credit Agreement or any other Credit Document that addresses the rights or obligations of the Administrative Agent (including, without limitation, Section 10) may be amended or modified without prior written consent of the Administrative Agent.

Each Lender understands and agrees that if such Lender is a Defaulting Lender then, notwithstanding the provisions of this Section 11.06, it shall not be entitled to vote on any matter requiring the consent of the Required Lenders or to object to any matter requiring the consent of all the Lenders; provided, however, that all other benefits and obligations under the Credit Documents shall apply to such Defaulting Lender.

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above, (A) each Lender is entitled to vote as such Lender sees fit on any reorganization plan that affects the Borrower Obligations, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code supersede the unanimous consent provisions set forth herein and (B) the Required Lenders may consent to allow the Borrower to use cash collateral in the context of a bankruptcy or insolvency proceeding.

11.07 COUNTERPARTS.

This Credit Agreement may be executed in any number of counterparts, each of which where so executed and delivered shall be an original, but all of which shall constitute one and the same instrument.

11.08 SURVIVAL OF INDEMNIFICATION AND REPRESENTATIONS AND WARRANTIES.

(a) Survival of Indemnification. All indemnities set forth herein shall survive the execution and delivery of this Credit Agreement, the making of the Loans, the repayment of the Loans and the other Borrower Obligations and the termination of the Commitments hereunder.

(b) Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Credit Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the

Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or Event of Default at the time of any Loans, and shall continue in full force and effect as long as any Loan or any other Borrower Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

11.09 GOVERNING LAW; VENUE.

(a) THIS CREDIT AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. Any legal action or proceeding with respect to this Credit Agreement or any other Credit Document may be brought in the courts of the State of New York, or of the United States District Court sitting in New York City, New York, and, by execution and delivery of this Credit Agreement, the Borrower hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of such courts. The Borrower further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to it at the address for notices pursuant to Section 11.01, such service to become effective 30 days after such mailing. Nothing herein shall affect the right of the Administrative Agent or any Lender to serve process in any other manner permitted by law or to commence legal proceedings or to otherwise proceed against the Borrower in any other jurisdiction.

(b) The Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Credit Agreement or any other Credit Document in the courts referred to in subsection (a) hereof and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

11.10 WAIVER OF JURY TRIAL; WAIVER OF CONSEQUENTIAL AND PUNITIVE DAMAGES.

EACH OF THE PARTIES TO THIS CREDIT AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS CREDIT AGREEMENT, ANY OF THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY. Each of the parties to this Credit Agreement agrees not to assert any claim against any other party to this Credit Agreement, any of such party's Affiliates or any of its directors, officers, employees, attorneys or agents, on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to any of the transactions contemplated herein.

11.11 SEVERABILITY.

If any provision of any of the Credit Documents is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

11.12 FURTHER ASSURANCES.

The Borrower agrees, upon the request of the Administrative Agent, to promptly take such actions, as reasonably requested, as are necessary to carry out the intent of this Credit Agreement and the other Credit Documents.

11.13 ENTIRETY.

This Credit Agreement together with the other Credit Documents represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Credit Documents or the transactions contemplated herein and therein.

11.14 BINDING EFFECT; CONTINUING AGREEMENT.

(a) This Credit Agreement shall become effective at such time as all of the conditions set forth in Section 5.01 have been satisfied or waived in the sole discretion of the Lenders and it shall have been executed by the Borrower, the Administrative Agent and the Lenders, and thereafter this Credit Agreement shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent, the Lenders and their respective successors and assigns.

(b) This Credit Agreement shall be a continuing agreement and shall remain in full force and effect until all Loans, L/C Obligations, interest, fees and other Borrower Obligations have been paid in full and the Commitments and Letters of Credit have terminated. Upon termination, the Borrower shall have no further obligations (other than the indemnification provisions that survive) under the Credit Documents; provided that should any payment, in whole or in part, of the Borrower Obligations be rescinded or otherwise required to be restored or returned by the Lenders, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, then the Credit Documents shall automatically be reinstated and all amounts required to be restored or returned and all costs and expenses incurred by the Administrative Agent and any Lender in connection therewith shall be deemed included as part of the Borrower Obligations.

11.15 CONFIDENTIALITY.

Each of the Administrative Agent 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 Credit Agreement; (e) only to the extent necessary in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Credit Agreement or the enforcement of rights hereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any Eligible Assignee of or Participant in, or any prospective Eligible Assignee of or Participant in, any of its rights or obligations under this Credit Agreement or (ii) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty's or prospective counterparty's professional advisor) to any credit derivative transaction relating to obligations of the Borrower; (g) with the consent of the Borrower; (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower; or (i) to the National Association of Insurance Commissioners or any other similar organization. In addition, the Administrative Agent and the Lenders may disclose the existence of this Credit Agreement and information about this Credit Agreement to market data collectors, similar service providers to the lending industry, and service providers to the Administrative Agent and the Lenders in connection with the administration and management of this Credit Agreement, the other Credit Documents, the Commitments, and the Loans. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified in writing at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 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. Notwithstanding anything herein to the contrary, "Information" shall not include, and the Administrative Agent and each Lender may disclose without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Administrative Agent or such Lender relating to such tax treatment and tax structure; provided that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the Loans and transactions contemplated hereby.

11.16 ENTIRE AGREEMENT.

THIS WRITTEN CREDIT AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES

[Remainder of Page Intentionally Left Blank]

Each of the parties hereto has caused a counterpart of this Credit Agreement to be duly executed and delivered as of the date first above written.

BORROWER:

BAKER HUGHES INCORPORATED,
a Delaware corporation,

By:

Name:

Title:

ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A., as Administrative Agent

By: -----
Name: -----
Title: -----

LENDERS:

BANK OF AMERICA, N.A.

By: -----
Name: -----
Title: -----

[OTHER LENDERS]

By: -----
Name: -----
Title: -----

[BANK]

BAKER HUGHES INCORPORATED
3900 ESSEX LANE SUITE
P.O. BOX 4740
HOUSTON, TX 77210-4740
ATTN: MR. DOUG DOTY

DATE: 30JUL03

RE: Interest Rate Swap Transaction

Dear Sir/Madam,

The purpose of this letter (this "Confirmation") is to confirm the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below.

The definitions and provisions contained in the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

Reference to "Party A" and "Party B" are for the purposes of this Confirmation only.

1. This Confirmation evidences a complete and binding agreement between

("PARTY A")

BAKER HUGHES INCORPORATED ("PARTY B")

as to the terms of the Swap Transaction to which this Confirmation relates. In addition, you and we agree to use all reasonable efforts promptly to negotiate, execute and deliver an agreement in the form of the ISDA Master Agreement (Multicurrency-Cross Border) (the "ISDA Form"), with such modifications as you and we in good faith agree. Upon the execution by you and us of such agreement, this Confirmation will supplement, form a part of and be subject to that agreement. All provisions contained in or incorporated by reference in that agreement upon its execution will govern this Confirmation except as expressly modified below. Until we execute and deliver that agreement, this Confirmation, together with all other documents referring to the ISDA Form (each a "Confirmation") confirming transactions (each a "Transaction") entered into between us (notwithstanding anything to the contrary in a Confirmation), shall supplement, form a part of, and be subject to an agreement in the form of the ISDA Form as if we had executed an agreement in such form (but without any Schedule except for the election of English Law as the governing law and the US Dollars as the Termination Currency) on the Trade Date of the first such Transaction between us. In the event of any inconsistency between the provisions of that agreement and this Confirmation, this Confirmation will prevail for the purposes of this Swap Transaction.

2. The terms of the particular Swap Transaction to which this Confirmation relates are as follows:-

Notional Amount : USD 325,000,000.00
Trade Date : 30JUL03
Effective Date : 01AUG03
Termination Date : 15JAN09
SUBJECT TO ADJUSTMENT IN
ACCORDANCE WITH THE
MODIFIED FOLLOWING BUSINESS DAY
CONVENTION

FIXED AMOUNTS

Fixed Rate Payer : PARTY A
Fixed Rate Payer Payment Dates : EACH JANUARY 15, AND JULY 15,
COMMENCING JANUARY 15, 2004 AND
ENDING JANUARY 15, 2009, SUBJECT
TO ADJUSTMENT IN ACCORDANCE
WITH THE MODIFIED FOLLOWING
BUSINESS DAY CONVENTION, WITH
NO ADJUSTMENT TO PERIOD END DATES.
Fixed Rate (% Per Annum) : 6.250000
Fixed Rate Day Count Fraction : 30/360

FLOATING AMOUNTS

Floating Rate Payer : PARTY B
Floating Rate Payer Payment Dates : EACH JANUARY 15, AND JULY 15,
COMMENCING JANUARY 15, 2004 AND
ENDING JANUARY 15, 2009, SUBJECT
TO ADJUSTMENT IN ACCORDANCE WITH
THE MODIFIED FOLLOWING BUSINESS
DAY CONVENTION.

Floating Rate for the Initial
Calculation Period : 1.150000 % (EXCLUSIVE OF SPREAD)
Floating Rate Day Count Fraction : ACTUAL/360
Floating Rate Option : USD-LIBOR-BBA
Designated Maturity : 6 MONTHS
Spread (%) : PLUS 2.4425
Reset Dates : THE FIRST DAY OF EACH
CALCULATION PERIOD
Business Days : LONDON, NEW YORK
Calculation Agent : PARTY A, UNLESS OTHERWISE
STATED IN THE MASTER AGREEMENT

3. ACCOUNT DETAILS:

Payments of PARTY A

Correspondent Bank :
Favour : [Bank Information]
A/c :
Ref :

Payments of PARTY B

PLEASE ADVISE UNDER SEPARATE COVER

4. OFFICES

PARTY A : LONDON BRANCH
PARTY B : HOUSTON

5. OTHER PROVISIONS

(A) RELATIONSHIP BETWEEN THE PARTIES

Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):

- (i) Non-Reliance. It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanation related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction;
- (ii) Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advise), and understands and accepts the terms, conditions and risks of that Transaction. It assumes the risks of that Transactions;
- (iii) Status of Parties. The other party is not acting as a fiduciary or an adviser to it in respect of that Transaction

- (iv) Consultation. Discussions of termination or limitation of risk with respect to the Transaction and/or provision by a party of indicative valuations, financial analyses or other statements of valuation and risk based on market movements (i) are based only on the party's business and experience as a provider of financial services, (ii) are subject only to the duty of each party to act in good faith and to no other duty and (iii) do not constitute guarantees or assurances of financial results or commitments to terminate or otherwise limit exposure under the Transaction, it being understood that each party undertakes duties, liabilities or obligations under the Agreement or in respect of the Transaction only through written documentation expressly so undertaking and signed by its duly authorised officer; and
- (v) Awareness. In so far as Party B is not acting as a dealer or a market professional in the relevant market, the transaction is entered in to in accordance with its authorised policies for purposes of hedging or managing its assets, liabilities and/or investments or in connection with a line of business (and not for speculation).

Please confirm that the foregoing correctly sets forth the terms of our agreement by a return fax/telex to [Bank] to the attention of Derivatives Documentation Unit:

Fax Number
 Telephone Number [Bank Information]

Yours faithfully,

By: _____ By: _____

Name: Name:

Title: Title:

By: /s/ H. Gene Shiels By: _____

 BAKER NOGMES INCORPORATION, HOUSTON

Name: H. Gene Shiels Name:

Title: ASSISTANT TREASURER Title:

SCHEDULE TO THE MASTER AGREEMENT
DATED AS OF JULY 30, 2003
BETWEEN
[BANK] ("BANK")
AND
BAKER HUGHES INCORPORATED ("BHI")

PART 1: TERMINATION PROVISIONS AND CERTAIN OTHER MATTERS

- (a) "SPECIFIED ENTITY" means, in relation to Bank, for the purpose of:
- SECTION 5(a)(v), not applicable;
 - SECTION 5(a)(vi), not applicable;
 - SECTION 5(a)(vii), not applicable; and
 - SECTION 5(b)(iv), not applicable;
- and, in relation to BHI, for the purpose of:
- SECTION 5(a)(v), not applicable;
 - SECTION 5(a)(vi), not applicable;
 - SECTION 5(a)(vii), not applicable; and
 - SECTION 5(b)(iv), not applicable.
- (b) "SPECIFIED TRANSACTION" will have the meaning specified in Section 14.
- (c) The "CROSS-DEFAULT" provisions of Section 5(a)(vi) will apply to Bank and BHI.

If such provisions apply, "SPECIFIED INDEBTEDNESS" means in relation to Bank and BHI, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) (i) in respect of borrowed money, other than an obligation for which payment is not being made because of an event similar to illegality or because the obligation to pay is being disputed in good faith, except that with respect to the Bank, such term will not include obligations in respect of deposits received in the ordinary course of its banking business; and (ii) any amount due and payable in respect of any Specified Transaction (except that, for this purpose only, the words "and any other entity" shall be substituted for the words "and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party)" where they appear in the definition of Specified Transaction), and with respect to BHI shall include, without limitation, and without regard to the Threshold Amount the obligations of BHI under that certain Credit Agreement dated as of July 7, 2003 between Baker Hughes Incorporated as Borrower, and the Lenders identified therein, and Bank of America, N.A. as Administrative Agent, [Bank, Bank] and [Bank], as Syndication Agents, [Bank], as Documentation Agent, and [Bank], as Managing Agent and [Bank], as Sole Lead

Arranger and Sole Book Manager as the same may be amended, modified or supplemented from time to time (the "Credit Agreement").

Section 5(a)(vi) is amended by the insertion of the following words after the words "due and payable" on line 8:

"or, in the case of Specified Indebtedness in respect of any Specified Transaction which has resulted in such Specified Indebtedness becoming due and payable as a result of the early termination of the relevant Specified Transaction".

"THRESHOLD AMOUNT" means for Bank and BHI three percent (3%) of shareholder's equity, determined in accordance with generally accepted accounting principles in such party's country of incorporation or organization, consistently applied, as at the end of such party's most recently completed fiscal year. For purposes of this definition, any Specified Indebtedness denominated in a currency other than the currency in which the financial statements of such party are denominated shall be converted into USD.

(d) The "CREDIT EVENT UPON MERGER" provisions of Section 5(b)(iv) shall be deleted in its entirety and replaced with the following language set forth in this clause (d) of this Schedule.

"(1) (A) such party ("A"), any Credit Support Provider of A or any applicable Specified Entity of A consolidates, amalgamates or mergers with or into, or transfers all or substantially all of its assets to another entity;

(B) any person or entity acquires directly or indirectly the beneficial ownership of equity securities having the power to elect a majority of the board of directors of A or otherwise acquires directly or indirectly the power to control the policy making decisions of A; or

(C) A enters into any agreement providing for the transactions described in Sections 5(b)(iv)(1)(A) or 5(b)(iv)(1)(B) of this Agreement;

(2) such action does not constitute an event described in Section 5(a)(viii) of this Agreement; and

(3) Standard and Poor's Corporation or Moody's Investor Services, Inc. (or any successors to such entities) rates the creditworthiness of A (in the case of a transaction by a Specified Entity of A that is not a Credit Support Provider of A), or of the resulting, surviving or transferee entity of A or the Credit Support Provider of A, as the case may be (in the case of a transaction by A or the Credit Support Provider of A, as the case may be), below BBB- or Baa3, respectively; or"

(e) The "AUTOMATIC EARLY TERMINATION" provision of Section 6(a) will not apply to Bank or BHI.

6(e): (f) PAYMENTS ON EARLY TERMINATION. For the purpose of Section

(i) (a) Market Quotation will apply with respect to Transactions other than FX Transactions and Currency Option Transactions; and (b) Loss will apply with respect to FX Transactions and Currency Option Transactions.

(ii) The Second Method will apply to all Transactions.

(g) "TERMINATION CURRENCY" means U. S. Dollar.

(h) ADDITIONAL TERMINATION EVENT. (i) The following shall constitute an Additional Termination Event (with any event specified in the following constituting an "IMPOSSIBILITY"):

Due to the occurrence of a natural or man-made disaster, armed conflict, act of terrorism, riot, labor disruption, act of State, or any other similar circumstance beyond its control after the date on which a Transaction is entered into, it becomes impossible (other than as a result of its own misconduct) for a party (which will be the Affected Party):

(1) to perform any absolute or contingent obligation, to make a payment or delivery or to receive a payment or delivery in respect of a Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party or such Credit Support Provider has under any Credit Support Document relating to a Transaction.

(ii) The definition of "Affected Transactions" in Section 14 of this Agreement is amended by adding the word "Impossibility" immediately before the word "Illegality" in the first line thereof.

(iii) If an event or circumstance that would otherwise constitute or give rise to an Event of Default also constitutes an Impossibility, it will be treated as a Termination Event and will not constitute an Event of Default.

PART 2: TAX REPRESENTATIONS

(a) REPRESENTATIONS OF BANK.

(1) Payer Tax Representation. For the purpose of Section 3(e), Bank hereby makes the following representation.

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d) (ii) or 6(e)) to be made by it to BHI under this Agreement. In making this representation, it may rely on:

(a) the accuracy of any representations made by BHI pursuant to Section 3(f);

(b) the satisfaction of the agreement of BHI contained in Section 4(a)(i) or 4(a) (iii) and the accuracy and effectiveness of any document provided by BHI pursuant to Section 4(a) (i) or 4(a) (iii); and

(c) the satisfaction of the agreement of BHI contained in Section 4(d);

provided that it shall not be a breach of this representation where reliance is placed on clause (b) and BHI does not deliver a form or document under Section 4(a) (iii) by reason of material prejudice to its legal or commercial position.

(2) Payee Tax Representations. For the purpose of Section 3(f), Bank makes the representations specified below:

- (i) It is a resident of The Netherlands for the purpose of the application of the existing tax treaties between The Netherlands and those countries where offices of Party B are located.
- (ii) With respect to its non-U.S. branches, it is fully eligible for the benefits of the "Business Profits" or "Industrial and Commercial Profits" provision, as the case may be, the "Interest" provision or the "Other Income" provision (if any) of the Specified Treaty with respect to any payment described in such provisions and received or to be received by it in connection with this Agreement and no such payment is attributable to a trade or business carried on by it through a permanent establishment in the Specified Jurisdiction. With respect to Party A, Specified Treaty means the income tax treaty between the United States and The Netherlands; Specified Jurisdiction means the United States.
- (iii) With respect to its U.S. branches, each payment received or to be received by it in connection with this Agreement will be effectively connected with its conduct of a trade or business in the United States.

(b) REPRESENTATIONS OF BHI.

(1) Payer Tax Representation. For the purpose of Section 3(e), BHI hereby makes the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d) (ii) or 6(e)) to be made by it to Bank under this Agreement. In making this representation, it may rely on:

- (a) the accuracy of any representation made by Bank pursuant to Section 3(f);
- (b) the satisfaction of the agreement of Bank contained in Section 4(a) (i) or 4(a)(iii) and the accuracy and effectiveness of any document provided by Bank pursuant to Section 4(a) (i) or 4(a) (iii); and
- (c) the satisfaction of the agreement of Bank contained in Section 4(d);

provided that it shall not be a breach of this representation where reliance is placed on clause (b) and Bank does not deliver a form or document under Section 4(a) (iii) by reason of material prejudice to its legal or commercial position.

(2) Payee Tax Representation. For the purpose of Section 3(f), BHI makes the representation specified below:

(i) It is a corporation organized under the laws of the State of Delaware.

PART 3: AGREEMENT TO DELIVER DOCUMENTS

For the purpose of Sections 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents:

(a) Tax forms, documents or certificates to be delivered are:

PARTY REQUIRED TO DELIVER DOCUMENT	FORM / DOCUMENT / CERTIFICATE	DATE BY WHICH TO BE DELIVERED
Bank and BHI	As applicable, IRS Form 1001 IRS Form 4224 IRS Form W-9 IRS Form W-8	Promptly upon the earlier of (i) reasonable demand by the other party, or (ii) learning that the form or document is required

(b) Other documents to be delivered are:

PARTY REQUIRED TO DELIVER DOCUMENT	FORM / DOCUMENT / CERTIFICATE	DATE BY WHICH TO BE DELIVERED	COVERED BY SECTION 3(d) REPRESENTATIONS
Bank and BHI	Certified copies of all corporate authorizations and any other documents with respect to the execution, delivery and performance of this Agreement	Upon execution and delivery of this Agreement, and thereafter upon reasonable demand by the other party	Yes
Bank and BHI	Certificate of authority and specimen signatures of individuals executing this Agreement and Confirmations	Upon execution and delivery of this Agreement, and thereafter upon request of the other party	Yes
Bank and BHI	A copy of its most recent Annual Report containing consolidated financial statements prepared in accordance with accounting principles that are generally accepted for institutions of its type in the jurisdiction of its organization and certified by independent public accountants	Promptly upon request from the other party	No

Bank and BHI

A copy of its most recent unaudited interim consolidated financial statements prepared in accordance with accounting principles that are generally accepted for institutions of its type in the jurisdiction of its organization in each case consistently applied.

Promptly upon request from the other party

No

PART 4: MISCELLANEOUS

(a) ADDRESS FOR NOTICES. For the purpose of Section 12(a) of this Agreement:

Any notice relating to a particular Transaction shall be delivered to the address or facsimile or telex number specified in the Confirmation of such Transaction. Any notice delivered for purposes of Sections 5 and 6 of this Agreement shall be delivered to the following address:

Address for notice or communications to Bank:

(i) For all purposes of this Agreement:

[Bank's Contact Information]
Attention: Fixed Income Derivatives Documentation

(ii) With a copy to the Office through which Party A is acting for the purposes of the relevant Transaction at the address set out below:

[Bank's Contact Information]

Address for notice or communications to BHI:

Baker Hughes Incorporation
Attention: Gene Shields, Assistant Treasurer
3900 Essex Lane
Houston, Texas 77027-5177
Facsimile No.: (713) 439-8678

(b) PROCESS AGENT. For the purpose of Section 13(c):

Bank appoints as its Process Agent: Not applicable.

BHI appoints as its Process Agent: Not applicable.

(c) OFFICES. The provisions of Section 10(a) will apply to this Agreement.

(d) MULTIBRANCH PARTY. For the purpose of Section 10 of this Agreement:

Bank is a Multibranch Party and may act through the following Offices: Amsterdam, Chicago, London.

BHI is not a Multibranch Party.

(e) CALCULATION AGENT. The Calculation Agent is Bank unless otherwise specified in a Confirmation in relation to the relevant Transaction.

(f) CREDIT SUPPORT DOCUMENT. Details of any Credit Support Document: not applicable.

(g) CREDIT SUPPORT PROVIDER. Credit Support Provider means, in relation to either party: not applicable.

(h) GOVERNING LAW. This Agreement will be governed by and construed in accordance with the laws of the State of New York (without reference to the choice of law doctrine).

(i) NETTING OF PAYMENTS. Subparagraph (ii) of Section 2(c) will not apply to any Transaction.

(j) "AFFILIATE" will have the meaning specified in Section 14 of this Agreement.

PART 5: OTHER PROVISIONS

(a) SET-OFF. Add the following Section 6(f) to the Master Agreement:

Any amount (the "EARLY TERMINATION AMOUNT") payable to one party (the "PAYEE") by the other party (the "PAYER") under Section 6(e), in circumstances where there is a Defaulting Party or one Affected Party in the case where a Termination Event under Section 5(b)(iv) has occurred, will, at the option of the other party ("PARTY X") other than the Defaulting Party or the Affected Party (and without prior notice to the Defaulting Party or the Affected Party), be reduced by its set-off against any amount(s) (the "OTHER AGREEMENT AMOUNT") payable (whether at such time or in the future or upon the occurrence of a contingency) by the Payee to the Payer (irrespective of the currency, place of payment or booking office of the obligation) under any other agreement(s) between the Payee and the Payer or instrument(s) or undertaking(s) issued or executed by one party to, or in favor of, the other party (and the Other Agreement Amount will be discharged promptly and in all respects to the extent it is so set-off). Party X will give notice to the other party of any set-off effected under this Section 6(f).

For this purpose, either the Early Termination Amount or the Other Agreement Amount (or the relevant portion of such amounts) may be converted by Party X into the currency in which the other is denominated at the rate of exchange at which such party would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency.

If an obligation is unascertained, Party X may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

Nothing in this Section 6(f) shall be effective to create a charge or other security interest. This Section 6(f) shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

(b) NETTING. Section 2(c) is hereby amended by inserting in the fourth line thereof after the word "other" and before the comma "(A) if the aggregate amount that would otherwise be payable by one party to the other party equals the aggregate amount that would otherwise be payable to such party by the other party," and inserting "(B)" in the fifth line thereof after the words "and," and before the word "if."

(c) EXCHANGE OF CONFIRMATIONS. The parties hereby amend Section 9(e)(ii) by adding the following sentences at the end thereof:

On or promptly following the date on which the parties reach agreement on the terms of a Transaction as contemplated by the first sentence of this clause (ii), Bank will send to BHI a Confirmation via facsimile transmission. BHI will promptly thereafter confirm the accuracy of (in the manner required by this clause (ii)), or request the correction of, such Confirmation (in the latter case, indicating how it believes the terms of such Confirmation should be correctly stated and such other terms which should be added to or deleted from such Confirmation so that it correctly reflects the parties agreement with respect to the Transaction referred to in the Confirmation). If any dispute arises as to whether an error exists in a Confirmation, the parties shall in good faith make reasonable efforts to resolve the dispute. If BHI fails to accept or dispute the Confirmation in the manner set forth above within three Local Business Days after it was received by BHI (on a business day), the Confirmation shall be deemed to correctly reflect the parties' agreement on the terms of the Transaction referred to therein absent manifest error. The requirement of this clause (ii) and elsewhere in this Agreement that the parties exchange Confirmations shall for all purposes be deemed satisfied by a Confirmation sent and an acknowledgment deemed given as provided herein.

(d) WAIVER OF RIGHT TO TRIAL BY JURY. EACH PARTY HEREBY WAIVES ITS RESPECTIVE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

(e) DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT IN ANY CONFIRMATION, OR ANY OTHER DOCUMENT IN CONNECTION THEREWITH, IN NO EVENT SHALL EITHER BANK OR BHI BE LIABLE TO THE OTHER FOR ANY CONSEQUENTIAL, SPECIAL, PUNITIVE, INDIRECT, OR EXEMPLARY DAMAGES, INCLUDING WITHOUT LIMITATION, ANY DAMAGES FOR LOSS OF PROFITS, LOSS OF BUSINESS, OR LOSS OF OPPORTUNITY.

(f) RELATIONSHIP BETWEEN PARTIES. The following representations shall be inserted as a new Section 3(g) of this Agreement.

"(g) RELATIONSHIP BETWEEN PARTIES. Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):

(i) NON-RELIANCE. It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

(ii) ASSESSMENT AND UNDERSTANDING. It is capable of assessing that merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(iii) STATUS OF PARTIES. The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.

(iv) ELIGIBLE CONTRACT PARTICIPANT. it is an "eligible contract participant" under, and as defined in, Section 1a of the Commodity Exchange Act (7 USC 1a), amended from time to time."

(g) NEGATIVE INTEREST RATES. (i) FLOATING AMOUNTS. "SWAP TRANSACTION" means, for the purposes of this provision concerning Negative Interest Rates, a rate exchange or swap transaction, including transactions involving a single currency or two or more currencies. Bank and BHI agree that, if with respect to a Calculation Period for a Swap Transaction either party is obligated to pay a Floating Amount that is a negative number (either due to a quoted negative Floating Rate or by operation of a Spread that is subtracted from the Floating Rate), the Floating Amount with respect to that party for that Calculation Period will be deemed to be zero, and the other party will pay to that party the absolute value of the negative Floating Amount as calculated, in addition to any amounts otherwise owed by the other party for that Calculation Period with respect to that Swap Transaction, on the Payment Date that the Floating Amount would have been due if it had been a positive number. Any amounts paid by the other party with respect to the absolute value of a negative Floating Amount will be paid to such account as the receiving party may designate (unless such other party gives timely notice of a reasonable objection to such designation) in the currency in which that Floating Amount would have been paid if it had been a positive number (and without regard to the currency) in which the other party is otherwise obligated to make payments.

(ii) COMPOUNDING. Bank and BHI agree that, if with respect to one or more Compounding Periods for a Swap Transaction where "COMPOUNDING" or "FLAT COMPOUNDING" is specified to be applicable, the Compounding Period Amount, the Basic Compounding Period Amount or the Additional Compounding Period Amount is a negative number (either due to a quoted negative Floating Rate or by operation of a Spread that is subtracted from the Floating Rate), then the Floating Amount for the Calculation Period in which that Compounding Period or those compounding Periods occur will be either the sum of all the Compounding Period Amounts or the sum of all the Basic Compounding Period amounts and all the Additional Compounding Period Amounts in that Calculation Period (whether positive or negative). If such sum is positive, then the Floating Rate Payer with respect to the Floating Amount so calculated will pay that Floating Amount to the other party. If such sum is negative, the Floating Amount with respect to the party that would be obligated to pay that Floating Amount will be deemed to be zero, and the other party will pay to that party the absolute value of the negative Floating Amount as calculated, such payment to be made in accordance with (i) above.

(h) TERMINATION. If no Transactions (or any present or future payment obligations, contingent or otherwise, thereunder) are outstanding under this Agreement, either party may terminate this Agreement upon written notice to the other party.

(i) ARBITRATION. Any controversy or claim arising out of or relating to this Agreement, any Transaction, any Confirmation, or the breach or alleged breach of this Agreement shall be settled by

arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In connection with any such arbitration, unless the parties hereto otherwise agree, (i) the arbitration shall be held in The City of New York before three arbitrators, (iii) each arbitrator shall be unaffiliated with either party and shall be a knowledgeable and informed participant in interest rate swaps, currency exchanges and cross-currency interest rate swaps, and (iii) each party shall select one arbitrator within seven days of the commencement of the arbitration, and the two arbitrators selected by the parties shall select a third arbitrator within seven days of the date of the selection of the second arbitrator.

(j) SEVERABILITY. If any provision (or any portion of any provision) of this Agreement is held invalid or unenforceable, it shall be modified or construed restrictively, to the extent possible, to comply with applicable law, rather than voided, to give effect to the intent of the parties, and if such modification or restrictive construction is not possible, it shall be severed herefrom. In any event, all of the other provisions of this Agreement shall be deemed valid and enforceable and shall remain in full force and effect and shall not be adversely affected by the validity or unenforceability of such provision (or portion).

(k) ADDITIONAL AGREEMENTS. Each party agrees, upon learning of the occurrence of any event or commencement of any condition that constitutes (or that with the giving of notice or passage of time or both would constitute) an Event of Default or Termination Event with respect to the party, promptly to give the other notice of such event or condition (or, in lieu of giving notice of such event or condition in the case of an event or condition that with the giving of notice or passage of time or both would constitute an Event of Default or Termination Event with respect to the party, to cause such event or condition to cease to exist before becoming an Event of Default or Termination Event).

(l) DEFINITIONS. This Agreement, each Confirmation, and each Transaction are subject to the 2000 ISDA Definitions, 1998 ISDA FX and Currency Option Definitions (the "FX DEFINITIONS"), as published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association, and The Foreign Exchange Committee, as such definitions may be hereinafter amended, and any other definitions specified in the relevant Confirmation for such Transaction, as each of such definitions may be amended, supplemented replaced, updated or modified from time to time (collectively, the "DEFINITIONS"), each as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), and will be governed in all respects by the Definitions (except that any references to "Swap Transactions" in the Definitions will be deemed to be references to "Transactions"). The Definitions are incorporated by reference in, and made part of this Agreement and the each relevant Confirmation as if set forth in full in this Agreement and such Confirmation. In the event of any inconsistency between the Definitions and any other definitions incorporated into a Confirmation, the definitions incorporated in the Confirmation will prevail for the purpose of the relevant Transaction. In the event of any inconsistency between the provisions of this Agreement and the Definitions, this Agreement will prevail. In the event of any inconsistency between the provisions of any Confirmation, this Agreement and the applicable Definitions, such Confirmation will prevail for the purpose of the relevant Transaction.

(m) CONSENT TO RECORDING. Each party (i) consents to the recording of the telephone conversations of trading, marketing and other relevant personnel of the parties in connection with this Agreement or any potential Transaction and (ii) agrees that such recording may be submitted in evidence to any court or in any proceedings with respect to this Agreement or any Transaction thereunder, provided that once a Confirmation of a Transaction has been mutually signed by both parties, this clause (ii) shall have no further effect with respect to such Transaction.

PART 6: FOREIGN EXCHANGE TRANSACTIONS

DEFINITIONS AND APPLICATIONS. (i) This Agreement is subject to the FX Definitions. In the event of any inconsistency between the FX Definitions and this Agreement, this Agreement will govern. Unless otherwise agreed in writing by the parties, each FX Transaction and Currency Option Transaction, whether now existing or hereafter entered into, between the parties shall be governed by this Agreement, as modified by this Schedule, notwithstanding Section 1(b) of this Agreement, the absence of any reference to this Agreement in the Confirmation in respect of any such FX Transaction or Currency Option Transaction, or the reference to any other governing terms or law in such Confirmation.

(ii) Section 3.4 of the FX Definitions is amended by adding the following:

(c) Non-Payment. If any Premium is not received on the Premium Payment Date, the Seller may elect either: (i) to accept a late payment of such Premium; (ii) to give written notice of such non-payment and, if such payment shall not be received within three (3) Local Business Days (as defined in this Agreement) of such notice, treat the related Currency Option Transaction as void; or (iii) if such payment shall not be received within three (3) Local Business Days of such notice, treat such non-payment as an Event of Default under Section 5(a)(i) of this Agreement. If the Seller elects to act under either clause (i) or (ii) of the preceding sentence, the Buyer shall pay all out-of-pocket costs and actual damages incurred in connection with such unpaid or late Premium or void Currency Option Transaction, including, without limitation, interest on such Premium in the same currency as such Premium at the then prevailing market rate and any other costs and expenses incurred by the Seller in covering its obligations (including, without limitation, a delta hedge) with respect to such Currency Option Transaction.

(d) Discharge and Termination. Unless otherwise agreed, any Call or any Put written by a party will automatically be terminated and discharged, in whole or in part, as applicable, against a Call or a Put, respectively, written by the other party, such termination and discharge to occur automatically upon the payment in full of the last Premium payable in respect of such Currency Option Transactions; provided that such termination and discharge may only occur in respect of Currency Option Transactions:

- (i) each being with respect to the same Put Currency and the same Call Currency;
- (ii) each having the same Expiration Date and Expiration Time;
- (iii) each being of the same style, i.e., either both being American style Currency Option Transactions or both being European style Currency Option Transactions;
- (iv) each having the same Strike Price;
- (v) neither of which shall have been exercised by delivery of a Notice of Exercise; and
- (vi) each having been transacted by the same pair of offices of the Buyer and the Seller,

and upon the occurrence of such termination and discharge, neither party shall have any further obligation to the other party in respect of the relevant Currency Option Transactions or, as the case may be, parts thereof so terminated and discharged. In the case of a partial termination and discharge (i.e., where the relevant Currency Option Transactions are for different amounts of the Currency Pair), the remaining portion of the Currency Option Transaction which is partially discharged and terminated shall continue to be a Currency Option Transaction for all purposes of this Agreement, including this Section 3.4(d).

Accepted and agreed:

[Bank]

BAKER HUGHES INCORPORATED

By: _____

By: /s/Douglas C. Doty

Name:

Name: Douglas C. Doty

Title:

Title: Vice President and Treasurer

By: _____

Date: July 30, 2003

Name:

Title:

CERTIFICATION

I, Michael E. Wiley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Baker Hughes Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [INTENTIONALLY OMITTED PURSUANT TO SEC RELEASE NO. 33-8238];

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2003

By: /s/ MICHAEL E. WILEY

Michael E. Wiley
Chairman of the Board, President and
Chief Executive Officer

CERTIFICATION

I, G. Stephen Finley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Baker Hughes Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [INTENTIONALLY OMITTED PURSUANT TO SEC RELEASE NO. 33-8238];
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2003

By: /s/ G. STEPHEN FINLEY

 G. Stephen Finley
 Sr. Vice President - Finance and
 Administration and Chief Financial Officer

BAKER HUGHES INCORPORATED

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Baker Hughes Incorporated (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Michael E. Wiley, Chief Executive Officer of the Company, and G. Stephen Finley, the Chief Financial Officer of the Company, each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The certification is given to the knowledge of the undersigned.

By: /s/ MICHAEL E. WILEY

Name: Michael E. Wiley
Title: Chief Executive Officer
Date: August 8, 2003

By: /s/ G. STEPHEN FINLEY

Name: G. Stephen Finley
Title: Chief Financial Officer
Date: August 8, 2003

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Baker Hughes Incorporated and will be retained by Baker Hughes Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

[BAKER HUGHES LOGO]

[NEWS RELEASE]

Contact:
 Gary R. Flaharty (713) 439-8039
 gary.flaharty@bakerhughes.com
 Kyle J. Leak (713) 439-8042
 kyle.leak@bakerhughes.com

Baker Hughes Incorporated
 P.O. Box 4740
 Houston, Texas 77210-4740

BAKER HUGHES ANNOUNCES MANAGEMENT CHANGES

HOUSTON, Texas - July 29, 2003. Baker Hughes Incorporated (BHI - NYSE, PCX, EBS) announced today four management changes that will be effective August 25, 2003.

James R. Clark will be joining the corporate office as vice president, marketing and technology and will report directly to Mike Wiley. In his new position Mr. Clark will be accountable for the continued development of the enterprise marketing and technology strategy including project management, e-business and marketing communications. Mr. Clark is currently serving as the president of Baker Petrolite.

Ed Howell will become president of Baker Petrolite. Mr. Howell is currently serving as president of Baker Oil Tools. Doug Wall will become president of Baker Oil Tools. Mr. Wall is currently serving as president of Hughes Christensen. Trevor Burgess will become president of Hughes Christensen. Mr. Burgess is currently serving as vice president of marketing and technology. Mr. Howell, Mr. Wall and Mr. Burgess will report directly to Andy Szescila.

Michael E. Wiley, Baker Hughes' chairman, president, and chief executive officer, said, "These changes are being made to further the development of our executive management team and strengthen Baker Hughes. All four executives have made significant contributions to Baker Hughes during their tenure. Rod Clark has helped define a strategic direction for Baker Petrolite while consistently improving performance. Ed Howell has built Baker Oil Tools into the premier completion business in our industry. During Doug Wall's tenure at Hughes Christensen the division has grown to record revenues and profitability. Trevor Burgess has been an important advocate and leader on a variety of strategic and marketing issues for our company."

Mr. Wiley continued "These moves further strengthen Baker Hughes as we continue to position ourselves to compete and win in the markets we serve."

BIOGRAPHIES

James R. "Rod" Clark, 52, is president of Baker Petrolite and has been employed by Baker Hughes since 2001. He joined the Company from Consolidated Equipment Companies Inc. where he served as president and CEO. Prior to that, he served as president of Sperry-Sun, a Halliburton company. Mr. Clark also has held financial, operational, and leadership positions with FMC Corporation, Schlumberger, and Grace Energy Corporation. He earned both his bachelor's degree and his Master in Business Administration from the University of Texas.

Edwin C. "Ed" Howell, 55, is president of Baker Oil Tools. Mr. Howell has been employed by Baker Hughes for 28 years, initially spending 14 years at Baker Performance Chemicals before serving the past 14 years as president of

www.bakerhughes.com

[BAKER HUGHES LOGO]

Baker Oil Tools. He received both his bachelor's degree and Master in Business Administration from the University of Southern California.

Douglas J. "Doug" Wall, 50, is president of Hughes Christensen, a position he has held since he joined Baker Hughes in 1997. Previously, he was President of Western Rock Bit, then Hughes Christensen's distributor in Canada. He has held a variety of senior executive positions, over a 20 year period, with oilfield services companies in Canada. Mr. Wall holds a bachelor's degree from the University of Calgary and a Master in Business Administration from the University of Alberta.

Trevor Burgess, 49, is vice president of marketing and technology. Mr. Burgess joined Baker Hughes in 1999 as vice president of sales after 20 years in a variety of senior marketing and business development positions at Schlumberger. He holds a bachelor's degree in mathematics, and a doctorate in geostatistics, both from Oxford University in the UK.

Baker Hughes is a leading provider of drilling, formation evaluation, completion and production products and services to the worldwide oil and gas industry.

NOT INTENDED FOR BENEFICIAL HOLDERS

www.bakerhughes.com

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