

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

(Mark one) FORM 10-Q

(x) Quarterly Report Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

For Quarter Ended June 30, 1997

or

() Transition Report Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

Owens-Illinois, Inc.

(Exact name of registrant as specified in its charter)

Delaware

1-9576

22-2781933

(State or other
jurisdiction of
incorporation or
organization)

(Commission
File No.)

(IRS Employer
Identification No.)

Owens-Illinois Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

33-13061

34-1559348

(State or other
jurisdiction of
incorporation or
organization)

(Commission
File No.)

(IRS Employer
Identification No.)

One SeaGate, Toledo, Ohio

43666

(Address of principal executive offices)

(Zip Code)

419-247-5000

(Registrants' telephone number, including area code)

Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Owens-Illinois, Inc. \$.01 par value common stock - 140,324,976 shares at July 31, 1997.

Owens-Illinois Group, Inc. \$.01 par value common stock - 100 shares at July 31, 1997.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Condensed Consolidated Financial Statements presented herein are unaudited but, in the opinion of management, reflect all adjustments necessary to present fairly such information for the periods and at the dates indicated. Since the following condensed unaudited financial statements have been prepared in accordance with Article 10 of Regulation S-X, they do not contain all information and footnotes normally contained in annual consolidated financial statements; accordingly, they should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Registrants' Annual Report on Form 10-K for the year ended December 31, 1996.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED RESULTS OF OPERATIONS
Three months ended June 30, 1997 and 1996
(Millions of dollars, except per-share amounts)

	1997	1996
Revenues:	-----	-----
Net sales	\$1,224.5	\$963.7
Royalties and net technical assistance	5.3	6.4
Equity earnings	.5	3.1
Interest	6.8	5.6
Other	20.6	16.9
	-----	-----
	1,257.7	995.7
Costs and expenses:		
Manufacturing, shipping, and delivery	929.7	737.5
Research and development	6.9	7.0
Engineering	7.8	6.7
Selling and administrative	59.4	41.3
Interest	81.4	74.8
Other	23.9	15.5
	-----	-----
	1,109.1	882.8
	-----	-----
Earnings before items below	148.6	112.9
Provision for income taxes	50.8	39.3
Minority share owners' interests in earnings of subsidiaries	10.9	7.0
	-----	-----
Earnings before extraordinary items	86.9	66.6
Extraordinary charges from early extinguishment of debt, net of applicable income taxes	(84.5)	
	-----	-----
Net earnings	\$ 2.4	\$ 66.6
	=====	=====
Earnings per share of common stock:		
Earnings before extraordinary items	\$ 0.66	\$ 0.55
Extraordinary charges from early extinguishment of debt, net of applicable income taxes	(0.64)	
	-----	-----
Net earnings	\$ 0.02	\$ 0.55
	=====	=====
Average shares outstanding (thousands)	131,483	120,284
	=====	=====

See accompanying notes.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED RESULTS OF OPERATIONS
Six months ended June 30, 1997 and 1996
(Millions of dollars, except per-share amounts)

	1997	1996
Revenues:	-----	-----
Net sales	\$2,280.8	\$1,869.5
Royalties and net technical assistance	11.7	12.2
Equity earnings	9.3	8.4
Interest	14.6	12.1
Other	57.5	30.3
	-----	-----
	2,373.9	1,932.5
Costs and expenses:		
Manufacturing, shipping, and delivery	1,774.6	1,446.4
Research and development	14.7	15.1
Engineering	15.2	13.2
Selling and administrative	110.4	92.0
Interest	167.3	148.3
Other	58.7	30.2
	-----	-----
	2,140.9	1,745.2
Earnings before items below	-----	-----
	233.0	187.3
Provision for income taxes	74.2	65.2
Minority share owners' interests in earnings of subsidiaries	17.3	15.9
	-----	-----
Earnings before extraordinary items	141.5	106.2
Extraordinary charges from early extinguishment of debt, net of applicable income taxes	(84.5)	
	-----	-----
Net earnings	\$ 57.0	\$ 106.2
	=====	=====
Earnings per share of common stock:		
Earnings before extraordinary items	\$ 1.11	\$ 0.88
Extraordinary charges from early extinguishment of debt, net of applicable income taxes	(0.67)	
	-----	-----
Net earnings	\$ 0.44	\$ 0.88
	=====	=====
Average shares outstanding (thousands)	126,674	120,172
	=====	=====

See accompanying notes.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 1997, December 31, 1996, and June 30, 1996
(Millions of dollars)

	June 30, 1997	Dec. 31, 1996	June 30, 1996
Assets	-----	-----	-----
Current assets:			
Cash, including time deposits	\$ 239.2	\$ 160.9	\$ 96.4
Short-term investments, at cost which approximates market	66.6	14.4	24.0
Receivables, less allowances for losses and discounts (\$36.6 at June 30, 1997, \$40.6 at December 31, 1996, and \$36.5 at June 30, 1996)	727.8	488.8	469.1
Inventories	621.6	494.6	489.3
Prepaid expenses	126.0	126.4	87.0
	-----	-----	-----
Total current assets	1,781.2	1,285.1	1,165.8
Investments and other assets:			
Investments and advances	128.2	85.6	87.5
Repair parts inventories	224.9	189.4	179.1
Prepaid pension	653.6	624.5	638.8
Insurance for asbestos-related costs	255.3	271.4	283.4
Deposits, receivables, and other assets	269.9	704.2	248.3
Excess of purchase cost over net assets acquired, net of accumulated amortization (\$312.7 at June 30, 1997, \$293.7 at December 31, 1996, and \$277.8 at June 30, 1996)	1,318.5	1,003.5	1,003.3
	-----	-----	-----
Total investments and other assets	2,850.4	2,878.6	2,440.4
Property, plant, and equipment, at cost	3,797.6	3,435.9	3,262.8
Less accumulated depreciation	1,603.5	1,494.3	1,394.5
	-----	-----	-----
Net property, plant, and equipment	2,194.1	1,941.6	1,868.3
	-----	-----	-----
Total assets	\$6,825.7	\$6,105.3	\$5,474.5
	=====	=====	=====

CONDENSED CONSOLIDATED BALANCE SHEETS -- continued

	June 30, 1997	Dec. 31, 1996	June 30, 1996
	-----	-----	-----
Liabilities and Share Owners' Equity			
Current liabilities:			
Short-term loans and long-term debt due within one year	\$ 188.2	\$ 141.5	\$ 103.4
Current portion of asbestos-related liabilities	110.0	110.0	145.0
Accounts payable and other liabilities	783.7	653.4	601.3
	-----	-----	-----
Total current liabilities	1,081.9	904.9	849.7
Long-term debt	3,107.5	3,253.2	2,792.4
Deferred taxes	203.1	201.2	141.4
Nonpension postretirement benefits	360.2	371.7	377.9
Asbestos-related liabilities	89.4	138.2	183.3
Other liabilities	517.0	311.7	314.7
Commitments and contingencies			
Minority share owners' interests	236.8	194.7	183.4
Share owners' equity:			
Preferred stock	21.4	21.4	21.6
Common stock, par value \$.01 per share (140,188,376 shares outstanding at June 30, 1997; 120,446,348 at December 31, 1996, and 120,360,074 at June 30, 1996)	1.4	1.2	1.2
Capital in excess of par value	1,547.2	1,047.6	1,046.4
Deficit	(201.2)	(258.2)	(343.1)
Cumulative foreign currency translation adjustment	(139.0)	(82.3)	(94.4)
	-----	-----	-----
Total share owners' equity	1,229.8	729.7	631.7
	-----	-----	-----
Total liabilities and share owners' equity	\$6,825.7	\$6,105.3	\$5,474.5
	=====	=====	=====

See accompanying notes.

OWENS-ILLINOIS, INC.
CONDENSED CONSOLIDATED CASH FLOWS
Six months ended June 30, 1997 and 1996
(Millions of dollars)

	1997	1996
	-----	-----
Cash flows from operating activities:		
Earnings before extraordinary items	\$ 141.5	\$ 106.2
Non-cash charges (credits):		
Depreciation	134.8	106.6
Amortization of deferred costs	29.8	25.9
Other	5.2	(3.0)
Change in non-current operating assets	(36.7)	(45.9)
Asbestos-related payments	(48.8)	(52.1)
Asbestos-related insurance proceeds	16.1	40.1
Reduction of non-current liabilities	(2.7)	(8.7)
Change in components of working capital	(122.4)	(45.4)
	-----	-----
Cash provided by operating activities	116.8	123.7
Cash flows from investing activities:		
Additions to property, plant, and equipment	(157.7)	(208.4)
Acquisitions, net of cash acquired	(104.7)	
Net cash proceeds from divestitures	49.7	3.1
	-----	-----
Cash utilized in investing activities	(212.7)	(205.3)
Cash flows from financing activities:		
Additions to long-term debt	1,127.6	62.0
Repayments of long-term debt	(1,332.7)	(24.1)
Payment of finance fees and debt retirement costs	(137.8)	
Increase in short-term loans	25.2	29.4
Issuance of common stock	498.6	3.3
Issuance of subsidiary's stock		4.0
	-----	-----
Cash provided by financing activities	180.9	74.6
Effect of exchange rate fluctuations on cash	(6.7)	(6.0)
	-----	-----
Increase (decrease) in cash	78.3	(13.0)
Cash at beginning of period	160.9	109.4
	-----	-----
Cash at end of period	\$ 239.2	\$ 96.4
	=====	=====

See accompanying notes.

OWENS-ILLINOIS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Tabular data in millions of dollars

1. Acquisition of AVIR S.p.A.

At December 31, 1996, deposits, receivables, and other assets includes approximately \$440 million of escrow funding in connection with the acquisition of AVIR S.p.A. ("AVIR"), the largest manufacturer of glass containers in Italy. On February 3, 1997, the Company completed the acquisition of 79% of AVIR. In addition to purchasing this controlling interest pursuant to an acquisition agreement, the Company acquired an additional 18% interest through a public tender offer and intends to initiate a second tender offer for the balance. Other liabilities in the June 30, 1997 Condensed Consolidated Balance Sheet includes approximately \$110 million related to the consideration expected to be paid pursuant to the tender offers. Total consideration for 100% of the AVIR shares is currently expected to be approximately \$571 million.

The acquisition is being accounted for under the purchase method of accounting. The total purchase cost of approximately \$571 million will be allocated to the tangible and identifiable intangible assets and liabilities of AVIR based upon their respective fair values. The Company believes that a portion of the \$241.5 million unallocated excess of purchase cost over net assets acquired will ultimately be allocated to property, plant, and equipment and certain identifiable intangible assets. Such allocations will be based upon valuations which have not been finalized. Accordingly, the allocation of the purchase consideration included in the accompanying Condensed Consolidated Balance Sheet at June 30, 1997, is preliminary. The accompanying Condensed Consolidated Results of Operations for the six months ended June 30, 1997, includes five months of AVIR operations.

The aggregate purchase cost and its preliminary allocation to the historical assets and liabilities of AVIR are as follows (in millions of dollars):

Cash and short-term investments	\$131.2
Other net working capital acquired	72.3
Property, plant and equipment	254.5
Other non-current assets	49.0
Excess of purchase cost over net assets acquired	241.5

	748.5
Other long-term liabilities	(96.9)
Debt assumed	(80.5)

Aggregate purchase cost	\$571.1
	=====

2. Pro Forma Information - AVIR Acquisition

Had the acquisition of AVIR described in Note 1 occurred on January 1, 1996, unaudited pro forma consolidated net sales, net earnings, and net earnings per share of common stock would have been as follows (in millions of dollars, except per share amounts):

Three Months ended June 30, 1996			
	As Reported	Effect of AVIR Acquisition	As Adjusted
Net sales	\$963.7	\$178.2	\$1,141.9
Net earnings	\$ 66.6	\$ 17.6	\$ 84.2
Net earnings per share of common stock	\$ 0.55		\$ 0.69
Six Months ended June 30, 1996			
	As Reported	Effect of AVIR Acquisition	As Adjusted
Net sales	\$1,869.5	\$299.4	\$2,168.9
Net earnings	\$ 106.2	\$ 17.5	\$ 123.7
Net earnings per share of common stock	\$ 0.88		\$ 1.02

The pro forma information assumes financing for the acquisition will be provided by additional borrowings under the Company's Bank Credit Agreement. In the event any portion of the acquisition is financed or refinanced with borrowings from sources other than under the Company's Bank Credit Agreement, the pro forma net earnings may have been different from amounts shown above.

The Company believes that a portion of the \$241.5 million unallocated excess of purchase cost over the net assets acquired in the AVIR acquisition will ultimately be allocated to property, plant, and equipment and certain identifiable intangible assets. The detailed allocation of such excess has not been finalized. The pro forma net earnings amounts reflect amortization of such excess over 30 years.

Certain of the glass container products produced by AVIR are subject to seasonal demand; shipments of such products have typically been greater in the second and third quarters of the year compared to the first and fourth quarters. Net sales of AVIR for the full year 1996 were approximately \$600 million. On a pro forma basis, the Company's full year 1996 net income

increases approximately \$15 million after giving effect to the AVIR acquisition.

The pro forma data does not purport to represent what the results of operations would actually have been if the AVIR acquisition had in fact occurred on the date indicated, or to project results of operations for any future period.

3. Refinancing Plan

During the second quarter of 1997, the Company implemented a refinancing plan (the "Refinancing Plan") designed to reduce interest expense, reduce the amount of long-term debt, and improve financial flexibility. Through August 13, 1997, completed portions of the Refinancing Plan include a \$1.2 billion increase in the borrowing capacity under the Company's Bank Credit Agreement to a total of \$3.0 billion, the sale of 16,936,100 shares of common stock, par value \$.01 per share, for net proceeds of \$464.2 million, the issuance of \$300 million aggregate principal amount of 7.85% Senior Notes due May 15, 2004, the issuance of \$300 million aggregate principal amount of 8.10% Senior Notes due May 15, 2007, and the retirement of approximately \$1.6 billion of higher cost debt. The sale of the shares of common stock and the issuance of the Senior Notes were made pursuant to public offerings (the "Offerings").

As of August 13, 1997, the Refinancing Plan also contemplates the redemption of the \$200 million aggregate principal amount of the 9.75% Senior Subordinated Notes due 2004, and the \$100 million aggregate principal amount of the 9.95% Senior Subordinated Notes due 2004 during the second half of 1997.

Earnings per share are computed independently for each period presented. Due to the issuance of 16,936,100 shares of common stock in the second quarter of 1997 and the resultant effect on average shares outstanding, 1997 per share amounts calculated on a year-to-date basis do not equal the sums of such amounts calculated separately for each quarter.

4. Pro Forma Information - Refinancing Plan

The following pro forma information gives effect to the various transactions related to the Refinancing Plan, described in Note 3, as if they had occurred at the beginning of the respective years.

Three Months Ended June 30,

	1997		1996	
	As Reported	As Adjusted	As Adjusted for AVIR (Note 2)	As Further Adjusted
Net earnings (millions of dollars)	\$86.9	\$95.4	\$84.2	\$96.8
Net earnings per share of common stock	\$0.66	\$0.68	\$0.69	\$0.70
Weighted average shares outstanding (thousands)	131,483	139,972	120,284	137,220

Six Months Ended June 30,

	1997		1996	
	As Reported	As Adjusted	As Adjusted for AVIR (Note 2)	As Further Adjusted
Net earnings (millions of dollars)	\$141.5	\$162.4	\$123.7	\$148.9
Net earnings per share of common stock	\$ 1.11	\$ 1.16	\$ 1.02	\$ 1.08
Weighted average shares outstanding (thousands)	126,674	139,364	120,172	137,108

The pro forma amounts reflect the elimination of interest expense related to the indebtedness redeemed or to be redeemed, additional interest expense related to the additional borrowings under the Bank Credit Agreement (using an assumed annual interest rate of 7.375%), interest on the Senior Notes, and related changes in amortization of deferred finance fees. The pro forma reduction in interest expense for the three and six months ended June 30, 1997, was \$13.8 million and \$33.9 million, respectively. The pro forma reduction in interest expense for the three and six months ended June 30, 1996, was \$20.4 million and \$40.7 million, respectively. The provision for income taxes was adjusted at a rate of 38.25% for all periods to reflect the reduction in interest expense. The weighted average shares outstanding have been adjusted to reflect the issuance of 16,936,100 shares pursuant to the Refinancing Plan.

The pro forma data does not purport to represent what the results of operations would actually have been if the Refinancing Plan had actually occurred on the dates indicated, or to project results of operations for any future period.

5. Inventories

Major classes of inventory are as follows:

	June 30, 1997	Dec. 31, 1996	June 30, 1996
Finished goods	\$470.1	\$374.5	\$377.3
Work in process	8.1	4.2	5.5
Raw materials	84.8	81.2	72.4
Operating supplies	58.6	34.7	34.1
	-----	-----	-----
	\$621.6	\$494.6	\$489.3
	=====	=====	=====

6. Long-Term Debt

The following table summarizes the long-term debt of the Company:

	June 30, 1997	Dec. 31, 1996	June 30, 1996
Bank Credit Agreement:			
Revolving Loans	\$1,510.0	\$1,105.0	\$ 480.1
Bid Rate Loans	150.0		140.0
Senior notes:			
7.85%, due 2004	300.0		
8.10%, due 2007	300.0		
Senior Debentures, 11%, due 1999 to 2003	42.6	1,000.0	1,000.0
Senior Subordinated Notes:			
10-1/4%, due 1999		250.0	250.0
10-1/2%, due 2002		150.0	150.0
10%, due 2002	250.0	250.0	250.0
9-3/4%, due 2004	200.0	200.0	200.0
9.95%, due 2004	100.0	100.0	100.0
Other	308.4	232.9	243.8
	-----	-----	-----
Less amounts due within one year	3,161.0	3,287.9	2,813.9
	53.5	34.7	21.5
	-----	-----	-----
Long-term debt	\$3,107.5	\$3,253.2	\$2,792.4
	=====	=====	=====

In May 1997, the Company entered into an agreement with a group of banks ("Bank Credit Agreement" or "Agreement") which provides Revolving Loan Commitments under which the Company may borrow up to \$3.0 billion through December 31, 2001. The Agreement includes an Overdraft Account facility providing for aggregate borrowings up to \$50 million which reduce the amount available for borrowing under the Revolving Loan Commitments. In addition,

the terms of the Bank Credit Agreement permit the Company to request Bid Rate Loans from banks participating in the Agreement. Borrowings outstanding under Bid Rate Loans are limited to \$750 million and reduce the amount available for borrowing under the Revolving Loan Commitments. The Revolving Loan Commitments also provide for the issuance of letters of credit totaling up to \$300 million.

At June 30, 1997, the Company had unused credit available under the Bank Credit Agreement of \$1.26 billion.

Revolving loans bear interest, at the Company's option, at the prime rate or a Eurodollar deposit-based rate plus a margin linked to the Company's Consolidated Leverage Ratio, as defined in the Agreement. The margin is currently .425% and is limited to a range of .275% to .625%. Overdraft Account loans bear interest at the prime rate minus the facility fee percentage, defined below. The weighted average interest rate on borrowings outstanding under the Bank Credit Agreement at June 30, 1997, was 6.18%. While no compensating balances are required by the Agreement, the Company must pay a facility fee on the Revolving Loan Commitments. The facility fee, currently .20%, is limited to a range of .125% to .375%, based on changes in the Company's Consolidated Leverage Ratio. The Agreement requires the maintenance of certain financial ratios, restricts the creation of liens and incurrence of indebtedness, and restricts certain types of business activities and investments.

In April 1997, the Company filed a registration statement with the Securities and Exchange Commission for the offering of up to \$2.5 billion of debt securities, common stock, or both from time to time as market conditions permit. On May 16, 1997, pursuant to the registration statement, the Company completed the offerings of: (1) 14,750,000 shares of common stock at a public offering price of \$28.50 per share; (2) \$300 million aggregate principal amount of 7.85% Senior Notes due May 15, 2004; and (3) \$300 million aggregate principal amount of 8.10% Senior notes due May 15, 2007. On May 23, 1997, the Company used the proceeds from these offerings in addition to borrowings under the Company's Bank Credit Agreement to redeem \$957.4 million aggregate principal amount of the 11% Senior Debentures due 2003 pursuant to a tender offer and consent solicitation for such securities. On June 13, 1997, the Company issued an additional 2,168,100 shares of common stock pursuant to the partial exercise of the underwriters' overallotment option. On June 16, 1997, the Company redeemed all \$250 million aggregate principal amount of the 10.25% Senior Subordinated Notes due 1999, and all \$150 million aggregate principal amount of the 10.50% Senior Subordinated notes due 2002. The June 16, 1997, redemptions were funded by proceeds received from the June 13, 1997, issuance of common stock and borrowings under the Company's Bank Credit Agreement. On August 1, 1997, the Company redeemed all \$250 million aggregate principal amount of the 10% Senior Subordinated Notes due 2002. On June 20, 1997 the Company announced that on August 15, 1997, all \$200 million aggregate principal amount of the 9.75% Senior Subordinated Notes due 2004 will be redeemed. These redemptions were or will be funded by borrowings under the Company's Bank Credit Agreement. The Refinancing Plan also contemplates the redemption, at the Company's option, of all \$100 million aggregate principal

amount of the 9.95% Senior Subordinated Notes due 2004 when and as they become redeemable on October 15, 1997.

As a result of the release of the guarantees and collateral securing the Bank Credit Agreement and the 11% Senior Debentures, the newly issued Senior Notes rank pari passu with such obligations. The Bank Credit Agreement, 11% Senior Debentures, and Senior Notes are senior in right of payment to all existing and future subordinated debt of the Company.

Under the terms of the Bank Credit Agreement and the Indenture related to the Company's subordinated notes, dividend payments with respect to the Company's Preferred or Common Stock and payments for redemption of shares of its Common Stock are subject to certain limitations.

7. Extraordinary Charges from Early Extinguishment of Debt

During the second quarter of 1997, the Company used proceeds from the Offerings along with borrowing under its Bank Credit Agreement to redeem: (1) \$957.6 million aggregate principal amount of the 11% Senior Debentures due 2003, at \$1,115.60, which included a \$20 payment for consents to amendments to the related indenture, for each \$1,000 principal amount; (2) all \$250 million aggregate principal amount of the 10.25% Senior Subordinated Notes due 1999, at 100% of principal amount; and (3) all \$150 million aggregate principal amount of the 10.50% Senior Subordinated Notes due 2002, at 105.25% of the principal amount. As a result, the Company recorded extraordinary charges for the write-off of unamortized deferred finance fees and redemption premiums totaling \$136.9 million, net of applicable income taxes of \$52.4 million.

8. Cash Flow Information

Interest paid in cash aggregated \$163.1 million and \$137.1 million for the six months ended June 30, 1997 and June 30, 1996, respectively. Income taxes paid in cash totaled \$43.7 million and \$17.2 million for the six months ended June 30, 1997 and June 30, 1996, respectively.

9. Contingencies

The Company is one of a number of defendants (typically 10 to 20) in a substantial number of lawsuits filed in numerous state and federal courts by persons alleging bodily injury (including death) as a result of exposure to dust from asbestos fibers. From 1948 to 1958, one of the Company's former business units commercially produced and sold a high-temperature, clay-based insulating material containing asbestos. The insulation material was used in limited industrial applications such as shipyards, power plants and chemical plants. During its ten years in the high-temperature insulation business, the Company's aggregate sales of insulation material containing asbestos were less than \$40 million. The Company exited the insulation business in April 1958. The traditional asbestos personal injury lawsuits and claims relating to such production and sale of asbestos material typically allege various theories of liability, including negligence, gross negligence and strict liability and seek compensatory and punitive damages in various amounts (herein referred to as "asbestos claims"). As of June 30, 1997, the Company estimates that it is

a named defendant in asbestos claims involving approximately 14,000 plaintiffs and claimants.

The Company's indemnity payments for these claims have varied on a per claim basis, and are expected to continue to vary considerably over time. They are affected by a multitude of factors, including the type and severity of the disease sustained by the claimant; the occupation of the claimant; the extent of the claimant's exposure to asbestos-containing insulation products manufactured or sold by the Company; the extent of the claimant's exposure to asbestos-containing products manufactured or sold by other producers; the number and financial resources of other defendants and the nature and extent of indemnity or contribution claims that may be asserted by or against such other defendants; the jurisdiction of suit; the presence or absence of other possible causes of the claimant's illness; the availability of legal defenses such as the statute of limitations or state of the art; and whether the claim was resolved on an individual basis or as part of a group settlement.

The Company's indemnity payments may also be affected by co-defendant bankruptcy and class action filings. Since 1982 a number of former producers of asbestos-containing products have filed for reorganization under Chapter 11 of the United States Bankruptcy Code ("Co-Defendant Bankruptcies"). Pending lawsuits are generally stayed as to these entities, but continue against the Company and other defendants. Certain other defendants, and certain plaintiffs, have also sought to resolve all asbestos claims on a global basis by filing petitions to certify nationwide litigation or settlement class actions ("Class Actions"), certain of which the Company believes are not supported by existing case law. The precise impact on the Company of these Co-Defendant Bankruptcies and Class Actions is not determinable. However, the Company believes that the Co-Defendant Bankruptcies probably have adversely affected, and may adversely affect in the future, the Company's share of the total liability to plaintiffs in previously settled or otherwise determined lawsuits and claims and that the dissemination of class notices in the Class Actions may have increased the number of claims and lawsuits against the Company or accelerated the filing of such claims.

The Company is also one of a number of defendants in (i) bodily injury lawsuits involving plaintiffs who allege that they are or were maritime workers ("Maritime Claims"), (ii) a lawsuit on behalf of individuals in Pennsylvania who have no asbestos-related impairment, but nevertheless seek the costs of future medical monitoring ("Medical Monitoring Claims") and (iii) lawsuits brought by public or private property owners alleging damages to their various properties ("Property Damage Claims"). Certain of these Maritime Claims, Medical Monitoring Claims and Property Damage Claims seek class action treatment. Based on its past experience, the Company presently believes that the probable ultimate disposition of these Maritime Claims, Medical Monitoring Claims and Property Damage Claims will not involve any material additional liability and does not include them in the description herein of asbestos claims or in the total number of pending asbestos claims above.

In April 1986, the Company and Aetna Life & Casualty Company ("Aetna") agreed to a final settlement fully resolving asbestos bodily injury and property

damage insurance coverage litigation between them (which followed the entry of partial summary judgment in favor of the Company in such litigation). The Company has processed claims which have effectively exhausted its coverage under the Aetna agreement. In 1984, the Company initiated similar litigation in New Jersey against the Company's insurers, including its wholly-owned captive insurer Owens Insurance Limited ("OIL"), and certain other parties for the years 1977 through 1985 in which the Company sought damages and a declaration of coverage for both asbestos bodily injury and property damage claims under insurance policies in effect during those years (Owens-Illinois, Inc. v. United Insurance Co., et al, Superior Court of New Jersey, Middlesex County, November 30, 1984).

In December 1994, the Company partially settled for approximately \$100 million its coverage claim against OIL to the extent of reinsurance provided to OIL by certain reinsurance companies representing approximately 19% of total United Insurance coverage limits. Subsequently, the Company reached separate settlements for approximately \$140 million with various other reinsurers, and with OIL to the extent of reinsurance provided by such settling reinsurance companies. These settlements also included all of the reinsurers who had participated actively as litigating parties in the United Insurance case.

Following the settlements described above, a settlement agreement (the "OIL Settlement") was reached with OIL. The OIL Settlement, which was endorsed by three mediators and approved by OIL's independent directors, called for the payment of remaining non-settled reinsurance at 78.5% of applicable reinsurance limits, increasing to 81% on approximately March 1, 1996 and accruing interest thereafter at 10% per annum.

In December 1995, the presiding judge in the United Insurance case entered a Consent Judgment settling the United Insurance case as to all remaining issues and all parties with the single exception of a broker malpractice claim asserted by the Company, which remains pending. In the Consent Judgment Order, the presiding judge specifically found that the OIL Settlement is a good faith and non-collusive settlement and that it is fair and reasonable as to OIL and all of OIL's non-settling reinsurers.

In November 1995, before all the settlements described above were finalized, a reinsurer of OIL during the years affected by the United Insurance case brought a separate suit against OIL seeking a declaratory judgment that it had no reinsurance obligation to OIL due to alleged OIL fraud and also to OIL not having joined non-party reinsurers as parties in the United Insurance case as alleged to be required under New Jersey's "entire controversy" doctrine (Employer's Mutual vs Owens-Insurance Limited, Superior Court of New Jersey, Morris County, December 1995). The Company was not a named party to this cause of action but was subsequently joined in it as a necessary party defendant.

Subsequent to the entry of the Consent Judgment Order in the United Insurance case described above, OIL gave notice of the OIL Settlement to all nonsettling reinsurers affected by the United Insurance case, informing all such reinsurers of the terms of the OIL Settlement and demanding timely payment from such reinsurers pursuant to such terms. Certain previously nonsettling

reinsurers made the payments called for under the OIL Settlement or otherwise settled their obligations thereunder. Other nonsettling solvent reinsurers, all of which are parties to the Employers Mutual case described above, did not, however, make the payments called for under the OIL Settlement by the date specified therein.

In June 1996, the Superior Court of New Jersey, Morris County granted OIL summary judgment on the "entire controversy" doctrine claim in the Employers Mutual case. A petition for interlocutory appeal of this summary judgment by certain nonsettling OIL reinsurers was rejected first by the Appellate Division of the New Jersey Superior Court and thereafter by the New Jersey Supreme Court.

As a result of payments and commitments that have been made by reinsurers pursuant to the OIL Settlement and the earlier settlement agreements described above in the United Insurance case and certain other available insurance, the Company has to date confirmed coverage for its asbestos-related costs of approximately \$296.8 million. Of the total amount confirmed to date, \$254.7 million had been received through June 30, 1997; and the balance of approximately \$42.1 million will be received throughout 1997 and the next several years. The remainder of the insurance asset of approximately \$213.2 million relates principally to the reinsurers who have not yet paid their reinsurance obligations under the OIL Settlement. This \$213.2 million asset valuation at June 30, 1997 also reflects 1994 and 1995 reductions of \$100 million and \$40 million, respectively, in the insurance asset valuation of \$650 million established in 1993, which had been made to reflect settlement activity and litigation developments in the United Insurance case.

The Company believes, based on the rulings of the trial court, the Appellate Division and the New Jersey Supreme Court in the United Insurance case, as well as its understanding of the facts and legal precedents (including specifically the legal precedent requiring that reinsurers "follow the fortunes" of and adhere to any good faith, fair and reasonable settlement entered into by the primary carrier which such reinsurers had agreed to reinsure) and based on advice of counsel, McCarter & English, that it is probable substantial additional payments will be received to cover the Company's asbestos-related claim losses, in addition to the amounts already received or to be received as a result of the settlements described above.

As a result of the Co-Defendant Bankruptcies, the Class Actions, and the continuing efforts in various federal and state courts to resolve asbestos lawsuits and claims in nontraditional manners, as well as the continued filings of new lawsuits and claims, the Company believes that its ultimate asbestos-related contingent liability (i.e., its indemnity or other claim disposition costs plus related litigation expenses) is difficult to estimate with certainty. However, the Company has continually monitored the trends of matters which may affect its ultimate liability and continually analyzes the trends, developments and variables affecting or likely to affect the resolution of pending and future asbestos claims against the Company.

Based on all the factors and matters relating to the Company's asbestos-related litigation and claims, the Company believes that its asbestos-related

costs and liabilities will not exceed by a material amount the sum of the available insurance reimbursement the Company believes it has and will have principally as a result of the United Insurance case, and the OIL Settlement, as described above, and the amount of previous charges for asbestos-related costs.

Other litigation is pending against the Company, in many cases involving ordinary and routine claims incidental to the business of the Company and in others presenting allegations that are nonroutine and involve compensatory, punitive or treble damage claims as well as other types of relief. The ultimate legal and financial liability of the Company in respect to the lawsuits and proceedings referred to above, in addition to other pending litigation, cannot be estimated with certainty. However, the Company believes, based on its examination and review of such matters and experience to date, that such ultimate liability will not be material in relation to the Company's Consolidated Financial Statements.

10. New Accounting Standard

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS No. 128"), which is required to be adopted for periods ending after December 15, 1997. The adoption of FAS No. 128 by the Company is expected to result in no change in primary earnings per share for the three and six months ended June 30, 1997 and 1996. The impact of FAS No. 128 on the calculation of fully diluted earnings per share for these quarters is not expected to be material.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations - Second Quarter 1997 compared with Second Quarter 1996

The Company recorded earnings before extraordinary items of \$86.9 million for the second quarter of 1997 compared to net earnings of \$66.6 million for the second quarter of 1996, an increase of \$20.3 million, or 30.5%. The second quarter of 1997 includes amounts relating to: (1) the recently acquired AVIR operations (see Note 1 to the financial statements) and (2) certain assets of Anchor Glass Container Corporation acquired on February 5, 1997 ("Anchor Assets"). Consolidated operating profit for the second quarter of 1997 was \$222.7 million, an increase of \$43.7 million, or 24.4%, compared to the same period in 1996. The increase is principally attributable to higher operating profit for both the Glass Containers segment and the Plastics and Closures segment. Net earnings of \$2.4 million for the second quarter of 1997 reflect \$84.5 million of extraordinary charges from the early extinguishment of debt.

Capsule segment results (in millions of dollars) for the second quarter of 1997 and 1996 were as follows:

	Net sales (Unaffiliated customers)		Operating Profit	
	1997	1996	1997	1996
Glass Containers	\$ 931.1	\$ 697.1	\$ 165.0	\$ 130.5
Plastics and Closures	293.0	266.1	57.5	49.1
Eliminations and other retained costs	.4	.5	.2	(.6)
Consolidated total	\$1,224.5	\$ 963.7	\$ 222.7	\$ 179.0

Consolidated net sales for the second quarter of 1997 increased \$260.8 million, or 27.1%, over the prior year. Net sales of the Glass Containers segment increased \$234.0 million, or 33.6%, from 1996. The combined U.S. dollar sales of the segment's foreign affiliates increased over the prior year, reflecting the recent acquisition of AVIR (which contributed approximately \$150 million to second quarter 1997 U.S. dollar sales), improved pricing in Venezuela, and increased unit shipments in Colombia and several other countries. Domestically, glass container unit volume increased over prior year, reflecting additional business gained through the acquisition of the Anchor Assets and higher shipments to U. S. brewers. Net sales of the Plastics and Closures segment increased \$26.9 million, or 10.1%, over 1996. Higher shipments of plastic containers for personal care items such as hair care, skin care, and body wash products contributed to the increase.

Consolidated operating profit for the second quarter of 1997 increased \$43.7 million, or 24.4%, to \$222.7 million from second quarter 1996 operating profit of \$179.0 million. The operating profit of the Glass Containers segment increased \$34.5 million to \$165.0 million, compared to \$130.5 million in the second quarter of 1996. The combined U.S. dollar operating profit of the

segment's foreign affiliates increased from the second quarter of 1996. AVIR contributed approximately \$21 million to second quarter 1997 U.S. dollar operating profit. Improved results at most of the segment's affiliates, particularly those affiliates located in Brazil, Venezuela and Finland also contributed to the increase. Domestically, operating profit of the Glass Containers segment decreased slightly from the second quarter of 1996. Integration costs and related acquisition effects in connection with the acquisition of the Anchor Assets adversely affected operating profit in the second quarter of 1997. The operating profit of the Plastics and Closures segment increased \$8.4 million, or 17.1%, compared to the second quarter of 1996. The increase resulted from higher unit shipments in most businesses, particularly plastic containers for personal care items. Other retained costs for the second quarter of 1997 were lower principally due to higher net financial services income.

First Six Months 1997 compared with First Six Months 1996

For the first six months of 1997, the Company recorded earnings before extraordinary items of \$141.5 million compared to net earnings of \$106.2 million for the first six months of 1996. Excluding the effects of the 1997 unusual items discussed below, the Company's first six months of 1997 earnings before extraordinary items of \$133.9 million increased \$27.7 million, or 26.1%, over first six months of 1996 net earnings of \$106.2 million. The first six months of 1997 includes amounts relating to: (1) the recently acquired AVIR operations and (2) the Anchor Assets acquired on February 5, 1997. Consolidated segment operating profit, excluding the 1997 unusual items, was \$374.2 million for the first six months of 1997, an increase of \$59.1 million, or 18.8%, compared to the same 1996 period. The increase is attributable to higher operating profit for both the Glass Containers segment and the Plastics and Closures segment, along with lower retained costs. Interest expense, net of interest income, increased \$16.5 million due in part to debt incurred or assumed in connection with acquisitions. The Company's estimated effective tax rate, excluding the effect of the Kimble Glass gain discussed below, was 34.2% for the first six months of 1997, compared with 34.8% estimated for the first half of 1996 and the actual rate of 32.4% for the full year 1996. Net earnings of \$57.0 million for the first six months of 1997 reflect \$84.5 million of extraordinary charges from the early extinguishment of debt.

Capsule segment results (in millions of dollars) for the first six months of 1997 and 1996 were as follows:

	Net sales (Unaffiliated customers)		Operating Profit	
	1997	1996	1997	1996
Glass Containers	\$1,706.7	\$1,338.9	\$ 266.1	\$ 229.2
Plastics and Closures	573.4	529.7	109.2	92.9
Eliminations and other retained costs (a)	.7	.9	1.1	(7.0)
Consolidated total	\$2,280.8	\$1,869.5	\$ 376.4	\$ 315.1

(a) Operating profit for 1997 includes: (1) a gain of \$16.3 million on the sale of the remaining 49% interest in Kimble Glass, and (2) charges of \$14.1 million principally for the estimated cost of guaranteed lease obligations of a previously divested business. These items were recorded in the first quarter of 1997.

Consolidated net sales for the first six months of 1997 increased \$411.3 million, or 22.0%, over the prior year. Net sales of the Glass Containers segment increased \$367.8 million, or 27.5%, over 1996. The combined U.S. dollar sales of the segment's foreign affiliates increased over the prior year, reflecting the recent acquisition of AVIR (which contributed approximately \$240 million to first six months 1997 U.S. dollar sales), improved pricing in Venezuela, and increased unit shipments at several other affiliates, particularly those affiliates located in Colombia and the United Kingdom. Domestically, the increase in glass container unit shipments to U.S. brewers more than offset lower shipments of food containers. The net increase in domestic unit shipments was principally the result of additional business gained through the acquisition of the Anchor Assets. Net sales of the Plastics and Closures segment increased \$43.7 million, or 8.2%, over 1996. Higher shipments of plastic containers for personal care items such as hair care, skin care, and body wash products along with increased demand for prescription containers contributed to the increase.

Consolidated operating profit for the first six months of 1997, excluding the 1997 unusual items, increased \$59.1 million, or 18.8%, to \$374.2 million from first six months 1996 operating profit of \$315.1 million. The operating profit of the Glass Containers segment increased \$36.9 million to \$266.1 million, compared to \$229.2 million in the first six months of 1996. The combined U.S. dollar operating profit of the segment's foreign affiliates increased from the first six months of 1996. AVIR contributed approximately \$33 million to first six months 1997 U.S. dollar operating profit. Improved results at the segment's affiliates in Venezuela, Poland, and several other countries more than offset the effects of reduced export shipments from Hungary and soft market conditions in Brazil, which adversely affected results of affiliates located in those countries. Domestically, operating profit of the Glass Containers segment was about equal to that of the first six months of 1996. The operating profit of the Plastics and Closures segment increased

\$16.3 million, or 17.5%, compared to the first six months of 1996. The increase resulted from improved manufacturing performance and higher unit shipments in most businesses, particularly plastic containers for personal care items. Other retained costs, excluding the 1997 unusual items discussed below, were \$1.1 million for the first six months of 1997 compared to \$7.0 million for the first six months of 1996, reflecting lower employee benefit costs and higher net financial services income.

The first six months 1997 results include the following unusual items: (1) a gain of \$16.3 million (\$16.3 million after tax) on the sale of the Company's remaining 49% interest in Kimble Glass, and (2) charges of \$14.1 million (\$8.7 million after tax) principally for the estimated cost of guaranteed lease obligations of a previously divested business. These items were recorded in the first quarter of 1997.

Capital Resources and Liquidity

The Company's total debt at June 30, 1997 was \$3.30 billion compared to \$3.39 billion at December 31, 1996 and \$2.90 billion at June 30, 1996.

At June 30, 1997, the Company had available credit totaling \$3.0 billion under its May 15, 1997 Bank Credit Agreement, expiring in December 2001, of which \$1.26 billion had not been utilized. At December 31, 1996, total commitments under the Company's previous credit facility were \$1.8 billion of which \$628.7 million of credit had not been utilized. The increased utilization of the Bank Credit Agreement resulted in large part from implementation of the Refinancing Plan and expenditures related to the acquisition of the Anchor Assets. Utilization was also higher as a result of borrowings for capital expenditures and asbestos-related payments, partially offset by proceeds received from the sale of the Company's remaining 49% in Kimble Glass and cash provided by operations, including cash received for settlement of a portion of the insurance asset for asbestos-related costs. Cash provided by operating activities was \$116.8 million for the first six months of 1997 compared to \$123.7 million in 1996.

During the second quarter of 1997, the Company filed a registration statement with the Securities and Exchange Commission for the offering of up to \$2.5 billion of debt securities, common stock, or both from time to time as market conditions permit. On May 16, 1997, the Company completed offerings of: (1) 14,750,000 shares of common stock at a public offering price of \$28.50 per share; (2) \$300 million aggregate principal amount of 7.85% Senior Notes due May 15, 2004; and (3) \$300 million aggregate principal amount of 8.10% Senior Notes due May 15, 2007. On May 23, 1997, the Company used the proceeds from these offerings in addition to borrowings under the Company's Bank Credit Agreement to redeem \$957.4 million aggregate principal amount of the 11% Senior Debentures due 2003, which represents more than 95% of the aggregate principal amount of these securities outstanding, pursuant to a tender offer and consent solicitation for such securities. Total consideration for each \$1,000 principal amount of the 11% Senior Debentures redeemed on May 23, 1997 was \$1,115.60, which included a \$20 payment for consents to amendments to the related indenture. On June 13, 1997, the Company issued an additional 2,186,100 shares of common stock pursuant to the partial exercise of the

underwriters' overallotment option. On June 16, 1997, the Company redeemed all \$250 million aggregate principal amount of the 10.25% Senior Subordinated Notes due 1999, at 100% of principal amount, and all \$150 million aggregate principal amount of the 10.50% Senior Subordinated Notes due 2002, at 105.25% of principal amount. The June 16, 1997, redemptions were funded by proceeds received from the June 13, 1997, issuance of common stock and borrowings under the Company's Bank Credit Agreement. On August 1, 1997, the Company redeemed all \$250 million aggregate principal amount of the 10% Senior Subordinated Notes due 2002, at 105% of principal amount. On June 20, 1997, the Company announced that on August 15, 1997, all \$200 million aggregate principal amount of the 9.75% Senior Subordinated Notes due 2004, will be redeemed at 104.875% of principal amount. These redemptions were or will be funded by borrowings under the Company's Bank Credit Agreement. The Refinancing Plan also contemplates the redemption, at the Company's option, of all \$100 million aggregate principal amount of the 9.95% Senior Subordinated Notes due 2004 when and as they become redeemable on October 15, 1997, at 104.975% of principal amount. The results of all the above refinancing actions include both a reduction of indebtedness and lower overall interest rates. The favorable effect on annual interest expense amounts to approximately \$80 million, based upon 1996 pro forma calculations.

The Company anticipates that cash flow from its operations and from utilization of credit available through December 2001 under the Bank Credit Agreement will be sufficient to fund its operating and seasonal working capital needs, debt service including the redemptions discussed above and relatively modest scheduled principal payments, and other obligations. The Company faces additional demands upon its liquidity for asbestos-related payments. Based on the Company's expectations regarding favorable trends which should lower its aggregate payments for lawsuits and claims and its expectation of the collection of its insurance coverage and reimbursement for such lawsuits, and also based on the Company's expected operating cash flow, the Company believes that the payment of any deferred amounts of previously settled or otherwise determined lawsuits and claims, and the resolution of presently pending and anticipated future lawsuits and claims associated with asbestos, will not have a material adverse effect upon the Company's liquidity on a short-term or long-term basis.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

(a) Contingencies. Note 9 to the Condensed Consolidated Financial Statements, "Contingencies," that is included in Part I of this Report, is incorporated herein by reference.

Item 2. Changes in Securities.

On May 12, 1997, the Company executed the supplemental indenture reflecting amendments to the indenture governing the 11% Senior Debentures. The amendments eliminate the indenture's restrictive covenants and allow for the release of the guarantees and collateral securing the 11% Senior Debentures. As a result, the 11% Senior Debentures rank pari passu with all other senior obligations of the Company, including the Bank Credit Agreement and the recently issued 7.85% Senior Notes due 2004 and 8.10% Senior Notes due 2007.

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

The Annual Meeting of Owens-Illinois' share owners was held on May 14, 1997. Following are the results of the matters voted upon by the share owners:

- (1) Each of the three nominees for a three-year term on the Company's Board of Directors was elected as follows:

Name	For	Withheld	Abstention	Broker Non-Votes
Joseph H. Lemieux	112,799,766	407,445	-	-
Henry R. Kravis	112,617,597	589,614	-	-
Michael W. Michelson	112,795,893	411,318	-	-

- (2) The Second Amendment to Second Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc. was approved as follows:

For	Against	Abstention	Broker Non-Votes
106,685,757	2,271,121	189,022	4,061,311

- (3) The 1997 Equity Participation Plan of Owens-Illinois, Inc. was approved as follows:

For	Against	Abstention	Broker Non-Votes
99,539,205	9,420,299	186,396	4,061,311

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

- Exhibit 4.1 Amended and Restated Credit Agreement, dated as of May 15, 1997, among Owens-Illinois, Inc., the lenders listed therein, including those named as lead managers and co-agents, The Bank of Nova Scotia, NationsBank, N.A., Bank of America National Trust and Savings Association, and Bankers Trust Company including exhibits thereto.
- Exhibit 4.2 Supplemental Indenture, dated as of May 9, 1997, between Owens-Illinois, Inc., the Guarantors named therein, and The Bank of New York related to the 11% Senior Debentures.
- Exhibit 10.1 Second Amendment to Second Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc.
- Exhibit 10.2 Second Amendment to Amended and Restated Owens-Illinois, Inc. Senior Management Incentive Plan.
- Exhibit 10.3 Third Amendment to Amended and Restated Owens-Illinois, Inc. Senior Management Incentive Plan.
- Exhibit 10.4 First Amendment to Amended and Restated Owens-Illinois, Inc. Performance Award Plan.
- Exhibit 10.5 1997 Equity Participation Plan of Owens-Illinois, Inc.
- Exhibit 12 Computation of Ratio of Earnings to Fixed Charges.
- Exhibit 23 Consent of McCarter & English.
- Exhibit 27 Financial Data Schedule.

(b) Reports on Form 8-K:

- (1) On April 17, 1997, the Registrants filed a Form 8-K which included a press release dated April 17, 1997, announcing first quarter 1997 results.
- (2) On April 24, 1997, the Registrants filed a Form 8-K which included a press release dated April 24, 1997, announcing a refinancing plan, and the filing with the Securities and Exchange Commission of prospectus supplements for offerings of common stock and senior notes.

- (3) On May 9, 1997, the Registrants filed a Form 8-K/A, Amendment No. 2, amending the Current Report on Form 8-K dated December 16, 1996 (filed on December 31, 1996). Such Amendment included the information required under Items 7(a), 7(b) and 7(c) with regard to audited financial statements of Avir S.p.A. as of and for the year ended December 31, 1996, following the availability of such financial statements.
- (4) On May 14, 1997, the Registrants filed a Form 8-K which included two press releases dated May 13, 1997, announcing: (a) the public offering of 14,750,000 shares of common stock at a price of \$28.50 per share, and (b) the public offering of \$300 million principal amount of 7.85% Senior Notes due May 15, 2004, and \$300 million principal amount of 8.10% Senior Notes due May 15, 2007.
- (5) On May 16, 1997, the Registrants filed a Form 8-K which included a press release dated May 16, 1997, announcing the consummation of: (a) the previously announced common stock offering and senior note offerings; (b) amendments to the bank credit facility; and (c) release of collateral securing the credit facility and the 11% senior debentures due 2003. In addition, the press release announced the call for redemption on June 16, 1997, of an aggregate of \$400 million principal amount of senior subordinated notes.
- (6) On May 21, 1997, the Registrants filed a Form 8-K which included the following documents:
 - (a) Underwriting Agreement, dated as of May 13, 1997, among Owens-Illinois, Inc., Morgan Stanley & Co. Incorporated, BT Securities Corporation, Credit Suisse First Boston Corporation, Nationsbank Capital markets, Inc. and Salomon Brothers Inc.
 - (b) Underwriting Agreement, dated as of May 13, 1997, among Owens-Illinois, Inc., Salomon Brothers Inc., Goldman, Sachs & Co., Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and PaineWebber Incorporated.
 - (c) Underwriting Agreement, dated as of May 13, 1997, among Owens-Illinois, Inc., Salomon Brothers International Limited, Goldman Sachs International, Lehman Brothers International (Europe), Merrill Lynch International, Morgan Stanley & Co. International Limited and PaineWebber International (U.K.) Ltd.

- (d) Indenture dated as of May 15, 1997, between Owens-Illinois, Inc. and The Bank of New York, as Trustee.
- (e) Officers' Certificate, dated May 16, 1997, establishing the terms of the 7.85% Senior Notes due 2004.
- (f) Officers' Certificate, dated May 16, 1997, establishing the terms of the 8.10% Senior Notes due 2007.
- (g) Form of 7.85% Senior note due 2004.
- (h) Form of 8.10% Senior Note due 2007.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

OWENS-ILLINOIS, INC.

Date August 14, 1997

By /s/ Lee A. Wesselmann

Lee A. Wesselmann, Senior Vice President and
Chief Financial Officer (Principal Financial
Officer)

OWENS-ILLINOIS GROUP, INC.

Date August 14, 1997

By /s/ Lee A. Wesselmann

Lee A. Wesselmann, Senior Vice President and
Chief Financial Officer (Principal Financial
Officer)

INDEX TO EXHIBITS

Exhibit

- 4.1 Amended and Restated Credit Agreement, dated as of May 15, 1997, among Owens-Illinois, Inc., the Lenders listed therein, including those named as lead managers and co-agents, The Bank of Nova Scotia, NationsBank, N.A., Bank of America National Trust and Savings Association, and Bankers Trust Company including exhibits thereto.
- 4.2 Supplemental Indenture, dated as of May 9, 1997, between Owens-Illinois, Inc., the Guarantors named therein, and The Bank of New York related to the 11% Senior Debentures.
- 10.1 Second Amendment to Second Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc.
- 10.2 Second Amendment to Amended and Restated Owens-Illinois, Inc. Senior Management Incentive Plan.
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- 10.4 First Amendment to Amended and Restated Owens-Illinois, Inc. Performance Award Plan.
- 10.5 1997 Equity Participation Plan of Owens-Illinois, Inc.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 23 Consent of McCarter & English.
- 27 Financial Data Schedule.

AMENDED AND RESTATED
CREDIT AGREEMENT

dated as of
May 15, 1997

among

OWENS-ILLINOIS, INC.,

THE LENDERS LISTED HEREIN,

BANQUE NATIONALE DE PARIS, BANQUE PARIBAS, CAISSE NATIONALE DE CREDIT AGRICOLE, COMPAGNIE FINANCIERE DE CIC ET DE L'UNION EUROPEENNE, DAI-ICHI KANGYO BANK, LIMITED, FLEET NATIONAL BANK, MELLON BANK, N.A., NATIONAL CITY BANK, and THE SANWA BANK, LIMITED as Lead Managers,

ABN AMRO BANK N.V., THE BANK OF NEW YORK, CIBC, INC., CREDIT LYONNAIS CHICAGO BRANCH, THE FIRST NATIONAL BANK OF CHICAGO, THE FUJI BANK, LIMITED, THE INDUSTRIAL BANK OF JAPAN, LIMITED, KEYBANK NATIONAL ASSOCIATION, THE LONG-TERM CREDIT BANK OF JAPAN, LTD., ROYAL BANK OF CANADA, THE SAKURA BANK, LIMITED, SOCIETE GENERALE, THE SUMITOMO BANK, LIMITED, and TORONTO DOMINION (TEXAS), INC. as Co-Agents,

THE BANK OF NOVA SCOTIA and NATIONSBANK, N.A., as Co-Documentation Agents,

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Syndication Agent,

and

BANKERS TRUST COMPANY, as Administrative Agent

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OWENS-ILLINOIS, INC.

AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF MAY 15, 1997

This AMENDED AND RESTATED CREDIT AGREEMENT is dated as of May 15, 1997 (this "Agreement"), and entered into by and among OWENS-ILLINOIS, INC., a Delaware corporation ("Company"), THE LENDERS LISTED ON THE SIGNATURE PAGES HEREOF (individually a "Lender" and collectively, "Lenders"), BANQUE NATIONALE DE PARIS, BANQUE PARIBAS, CAISSE NATIONALE DE CREDIT AGRICOLE, COMPAGNIE FINANCIERE DE CIC ET DE L'UNION EUROPEENNE, DAI-ICHI KANGYO BANK, LIMITED, FLEET NATIONAL BANK, MELLON BANK, N.A., NATIONAL CITY BANK, and THE SANWA BANK, LIMITED, as Lead Managers for Lenders (individually referred to herein as a "Lead Manager" and collectively as "Lead Managers"), ABN AMRO BANK N.V., THE BANK OF NEW YORK, CIBC, INC., CREDIT LYONNAIS CHICAGO BRANCH, THE FIRST NATIONAL BANK OF CHICAGO, THE FUJI BANK, LIMITED, THE INDUSTRIAL BANK OF JAPAN, LIMITED, KEYBANK NATIONAL ASSOCIATION, THE LONG-TERM CREDIT BANK OF JAPAN, LTD., ROYAL BANK OF CANADA, THE SAKURA BANK, LIMITED, SOCIETE GENERALE, THE SUMITOMO BANK, LIMITED, and TORONTO DOMINION (TEXAS), INC., as Co-Agents for Lenders (individually referred to herein as a "Co-Agent" and collectively as "Co-Agents"), THE BANK OF NOVA SCOTIA ("ScotiaBank") and NATIONS BANK, N.A. ("NationsBank"), as Co-Documentation Agents for Lenders (individually referred to herein as a "Co-Documentation Agent" and collectively as "Co-Documentation Agents"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION ("BoFA"), as Syndication Agent for Lenders ("Syndication Agent"), and BANKERS TRUST COMPANY ("Bankers"), as Administrative Agent for Lenders ("Administrative Agent"; together with Co-Documentation Agents and Syndication Agent, "Agents").

RECITALS

WHEREAS, pursuant to that certain Refinancing Credit Agreement dated as of November 19, 1996 (the "Existing Credit Agreement") by and among Company, the lenders that are parties thereto ("Existing Lenders"), the lead managers and co-agents that are parties thereto, BoFA, as documentation agent, and Bankers, as administrative agent, Existing Lenders have made \$1,800,000,000 of credit facilities available to Company in accordance with the terms thereof; and

WHEREAS, pursuant to the Existing Lender Consent, Existing Lenders have agreed, among other things, to (i) release all of Company's present and future Subsidiaries (this and other capitalized terms used in these recitals without definition being used as defined in subsection 1.1) from all obligations under the O-I Subsidiary Guaranty (as such terms are defined in the Existing Credit Agreement) and (ii) release all Liens under the Pledge Agreements (as such term is defined in the Existing Credit Agreement), in each case subject to the satisfaction of certain conditions that will be satisfied concurrently with the effectiveness of this Agreement; and

WHEREAS, Company desires that Lenders make an additional \$1,200,000,000 of credit facilities available to Company, all or any portion of the proceeds of which, together with proceeds of the credit facilities under the Existing

Credit Agreement, the net proceeds from the Equity Offering and the net proceeds from the issuance of the New Senior Notes, if any, will be used by Company to finance the Senior Debenture Tender Offer and may be used by Company to finance the Subordinated Note Redemption; and

WHEREAS, Lenders have agreed to amend and restate the Existing Credit Agreement in its entirety for the purpose of providing such additional credit facilities to Company and making certain other changes to the provisions of the Existing Credit Agreement on the terms and conditions set forth herein:

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, Company, Lenders, Co-Agents and Agents hereby agree to amend and restate the Existing Credit Agreement in its entirety as follows:

SECTION 1

DEFINITIONS

1.1 Certain Defined Terms

The following terms used in this Agreement shall have the following meanings:

"Adjusted Eurodollar Rate" means, for any Interest Rate Determination Date with respect to a Eurodollar Rate Loan, the rate obtained by dividing (i) the arithmetic average (rounded upward to the nearest 1/100 of one percent) of the offered quotation, if any, to first class banks in the interbank Eurodollar market by each of the Reference Lenders for U.S. dollar deposits of amounts in same day funds comparable to the principal amount of the Eurodollar Rate Loan of that Reference Lender for which the Adjusted Eurodollar Rate is then being determined with maturities comparable to the Interest Period for which such Adjusted Eurodollar Rate will apply as of approximately 10:00 A.M. (New York time) on such Interest Rate Determination Date by (ii) a percentage equal to 100% minus the stated maximum rate of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves) applicable to any member bank of the Federal Reserve System in respect of "Eurocurrency liabilities" as defined in Regulation D (or any successor category of liabilities under Regulation D); provided that if any Reference Lender fails to provide Administrative Agent with its aforementioned quotation then the Adjusted Eurodollar Rate shall be determined based on the quotation(s) provided to Administrative Agent by the other Reference Lender(s).

"Administrative Agent" has the meaning assigned to that term in the introduction to this Agreement.

"Affected Lender" means any Lender affected by any of the events described in subsection 2.6B or 2.6C.

"Affiliate", as applied to any Person, means any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For the purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under

common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

"Agents" has the meaning assigned to that term in the introduction to this Agreement.

"Aggregate Amounts Due" has the meaning assigned to that term in subsection 9.6.

"Agreement" means this Amended and Restated Credit Agreement dated as of May 15, 1997, as it may be amended, supplemented or otherwise modified from time to time.

"Applicable Eurodollar Margin" means, as at any date of determination, a rate per annum equal to the percentage set forth below opposite the Applicable Leverage Ratio in effect as of such date of determination, any change in the Applicable Eurodollar Margin to be effective on the date of any corresponding change in the Applicable Leverage Ratio:

Applicable Leverage Ratio	Applicable Eurodollar Margin
4.00:1.00 or greater	0.625%
3.50:1.00 or greater, but less than 4.00:1.00	0.50%
3.00:1.00 or greater, but less than 3.50:1.00	0.425%
2.50:1.00 or greater, but less than 3.00:1.00	0.325%
2.00:1.00 or greater, but less than 2.50:1.00	0.30%
less than 2.00:1.00	0.275%

"Applicable Facility Fee Percentage" means, as at any date of determination, a rate per annum equal to the percentage set forth below opposite the Applicable Leverage Ratio in effect as of such date of determination, any change in the Applicable Facility Fee Percentage to be effective on the date of any corresponding change in the Applicable Leverage Ratio:

Applicable Leverage Ratio	Applicable Facility Fee Percentage
4.00:1.00 or greater	0.375%
3.50:1.00 or greater, but less than 4.00:1.00	0.25%
3.00:1.00 or greater, but less than 3.50:1.00	0.20%
2.50:1.00 or greater, but less than 3.00:1.00	0.175%
2.00:1.00 or greater, but less than 2.50:1.00	0.15%
less than 2.00:1.00	0.125%

"Applicable Leverage Ratio" means, with respect to any date of determination, the Consolidated Leverage Ratio set forth in the Effective Pricing Certificate (as defined below) in respect of the Pricing Period (as defined below) in which such date of determination occurs; provided that the Applicable Leverage Ratio for the period from the Effective Date to but excluding the date of commencement of the first Pricing Period shall be deemed to be the "Applicable Leverage Ratio" in effect on the Effective Date under the Existing Credit Agreement. For purposes of this definition, (i) "Pricing Certificate" means an Officers' Certificate of Company delivered (a) in the case of any of the first three Fiscal Quarters of any Fiscal Year, within 45 days after the end of such Fiscal Quarter, and (b) in the case of the fourth Fiscal Quarter of any Fiscal Year, within 90 days after the end of such Fiscal Quarter, in each case certifying as to the Consolidated Leverage Ratio as of the last day of such Fiscal Quarter and setting forth the calculation of such Consolidated Leverage Ratio in reasonable detail, and (ii) "Pricing Period" means each period commencing on the first Business Day after the delivery (or deemed delivery as provided below) to Administrative Agent of a Pricing Certificate (the "Effective Pricing Certificate" in respect of such Pricing Period) and ending on the first Business Day after the next Pricing Certificate is delivered (or deemed to be delivered as provided below) to Administrative Agent; provided that, in the event Company fails to deliver to Administrative Agent a Pricing Certificate on or before the 45th day after the end of any of the first three Fiscal Quarters of any Fiscal Year or the 90th day after the end of the fourth Fiscal Quarter of any Fiscal Year (the "Cutoff Date" with respect to any such Fiscal Quarter), Company shall be deemed to have delivered to Administrative Agent, on the Cutoff Date, a Pricing Certificate which establishes that the Consolidated Leverage Ratio as of the last day of such Fiscal Quarter was 4.00:1.00.

"Asset Sale" means the sale, transfer or other disposition by Company or any of its Subsidiaries to any Person other than Company or any of its Subsidiaries of (i) any of the stock of any of Company's Subsidiaries (including any Foreign Subsidiary), (ii) substantially all of the assets of any geographic or other division or line of business of Company or any of its Subsidiaries (including any Foreign Subsidiary), or (iii) any other assets (including, without limitation, any assets which do not constitute substantially all of the assets of any geographic or other division or line of business but excluding (a) any assets manufactured, constructed or otherwise produced or purchased for sale to others in the ordinary course of business consistent with the past practices of Company and its Subsidiaries, (b) any accounts receivable sold by Company or any of its Subsidiaries in accordance with subsection 6.6(v), and (c) for purposes of this clause (iii) only, the assets of the Foreign Subsidiaries) of Company or any of its Subsidiaries having a value in excess of \$10,000,000 or more; provided that any asset sale described in clause (iii) shall be deemed not to be an "Asset Sale" until the aggregate amount of all such sales by Company and its Subsidiaries occurring in any Fiscal Year equals or exceeds \$100,000,000; provided, further, that any sale, transfer or other disposition described in clause (i) or (ii) shall be deemed not to be an "Asset Sale" with respect to any sale, transfer or other disposition by any Foreign Subsidiary of all or any of the stock of, or all or any of the assets of, any of its Subsidiaries so long as the proceeds of such sale, transfer or other disposition remain in the applicable territory of the United States of America or jurisdiction outside the United States of America and are used for purposes consistent with the business or operations of such

Foreign Subsidiary as previously conducted.

"Assignment and Acceptance" means an Assignment and Acceptance, in substantially the form of Exhibit XI annexed hereto.

"Bankers" has the meaning assigned to that term in the introduction to this Agreement.

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy" as now and hereafter in effect, or any successor statute.

"Base Rate" means, at any time, the higher of (x) the Prime Rate or (y) the rate which is 1/2 of 1% in excess of the Federal Funds Effective Rate.

"Base Rate Loans" means Loans bearing interest at rates determined by reference to the Base Rate as provided in subsection 2.2A.

"Bid Rate Loans" means Loans made by Lenders to Company pursuant to subsection 2.9.

"Bid Rate Loan Agent" means Administrative Agent acting in the capacity of agent with respect to the Bid Rate Loans hereunder.

"Bid Rate Loan Interest Payment Date" means, with respect to any Bid Rate Loan, the last day of the Bid Rate Loan Interest Period applicable to such Bid Rate Loan; provided that in the case of a Bid Rate Loan with a Bid Rate Loan Interest Period of 180 days "Bid Rate Loan Interest Payment Date" shall also include the 90-day anniversary of the commencement of that Bid Rate Loan Interest Period.

"Bid Rate Loan Interest Period" means, with respect to any Bid Rate Loans, the period commencing on the date such Bid Rate Loans are made and ending on a date 30, 60, 90 or 180 days thereafter, as Company may select as provided in subsection 2.9B. Notwithstanding the foregoing, (i) if any Bid Rate Loan Interest Period would otherwise end after the Revolving Loan Commitment Termination Date, such Bid Rate Loan Interest Period shall end on the Revolving Loan Commitment Termination Date, (ii) each Bid Rate Loan Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day, and (iii) notwithstanding clause (i) above, no Bid Rate Loan Interest Period for any Bid Rate Loans shall have a duration of less than 30 days and, if the Bid Rate Loan Interest Period for any Bid Rate Loans would otherwise be a shorter period, such Bid Rate Loans shall not be available hereunder.

"Bid Rate Loan Notes" means the promissory notes of Company, substantially in the form of Exhibit VIII annexed hereto, issued in favor of one or more Lenders pursuant to subsection 2.9K to evidence the Bid Rate Loans.

"Bid Rate Loan Quote" means an offer by a Lender to make Bid Rate Loans, substantially in the form of Exhibit VI annexed hereto, delivered to Administrative Agent by such Lender pursuant to subsection 2.9D.

"Bid Rate Loan Quote Request" means a request by Company to each Lender to submit Bid Rate Loan Quotes, substantially in the form of Exhibit IV annexed hereto, delivered by Company to Administrative Agent pursuant to subsection 2.9B.

"Bid Rate Loan Shortfall Amount" means the amount, if any, by which the amount of Bid Rate Loans requested in a Bid Rate Loan Quote Request exceeds the amount equal to (i) the aggregate amount of Bid Rate Loans offered in any Bid Rate Loan Quotes delivered by Lenders relating to such Bid Rate Loan Quote Request minus (ii) the amount of Bid Rate Loans so offered which are rejected in good faith by Company.

"Bid Rate Loan Shortfall Date" means a proposed Funding Date of Bid Rate Loans in respect of which a Bid Rate Loan Shortfall Amount exists.

"Business Day" means (i) for all purposes other than as covered by clause (ii) below, any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the States of New York or Ohio or is a day on which banking institutions located in such states are authorized or required by law or other governmental action to close and (ii) with respect to all notices, determinations, fundings and payments in connection with the Adjusted Eurodollar Rate, any day which is a Business Day described in clause (i) and which is also a day for trading by and between banks in Dollar deposits in the applicable interbank Eurodollar market.

"Capital Lease", as applied to any Person, means any lease of any property (whether real, personal or mixed) by that Person as lessee which, in conformity with GAAP (subject to subsection 1.2 hereof), is accounted for as a capital lease on the balance sheet of that Person.

"Cash" means money, currency or a credit balance in a Deposit Account.

"Cash Equivalents" means (i) marketable direct obligations issued or unconditionally guaranteed by the United States Government or issued by any agency thereof and (a) backed by the full faith and credit of the United States or (b) having a rating of at least AAA from S&P or at least Aaa from Moody's, in each case maturing within one year from the date of acquisition thereof; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having the highest rating obtainable from either S&P or Moody's; (iii) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's; (iv) certificates of deposit or bankers' acceptances maturing within one year from the date of acquisition thereof issued by any Lender or any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia having combined capital and surplus of not less than \$250,000,000; (v) Eurodollar time deposits having a maturity of less than one year purchased directly from any Lender or any Affiliate of any Lender (whether such deposit is with such Lender or Affiliate or any other Lender); (vi) repurchase agreements and reverse repurchase agreements with any Lender or any Affiliate of any Lender relating to marketable direct obligations

issued or unconditionally guaranteed by the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof; and (vii) shares of any money market mutual fund that (a) has at least a majority of its assets invested continuously in the types of investments referred to in clauses (i), (ii) and (vi) above (without regard to the requirement in said clause (vi) that the applicable repurchase agreements or reverse repurchase agreements be entered into with a Lender or an Affiliate of a Lender), and (b) has net assets of not less than \$250,000,000.

"Change of Control" means such time as a "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act), other than KKR and its Affiliates, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than 35% of the total voting power of the then outstanding Voting Stock. For purposes of this definition of "Change of Control", (i) the term "Capital Stock" means any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock of Company and (ii) the term "Voting Stock" means Capital Stock of any class or kind ordinarily (without regard to the occurrence of any contingency) having the power to vote for the election of directors of Company.

"Co-Agent" and "Co-Agents" have the meanings assigned to those terms in the introduction to this Agreement.

"Co-Documentation Agent" and "Co-Documentation Agents" have the meanings assigned to those terms in the introduction to this Agreement.

"Commercial Letter of Credit" means any letter of credit or similar instrument issued for the purpose of providing the primary payment mechanism in connection with the purchase of any materials, goods or services by Company or any of its Subsidiaries in the ordinary course of business of Company or such Subsidiary.

"Commodities Agreement" means any forward commodities contract, commodities option contract, commodities futures contract, commodities futures option, or similar agreement or arrangement.

"Common Stock" means the common stock of Company, par value \$.01 per share.

"Company" has the meaning assigned to that term in the introduction to this Agreement.

"Compliance Certificate" means a certificate substantially in the form annexed hereto as Exhibit X delivered to Lenders by Company pursuant to subsection 5.1(iii).

"Consent Solicitation" means the solicitation by Company, from the holders of outstanding Existing Senior Debentures, of consents to certain amendments to the Existing Senior Debenture Indenture in accordance with the terms of the Senior Debenture Tender Offer Materials.

"Consolidated Adjusted EBITDA" means, for any period, Consolidated

Net Income adjusted to exclude (without duplication) the effects of (i) Consolidated Interest Expense, (ii) provisions for taxes based on income, (iii) depreciation expense, (iv) amortization expense, and (v) material non-recurring gains and losses, all of the foregoing as determined on a consolidated basis for Company and its Subsidiaries in conformity with GAAP.

"Consolidated Interest Expense" means, for any period, interest expense with respect to all outstanding Indebtedness (including, without limitation, net costs under Interest Rate Agreements and any such expense attributable to Capital Leases in accordance with GAAP) of Company and its Subsidiaries for such period determined on a consolidated basis in conformity with GAAP.

"Consolidated Leverage Ratio" means, as at any date of determination, the ratio of (i) Consolidated Total Debt as of the last day of the most recent Fiscal Quarter in respect of which Company has delivered (or is then required to have (but has not yet) delivered) to Administrative Agent the financial statements required to be delivered pursuant to subsection 5.1(i) or (in the case of the last Fiscal Quarter of any Fiscal Year) subsection 5.1(ii) to (ii) Consolidated Pro Forma EBITDA (as hereinafter defined) for the four-Fiscal Quarter period ending on the last day of the applicable Fiscal Quarter under clause (i) above. As used in this definition, the term "Consolidated Pro Forma EBITDA" means, for purposes of calculating the Consolidated Leverage Ratio in respect of any four Fiscal-Quarter period, Consolidated Adjusted EBITDA for such period calculated on a pro forma basis after giving effect to any acquisitions of new Subsidiaries by Company or any of its Subsidiaries during such period as if such acquisitions had been consummated on the first day of such period.

"Consolidated Net Income" means, for any period, the net income (or loss), before extraordinary items, of Company and its Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP.

"Consolidated Subsidiaries" means all Subsidiaries of Company other than the Foreign Subsidiaries.

"Consolidated Total Debt" means, as at any date of determination, the aggregate stated balance sheet amount of all Indebtedness of Company and its Subsidiaries, all as determined on a consolidated basis in conformity with GAAP.

"Contractual Obligation", as applied to any Person, means any provision of any Security issued by that Person or of any material indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

"Covered Tax" means any Tax that is not an Excluded Tax.

"Currency Agreement" means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement.

"Deposit Account" means a demand, time, savings, passbook or like

account with a bank, savings and loan association, credit union or like organization, other than an account evidenced by a negotiable certificate of deposit.

"Dollars" or the sign "\$" means the lawful money of the United States of America.

"Effective Date" means the date on or before June 30, 1997, on which all of the conditions set forth in subsection 3.1A are satisfied.

"Eligible Assignee" means (A)(i) a commercial bank organized under the laws of the United States or any state thereof; (ii) a savings and loan association or savings bank organized under the laws of the United States or any state thereof; (iii) a commercial bank organized under the laws of any other country or a political subdivision thereof; provided that (x) such bank is acting through a branch or agency located in the United States or (y) such bank is organized under the laws of a country that is a member of the Organization for Economic Cooperation and Development or a political subdivision of such country; and (iv) any other entity which is an "accredited investor" (as defined in Regulation D under the Securities Act) which extends credit as one of its businesses including, but not limited to, insurance companies, mutual funds and lease financing companies, in each case (under clauses (i) through (iv) above) that is reasonably acceptable to Agents; and (B) any Lender and any Affiliate of any Lender; provided that no Affiliate of Company shall be an Eligible Assignee; provided further that, in order to be an Eligible Assignee, a Person must have at the time of determination unimpaired capital and surplus of not less than \$100,000,000.

"Environmental Laws" means any and all present and future laws, statutes, ordinances, rules, regulations, requirements, restrictions, permits, orders, and determinations of any governmental authority that have the force and effect of law, and that pertain to pollution (including hazardous or toxic substances), natural resources or the environment, whether federal, state, or local, domestic or foreign, including environmental response laws such as the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 and as the same may be further amended (collectively, "CERCLA").

"Equity Offering" means the receipt by Company, in clearinghouse funds or same day funds, of not less than \$300,000,000 of net proceeds from the issuance, on or prior to the Effective Date, of Common Stock in a registered public offering under the Securities Act.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with Company or any of its Subsidiaries within the meaning of Section 414(b) or (c) of the Internal Revenue Code or (for purposes of Section 412 of the Internal Revenue Code and provisions of the Internal Revenue Code relating to said Section 412) Section 414(m) or (o) of the Internal Revenue Code.

"ERISA Event" means any of the following events or occurrences if

such event or occurrence would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect: (i) the failure by Company, any of its Subsidiaries or any ERISA Affiliate to make a required contribution to a Pension Plan; (ii) a withdrawal by Company, any of its Subsidiaries or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA), or a cessation of operation which is treated as such a withdrawal under Section 4062(e) of ERISA; (iii) a complete or partial withdrawal by Company, any of its Subsidiaries or any ERISA Affiliate from a Multiemployer Plan or the receipt by Company, any of its Subsidiaries or any ERISA Affiliate of notification that a Multiemployer Plan is in reorganization or is insolvent pursuant to Section 4241 or 4245 of ERISA; (iv) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate, in each case with respect to a Pension Plan or receipt by the Company, any of its Subsidiaries or any ERISA Affiliate of notice of any such event with respect to a Multiemployer Plan; (v) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or, to the knowledge of Company, any Multiemployer Plan; (vi) the imposition of any liability upon Company, any of its Subsidiaries or any ERISA Affiliate under Title IV of ERISA (other than with respect to PBGC premiums due but not delinquent under Section 4007 of ERISA) upon Company, any of its Subsidiaries or any ERISA Affiliate; (vii) the imposition of a Lien pursuant to Section 401(a)(29) or 412(n) of the Internal Revenue Code or pursuant to ERISA with respect to any Pension Plan; (viii) receipt from the Internal Revenue Service of notice of the failure of any Plan intended to qualify under Section 401(a) of the Internal Revenue Code to qualify under Section 401(a) of the Internal Revenue Code, or the failure of any trust forming part of any such Plan to qualify for exemption from taxation under Section 501(a) of the Internal Revenue Code; or (ix) the violation of any applicable foreign law, or an event or occurrence that is comparable to any of the foregoing events or occurrences, in either case with respect to a Plan that is not subject to regulation under ERISA by reason of Section 4(b)(4) of ERISA.

"Eurodollar Rate Loans" means Loans bearing interest at rates determined by reference to the Adjusted Eurodollar Rate as provided in subsection 2.2A.

"Event of Default" means each of the events set forth in Section 7.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor statute.

"Exchange Rate" means, on any date when an amount expressed in a currency other than Dollars is to be determined with respect to any Letter of Credit, the spot rate of exchange (as published in the Wall Street Journal) in the New York foreign exchange market for the purchase of such currency in exchange for Dollars two Business Days prior to such date, expressed as a number of units of such currency per one Dollar.

"Excluded Tax" means any of the following taxes, levies, imposts,

duties, deductions, withholdings or charges, and all liabilities (including without limitation all penalties, interest and other additions to tax) with respect thereto: (i) Taxes imposed on the net income of a Lender, Co-Agent, Agent or Tax Transferee (including without limitation branch profits taxes, minimum taxes and taxes computed under alternative methods, at least one of which is based on net income (collectively referred to as "net income taxes")) by (A) the jurisdiction under the laws of which such Lender, Co-Agent, Agent or Tax Transferee is organized or any political subdivision thereof or (B) the jurisdiction of such Lender's, Tax Transferee's, Co-Agent's or Agent's applicable lending office or any political subdivision thereof or (C) any jurisdiction in which the Lender, Co-Agent, Agent or Tax Transferee is doing business (other than solely by virtue of being a Lender under this Agreement), (ii) any Taxes to the extent that they are in effect and would apply to a payment to such Lender, Co-Agent or Agent, as applicable, as of the Effective Date, or as of the date such Person becomes a Lender, in the case of any assignee pursuant to subsection 9.2, (iii) any Taxes that are in effect and would apply to a payment to a Tax Transferee as of the date of acquisition of any Loans by such Tax Transferee or the date of the change of lending office of such Tax Transferee, as the case may be (provided, however, that a Person shall not be considered a Tax Transferee for purposes of this clause (iii) as a result of a change of its lending office or the taking of any other steps pursuant to subsection 2.6J), (iv) with respect to any Taxes for which any credit or other Tax benefit, in the reasonable good faith judgment of such Lender, Tax Transferee, Co-Agent or Agent, as the case may be, is available to such Lender, Tax Transferee, Co-Agent or Agent, as applicable, as a result thereof and is allocable to the transactions contemplated by this Agreement, the amount of such credit or other Tax benefit or (v) any Taxes that would not have been imposed but for (A) the failure by such Agent, Co-Agent, Lender or Tax Transferee, as applicable, to provide and keep current any certification or other documentation required to qualify for an exemption from or reduced rate of any Tax (unless such failure results from a change in applicable law after the Effective Date or the date of the applicable Assignment and Acceptance, as the case may be, which precludes such Agent, Co-Agent, Lender or Tax Transferee, as applicable, from qualifying for such exemption or reduced rate) or (B) the gross negligence or willful misconduct of such Agent, Co-Agent, Lender or Tax Transferee.

"Existing Credit Agreement" has the meaning assigned to that term in the Recitals to this Agreement.

"Existing Lender Consent" means that certain Consent Regarding Release of Pledged Collateral and O-I Subsidiary Guaranty, Amendment of Indentures and Issuance of New Senior Notes dated May 9, 1997 and executed by Company, by "Administrative Agent" and "Collateral Agent" (as such terms are defined in the Existing Credit Agreement), and by Existing Lenders constituting "Requisite Lenders" under the Existing Credit Agreement.

"Existing Lenders" has the meaning assigned to that term in the Recitals to this Agreement.

"Existing Revolving Loans" means "Revolving Loans" (as defined in the Existing Credit Agreement) of Existing Lenders outstanding on the Effective Date.

"Existing Senior Debentures" means the 11% Senior Debentures due 2003 of Company in an aggregate original principal amount of \$1,000,000,000 issued pursuant to the Existing Senior Debenture Indenture, as such Senior Debentures may have been and may hereafter be amended, supplemented or otherwise modified from time to time.

"Existing Senior Debenture Indenture" means the Indenture dated as of December 15, 1991 among Company, as issuer, Owens-Illinois Group, Inc., as guarantor, and The Bank of New York, as indenture trustee, as such Indenture may have been and may hereafter be amended, supplemented or otherwise modified from time to time.

"Existing Subordinated Notes" means each of Company's (i) 10-1/4% Senior Subordinated Notes Due April 1, 1999 in the aggregate principal amount of \$250,000,000, (ii) 10-1/2% Senior Subordinated Notes Due June 15, 2002 in the aggregate principal amount of \$150,000,000, (iii) 10% Senior Subordinated Notes Due August 1, 2002 in the aggregate principal amount of \$250,000,000, (iv) 9-3/4% Senior Subordinated Notes Due August 15, 2004 in the aggregate principal amount of \$200,000,000 and (v) 9.95% Senior Subordinated Notes Due October 15, 2004 in the aggregate principal amount of \$100,000,000, in each case issued pursuant to the Existing Subordinated Note Indenture, as such Senior Subordinated Notes may be amended, supplemented or otherwise modified from time to time after the Effective Date.

"Existing Subordinated Note Indenture" means the Indenture dated as of April 1, 1992 among Company, as issuer, and the Existing Subordinated Note Trustee, as supplemented to the date hereof and as such Indenture may be amended, supplemented or otherwise modified from time to time after the Effective Date.

"Existing Subordinated Note Trustee" means Harris Trust and Savings Bank, as indenture trustee for the Existing Subordinated Notes, and its successors.

"Federal Funds Effective Rate" means, for any period, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Administrative Agent from three Federal funds brokers of recognized standing selected by Administrative Agent.

"Fiscal Quarter" means a fiscal quarter of any Fiscal Year.

"Fiscal Year" means the fiscal year of Company and its Consolidated Subsidiaries ending on December 31 of each calendar year.

"Foreign Entity" means any Subsidiary or Joint Venture of Company more than 80% of the sales, earnings or assets (determined on a consolidated basis) of which are located or derived from operations outside of the United States of America.

"Foreign Subsidiary" means any Subsidiary or Joint Venture of Company identified as such on Schedule A annexed to the Existing Credit Agreement and, in addition, any Subsidiary or Joint Venture acquired, incorporated or otherwise established by Company after the Closing Date (as defined in the Existing Credit Agreement) which is organized under the laws of a jurisdiction other than the United States of America or any State thereof and more than 80% of the sales, earnings or assets (determined on a consolidated basis) of which are located or derived from operations in territories of the United States of America and jurisdictions outside the United States of America.

"Funding and Payment Office" means the office of Administrative Agent located at One Bankers Trust Plaza, New York, New York.

"Funding Date" means the date of the funding of a Loan.

"GAAP" means, subject to the provisions of subsection 1.2, generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"Governmental Authorization" means any permit, license, authorization, plan, directive, consent order or consent decree of or from any foreign, federal, state or local governmental authority, agency or court.

"Hazardous Materials" means any substance that is defined or listed as a hazardous or toxic substance under any present or future Environmental Law or that is otherwise regulated or prohibited or subject to investigation or remediation under any present or future Environmental Law because of its hazardous or toxic properties, including (i) any substance that is a "hazardous substance" under CERCLA (as defined in the definition of "Environmental Laws") and (ii) petroleum wastes or products.

"Indebtedness", as applied to any Person, means (i) all indebtedness for borrowed money, (ii) that portion of obligations with respect to Capital Leases which is properly classified as a liability on a balance sheet in conformity with GAAP (subject to subsection 1.2 hereof), (iii) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money, (iv) the amount of all honored but unreimbursed drawings under letters of credit, (v) any obligation owed for all or any part of the deferred purchase price of property or services, which purchase price is (a) due more than six months from the date of incurrence of the obligation in respect thereof or (b) evidenced by a note or similar written instrument, and (vi) all indebtedness secured by any Lien on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is nonrecourse to the credit of that Person; provided, however, that with respect to any indebtedness of the type described in the foregoing clause (vi) which has not been assumed by that Person or is otherwise nonrecourse to the credit of that Person, the amount of such indebtedness shall be deemed to be the

lesser of the outstanding principal amount of such indebtedness and the fair market value of the property or assets of such Person securing such indebtedness.

"Interest Payment Date" means, with respect to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan; provided that in the case of each Interest Period of six months or longer, "Interest Payment Date" shall also include each three-month anniversary of the commencement of that Interest Period.

"Interest Period" means any interest period applicable to a Eurodollar Rate Loan as determined pursuant to subsection 2.2B.

"Interest Rate Agreement" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement.

"Interest Rate Determination Date" means each date for calculating the Adjusted Eurodollar Rate for purposes of determining the interest rate in respect of an Interest Period. The Interest Rate Determination Date shall be the second Business Day prior to the first day of the related Interest Period.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended to the date hereof and from time to time hereafter.

"Investment", as applied to any Person, means any direct or indirect purchase or other acquisition by that Person of, or of a beneficial interest in, stock or other Securities of any other Person (other than a Person that prior to such purchase or acquisition was, or as a result of such purchase or acquisition becomes, a Subsidiary of Company), or any direct or indirect loan, advance (other than advances to employees for moving and travel expenses, drawing accounts and similar expenditures in the ordinary course of business) or capital contribution by that Person to any other Person other than a Subsidiary of Company, including all indebtedness and accounts receivable from that other Person which are not current assets or did not arise from sales to that other Person in the ordinary course of business. The amount of any Investment shall be the original cost (which shall not include (i) the amount of any Indebtedness of the Person that is the subject of such Investment that is assumed by the Person making such Investment or (ii) the value of any Common Stock issued as all or a portion of the consideration payable in connection with such Investment) or, in the case of an Investment consisting of non-cash consideration received in connection with an Asset Sale or other sale of assets, the original value of such Investment plus the cost of all additions thereto, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment.

"Invitation for Bid Rate Loan Quotes" means an invitation to each Lender to submit a Bid Rate Loan Quote, substantially in the form of Exhibit V annexed hereto, delivered by Administrative Agent to such Lender pursuant to subsection 2.9C with respect to a Bid Rate Loan Quote Request.

"Issuing Lender" means, with respect to any Letter of Credit, the Lender which agrees or is otherwise obligated to issue such Letter of Credit,

determined as provided in subsection 2.8C.

"Joint Venture" means a joint venture, partnership or other similar arrangement, whether in corporate, partnership or other legal form; provided that, as to any such arrangement in corporate form, such corporation shall not, as to any Person of which such corporation is a Subsidiary, be considered to be a Joint Venture to which such Person is a party.

"KKR" means Kohlberg Kravis Roberts & Co., L.P., a Delaware limited partnership.

"Lender" and "Lenders" have the meanings assigned to those terms in the introduction to this Agreement and shall include each Agent and Co-Agent in their respective individual capacities; provided that "Lender" and "Lenders" shall also include the successors and permitted assigns of Lenders pursuant to subsection 9.2B.

"Letter of Credit" or "Letters of Credit" means Commercial Letters of Credit or Standby Letters of Credit issued or to be issued by Issuing Lenders for the account of Company pursuant to subsection 2.8.

"Letter of Credit Usage" means, as at any date of determination, the sum of (i) the maximum aggregate amount which is or at any time thereafter may become available for drawing under all Letters of Credit then outstanding plus (ii) the aggregate amount of all drawings under Letters of Credit honored by Issuing Lenders and not theretofore reimbursed by Company. For purposes of this definition, any amount described in clause (i) or (ii) of the preceding sentence which is denominated in a currency other than Dollars shall be valued based on the applicable Exchange Rate for such currency as of the applicable date of determination.

"Lien" means any lien, mortgage, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest) and any other agreement intended to create any of the foregoing.

"Loan" or "Loans" means one or more of the Revolving Loans or the Bid Rate Loans or any combination thereof.

"Loan Documents" means this Agreement, the Notes, the Overdraft Agreement and the Letters of Credit.

"Margin Stock" has the meaning assigned to that term in Regulation U of the Board of Governors of the Federal Reserve System as in effect from time to time.

"Material Adverse Effect" means (i) a material adverse effect upon the business, operations, properties, assets or condition (financial or otherwise) of Company and its Subsidiaries, taken as a whole, or (ii) a material adverse effect on the ability of Company and its Subsidiaries, taken as a whole, to perform, or of any Agent, Co-Agent or Lender to enforce, the Obligations.

"Material Subsidiary" means each Subsidiary of Company now existing or hereafter acquired or formed by Company which (x) for the most recent Fiscal Year of Company, accounted for more than 5% of the consolidated revenues of Company or (y) as at the end of such Fiscal Year, was the owner of more than 5% of the consolidated assets of Company.

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

"Multiemployer Plan" means a "multiemployer plan", within the meaning of Section 4001(a)(3) of ERISA, with respect to which Company, any of its Subsidiaries or any ERISA Affiliate may have liability.

"New Senior Notes" means, collectively, the 7.85% Senior Notes due 2004 of Company in an aggregate original principal amount of \$300,000,000 and the 8.10% Senior Notes due 2007 of Company in an aggregate original principal amount of \$300,000,000, each issued pursuant to the New Senior Note Indenture, as such Senior Notes may be amended, supplemented or otherwise modified from time to time after the Effective Date.

"New Senior Note Indenture" means the Indenture dated as of May 15, 1997, between Company, as issuer, and The Bank of New York, as trustee, as such Indenture may be amended, supplemented or otherwise modified from time to time after the Effective Date.

"Notes" means one or more of the Revolving Notes or the Bid Rate Loan Notes or any combination thereof.

"Notice of Bid Rate Loan Borrowing" has the meaning assigned to that term in subsection 2.9F.

"Notice of Borrowing" means a notice substantially in the form of Exhibit I annexed hereto with respect to a proposed borrowing.

"Notice of Conversion/Continuation" means a notice substantially in the form of Exhibit III annexed hereto with respect to a proposed conversion or continuation.

"Notice of Issuance of Letter of Credit" means a notice substantially in the form of Exhibit II annexed hereto with respect to the proposed issuance of a Letter of Credit.

"Obligations" means all obligations of every nature of Company from time to time owed to Agents, Co-Agents or Lenders or any of them under or in respect of this Agreement, the Notes, the Letters of Credit or the Overdraft Agreement.

"Officers' Certificate" means, as applied to any corporation, a certificate executed on behalf of such corporation by its Chairman of the Board (if an officer) or its President or one of its Vice Presidents, and by its Chief Financial Officer, its Treasurer or any of its Assistant Treasurers; provided, that any Officers' Certificate required to be delivered by Company on the Effective Date may be executed on behalf of Company by any one of the foregoing officers; provided, further, that every Officers' Certificate with

respect to the compliance with a condition precedent to the making of any Loans hereunder shall include (i) a statement that the officer or officers making or giving such Officers' Certificate have read such condition and any definitions or other provisions contained in this Agreement relating thereto, (ii) a statement that, in the opinion of the signers, they have made or have caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such condition has been complied with, and (iii) a statement as to whether, in the opinion of the signers, such condition has been complied with.

"Overdraft Account" means the account established by Company with Administrative Agent and referenced in the Overdraft Agreement.

"Overdraft Agreement" means the Overdraft Agreement executed and delivered by Company and Administrative Agent on the Effective Date, in substantially the form of Exhibit IX annexed hereto, and any successor Overdraft Agreement executed and delivered by Company and any successor Administrative Agent pursuant to subsection 8.6, as any such Overdraft Agreement may hereafter be amended, amended and restated, supplemented or otherwise modified from time to time.

"Overdraft Amount" means, as at any date of determination, the aggregate amount of outstanding overdrafts charged to the Overdraft Account.

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor thereto).

"Pension Plan" means a "pension plan", as defined in Section 3(2) of ERISA (other than a Multiemployer Plan), with respect to which Company, any of its Subsidiaries or any ERISA Affiliate may have any liability.

"Permitted Encumbrances" means the following types of Liens:

(i) Liens for taxes, assessments or governmental charges or claims the payment of which is not at the time required by subsection 5.3;

(ii) Statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP (subject to subsection 1.2) shall have been made therefor;

(iii) Liens (other than any Lien imposed pursuant to Section 401(a)(29) or 412(n) of the Internal Revenue Code or by ERISA) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(iv) Any attachment or judgment Lien not constituting an Event of Default under subsection 7.8;

(v) Leases, subleases or licenses of occupancy granted to others not interfering in any material respect with the business of Company and its Subsidiaries, taken as a whole;

(vi) Easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the ordinary conduct of the business of Company and its Subsidiaries, taken as a whole;

(vii) Any (a) interest or title of a lessor under any lease, (b) restriction or encumbrance that the interest or title of such lessor or sublessor may be subject to, or (c) subordination of the interest of the lessee or sublessee under such lease to any restriction or encumbrance referred to in the preceding clause (b), so long as the holder of such restriction or encumbrance agrees to recognize the rights of such lessee or sublessee under such lease;

(viii) Liens arising from UCC financing statements regarding leases permitted by this Agreement;

(ix) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(x) Liens incurred in the ordinary course of business encumbering deposits made to secure obligations arising from statutory, regulatory, contractual or warranty requirements of Company and its Subsidiaries (excluding deposits securing the repayment of Indebtedness);

(xi) Liens encumbering customary initial deposits and margin deposits securing obligations under Interest Rate Agreements, Currency Agreements and Commodities Agreements, and other Liens incurred in the ordinary course of business and which are within the general parameters customary in the industry securing obligations under Commodities Agreements; and

(xii) Liens securing reimbursement obligations under Commercial Letters of Credit or bankers' acceptance facilities, which Liens encumber documents and other property to be acquired by drawings under such Commercial Letters of Credit or drafts accepted under such bankers' acceptance facilities.

"Person" means and includes natural persons, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which Company or any of its Subsidiaries sponsors or maintains, or to which Company or any of its Subsidiaries makes, is making or is obligated to make contributions, or to which Company or any of its Subsidiaries may have any liability, and includes any Pension Plan.

"Potential Event of Default" means a condition or event which, after notice or lapse of time or both, would constitute an Event of Default if that condition or event were not cured or removed within any applicable grace or cure period.

"Prime Rate" means the rate which Bankers announces from time to time as its prime lending rate, as in effect from time to time. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Bankers may make commercial loans or other loans at rates of interest at, above or below the Prime Rate.

"Pro Rata Share" means, with respect to each Lender, the percentage designated as such Lender's Pro Rata Share set forth opposite the name of such Lender on Part II of Schedule A annexed hereto, as such percentages shall be adjusted from time to time to give effect to any assignments permitted pursuant to subsection 9.2. The sum of the Pro Rata Shares of all Lenders at any date of determination shall equal 100%.

"Reference Lenders" means Bankers and BofA.

"Refinancing" means (i) the consummation of the Equity Offering, (ii) the issuance, if any, of the New Senior Notes, (iii) the increase in the Revolving Loan Commitments effected pursuant to this Agreement, (iv) the consummation, if any, of the Senior Debenture Tender Offer and the Consent Solicitation, and (v) the Subordinated Note Redemption, if any.

"Register" has the meaning assigned to that term in subsection 2.1E.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time.

"Reporting Unit" means each of the units of the operations of Company, as set forth on Schedule D annexed hereto, as such Schedule D may hereafter be amended, supplemented or modified from time to time by Company.

"Requisite Lenders" means Lenders having more than 50% of the aggregate Revolving Loan Commitments or, if the Revolving Loan Commitments have been terminated, Lenders holding more than 50% of the sum of (i) the aggregate outstanding principal amount of the Revolving Loans plus (ii) the aggregate outstanding principal amount of the Bid Rate Loans plus (iii) the aggregate Pro Rata Shares of the Letter of Credit Usage.

"Responsible Officer" means any of the chief executive officer, the president, any vice president, the chief financial officer, the comptroller, the treasurer or any assistant treasurer of Company.

"Restricted Junior Payment" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of stock of Company now or hereafter outstanding, except a dividend payable solely in shares of that class of stock to the holders of that class, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of stock of Company now or hereafter outstanding, and (iii) any payment made to retire,

or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of stock of Company now or hereafter outstanding.

"Revolving Loan Commitment" or "Revolving Loan Commitments" means the commitment or commitments of a Lender or Lenders to make Revolving Loans as set forth in subsection 2.1A.

"Revolving Loan Commitment Termination Date" means December 31, 2001.

"Revolving Loans" means the Loans made by Lenders to Company pursuant to subsection 2.1A.

"Revolving Notes" means the promissory notes of Company substantially in the form of Exhibit VII annexed hereto, issued in favor of Lenders pursuant to subsection 2.1E(iv) to evidence the Revolving Loans, as they may be amended, supplemented or otherwise modified from time to time.

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

"Securities" means any stock, shares, voting trust certificates, bonds, debentures, options, warrants, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and any successor statute.

"Senior Debenture Tender Offer" means the offer by Company to repurchase up to 100% of the outstanding Existing Senior Debentures pursuant to the Senior Debenture Tender Offer Materials.

"Senior Debenture Tender Offer Materials" means the Offer to Purchase and Consent Solicitation Statement dated April 25, 1997, as amended or supplemented (if at all), relating to the Senior Debenture Tender Offer and the Consent Solicitation.

"Standby Letter of Credit" means any standby letter of credit or similar instrument issued for the purpose of supporting (i) Indebtedness incurred by any Foreign Subsidiary or Foreign Entity or any Joint Venture to which Company or any of its Consolidated Subsidiaries is a party for working capital and general business purposes, (ii) obligations of Company or any of its Consolidated Subsidiaries with respect to capital calls or similar requirements in respect of Joint Ventures to which Company or such Consolidated Subsidiary is a party, (iii) workers compensation liabilities of Company or any of its Consolidated Subsidiaries, (iv) the obligations of third party insurers of Company or any of its Consolidated Subsidiaries arising by virtue of the laws of any jurisdiction requiring third party insurers, (v) Indebtedness of Company or any of its Consolidated Subsidiaries in respect of

industrial revenue or development bonds or financings, (vi) obligations with respect to leases of Company or any of its Consolidated Subsidiaries, (vii) obligations of Company or any of its Consolidated Subsidiaries imposed by statute or by a court of competent jurisdiction to post appeal bonds or other security in connection with litigation appeals, and other performance, payment, deposit or surety obligations of Company or any of its Consolidated Subsidiaries, in any such other case if required by law or governmental rule or regulation or in accordance with custom and practice in the industry, (viii) obligations of Owens Insurance Limited with respect to certain self insurance and reinsurance programs, including obligations under insurance treaties, or (ix) other obligations of Company for which letter of credit support would be used in the ordinary course of Company's business consistent with its past practices or otherwise consistent with custom and practice in the industry.

"Subordinated Note Redemption" means the redemption of up to 100% of each series of the Existing Subordinated Notes.

"Subsidiary" means any corporation, association or other business entity of which more than 50% of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more of the other Subsidiaries of that Person or a combination thereof.

"Syndication Agent" has the meaning assigned to that term in the introduction to this Agreement.

"Tax" or "Taxes" means any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature and whatever called, by whomsoever, on whomsoever and wherever imposed, levied, collected, withheld or assessed; provided that "Tax on the overall net income" of a Person shall be construed as a reference to a tax imposed by the jurisdiction in which that Person's principal office (and/or, in the case of a Lender, its lending office) is located on all or part of the net income, profits or gains of that Person (whether worldwide, or only insofar as such income, profits or gains are considered to arise in or to relate to a particular jurisdiction, or otherwise).

"Tax Transferee" means any Person who acquires any interest in the Loans (whether or not by operation of law) or the office to which a Lender, Co-Agent or Agent has transferred its Loans for purposes of determining where the Loans are made, accounted for or booked.

"Total Utilization of Revolving Loan Commitments" means, as at any date of determination, the sum of (i) the aggregate principal amount of all outstanding Revolving Loans plus (ii) the aggregate principal amount of all outstanding Bid Rate Loans plus (iii) the Letter of Credit Usage plus (iv) the Overdraft Amount.

"Unfunded Pension Liability" means, with respect to any Pension Plan, the amount of unfunded benefit liabilities of such Pension Plan as defined in Section 4001(a)(18) of ERISA.

1.2 Accounting Terms; Utilization of GAAP for Purposes of Calculations Under Agreement; Change in Accounting Principles

Except as otherwise expressly provided in this Agreement, all accounting terms not otherwise defined herein shall have the meanings assigned to them in conformity with GAAP as in effect from time to time, and all calculations in connection with the financial covenants, standards or terms found in Sections 1, 5 and 6 hereof (collectively, "Calculations") shall utilize accounting principles and policies in conformity with GAAP as in effect from time to time; provided that, in the event there is a change in accounting principles and policies that would result in a change in the method of performing any Calculations as described in subsection 9.9, such change shall not be given effect for purposes of any Calculations until such time as Company and Lenders complete the negotiations provided for in subsection 9.9. Financial statements and other information required to be delivered by Company to Lenders pursuant to clauses (i), (ii) and (x) of subsection 5.1 shall be prepared in accordance with GAAP as in effect at the time of such preparation (and, if necessary, delivered together with the written statements provided for in subsection 5.1(iv)).

1.3 Other Definitional Provisions; Anniversaries

References to "Sections" and "subsections" shall be to Sections and subsections, respectively, of this Agreement unless otherwise specifically provided. Any of the terms defined in subsection 1.1 may, unless the context otherwise requires, be used in the singular or the plural depending on the reference. For purposes of this Agreement, a monthly anniversary of a specified date shall occur on the same day of the applicable month as the day of the month on which such date occurred; provided that if there is no numerically corresponding day in the applicable month to the day of the month on which such date occurred, the monthly anniversary of such date shall be the last day of the applicable month.

SECTION 2

AMOUNT AND TERMS OF REVOLVING LOAN COMMITMENTS AND LOANS; NOTES

2.1 Revolving Loans; Overdraft Account

A. Revolving Loan Commitments. Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of Company herein set forth, (i) each Existing Lender hereby severally agrees to maintain its Existing Revolving Loans (which shall be treated as Revolving Loans for all purposes of this Agreement and the other Loan Documents) and (ii) each Lender hereby severally agrees, subject to the limitations set forth below with respect to the maximum amount of Revolving Loans permitted to be outstanding from time to time, to make additional Revolving Loans to Company from time to time during the period from the Effective Date to but excluding the Revolving Loan Commitment Termination Date, in an amount at any one time outstanding (including any Existing Revolving Loans of such Lender) not exceeding its Pro Rata Share of the aggregate Revolving Loan Commitments (as defined below) to be used for the

purposes identified in subsection 2.5A. Each Lender's commitment to maintain and/or make Revolving Loans to Company pursuant to this subsection 2.1A is herein called its "Revolving Loan Commitment" and such commitments of all Lenders in the aggregate are herein called the "Revolving Loan Commitments". The initial amount of each Lender's Revolving Loan Commitment is set forth on Schedule A annexed hereto and the aggregate initial amount of the Revolving Loan Commitments is \$3,000,000,000. Each Lender's Revolving Loan Commitment shall expire on the Revolving Loan Commitment Termination Date and all Revolving Loans and all other amounts owed hereunder with respect to the Revolving Loans shall be paid in full no later than that date. The amount of the Revolving Loan Commitments shall be reduced by the amount of all reductions thereof made pursuant to subsection 2.4F through the date of determination. In no event shall the aggregate principal amount of the Revolving Loans from any Lender outstanding at any time (including any Existing Revolving Loans of such Lender) exceed its Revolving Loan Commitment then in effect.

Notwithstanding the foregoing provisions of this subsection 2.1A and the provisions of subsection 2.1B, the amount otherwise available to be borrowed or maintained as Revolving Loans under the Revolving Loan Commitments as of any time of determination (other than (x) to repay Bid Rate Loans and accrued and unpaid interest thereon, (y) to reimburse any Issuing Lender for the amount of any drawings under any Letters of Credit honored by such Issuing Lender and not theretofore reimbursed by Company, and (z) to repay overdrafts charged to the Overdraft Account) shall be reduced by an amount equal to the sum of (a) the principal amount of all outstanding Bid Rate Loans plus (b) the Letter of Credit Usage plus (c) the Overdraft Amount as of such time of determination.

Subject to subsection 2.6D, all Revolving Loans made under this Agreement on or after the Effective Date shall be made by Lenders simultaneously and proportionately to their Pro Rata Shares, it being understood that no Lender shall be responsible for any default by any other Lender in that other Lender's obligation to make Revolving Loans hereunder nor shall the Revolving Loan Commitment of any Lender be increased or decreased as a result of the default by any other Lender in that other Lender's obligation to make Revolving Loans hereunder. Subject to the limitations set forth in this Agreement, amounts borrowed by Company under this subsection 2.1A may be repaid and, to but excluding the Revolving Loan Commitment Termination Date, reborrowed. Revolving Loans (other than Revolving Loans in respect of a Bid Rate Loan Shortfall Amount, which shall be in the amount of such Bid Rate Loan Shortfall Amount) made on any Funding Date shall be in an aggregate minimum amount of \$5,000,000 and integral multiples of \$1,000,000 in excess of that amount.

B. Overdraft Account. Lenders agree that Company and Administrative Agent may establish and maintain the Overdraft Account to be established pursuant to the Overdraft Agreement; provided that (i) the aggregate amount of extensions of credit outstanding with respect to the Overdraft Account shall not exceed at any time \$50,000,000 and (ii) the aggregate amount of extensions of credit outstanding with respect to the Overdraft Account at any time shall not exceed the Revolving Loan Commitments reduced by the sum of the aggregate principal amount of Revolving Loans and Bid Rate Loans and the Letter of Credit Usage at such time. Notwithstanding

anything contained in this Agreement to the contrary (but subject, however, to the limitations set forth in subsection 2.1A with respect to the making of Revolving Loans), Lenders and Company further agree that Administrative Agent at any time in its sole and absolute discretion may, upon notice to Company and Lenders, require each Lender (including Administrative Agent) on one Business Day's notice to make a Revolving Loan in an amount equal to that Lender's Pro Rata Share of the Overdraft Amount and all accrued and unpaid interest thereon or, in the sole and absolute discretion of Administrative Agent, require each other Lender to purchase a participation in amounts due with respect to the Overdraft Account in an amount equal to that Lender's Pro Rata Share of the Overdraft Amount and all accrued and unpaid interest thereon; provided, however, that the obligation of each Lender to make each such Revolving Loan or to purchase each such participation with respect to any extension of credit included in the Overdraft Amount is subject to the condition that at the time such extension of credit under the Overdraft Agreement was made (A) the duly authorized officer of Administrative Agent responsible for the administration of Administrative Agent's credit relationship with Company believed in good faith that (i) no Event of Default had occurred and was continuing or (ii) any Event of Default that had occurred and was continuing had been waived by Requisite Lenders (or, if applicable under subsection 9.7, all Lenders) at the time such extension of credit under the Overdraft Agreement was made or (B) such Lender had actual knowledge, by receipt of the statements required pursuant to subsection 5.1 or otherwise, that an Event of Default had occurred and was continuing and remained unwaived by Requisite Lenders (or, if applicable under subsection 9.7, all Lenders) at the time such extension of credit under the Overdraft Agreement was made and failed to notify Administrative Agent in writing on or prior to the date of such extension of credit (which notice shall be effective as of the date of receipt by Administrative Agent). In the case of Revolving Loans made by Lenders other than Administrative Agent under the immediately preceding sentence, each such Lender shall make the amount of its Revolving Loan available to Administrative Agent, in same day funds, at the Funding and Payment Office not later than 1:00 P.M. (New York time) on the Business Day next succeeding the date such notice is given. The proceeds of such Revolving Loans shall be immediately delivered to Administrative Agent (and not to Company) and applied to repay the Overdraft Amount. On the day such Revolving Loans are made, Administrative Agent's Pro Rata Share of the Overdraft Amount being refunded shall be deemed to be paid with the proceeds of a Revolving Loan made by Administrative Agent and such portion of the Overdraft Amount deemed to be so paid shall no longer be outstanding. Company authorizes Administrative Agent to charge Company's accounts with Administrative Agent (up to the amount available in each such account) in order to immediately pay Administrative Agent the amount of the Overdraft Amount to be refunded to the extent amounts received from Lenders, including amounts deemed to be received from Administrative Agent, are not sufficient to repay in full the Overdraft Amount to be refunded; provided that Administrative Agent shall give Company notice of such charges prior thereto or as soon as reasonably practicable thereafter. Each Revolving Loan made in accordance with the foregoing shall be made as a Base Rate Loan. If any portion of any such amount paid to Administrative Agent should be recovered by or on behalf of Company from Administrative Agent in bankruptcy, by assignment for the benefit of creditors or otherwise, the loss of the amount so recovered shall be ratably shared among all Lenders in the manner contemplated by subsection 9.6.

In the event that Administrative Agent requires the other Lenders to purchase participations in amounts due with respect to the Overdraft Account, payment for such participations shall be made directly to Administrative Agent at the Funding and Payment Office not later than 1:00 P.M. (New York time) on the Business Day next succeeding the date notice to purchase such participations is given. Except as provided above in this subsection 2.1B and except for the satisfaction of the conditions specified in subsection 3.1, each Lender's obligation to make Revolving Loans pursuant to this subsection 2.1B and to purchase participations in amounts due with respect to the Overdraft Account pursuant to this subsection 2.1B shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against Administrative Agent, Company or any other Person for any reason whatsoever; (ii) the occurrence or continuance of an Event of Default or a Potential Event of Default; (iii) any adverse change in the condition (financial or otherwise) of Company; (iv) any breach of this Agreement by Company or any other Lender; or (v) any other circumstance, happening, or event whatsoever, whether or not similar to any of the foregoing; provided that in the event that the obligations of Lenders to make Revolving Loans are terminated in accordance with Section 7, Lenders shall thereafter only be obligated to purchase participations in amounts due with respect to the Overdraft Account as provided in this subsection 2.1B. In the event that any Lender fails to make available to Administrative Agent the amount of any of such Lender's Revolving Loans required to be made pursuant to this subsection 2.1B or the amount of any participations in amounts due with respect to the Overdraft Account which are required to be purchased from Administrative Agent by such Lender pursuant to this subsection 2.1B, Administrative Agent shall be entitled to recover such amount on demand from such Lender together with interest at the customary rate set by Administrative Agent for the correction of errors among banks for three Business Days and thereafter at the Base Rate.

Nothing in this subsection 2.1B shall be deemed to prejudice the right of any Lender to recover from Administrative Agent any amounts made available by such Lender to Administrative Agent pursuant to this subsection 2.1B in respect of any extension of credit by Administrative Agent under the Overdraft Agreement in the event that it is determined by a court of competent jurisdiction that such extension of credit by Administrative Agent constituted gross negligence or willful misconduct on the part of Administrative Agent.

Any notice given by Administrative Agent to Lenders pursuant to the immediately preceding paragraph shall be concurrently given by Administrative Agent to Company or its designated representative.

C. Notice of Borrowing. Whenever Company desires that Lenders make Revolving Loans under subsection 2.1A, it shall deliver to Administrative Agent a Notice of Borrowing no later than 12:00 Noon (New York time) on the proposed Funding Date in the case of Base Rate Loans to be made on a Bid Rate Loan Shortfall Date in an aggregate amount not to exceed the applicable Bid Rate Loan Shortfall Amount or at least one Business Day in advance of the proposed Funding Date in the case of any other Base Rate Loan or three Business Days in advance of the proposed Funding Date in the case of a Eurodollar Rate Loan. The Notice of Borrowing shall specify (i) the proposed Funding Date (which shall be a Business Day), (ii) the amount of the proposed Loans; provided that in the case of a Notice of Borrowing delivered on a Bid Rate Loan Shortfall Date requesting Base Rate Loans to be made as Revolving Loans on such Bid Rate Loan Shortfall Date, the amount of such

proposed Revolving Loans may not exceed the Bid Rate Loan Shortfall Amount in respect of such Bid Rate Loan Shortfall Date, (iii) whether such Revolving Loans are initially to consist of Base Rate Loans or Eurodollar Rate Loans or a combination thereof, and (iv) if such Revolving Loans, or any portion thereof, are initially to be Eurodollar Rate Loans, the amounts thereof and the initial Interest Periods therefor; and such Notice of Borrowing shall further certify that subsection 3.2B is satisfied on and as of that Funding Date; provided that the minimum amount of Eurodollar Rate Loans with a particular Interest Period included as a portion of any such combination, if any, shall be \$10,000,000 and integral multiples of \$1,000,000 in excess of that amount. Revolving Loans may be continued as or converted into Base Rate Loans and Eurodollar Rate Loans in the manner provided in subsection 2.2D. In lieu of delivering the above-described Notice of Borrowing, Company may give Administrative Agent telephonic notice by the required time of any proposed borrowing under this subsection 2.1; provided that such notice shall be promptly confirmed in writing by delivery of a Notice of Borrowing to Administrative Agent on or prior to the Funding Date of the requested Revolving Loans.

Neither Administrative Agent nor any Lender shall incur any liability to Company in acting upon any telephonic notice referred to above which Administrative Agent believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of Company or for otherwise acting in good faith under this subsection 2.1C and upon funding of Revolving Loans by any Lender in accordance with this Agreement pursuant to any such telephonic notice Company shall have effected Revolving Loans hereunder.

Except as provided in subsection 2.6D, a Notice of Borrowing for a Eurodollar Rate Loan (or telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date, and Company shall be bound to make a borrowing in accordance therewith, unless Company pays to Lenders such amounts as may be due under subsection 2.6E for failure of a borrowing of a Eurodollar Rate Loan to occur on the date specified therefor in a Notice of Borrowing (or telephonic notice in lieu thereof).

D. Disbursement of Funds. Promptly after receipt of a Notice of Borrowing pursuant to subsection 2.1C (or telephonic notice in lieu thereof) or the deemed receipt of a Notice of Borrowing pursuant to subsection 2.8D, Administrative Agent shall notify each Lender of the proposed borrowing if the Loan to be made pursuant to such proposed borrowing will be a Revolving Loan. Each Lender shall make the amount of its Revolving Loan available to Administrative Agent, in same day funds, at the Funding and Payment Office not later than 12:00 noon (New York time) on the Funding Date. Except as provided in subsection 2.1B with respect to the repayment of the Overdraft Amount and accrued and unpaid interest thereon, and in subsection 2.8D with respect to the reimbursement of amounts drawn under Letters of Credit, upon satisfaction or waiver of the conditions precedent specified in subsections 3.1 and 3.2, Administrative Agent shall make the proceeds of such Loans available to Company on such Funding Date by causing an amount of same day funds equal to the proceeds of all such Loans received by Administrative Agent to be credited to the account of Company at such office of Administrative Agent.

Unless Administrative Agent shall have been notified by any Lender prior to any Funding Date that such Lender does not intend to make available to Administrative Agent such Lender's Loan on such Funding Date, Administrative Agent may assume that such Lender has made such amount available to Administrative Agent on such Funding Date and Administrative Agent in its sole discretion may, but shall not be obligated to, make available to Company a corresponding amount on such Funding Date. If such corresponding amount is not in fact made available to Administrative Agent by such Lender, Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest thereon, for each day from such Funding Date until the date such amount is paid to Administrative Agent, at the customary rate set by Administrative Agent for the correction of errors among banks for three Business Days and thereafter at the Base Rate. If such Lender does not pay such corresponding amount forthwith upon Administrative Agent's demand therefor, Administrative Agent shall promptly notify Company, and Company shall immediately pay such corresponding amount to Administrative Agent. Nothing in this subsection 2.1D shall be deemed to relieve any Lender from its obligation to fulfill its Revolving Loan Commitment hereunder or to prejudice any rights which Company may have against any Lender as a result of any default by such Lender hereunder.

E. The Register; Notes.

(i) Administrative Agent shall maintain, at its address referred to in subsection 9.10, a register for the recordation of the names and addresses of Lenders and the Revolving Loan Commitments and Loans of each Lender from time to time (the "Register"). Company, Agents, Co-Agents and Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Company, Syndication Agent, Co-Documentation Agents, Co-Agents or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(ii) Administrative Agent shall record in the Register the Revolving Loan Commitments and the Loans from time to time of each Lender and each repayment or prepayment in respect of the principal amount of the Loans of each Lender. Any such recordation shall be conclusive and binding on Company and each Lender, absent manifest or demonstrable error; provided that failure to make any such recordation, or any error in such recordation, shall not affect Company's Obligations in respect of the applicable Loans.

(iii) Each Lender shall record on its internal records (including, without limitation, any promissory note described in subsection 2.1E(iv)) the amount of each Loan made by it and each payment in respect thereof; provided that in the event of any inconsistency between the Register and any Lender's records, the recordations in the Register shall govern, absent manifest or demonstrable error.

(iv) If so requested by any Lender by written notice to Company (with a copy to Administrative Agent) at least two Business Days' prior to the Effective Date or at any time thereafter, Company shall execute and deliver to such Lender (and/or, if so specified in such notice, any Person who is an assignee of such Lender pursuant to subsection 9.2 hereof) on the Effective

Date (or, if such notice is delivered after the Effective Date, promptly after Company's receipt of such notice) a promissory note or promissory notes to evidence such Lender's Revolving Loans or Bid Rate Loans, substantially in the form of Exhibit VII or Exhibit VIII hereto, respectively.

2.2 Interest on the Revolving Loans

A. Rate of Interest.

The Revolving Loans shall bear interest on the unpaid principal amount thereof from the date made through maturity (whether by acceleration or otherwise) at a rate determined by reference to the Base Rate or the Adjusted Eurodollar Rate. The Bid Rate Loans shall bear interest as provided in subsection 2.9. Except to the extent that this Agreement specifically provides that certain Revolving Loans must be made at the Base Rate, the applicable basis for determining the rate of interest with respect to Revolving Loans shall be selected by Company at the time a Notice of Borrowing is given pursuant to subsection 2.1C (or is deemed to be given pursuant to subsection 2.8D) or at the time a Notice of Conversion/Continuation is given pursuant to subsection 2.2D. If on any day a Revolving Loan is outstanding with respect to which notice has not been delivered to Administrative Agent in accordance with the terms of this Agreement specifying the basis for determining the rate of interest, then for that day that Revolving Loan shall bear interest determined by reference to the Base Rate.

Revolving Loans shall bear interest through maturity as follows:

(i) if a Base Rate Loan, then at the Base Rate per annum; or

(ii) if a Eurodollar Rate Loan, then at the sum of the Adjusted Eurodollar Rate plus the Applicable Eurodollar Margin per annum.

B. Interest Periods.

In connection with each Eurodollar Rate Loan, Company shall elect an interest period (each an "Interest Period") to be applicable to such Loan, which Interest Period shall be either a one, two, three, six, nine or twelve month period; provided that:

(i) the initial Interest Period for any Eurodollar Rate Loan shall commence on the Funding Date in respect of such Loan, in the case of a Loan initially made as a Eurodollar Rate Loan, or on the date specified in the applicable Notice of Conversion/Continuation, in the case of a Loan converted to a Eurodollar Rate Loan;

(ii) in the case of immediately successive Interest Periods applicable to a Eurodollar Rate Loan continued as such pursuant to a Notice of Conversion/Continuation, each successive Interest Period shall commence on the day on which the next preceding Interest Period expires;

(iii) if an Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided that if any Interest Period would otherwise expire on a day which is not a Business Day but is a day of the month after

which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(iv) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month;

(v) no Interest Period shall extend beyond the Revolving Loan Commitment Termination Date;

(vi) there shall be no more than 20 Interest Periods outstanding at any time;

(vii) in the event Company fails to specify an Interest Period in the applicable Notice of Borrowing or Notice of Conversion/Continuation, Company shall be deemed to have selected an Interest Period of one month; and

(viii) there shall be no Interest Period of nine or twelve months unless Administrative Agent, after consultation with Lenders, has determined in good faith based on prevailing conditions in the Eurodollar market on any date of determination that U.S. dollar deposits are offered by each Lender to first class banks in the Eurodollar market for a comparable maturity.

C. Interest Payments. Subject to subsection 2.2E, interest shall be payable on the Loans (other than Bid Rate Loans, interest on which shall be payable as provided in subsection 2.9J) as follows:

(i) interest on each Base Rate Loan shall be payable in arrears on and to each March 15, June 15, September 15, and December 15 of each year, commencing June 15, 1997, and at maturity; and

(ii) interest on each Eurodollar Rate Loan shall be payable in arrears on and to each Interest Payment Date applicable to that Loan, upon any prepayment of that Loan (to the extent accrued on the amount being prepaid) and at maturity.

D. Conversion or Continuation. Subject to the provisions of subsection 2.6, Company shall have the option (i) to convert at any time all or any part of its outstanding Revolving Loans equal to \$10,000,000 and integral multiples of \$1,000,000 in excess of that amount from Loans bearing interest at a rate determined by reference to one basis to Loans bearing interest at a rate determined by reference to an alternative basis or (ii) upon the expiration of any Interest Period applicable to a Eurodollar Rate Loan, to continue all or any portion of its outstanding Revolving Loans equal to \$10,000,000 and integral multiples of \$1,000,000 in excess of that amount as a Eurodollar Rate Loan, and the succeeding Interest Period(s) of such continued Loan shall commence on the last day of the Interest Period of the Loan to be continued; provided, however, that a Eurodollar Rate Loan may only be converted into a Base Rate Loan on the expiration date of an Interest Period applicable thereto; and provided, further, that, unless Requisite Lenders otherwise agree, no outstanding Loan may be continued as, or be converted into, a Eurodollar Rate Loan when any Event of Default has occurred and is continuing.

Company shall deliver a Notice of Conversion/Continuation to Administrative Agent no later than 12:00 Noon (New York time) at least one Business Day in advance of the proposed conversion/continuation date (in the case of a conversion to a Base Rate Loan) or three Business Days in advance of the proposed conversion/continuation date (in the case of a conversion to, or a continuation of, a Eurodollar Rate Loan). A Notice of Conversion/Continuation shall specify (i) the proposed conversion/continuation date (which shall be a Business Day), (ii) the amount of the Loan to be converted/continued, (iii) the nature of the proposed conversion/continuation and (iv) in the case of a conversion to, or a continuation of, a Eurodollar Rate Loan, the requested Interest Period. In lieu of delivering the above described Notice of Conversion/Continuation, Company may give Administrative Agent telephonic notice by the required time of any proposed conversion/continuation under this subsection 2.2D; provided that such notice shall be promptly confirmed in writing by delivery of a Notice of Conversion/Continuation to Administrative Agent on or before the proposed conversion/continuation date.

Administrative Agent shall incur no liability to Company in acting upon any telephonic notice referred to above which Administrative Agent believes in good faith to have been given by a duly authorized officer or other person authorized to act on behalf of Company or for otherwise acting in good faith under this subsection 2.2D and upon conversion/continuation by Administrative Agent in accordance with this Agreement pursuant to any telephonic notice, Company shall have effected Loans hereunder.

Except as provided in subsection 2.6D, a Notice of Conversion/Continuation for conversion to, or continuation of, a Eurodollar Rate Loan (or telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date, and upon delivering a Notice of Conversion/Continuation Company shall be bound to convert or continue in accordance therewith, unless Company pays to Lenders such amounts as may be due under subsection 2.6E for failure of a conversion to or continuation of any Eurodollar Rate Loan to occur on the date specified therefor in a Notice of Conversion/Continuation (or telephonic notice in lieu thereof).

E. Post-Maturity Interest. Any principal payments on the Loans not paid when due and, to the extent permitted by applicable law, any interest payments on the Loans not paid when due, in each case whether at stated maturity, by notice of prepayment, by acceleration or otherwise, shall thereafter bear interest payable upon demand at a rate equal to the sum of the Base Rate plus 2.00% per annum.

F. Computation of Interest. Interest on the Loans shall be computed on the basis of a 360-day year and the actual number of days elapsed in the period during which it accrues. In computing interest on any Loan, the date of the making of the Loan or the first day of an Interest Period, as the case may be, shall be included and the date of payment or the expiration date of an Interest Period, as the case may be, shall be excluded; provided that if a Loan is repaid on the same day on which it is made, one day's interest shall be paid on that Loan.

2.3 Fees

A. Facility Fees. Company agrees to pay to Administrative Agent (for distribution to each Lender in accordance with such Lender's Pro Rata Share) facility fees with respect to the Revolving Loan Commitments, for the period from and including the Effective Date to and excluding the Revolving Loan Commitment Termination Date, equal to the daily average amount of the Revolving Loan Commitments (without regard to the Total Utilization of Revolving Loan Commitments at any time or from time to time) multiplied by the Applicable Facility Fee Percentage, such facility fees to be computed on the basis of a 360-day year and to be payable in arrears on but excluding March 15, June 15, September 15 and December 15 of each year for the quarter ending on such date, commencing on the first such date to occur after the Effective Date, and on the Revolving Loan Commitment Termination Date.

B. Other Fees. Company agrees to pay an annual administrative fee to Administrative Agent and such other fees to Agents, in each case in the amounts and at the times agreed upon between Company and the applicable Agent.

2.4 Prepayments and Payments; Reductions in Revolving Loan Commitments

A. Prepayments.

(i) Voluntary Prepayments. Company may not prepay any Bid Rate Loan without the prior consent of the applicable Lender, such consent not to be unreasonably withheld; provided that in the event the applicable Lender so consents to the prepayment of a Bid Rate Loan, Company shall deliver to Administrative Agent a notice of such prepayment on or prior to the date of such prepayment. Subject to the foregoing provisions of this subsection 2.4A(i), Company may, upon written or telephonic notice to Administrative Agent on or prior to 12:00 Noon (New York time) on the date of prepayment (in the case of Base Rate Loans) or three Business Days' prior written or telephonic notice (in the case of Eurodollar Rate Loans), which notice, if telephonic, shall be promptly confirmed in writing to Administrative Agent and which notice Administrative Agent will promptly transmit by telegram, telex or telephone to each Lender, at any time and from time to time prepay any Revolving Loan in whole or in part in an aggregate minimum amount of \$5,000,000 and integral multiples of \$1,000,000 in excess of that amount; provided, however, that if a Eurodollar Rate Loan is prepaid on a date other than the last day of the Interest Period applicable thereto, Company shall be liable for any payments required by subsection 2.6E. Notice of prepayment having been given as aforesaid, the principal amount of the Loans specified in such notice shall become due and payable on the prepayment date.

(ii) Mandatory Prepayments. Company shall make prepayments of Revolving Loans to the extent necessary so that the aggregate outstanding principal amount of Revolving Loans at any time does not exceed the Revolving Loan Commitments then in effect. Company shall also make prepayments of the Revolving Loans and Bid Rate Loans to the extent necessary so that the Total Utilization of Revolving Loan Commitments at no time exceeds the Revolving Loan Commitments.

(iii) Application of Prepayments. Any mandatory prepayment of Revolving Loans shall be applied first to Base Rate Loans to the full extent thereof before application to Eurodollar Rate Loans as determined by

Administrative Agent, in each case in a manner which minimizes the amount of any payments required to be made by Company pursuant to subsection 2.6E. All prepayments of Eurodollar Rate Loans shall include payment of accrued interest on the principal amount so prepaid and shall be applied to payment of interest before application to principal.

B. Manner and Time of Payment. Except as provided in subsection 2.8E, all payments of principal, interest and fees hereunder and under the Notes by Company shall be made without defense, setoff and counterclaim and in same day funds and delivered to Administrative Agent not later than 12:00 Noon (New York time) on the date due at the Funding and Payment Office for the account of Lenders; funds received by Administrative Agent after that time shall be deemed to have been paid by Company on the next succeeding Business Day. Company hereby authorizes Administrative Agent to charge its accounts with Administrative Agent in order to cause timely payment to be made to Administrative Agent of all principal, interest and fees due hereunder (subject to sufficient funds being available in its accounts for that purpose); provided that Administrative Agent shall give Company notice of such charges prior thereto or as soon as reasonably practicable thereafter.

C. Apportionment of Payments.

(i) Generally. Subject to the provisions of subsection 2.4C(ii), aggregate principal and interest payments in respect of Revolving Loans and, to the extent payments are made by Company after payments have been made by Lenders pursuant to subsection 2.8E, payments in respect of Letters of Credit, shall be apportioned among the Revolving Loans and Letters of Credit to which such payments relate, and payments of the aggregate facility fees and Letter of Credit commissions shall be apportioned ratably among Lenders, in each case proportionally to their respective Pro Rata Shares. All principal and interest payments in respect of the Overdraft Account shall be transferred to and retained by Administrative Agent; provided that Administrative Agent shall distribute to each Lender that has purchased a participation in amounts due with respect to the Overdraft Account pursuant to subsection 2.1B such Lender's Pro Rata Share of any payments subsequently received by Administrative Agent in respect of such amounts due with respect to the Overdraft Account. All principal and interest payments in respect of any Bid Rate Loans shall be apportioned ratably among Lenders making such Bid Rate Loans in accordance with the respective outstanding amounts of such Bid Rate Loans. Subject to the last sentence of subsection 2.8E, Administrative Agent (or, in the case of payments received by any Issuing Lender from Company after payments have been made to such Issuing Lender by Lenders pursuant to subsection 2.8E, such Issuing Lender) shall promptly distribute to each Lender, at its primary address set forth below its name on the appropriate signature page hereof or at such other address as any Lender may request, its share of all such payments received by Administrative Agent (or such Issuing Lender) and the facility fees of such Lender when received by Administrative Agent pursuant to subsection 2.3A. Notwithstanding the foregoing provisions of this subsection 2.4C, (i) if, pursuant to the provisions of subsection 2.6D, any Notice of Borrowing or Notice of Conversion/Continuation is withdrawn as to any Affected Lender or if any Affected Lender makes Base Rate Loans in lieu of its Pro Rata Share of Eurodollar Rate Loans, Administrative Agent shall give effect thereto in apportioning payments received thereafter and (ii) after the occurrence of an Event of Default and acceleration of the

maturity of the Loans and amounts available for drawing under Letters of Credit as provided in Section 7, Administrative Agent shall apportion all payments received by it in the manner specified in Section 7.

(ii) Non-Pro Rata Prepayment on the Effective Date. Anything contained herein or in any of the other Loan Documents to the contrary notwithstanding, the parties hereto agree that any prepayment of the Revolving Loans on the Effective Date shall be applied to the outstanding Revolving Loans of Lenders on a non-pro rata basis (rather than applying such prepayment to all Revolving Loans outstanding at the time of such prepayment in proportion to Lenders' respective Pro Rata Shares as would otherwise be required pursuant to subsection 2.4C(i)), such application to be made in a manner such that, after giving effect thereto, the outstanding Revolving Loans of each Lender shall be in an amount directly proportional to such Lender's Pro Rata Share of all Revolving Loans then outstanding.

D. Payments on Non-Business Days. Whenever any payment to be made hereunder or under the Notes shall be stated to be due on a day which is not a Business Day, the payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest hereunder or under the Notes or of the facility fees and other fees hereunder, as the case may be.

E. Notation of Payment. Each Lender agrees that before disposing of any Note held by it, or any part thereof (other than by granting participations therein), that Lender will make a notation thereon of all Loans and principal payments previously made thereon and of the date to which interest thereon has been paid and will notify Company and Administrative Agent of the name and address of the transferee of that Note; provided that the failure to make (or any error in the making of) a notation of any Loan made under such Note or to notify Company or Administrative Agent of the name and address of such transferee shall not limit or otherwise affect the obligation of Company hereunder or under such Note with respect to any Loan and payments of principal or interest on any such Note.

F. Voluntary Reductions of Revolving Loan Commitments. Company shall have the right, at any time and from time to time, to terminate in whole or permanently reduce in part, without premium or penalty, the Revolving Loan Commitments in an amount up to the amount by which the Revolving Loan Commitments exceed the Total Utilization of Revolving Loan Commitments at the time of such proposed termination or reduction.

Company shall give not less than three Business Days' prior written notice to Administrative Agent designating the date (which shall be a Business Day) of such termination or reduction and the amount of any partial reduction. Promptly after receipt of a notice of such termination or partial reduction, Administrative Agent shall notify each Lender of the proposed termination or partial reduction. Such termination or partial reduction of the Revolving Loan Commitments shall be effective on the date specified in the notice delivered by Company and shall reduce the Revolving Loan Commitment of each Lender proportionately to its Pro Rata Share. Any such partial reduction of the Revolving Loan Commitments shall be in an aggregate minimum amount of \$5,000,000, and integral multiples of \$1,000,000 in excess of that amount.

2.5 Use of Proceeds

A. Loans. The proceeds of any Loans made on or after the Effective Date shall be used to provide for the working capital requirements and general corporate purposes of Company and its Subsidiaries, which may include the financing, if any, of the Senior Debenture Tender Offer and the Subordinated Note Redemption, the payment of the Overdraft Amount pursuant to subsection 2.1B, the payment of the Bid Rate Loans, the reimbursement to any Issuing Lender of any amounts drawn under any Letters of Credit issued by such Issuing Lender as provided in subsection 2.8D, and the making of intercompany loans to Company's Subsidiaries for their own general corporate purposes.

B. Letters of Credit. Letters of Credit shall be issued solely for the purposes specified in the definitions of Commercial Letter of Credit and Standby Letter of Credit.

C. Margin Regulations. No portion of the proceeds of any borrowing under this Agreement shall be used by Company in any manner which would cause the borrowing or the application of such proceeds to violate Regulation G, Regulation U, Regulation T, or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of such Board or to violate the Exchange Act, in each case as in effect on the date or dates of such borrowing and such use of proceeds.

2.6 Special Provisions Governing Eurodollar Rate Loans

Notwithstanding other provisions of this Agreement, the following provisions shall govern with respect to Eurodollar Rate Loans as to the matters covered:

A. Determination of Interest Rate. As soon as practicable after 10:00 A.M. (New York time) on each Interest Rate Determination Date, Administrative Agent shall determine (which determination shall, absent manifest or demonstrable error, be final, conclusive and binding upon all parties) the interest rate which shall apply to the Eurodollar Rate Loans for which an interest rate is then being determined for the applicable Interest Period (subject to any changes in the Applicable Eurodollar Margin pursuant to the terms of the definition thereof) and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to Company and to each Lender.

B. Substituted Rate of Borrowing. In the event that on any Interest Rate Determination Date any Lender (including Administrative Agent) shall have determined (which determination shall, absent manifest or demonstrable error, be final and conclusive and binding upon all parties but, with respect to the following clauses (i) and (ii)(b), shall be made only after consultation with Company and Administrative Agent) that:

(i) by reason of any changes arising after the date of this Agreement affecting the Eurodollar market or affecting the position of that Lender in such market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Adjusted Eurodollar Rate with respect to the Eurodollar Rate Loans as to which an interest rate determination is then

being made; or

(ii) by reason of (a) any change after the date hereof in any applicable law or governmental rule, regulation or order (or any interpretation thereof and including the introduction of any new law or governmental rule, regulation or order) or (b) other circumstances affecting that Lender or the Eurodollar market or the position of that Lender in such market (such as for example, but not limited to, official reserve requirements required by Regulation D to the extent not given effect in the Adjusted Eurodollar Rate), the Adjusted Eurodollar Rate shall not represent the effective pricing to that Lender for Dollar deposits of comparable amounts for the relevant period;

then, and in any such event, that Lender shall be an Affected Lender and it shall promptly (and in any event as soon as possible after being notified of a borrowing, conversion or continuation) give notice (by telephone confirmed in writing) to Company and Administrative Agent (which notice Administrative Agent shall promptly transmit to each other Lender) of such determination. There-after, Company shall pay to the Affected Lender with respect to Company's Eurodollar Rate Loans, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as the Affected Lender in its sole discretion shall reasonably determine) as shall be required to cause the Affected Lender to receive interest with respect to such Affected Lender's Eurodollar Rate Loans for the Interest Period(s) following that Interest Rate Determination Date at a rate per annum equal to the sum of the effective pricing to the Affected Lender for Dollar deposits to make or maintain its Eurodollar Rate Loans plus the Applicable Eurodollar Margin. A certificate as to additional amounts owed the Affected Lender, showing in reasonable detail the basis for the calculation thereof, submitted in good faith to Company and Administrative Agent by the Affected Lender shall, absent manifest or demonstrable error, be final and conclusive and binding upon all of the parties hereto.

C. Required Termination and Prepayment. In the event that on any date any Lender shall have reasonably determined (which determination shall, absent manifest or demonstrable error, be final and conclusive and binding upon all parties) that the making or continuation of its Eurodollar Rate Loans has become unlawful by compliance by that Lender in good faith with any law, governmental rule, regulation or order (whether or not having the force of law and whether or not failure to comply therewith would be unlawful), then, and in any such event, that Lender shall be an Affected Lender and it shall promptly give notice (by telephone confirmed in writing) to Company and Administrative Agent (which notice Administrative Agent shall promptly transmit to each Lender) of that determination. Subject to the following subsection 2.6D, the obligation of the Affected Lender to make or maintain its Eurodollar Rate Loans during any such period shall be terminated at the earlier of the termination of the Interest Period then in effect or when required by law and Company shall, no later than the termination of the Interest Period in effect at the time any such determination pursuant to this subsection 2.6C is made, or earlier when required by law, repay the Eurodollar Rate Loans of the Affected Lender, together with all interest accrued thereon.

D. Options of Company. In lieu of paying an Affected Lender such

additional moneys as are required by subsection 2.6B or the prepayment of an Affected Lender required by subsection 2.6C, Company may exercise any one of the following options:

(i) If the determination by an Affected Lender relates only to Eurodollar Rate Loans then being requested by Company pursuant to a Notice of Borrowing or a Notice of Conversion/Continuation, Company may by giving notice (by telephone confirmed in writing) to Administrative Agent (who shall promptly give similar notice to each Lender) no later than the date immediately prior to the date on which such Eurodollar Rate Loans are to be made, converted or continued, withdraw as to the Affected Lender that Notice of Borrowing or such Notice of Conversion/Continuation and such Affected Lender shall thereupon make or maintain its Pro Rata Share of the Eurodollar Rate Loan then being requested, converted or continued as a Base Rate Loan; or

(ii) Upon written notice to Administrative Agent and each Lender, Company may terminate the obligations of Lenders to make or maintain Loans as, and to convert Loans into, Eurodollar Rate Loans and in such event, Company shall, prior to the time any payment pursuant to subsection 2.6C is required to be made or, if the provisions of subsection 2.6B are applicable, at the end of the then current Interest Period, convert all of the Eurodollar Rate Loans into Base Rate Loans in the manner contemplated by subsection 2.2D but without satisfying the advance notice requirements therein; or

(iii) Company may give notice (by telephone confirmed in writing) to the Affected Lender and Administrative Agent (who shall promptly give similar notice to each Lender) and require the Affected Lender to make the Eurodollar Rate Loan then being requested as a Base Rate Loan or to continue to maintain its outstanding Base Rate Loan then the subject of a Notice of Conversion/Continuation as a Base Rate Loan or to convert its Eurodollar Rate Loans then outstanding that are so affected into Base Rate Loans at the end of the then current Interest Period (or at such earlier time as prepayment is otherwise required to be made pursuant to subsection 2.6C) in the manner contemplated by subsection 2.2D but without satisfying the advance notice requirements therein, that notice to pertain only to the Loans of the Affected Lender and to have no effect on the obligations of the other Lenders to make or maintain Eurodollar Rate Loans or to convert Base Rate Loans into Eurodollar Rate Loans.

E. Compensation. Company shall compensate each Lender, upon written request by that Lender (which request shall set forth in reasonable detail the basis for requesting such amounts), for all reasonable losses, expenses and liabilities (including, without limitation, any interest paid by that Lender to lenders of funds borrowed by it to make or carry its Eurodollar Rate Loans and any loss sustained by that Lender in connection with the re-employment of such funds), which that Lender may sustain with respect to Company's Eurodollar Rate Loans: (i) if for any reason (other than a default by that Lender) a borrowing of any Eurodollar Rate Loan does not occur on a date specified therefor in a Notice of Borrowing, a Notice of Conversion/Continuation or a telephonic request for borrowing or conversion/continuation or a successive Interest Period does not commence after notice therefor is

given pursuant to subsection 2.2D, (ii) if any prepayment or other principal payment of any of its Eurodollar Rate Loans occurs on a date prior to the last day of the Interest Period applicable to that Loan, (iii) if any prepayment of any of such Lender's Eurodollar Rate Loans is not made on any date specified in a notice of prepayment given by Company, or (iv) as a consequence of any other default by Company to repay such Lender's Eurodollar Rate Loans when required by the terms of this Agreement.

F. Quotation of Adjusted Eurodollar Rate. Anything herein to the contrary notwithstanding, if on any Interest Rate Determination Date no Adjusted Eurodollar Rate is available by reason of the failure of all Reference Lenders to provide offered quotations to Administrative Agent in accordance with the definition of "Adjusted Eurodollar Rate," Administrative Agent shall give Company and each Lender prompt notice thereof and the Loans requested shall be made as Base Rate Loans.

G. Booking of Eurodollar Rate Loans. Any Lender may make, carry or transfer Eurodollar Rate Loans at, to, or for the account of, any of its branch offices or the office of an Affiliate of that Lender.

H. Assumptions Concerning Funding of Eurodollar Rate Loans. Calculation of all amounts payable to a Lender under this subsection 2.6 shall be made as though that Lender had actually funded its relevant Eurodollar Rate Loan through the purchase of a Eurodollar deposit bearing interest at the rate obtained pursuant to clause (i) of the definition of Adjusted Eurodollar Rate in an amount equal to the amount of that Eurodollar Rate Loan and having a maturity comparable to the relevant Interest Period and through the transfer of such Eurodollar deposit from an offshore office of that Lender to a domestic office of that Lender in the United States of America; provided, however, that each Lender may fund each of its Eurodollar Rate Loans in any manner it sees fit and the foregoing assumption shall be utilized only for the calculation of amounts payable under this subsection 2.6.

I. Eurodollar Rate Loans After Default. Unless Requisite Lenders shall otherwise agree, after the occurrence of and during the continuance of an Event of Default, Company may not elect to have a Loan be made or maintained as, or converted to, a Eurodollar Rate Loan after the expiration of any Interest Period then in effect for that Loan.

J. Affected Lenders' Obligation to Mitigate. Each Lender agrees that, as promptly as practicable after it becomes aware of the occurrence of an event or the existence of a condition that would cause it to be an Affected Lender under subsection 2.6B or 2.6C, it will, to the extent not inconsistent with such Lender's internal policies, use its best efforts to make, fund or maintain the affected Eurodollar Rate Loans of such Lender through another lending office of such Lender if as a result thereof the additional moneys which would otherwise be required to be paid in respect of such Loans pursuant to subsection 2.6B would be materially reduced or the illegality or other adverse circumstances which would otherwise require prepayment of such Loans pursuant to subsection 2.6C would cease to exist and if, as determined by such Lender, in its sole discretion, the making, funding or maintaining of such Loans through such other lending office would not otherwise materially adversely affect such Loans or such Lender. Company hereby agrees to pay all reasonable expenses incurred by any Lender in utilizing another lending office

of such Lender pursuant to this subsection 2.6J.

K. Replacement of Lender. If Company receives a notice pursuant to subsection 2.6B or 2.6C, so long as no Event of Default shall have occurred and be continuing and Company has obtained a commitment from another Lender or an Eligible Assignee to become a Lender for all purposes under this Agreement and to assume all obligations of the Lender to be replaced, Company may require the Lender giving such notice to assign all of its Loans, its Revolving Loan Commitment and its other Obligations to such other Lender or Eligible Assignee, at par, pursuant to the provisions of subsection 9.2B; provided that, prior to or concurrently with such replacement (i) Company has paid or caused to be paid to the Lender giving such notice all principal, interest, fees and other amounts due and owing to such Lender hereunder through such date of replacement (including any amounts payable under subsection 2.6E), (ii) Company has paid to Administrative Agent the processing and recordation fee required to be paid by subsection 9.2B(i), and (iii) all of the requirements for such assignment contained in subsection 9.2B, including, without limitation, the receipt by Administrative Agent of an executed Assignment and Acceptance and other supporting documents, have been fulfilled.

2.7 Capital Adequacy Adjustment; Increased Costs; Taxes

A. Capital Adequacy. If any Lender shall have determined in good faith that the adoption, effectiveness, phase-in or applicability (excluding any adoption, effectiveness, phase-in or applicability published as of the Effective Date and currently scheduled to take effect) after the date hereof of any law, rule or regulation (or any provision thereof) regarding capital adequacy, or any change therein or in the interpretation or administration thereof after the date hereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its applicable lending office) with any guideline, request or directive regarding capital adequacy (whether or not having the force of law) of any such governmental authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on the capital of such Lender or any corporation controlling such Lender as a consequence of, or with reference to, such Lender's Loans or Revolving Loan Commitment or Letters of Credit or participations therein or other obligations hereunder to a level below that which such Lender or such controlling corporation could have achieved but for such adoption, effectiveness, phase-in, applicability, change or compliance (taking into consideration the policies of such Lender or such controlling corporation with regard to capital adequacy), then from time to time, within fifteen Business Days after receipt by Company from such Lender of the statement referred to in the next sentence, Company shall pay to such Lender such additional amount or amounts as will compensate such Lender or such controlling corporation on an after-tax basis for such reduction; provided that a Lender shall not be entitled to avail itself of the benefit of this subsection 2.7A to the extent that any such reduction in return was incurred more than six months prior to the time it first makes a demand therefor, unless the circumstance giving rise to such reduced return arose or became applicable retrospectively, in which case no time limit shall apply (provided that such Lender has notified Company within six months from the date such circumstances arose or became applicable). Each Lender, upon determining in good faith that any additional amounts will be

payable pursuant to this subsection 2.7A, will give prompt written notice thereof to Company (with a copy to Administrative Agent), which notice shall set forth in reasonable detail the basis of the calculation of such additional amounts.

B. Compensation for Increased Costs and Taxes. In the event that any Lender shall determine in good faith (which determination shall, absent manifest or demonstrable error, be final and conclusive and binding upon all parties hereto) that any law, treaty or governmental rule, regulation or order, or any change therein or in the interpretation, administration or application thereof (including the introduction of any new law, treaty or governmental rule, regulation or order), or any determination of a court or governmental authority, in each case that is adopted after the date hereof, or compliance by such Lender with any guideline, request or directive issued or made after the date hereof by any central bank or other governmental or quasi-governmental authority (whether or not having the force of law):

(i) subjects such Lender (or its applicable lending office) to any additional Tax (other than any Tax on the overall net income of such Lender) with respect to this Agreement or any of the Loans or any of its obligations hereunder, or changes the basis of taxation of payments to such Lender (or its applicable lending office) of principal, interest, fees or any other amount payable hereunder (except for changes in the rate of Tax on the overall net income of such Lender or its applicable lending office);

(ii) imposes, modifies or holds applicable any reserve (including without limitation any marginal, emergency, supplemental, special or other reserve), special deposit, compulsory loan, FDIC insurance or similar requirement against assets held by, or deposits or other liabilities in or for the account of, or advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Lender (other than any such reserve or other requirements with respect to Eurodollar Rate Loans that are reflected in the definition of Adjusted Eurodollar Rate); or

(iii) imposes any other condition on or affecting such Lender (or its applicable lending office) or its obligations hereunder or the interbank Eurodollar market, other than with respect to Taxes;

and the result of any of the foregoing is to increase the cost to such Lender of agreeing to make, making or maintaining Loans hereunder or to reduce any amount received or receivable by such Lender (or its applicable lending office) with respect thereto; then, in any such case, Company shall promptly pay to such Lender, upon written demand and receipt of the written notice referred to below, such additional amount or amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its sole discretion shall determine) as may be necessary to compensate such Lender on an after-tax basis for any such increased cost or reduction in amounts received or receivable hereunder; provided that any increased cost arising as a result of any of the foregoing other than in respect of Taxes shall apply only to Eurodollar Rate Loans; provided further that a Lender shall not be entitled to avail itself of the benefit of this subsection 2.7B to the extent that any such increased cost or reduction was

incurred more than six months prior to the time it gives notice to Company (as provided in the next sentence) of the relevant circumstance, unless such circumstance arose or became applicable retrospectively, in which case no time limit shall apply (provided that such Lender has notified Company within six months from the date such circumstances arose or became applicable). Such Lender shall deliver to Company a written notice, setting forth in reasonable detail the basis for calculating the additional amounts owed to such Lender under this subsection 2.7B, which statement shall be conclusive and binding upon all parties hereto absent manifest or demonstrable error.

C. Withholding of Taxes.

(i) Payments to Be Free and Clear. All sums payable by Company under this Agreement and the other Loan Documents shall be paid free and clear of and (except to the extent required by law) without any deduction or withholding on account of any Covered Tax imposed, levied, collected, withheld or assessed by or within the United States of America or any political subdivision in or of the United States of America or any other jurisdiction from or to which a payment is made by or on behalf of Company or by any federation or organization of which the United States of America or any such jurisdiction is a member at the time of payment.

(ii) Withholding in respect of Payments. If Company or any other Person is required by law to make any deduction or withholding on account of any such Tax from any sum paid or payable by Company to Administrative Agent or any Lender under any of the Loan Documents:

(a) Company shall notify Administrative Agent of any such requirement or any change in any such requirement as soon as Company becomes aware of it;

(b) Company shall pay any such Tax before the date on which penalties attach thereto, such payment to be made (if the liability to pay is imposed on Company) for its own account or (if that liability is imposed on Administrative Agent or such Lender, as the case may be) on behalf of and in the name of Administrative Agent or such Lender;

(c) in the event such Tax is a Covered Tax, the sum payable by Company in respect of which the relevant deduction, withholding or payment is required shall be increased to the extent necessary to ensure that, after the making of that deduction, withholding or payment, Administrative Agent or such Lender, as the case may be, receives on the due date and retains (free from any liability in respect of any such deduction, withholding or payment) a net sum equal to what it would have received and so retained had no such deduction, withholding or payment in respect of Covered Taxes been required or made; and

(d) within 30 days after paying any sum from which it is required by law to make any deduction or withholding, and within 30 days after the due date of payment of any Tax which it is required by clause (b) above to pay, Company shall deliver to

Administrative Agent evidence reasonably satisfactory to the other affected parties of such deduction, withholding or payment and of the remittance thereof to the relevant taxing or other authority;

provided that no such additional amount shall be required to be paid to any Lender under clause (c) above except to the extent that any change after the date hereof in any such requirement for a deduction, withholding or payment as is mentioned in clause (c) above shall result in an increase in the rate of such deduction, withholding or payment from that in effect at the date of this Agreement in respect of payments to such Lender.

(iii) Tax Refund. If Company determines in good faith that a reasonable basis exists for contesting a Covered Tax, the relevant Lender or Tax Transferee or Administrative Agent, as applicable, shall cooperate with Company (but shall have no obligation to disclose any confidential information, unless arrangements satisfactory to the relevant Lender have been made to preserve the confidential nature of such information) in challenging such Tax at Company's expense if requested by Company (it being understood and agreed that none of Administrative Agent or any Lender shall have any obligation to contest, or any responsibility for contesting, any Tax). If any Lender, Tax Transferee or Administrative Agent, as applicable, receives a refund (whether by way of a direct payment or by offset) of any Covered Tax for which a payment has been made pursuant to this subsection 2.7C which, in the reasonable good faith judgment of such Lender, Tax Transferee or Administrative Agent, as the case may be, is allocable to such payment made under this subsection 2.7C, the amount of such refund (together with any interest received thereon) shall be paid to Company to the extent payment has been made in full as and when required pursuant to this subsection 2.7C.

(iv) U.S. Tax Certificates. Each Lender that is organized under the laws of any jurisdiction other than the United States or any state or other political subdivision thereof shall deliver to Administrative Agent for transmission to Company, on or prior to the Effective Date (in the case of each Lender listed on the signature pages hereof) or on the date of the Assignment and Acceptance pursuant to which it becomes a Lender (in the case of each other Lender), and at such other times as may be necessary in the determination of Company or Administrative Agent (each in the reasonable exercise of its discretion), such certificates, documents or other evidence, properly and accurately completed and duly executed by such Lender (including, without limitation, Internal Revenue Service Form 1001 or Form 4224 or any other certificate or statement of exemption required by Treasury Regulations Section 1.1441-4(a) or Section 1.1441-6(c) or any successor thereto) to establish that such Lender is not subject to deduction or withholding of United States federal income tax under Section 1441 or 1442 of the Internal Revenue Code or otherwise (or under any comparable provisions of any successor statute) with respect to any payments to such Lender of principal, interest, fees or other amounts payable under any of the Loan Documents.

Company shall not be required to pay any additional amount to any such Lender under subsection 2.7C(ii) if such Lender shall have failed to satisfy the requirements of the immediately preceding sentence; provided

that if such Lender shall have satisfied such requirements on the Effective Date (in the case of each Lender listed on the signature pages hereof) or on the date of the Assignment and Acceptance pursuant to which it became a Lender (in the case of each other Lender), nothing in this subsection 2.7C(iv) shall relieve Company of its obligation to pay any additional amounts pursuant to clause (c) of subsection 2.7C(ii) in the event that, as a result of any change in applicable law after the Effective Date or the date of the applicable Assignment and Acceptance, as the case may be, such Lender is no longer properly entitled to deliver certificates, documents or other evidence at a subsequent date establishing the fact that such Lender is not subject to withholding as described in the immediately preceding sentence.

D. Replacement of Lender. If Company receives a notice pursuant to subsections 2.7A, 2.7B or 2.7C, so long as no Event of Default shall have occurred and be continuing and Company has obtained a commitment from another Lender or an Eligible Assignee to become a Lender for all purposes under this Agreement and to assume all obligations of the Lender to be replaced, Company may require the Lender giving such notice to assign all of its Loans, its Revolving Loan Commitment and its other Obligations to such other Lender or Eligible Assignee, at par, pursuant to the provisions of subsection 9.2B; provided that, prior to or concurrently with such replacement (i) Company has paid or caused to be paid to the Lender giving such notice all principal, interest, fees and other amounts due and owing to such Lender hereunder through such date of replacement (including any amounts payable under subsection 2.6E), (ii) Company has paid to Administrative Agent the processing and recordation fee required to be paid by subsection 9.2B(i), and (iii) all of the requirements for such assignment contained in subsection 9.2B, including, without limitation, the receipt by Administrative Agent of an executed Assignment and Acceptance and other supporting documents, have been fulfilled.

2.8 Letters of Credit

A. Letters of Credit. Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of Company set forth herein, Company may request, in accordance with the provisions of this subsection 2.8A, in addition to requesting that Lenders make Loans pursuant to subsections 2.1 and 2.9, that on and after the Effective Date one or more Issuing Lenders issue, and one or more Issuing Lenders will issue, subject to the terms and conditions hereof, Standby Letters of Credit and Commercial Letters of Credit for the account of Company.

Issuances of Letters of Credit shall be subject to the following limitations:

(i) Company shall not request that any Lender issue any Letter of Credit if, after giving effect to such issuance, the Total Utilization of Revolving Loan Commitments would exceed the Revolving Loan Commitments then in effect;

(ii) In no event shall any Issuing Lender issue (w) any Letter of Credit having an expiration date later than the Revolving Loan Commitment Termination Date; (x) subject to the foregoing clause (w), any Standby Letter of Credit having an expiration date more than one year after its date of issuance; provided that, subject to the foregoing

clause (w) and to subsection 2.8A(iii), this clause (x) shall not prevent any Issuing Lender from issuing a Standby Letter of Credit having an expiration date up to two years after its date of issuance if such Standby Letter of Credit will be used by Company in connection with, or in lieu of, posting an appeal bond; provided, further that, subject to the foregoing clause (w), this clause (x) shall not prevent any Issuing Lender from agreeing that a Standby Letter of Credit will automatically be extended annually for a period not to exceed one year unless such Issuing Lender gives notice that it will not extend; provided, further that such Issuing Lender shall deliver a written notice to Administrative Agent setting forth the last day on which such Issuing Lender may give notice that it will not extend (the "Notification Date" with respect to such Standby Letter of Credit) at least ten Business Days prior to such Notification Date; and provided, further that, unless Requisite Lenders otherwise consent, such Issuing Lender shall give notice that it will not extend if it has knowledge that an Event of Default has occurred and is continuing on such Notification Date; or (y) any Commercial Letter of Credit (1) having a tenor other than sight or (2) having an expiration date which is more than 180 days after its date of issuance or which is less than 30 days prior to the Revolving Loan Commitment Termination Date or which is otherwise unacceptable to such Issuing Lender in its reasonable discretion;

(iii) Company shall not request that any Issuing Lender issue any Standby Letter of Credit having an expiration date more than one year after its date of issuance which will be used by Company in connection with, or in lieu of, posting an appeal bond if, after giving effect to such issuance, the Letter of Credit Usage in respect of all such Standby

Letters of Credit would exceed \$25,000,000; and

(iv) Company shall not request that any Issuing Lender issue any Letter of Credit if, after giving effect to such issuance, the Letter of Credit Usage in respect of Letters of Credit would exceed \$300,000,000.

The issuance of any Letter of Credit in accordance with the provisions of this subsection 2.8 shall be given effect in the calculation of the Total Utilization of Revolving Loan Commitments and shall require the satisfaction of each condition set forth in subsections 3.1 and 3.3.

Company and Lenders agree that any Standby Letter of Credit issued by any Lender as a "Letter of Credit" (as defined in the Existing Credit Agreement) pursuant to the Existing Credit Agreement and outstanding as of the Effective Date shall for all purposes of this Agreement be deemed to have been issued as a Standby Letter of Credit as of the Effective Date under and pursuant to the terms of this Agreement, and all fees payable under subsection 2.8F with respect to such Standby Letters of Credit shall accrue from and after the Effective Date. All Standby Letters of Credit originally issued pursuant to the Existing Credit Agreement are described in Schedule E annexed hereto.

Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby agrees to, have irrevocably purchased from the Issuing Lender a participation in such Letter of Credit and drawings thereunder in an amount equal to such Lender's Pro Rata Share of the maximum

amount which is or at any time may become available to be drawn thereunder.

B. Notice of Issuance. Whenever Company desires the issuance of a Letter of Credit, it shall deliver to Administrative Agent and to the Lender which Company has requested to issue such Letter of Credit a Notice of Issuance of Letter of Credit no later than 1:00 P.M. (New York time) at least five Business Days, or such shorter period as may be agreed to by an Issuing Lender in any particular instance, in advance of the proposed date of issuance. The Notice of Issuance of Letter of Credit shall specify (i) the proposed date of issuance (which shall be a business day under the laws of the jurisdiction of the Issuing Lender), (ii) the face amount of the Letter of Credit, (iii) in the case of a Letter of Credit which Company requests to be denominated in a currency other than Dollars, the currency in which Company requests such Letter of Credit to be issued, (iv) the expiration date of the Letter of Credit, (v) the name and address of the beneficiary, and (vi) the Lender which Company has requested to issue such Letter of Credit; and such Notice of Issuance of Letter of Credit shall further certify that subsection 3.2B is satisfied on and as of the date of issuance of such Letter of Credit. As soon as practicable after delivery of such notice with respect to any Letter of Credit, the Issuing Lender for such Letter of Credit shall be determined as provided in subsection 2.8C(ii). Prior to the date of issuance, Company shall specify a precise description of the documents and the verbatim text of any certificate to be presented by the beneficiary which, if presented by the beneficiary prior to the expiration date of the Letter of Credit, would require the Issuing Lender to make payment under the Letter of Credit; provided that the Issuing Lender, in its sole reasonable judgment, may require changes in any such documents and certificates; and provided further that no Letter of Credit shall require payment against a conforming draft to be made thereunder on the same business day (under the laws of the jurisdiction of the Issuing Lender) that such draft is presented if such presentation is made after 11:00 a.m. in the time zone of the Issuing Lender on such business day. In determining whether to pay under any Letter of Credit, the Issuing Lender shall be responsible only to determine that the documents and certificates required to be delivered under that Letter of Credit have been delivered and that they comply on their face with the requirements of that Letter of Credit.

C. Determination of Issuing Lender.

(i) Company may request any Lender to issue a Letter of Credit and, upon receipt by a Lender of a notice from Company pursuant to subsection 2.8B requesting the issuance of a Letter of Credit, such Lender shall promptly notify Company and Administrative Agent whether or not, in its sole discretion, it has elected to issue such Letter of Credit. If such Lender elects to issue such Letter of Credit, such Lender shall be the Issuing Lender with respect thereto. If such Lender declines to issue such Letter of Credit, the Company may request any other Lender to issue such Letter of Credit, by delivering the notice described in subsection 2.8B to such Lender. In the event that all Lenders shall have declined to issue such Letter of Credit, Administrative Agent shall be obligated to issue the Letter of Credit requested by Company and shall be the Issuing Lender with respect to such Letter of Credit; provided that Administrative Agent shall not be obligated to issue any Letter of Credit denominated in a foreign currency which in the reasonable judgment of Administrative Agent is not

readily and freely available.

(ii) Each Issuing Lender which elects to issue a Letter of Credit shall promptly give written notice to Administrative Agent and each other Lender of the information required under clauses (i)-(iv) of subsection 2.8B relating to such Letter of Credit and shall provide a copy of such Letter of Credit to Administrative Agent and each other Lender. Promptly after receipt of such notice, Administrative Agent shall notify each Lender (other than the Issuing Lender) of the amount of its respective participation therein, determined in accordance with subsection 2.8A.

(iii) On March 10, June 10, September 10 and December 10 of each year, each Issuing Lender in respect of any Letter of Credit that was outstanding during all or any portion of the period since the immediately preceding December 10, March 10, June 10 or September 10, as the case may be, shall deliver to each other Lender a report setting forth for such period the daily aggregate amount available to be drawn under each such Letter of Credit issued by such Issuing Lender.

D. Payment of Amounts Drawn Under Letters of Credit. In the event of any request for drawing under any Letter of Credit by the beneficiary thereof, the Issuing Lender shall notify Company and Administrative Agent on or before the date which is two Business Days prior to the date on which such Issuing Lender intends to honor such drawing (unless such Letter of Credit by its terms requires the Issuing Lender to honor a drawing on or prior to the second Business Day following such drawing, in which case the Issuing Lender shall notify Company and Administrative Agent as soon as reasonably practicable but in any event on or before the date on which such Issuing Lender intends to honor such drawing), and Company shall reimburse such Issuing Lender on the date on which such drawing is honored, in each case in an amount in Dollars and in same day funds equal to the amount of such drawing (which amount, in the case of a drawing under a Letter of Credit which is denominated in a currency other than Dollars, shall be calculated by reference to the applicable Exchange Rate); provided that, anything contained in this Agreement to the contrary notwithstanding, (i) unless Company shall have notified Administrative Agent and such Issuing Lender prior to 11:00 a.m. (New York time) on the Business Day immediately prior to the date of such drawing that Company intends to reimburse such Issuing Lender for the amount of such drawing with funds other than the proceeds of Revolving Loans, Company shall be deemed to have given a Notice of Borrowing to Administrative Agent requesting Lenders to make Revolving Loans which are Base Rate Loans, on the date on which such drawing is honored, in an amount in Dollars equal to the amount of such honored drawing (which amount, in the case of a drawing under a Letter of Credit which is denominated in a currency other than Dollars, shall be calculated by reference to the applicable Exchange Rate), and (ii) subject to satisfaction or waiver of the conditions specified in subsection 3.2B, Lenders shall, on the date of such requested borrowing, make Revolving Loans which are Base Rate Loans in the amount of such drawing as aforesaid, the proceeds of which shall be applied directly by Administrative Agent to reimburse such Issuing Lender for the amount of such drawing; and further provided that, if for any reason proceeds of Revolving Loans are not received by such Issuing Lender on such date in an amount equal to the amount of such drawing, Company shall reimburse such Issuing Lender, on the business day

(under the laws of the jurisdiction of such Issuing Lender) immediately following the date on which reimbursement of such drawing is required as provided above, in an amount in same day funds equal to the excess of the amount of such drawing over the amount of such Revolving Loans, if any, which are so received, plus accrued interest on such amount at the rate set forth in subsection 2.8F(4).

E. Payment by Lenders with Respect to Letters of Credit. In the event that Company shall fail to reimburse an Issuing Lender as provided in subsection 2.8D in an amount in Dollars (calculated, in the case of a drawing under a Letter of Credit denominated in a currency other than Dollars, by reference to the applicable Exchange Rate) equal to the amount of any drawing honored by such Issuing Lender under a Letter of Credit issued by it, such Issuing Lender shall promptly notify Administrative Agent of the unreimbursed amount of such drawing and Administrative Agent shall promptly notify each Lender of such unreimbursed amount and of such Lender's respective participation therein. Each Lender shall make available to such Issuing Lender an amount equal to its respective participation, in Dollars and in same day funds, at the office of such Issuing Lender specified in such notice, not later than 1:00 P.M. (New York time) on the business day (under the laws of the jurisdiction of such Issuing Lender) after the date notified by such Issuing Lender. In the event that any Lender fails to make available to such Issuing Lender the amount of such Lender's participation in such Letter of Credit as provided in this subsection 2.8E, such Issuing Lender shall be entitled to recover such amount on demand from such Lender together with interest at the customary rate set by such Issuing Lender for the correction of errors among banks for three Business Days and thereafter at the Base Rate.

Nothing in this subsection 2.8 shall be deemed to prejudice the right of any Lender to recover from such Issuing Lender any amounts made available by such Lender to such Issuing Lender pursuant to this subsection 2.8E in the event that it is determined by a court of competent jurisdiction that the payment with respect to a Letter of Credit by such Issuing Lender in respect of which payment was made by such Lender constituted gross negligence or willful misconduct on the part of such Issuing Lender. Each Issuing Lender shall distribute to each other Lender which has paid all amounts payable by it under this subsection 2.8E with respect to any Letter of Credit issued by such Issuing Lender such other Lender's Pro Rata Share of all payments received by such Issuing Lender from Company in reimbursement of drawings honored by such Issuing Lender under such Letter of Credit when such payments are received.

F. Compensation. Company agrees to pay the following amounts to each Issuing Lender for its own account with respect to Letters of Credit issued by it (with respect to paragraphs (1), (3) and (5) below) and to Administrative Agent for the account of each Lender (with respect to paragraphs (2) and (4) below) with respect to all Letters of Credit:

(1) with respect to each Standby Letter of Credit, an administrative fee equal to 0.125% per annum of the maximum amount available from time to time to be drawn under such Letter of Credit, payable in arrears on and through the last day of each Fiscal Quarter and calculated on the basis of a 360-day year and the actual number of days elapsed;

(2) with respect to each Standby Letter of Credit, a commission

equal to, on a per annum basis, (a) the Applicable Eurodollar Margin as in effect from time to time multiplied by (b) the maximum amount available from time to time to be drawn under such Standby Letter of Credit, payable in arrears on and through the last day of each Fiscal Quarter and calculated on the basis of a 360-day year and the actual number of days elapsed;

(3) with respect to each Commercial Letter of Credit, the administrative fee and commission mutually agreed to by Company and the Issuing Lender issuing such Commercial Letter of Credit, payable at the times and calculated in the manner required by such Issuing Lender; provided that the aggregate amount of such administrative fee and commission with respect to any Commercial Letter of Credit shall not be greater than, on a per annum basis, (a) the Applicable Eurodollar Margin plus 0.125% multiplied by (b) the maximum amount available from time to time to be drawn under such Commercial Letter of Credit; and provided, further that to the extent such Issuing Lender receives any per annum fees in respect of such Commercial Letter of Credit at a rate in excess of 0.125% per annum, such Issuing Lender shall deliver such excess fees to Administrative Agent, promptly upon receipt thereof, for distribution to Lenders in accordance with their respective Pro Rata Shares;

(4) with respect to drawings made under any Letter of Credit, interest, payable on demand, on the amount paid by such Issuing Lender in respect of each such drawing from the date of payment of the drawing through the date such amount is reimbursed by Company (including any such reimbursement out of the proceeds of Loans pursuant to subsection 2.8D) at a rate equal to the sum of the Base Rate plus 2.00% per annum; and

(5) with respect to the issuance, amendment or transfer of, or payment of a drawing under, each Letter of Credit, documentary and processing charges in accordance with such Issuing Lender's standard schedule for such charges in effect at the time of such issuance, amendment, transfer or payment, as the case may be.

For purposes of calculating any fees payable under clauses (1), (2) and (3) of this subsection 2.8F, (a) the maximum amount available to be drawn under any Letter of Credit as of any date of determination shall be determined as of the close of business on such date and (b) any amount described in such clauses which is denominated in a currency other than Dollars shall be valued based on the applicable Exchange Rate for such currency as of the applicable date of determination. Promptly upon receipt by Administrative Agent of any amount described in clause (2) or (4) of this subsection 2.8F, Administrative Agent shall distribute to each Lender its Pro Rata Share of such amount.

G. Obligations Absolute. The obligation of Company to reimburse each Issuing Lender for drawings made under the Letters of Credit issued by it and the obligations of Lenders under subsection 2.8E shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances including, without limitation, any of the following circumstances:

(1) any lack of validity or enforceability of any Letter of Credit;

(2) the existence of any claim, set-off, defense or other right which Company may have at any time against a beneficiary or any transferee of any Letter of Credit (or any persons or entities for whom any such transferee may be acting), such Issuing Lender, any Lender or any other Person, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between Company or one of its Subsidiaries and the beneficiary for which the Letter of Credit was procured);

(3) any draft, demand, certificate or any other document presented under any 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;

(4) payment by such Issuing Lender under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit, provided that such payment does not constitute gross negligence or willful misconduct of such Issuing Lender;

(5) any other circumstance or happening whatsoever, which is similar to any of the foregoing; or

(6) the fact that an Event of Default or a Potential Event of Default shall have occurred and be continuing.

H. Additional Payments. If by reason of (a) any change after the date hereof in applicable law, regulation, rule, decree or regulatory requirement or any change after the date hereof in the interpretation or application by any judicial or regulatory authority of any law, regulation, rule, decree or regulatory requirement (in each case other than any law, regulation, rule, decree or regulatory requirement regarding capital adequacy) or (b) compliance by any Issuing Lender or any Lender with any direction, request or requirement (whether or not having the force of law) of any governmental or monetary authority imposed after the date hereof including, without limitation, Regulation D (but excluding, however, any direction, request or requirement regarding capital adequacy):

(i) such Issuing Lender or any Lender shall be subject to any tax, levy, charge or withholding of any nature or to any variation thereof or to any penalty with respect to the maintenance or fulfillment of its obligations under this subsection 2.8, whether directly or by such being imposed on or suffered by such Issuing Lender or any Lender;

(ii) any reserve, deposit or similar requirement is or shall be applicable, imposed or modified in respect of any Letters of Credit issued by such Issuing Lender or participations therein purchased by any Lender; or

(iii) there shall be imposed on such Issuing Lender or any Lender any other condition regarding this subsection 2.8, any Letter of Credit

or any participation therein;

and the result of the foregoing is to directly or indirectly increase the cost to such Issuing Lender or any Lender of issuing, making or maintaining any Letter of Credit or of purchasing or maintaining any participation therein, or to reduce the amount receivable in respect thereof by such Issuing Lender or any Lender, then and in any such case such Issuing Lender or such Lender may, at any time within six months after the additional cost is incurred or the amount received is reduced, notify Company, and Company shall pay within ten days of receipt of such notice such amounts as such Issuing Lender or such Lender may specify to be necessary to compensate such Issuing Lender or such Lender for such additional cost or reduced receipt, together with interest on such amount from 10 days after the date of such demand until payment in full thereof at a rate equal at all times to the Base Rate per annum. The determination by such Issuing Lender or any Lender, as the case may be, of any amount due pursuant to this subsection 2.8H as set forth in a certificate setting forth the calculation thereof in reasonable detail, shall, in the absence of manifest or demonstrable error, be final and conclusive and binding on all of the parties hereto.

I. Indemnification; Nature of Issuing Lender's Duties. In addition to amounts payable as elsewhere provided in this subsection 2.8, Company hereby agrees to protect, indemnify, pay and save each Issuing Lender harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees and allocated costs of internal counsel) which such Issuing Lender may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of the Letters of Credit, other than as a result of the gross negligence or willful misconduct of such Issuing Lender as determined by a court of competent jurisdiction or (ii) the failure of such Issuing Lender to honor a drawing under any 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").

As between Company and each Issuing Lender, Company assumes all risks of the acts and omissions of, or misuse of the Letters of Credit issued by such Issuing Lender by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, such Issuing Lender shall not be responsible: (i) for 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 such Letters of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such 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; (iii) for failure of the beneficiary of any such Letter of Credit to comply fully with conditions required in order to draw upon such Letter of Credit; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise; (v) for errors in interpretation of technical terms; (vi) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the

proceeds thereof; (vii) for the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; and (viii) for any consequences arising from causes beyond the control of such Issuing Lender, including, without limitation, any Government Acts. None of the above shall affect, impair, or prevent the vesting of any of such Issuing Lender's rights or powers hereunder; provided, however, that such Issuing Lender shall be responsible for any payment it makes under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit in the event such payment constitutes gross negligence or willful misconduct of such Issuing Lender as determined by a court of competent jurisdiction.

In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by any Issuing Lender under or in connection with the Letters of Credit issued by it or the related certificates, if taken or omitted in good faith and in the absence of gross negligence or willful misconduct, shall not put such Issuing Lender under any resulting liability to Company.

Notwithstanding anything to the contrary contained in this subsection 2.8I, Company shall not have any obligation to indemnify any Issuing Lender in respect of any liability incurred by such Issuing Lender arising solely out of the gross negligence or willful misconduct of such Issuing Lender, as determined by a court of competent jurisdiction, or out of the wrongful dishonor by such Issuing Lender of proper demand for payment made under the Letters of Credit issued by it.

J. Computation of Interest. Interest payable pursuant to this subsection 2.8 shall be computed on the basis of a 360-day year and the actual number of days elapsed in the period during which it accrues.

2.9 Bid Rate Loans

A. The Bid Rate Option. Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of Company set forth herein, in addition to Company requesting that Lenders make Revolving Loans pursuant to subsection 2.1, Company may, as set forth in this subsection 2.9, request Lenders during the period from and including the Effective Date to but excluding the Revolving Loan Commitment Termination Date to make offers to make Bid Rate Loans to Company; provided that (i) the aggregate principal amount of Bid Rate Loans outstanding at any time shall not exceed \$750,000,000, (ii) the aggregate principal amount of Bid Rate Loans outstanding at any time shall not, when added to the aggregate principal amount of all outstanding Revolving Loans plus the Letter of Credit Usage plus the Overdraft Amount, exceed the Revolving Loan Commitments then in effect and (iii) the aggregate principal amount of Bid Rate Loans of any Lender outstanding at any time shall not exceed \$200,000,000. Lenders may, but shall have no obligation to, make such offers and Company may, but shall have no obligation to, accept any such offers in the manner set forth in this subsection 2.9.

B. Bid Rate Loan Quote Request. Whenever Company desires to request offers to make Bid Rate Loans, it shall transmit to Bid Rate Loan Agent by telecopy a Bid Rate Loan Quote Request substantially in the form of

Exhibit IV annexed hereto no later than 12:00 Noon (New York time) two Business Days in advance of the proposed Funding Date set forth therein. The Bid Rate Loan Quote Request shall specify (i) the proposed Funding Date (which shall be a Business Day), (ii) the amount of Bid Rate Loans for which offers are requested, which shall be in a minimum principal amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess of that amount and (iii) the duration of the Bid Rate Loan Interest Period applicable thereto, subject to the provisions set forth in the definition of Bid Rate Loan Interest Period; and such Bid Rate Loan Quote Request shall further certify that subsection 3.2B is satisfied on and as of the date of such Bid Rate Loan Quote Request and on and as of the date of the making of such Bid Rate Loans. No Bid Rate Loan Quote Request shall be given within five Business Days of any other Bid Rate Loan Quote Request.

C. Invitation for Bid Rate Loan Quotes. Promptly upon any request by Company for Bid Rate Loan Quotes pursuant to the delivery of a Bid Rate Loan Quote Request in accordance with the provisions of subsection 2.9B, but in no event later than the close of business on the date of receipt thereof, Bid Rate Loan Agent shall send to Lenders by telecopy an Invitation for Bid Rate Loan Quotes substantially in the form of Exhibit V annexed hereto, which shall constitute an invitation by Company to each Lender to submit Bid Rate Loan Quotes offering to make Bid Rate Loans to which such Bid Rate Loan Quote Request relates in accordance with this subsection 2.9.

D. Submission and Contents of Bid Rate Loan Quotes.

(i) Each Lender may, in its sole discretion, submit a Bid Rate Loan Quote containing an offer or offers to make Bid Rate Loans in response to any Invitation for Bid Rate Loan Quotes. Each Bid Rate Loan Quote must comply with the requirements of this subsection 2.9D and must be received by Bid Rate Loan Agent by telecopy no later than 10:00 A.M. (New York time) on the proposed Funding Date of such Bid Rate Loans; provided that Bid Rate Loan Quotes submitted by Administrative Agent (or any Affiliate of Administrative Agent) in the capacity of a Lender may be submitted, and may only be submitted, if Administrative Agent or such Affiliate notifies Company of the terms of the offer or offers contained therein no later than 9:45 A.M. (New York time) on the proposed Funding Date of such Bid Rate Loans. Any Bid Rate Loan Quote so made shall be, subject to subsection 2.9G, irrevocable except with the written consent of Bid Rate Loan Agent given on the instructions of Company.

(ii) Each Bid Rate Loan Quote shall be in substantially the form of Exhibit VI annexed hereto and shall refer to this Agreement and specify (a) the proposed Funding Date, (b) the principal amount of the Bid Rate Loan offered for each Bid Rate Loan Interest Period in respect of which an offer is being made, which principal amount (x) may be greater than or less than the Revolving Loan Commitment of the quoting Lender, (y) must be in a minimum amount of \$5,000,000 and integral multiples of \$1,000,000 in excess of that amount and (z) may not exceed the principal amount of Bid Rate Loans for such Bid Rate Loan Interest Period for which offers were requested, (c) in the event the sum of the Bid Rate Loans being offered for all Bid Rate Loan Interest Periods exceeds the maximum aggregate amount of Bid Rate Loans that the quoting Lender is willing to make pursuant to such Bid Rate Loan Quote, such

maximum aggregate amount, (d) the rate of interest per annum (expressed as an absolute number and not in terms of a specified margin over the quoting Lender's cost of funds and rounded to the nearest 1/100 of 1%) at which such Lender is willing to make each such Bid Rate Loan and (e) the identity of the quoting Lender.

(iii) Any Bid Rate Loan Quote shall be disregarded that (a) is not substantially in the form of Exhibit VI annexed hereto or does not specify all of the information required in subsection 2.9D(ii), (b) contains qualifying, conditional or similar language, (c) proposes terms other than or in addition to those set forth in the applicable Invitation for Bid Rate Loan Quotes or (d) arrives after the time set forth in subsection 2.9D(i).

(iv) If any Lender shall elect not to make such an offer, such Lender shall so notify Bid Rate Loan Agent via telecopy no later than 10:00 a.m. (New York time) on the proposed Funding Date; provided, however, that failure by any Lender to give such notice shall not constitute a breach or default by such Lender nor cause such Lender to be liable to Company or any other party or be obligated to make any Bid Rate Loan as part of such requested Bid Rate Loans.

E. Notice to Company. Bid Rate Loan Agent shall (by telephone confirmed by telecopy) promptly notify Company of the terms (x) of any Bid Rate Loan Quote submitted by a Lender that is in accordance with subsection 2.9D and (y) of any Bid Rate Loan Quote that amends, modifies or is otherwise inconsistent with a previous Bid Rate Loan Quote submitted by such Lender with respect to the same Bid Rate Loan Quote Request; provided that any such subsequent Bid Rate Loan Quote shall be disregarded by Bid Rate Loan Agent unless such subsequent Bid Rate Loan Quote is submitted solely to correct a manifest error in such former Bid Rate Loan Quote. Bid Rate Loan Agent's notice to Company shall specify (i) the aggregate principal amount of Bid Rate Loans for which offers have been received for each Bid Rate Loan Interest Period specified in the related Bid Rate Loan Quote Request, (ii) the respective principal amounts and interest rates so offered and (iii) the identity of each quoting Lender.

F. Acceptance and Notice by Company. Not later than 11:00 a.m. (New York time) on the proposed Funding Date, Company shall (by telephone confirmed by telecopy) notify Bid Rate Loan Agent (who shall promptly so notify Administrative Agent and Lenders as set forth in subsection 2.9H) of its acceptance or non-acceptance of the offers so notified to it pursuant to subsection 2.9E. For the purposes of this subsection 2.9F, silence on the part of Company shall be deemed to be a non-acceptance of all offers so notified to it pursuant to subsection 2.9E. In the case of acceptance, such notice (a "Notice of Bid Rate Loan Borrowing") shall specify the aggregate principal amount of offers for each Bid Rate Loan Interest Period that are accepted. Company may accept any Bid Rate Loan Quote in whole or in part; provided that (i) acceptance of offers may only be made on the basis of ascending interest rates, (ii) the aggregate principal amount of each borrowing of Bid Rate Loans may not exceed the applicable amount set forth in the related Bid Rate Loan Quote Request, (iii) the principal amount of each Bid Rate Loan must be \$5,000,000 or integral multiples of \$1,000,000 in excess of that amount and (iv) Company may not accept any offer that is described in

subsection 2.9D(iii) or that otherwise fails to comply with the requirements of this Agreement.

A Notice of Bid Rate Loan Borrowing given by Company pursuant to this subsection 2.9F shall be irrevocable without the prior consent of all Lenders whose Bid Rate Loan offers have been accepted.

G. Allocation by Company. If offers are made by two or more Lenders at the same rate of interest for a greater aggregate principal amount than the amount in respect of which offers are accepted for the related Bid Rate Loan Interest Period, the principal amount of Bid Rate Loans in respect of which such offers are accepted shall be allocated pro rata by Company among such Lenders; provided that no Lender whose Bid Rate Loan Quote is accepted shall be allocated a Bid Rate Loan in a principal amount less than \$5,000,000 without its consent, and if such Lender does not so consent it shall be deemed to have withdrawn its Bid Rate Loan Quote. Determinations by Company of the amounts of Bid Rate Loans shall be conclusive in the absence of manifest error.

H. Notice to Administrative Agent and Lenders. Bid Rate Loan Agent shall (by telephone confirmed by telecopy) promptly notify Administrative Agent and each Lender that has submitted a Bid Rate Loan Quote as described in subsection 2.9D(i) whether or not any offer made by such Lender pursuant to such Bid Rate Loan Quote has been accepted by Company pursuant to the delivery of a Notice of Bid Rate Loan Borrowing (whereupon such Lender will become bound, subject to the other applicable conditions hereof, to make the Bid Rate Loan in respect of which its offer has been accepted) and (ii) of the aggregate principal amount of Bid Rate Loan Quotes accepted by Company and the range of interest rates applicable to such Bid Rate Loan Quotes.

I. Funding of Bid Rate Loans. Not later than 12:00 Noon (New York time) on the proposed Funding Date specified for each Bid Rate Loan hereunder, each Lender participating therein shall make the amount of its Bid Rate Loan available to Administrative Agent, in same day funds, at the Funding and Payment Office. Upon satisfaction or waiver of the conditions precedent specified in subsection 3.2, Administrative Agent shall make the proceeds of all such Bid Rate Loans available to Company on such Funding Date by causing an amount of same day funds equal to the proceeds of all such Bid Rate Loans received by Administrative Agent to be credited to the account of Company at such office of Administrative Agent.

Unless Administrative Agent shall have received notice from a Lender participating in a Bid Rate Loan prior to the Funding Date of such Bid Rate Loan that such Lender will not make available to Administrative Agent such Lender's Bid Rate Loan, Administrative Agent may (but shall not be obligated to) assume that such Lender has made such Bid Rate Loan available to Administrative Agent on the Funding Date of such Bid Rate Loan in accordance with this subsection 2.9I and Administrative Agent may, in reliance upon such assumption, make available to Company a corresponding amount on such Funding Date. If and to the extent such Lender shall not have so made such Bid Rate Loan available to Administrative Agent, then Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest thereon, for each day from such Funding Date until the

date such amount is paid to Administrative Agent, at the customary rate set by Administrative Agent for the correction of errors among banks for three Business Days and thereafter at the Base Rate. If such Lender does not pay such corresponding amount forthwith upon Administrative Agent's demand therefor, Administrative Agent shall promptly notify Company of the amount of such Bid Rate Loan not funded by such Lender and Company shall immediately pay such corresponding amount to Administrative Agent. Nothing in this subsection 2.9I shall be deemed to relieve any Lender from its obligation to fulfill its commitment hereunder or to prejudice any rights which Company may have against any Lender as a result of any default by such Lender hereunder.

J. Payment of Principal and Interest. The principal of each Bid Rate Loan shall be payable on and the last day of the Bid Rate Loan Interest Payment Date applicable to such Bid Rate Loan. Interest with respect to each outstanding Bid Rate Loan shall be payable in arrears on and to each Bid Rate Loan Interest Payment Date applicable to that Bid Rate Loan, upon any prepayment of such Bid Rate Loan (to the extent accrued on the amount being prepaid) and at maturity.

K. Bid Rate Loan Notes. Upon the request of any Lender in accordance with subsection 2.1E(iv), Company shall execute and deliver to each Lender (or to Administrative Agent for that Lender) a Bid Rate Loan Note, substantially in the form of Exhibit VIII annexed hereto with appropriate insertions, to evidence that Lender's Bid Rate Loans.

L. Compensation. Unless otherwise agreed by Company and the applicable Lender, Company shall compensate each Lender, upon written request by that Lender (which request shall set forth in reasonable detail the basis for requesting such amounts), for all reasonable losses, expenses and liabilities (including, without limitation, any interest paid by that Lender to lenders of funds borrowed by it to make or carry its Bid Rate Loans and any loss sustained by that Lender in connection with re-employment of such funds), which that Lender may sustain with respect to Bid Rate Loans: (i) if for any reason (other than a default or error by that Lender) a borrowing of any Bid Rate Loan does not occur on the date specified therefor in a Notice of Bid Rate Loan Borrowing, (ii) if any prepayment or other principal payment of any of such Lender's Bid Rate Loans occurs on a date prior to the last day of the Bid Rate Loan Interest Period applicable to that Bid Rate Loan, (iii) if any prepayment of any of such Lender's Bid Rate Loans is not made on any date specified in a notice of prepayment given by Company and consented to by such Lender, or (iv) as a consequence of any other default by Company to repay such Lender's Bid Rate Loans when required by the terms of this Agreement.

SECTION 3

CONDITIONS TO EFFECTIVENESS;
CONDITIONS TO LOANS AND LETTERS OF CREDIT

3.1 Conditions to Effectiveness

This Agreement shall become effective only upon the satisfaction of all of the following conditions:

A. Company Documents. On or before the Effective Date, Company shall deliver to Lenders (or to Administrative Agent for Lenders with sufficient originally executed copies, where appropriate, for each Lender and its counsel) each, unless otherwise noted, dated the Effective Date:

1. Certified copies of its Certificate of Incorporation, together with evidence of good standing from the Secretary of State of the State of Delaware, each to be dated a recent date prior to the Effective Date;

2. Copies of its Bylaws, certified as of the Effective Date by its corporate secretary or an assistant secretary;

3. Resolutions of its Board of Directors approving and authorizing the execution, delivery and performance of this Agreement and the Overdraft Agreement and approving and authorizing the execution, delivery and payment of the Revolving Notes and Bid Rate Loan Notes, each certified as of the Effective Date by its corporate secretary or an assistant secretary as being in full force and effect without modification or amendment;

4. Signature and incumbency certificates of its officers executing this Agreement and the other Loan Documents to which it is a party;

5. Executed copies of this Agreement and the other Loan Documents to which it is a party; and

6. Such other documents as Administrative Agent may reasonably request.

B. No Material Adverse Change Regarding Company and its Subsidiaries. Since December 31, 1996, there shall not have occurred any material adverse change in the business, operations, properties, assets, or condition (financial or otherwise) of Company and its Subsidiaries, taken as a whole.

C. No Material Adverse Change Regarding Syndication Markets, Etc. As of the Effective Date, there shall have been no material adverse change since April 25, 1997 to the syndication markets for credit facilities similar in nature to the credit facilities provided herein, and there shall not have occurred and be continuing a material disruption of or material adverse change in financial, banking or capital markets that would have an adverse effect on such syndication market, in each case as determined by Administrative Agent and Syndication Agent in their sole discretion.

D. Proceeds of Equity Offering; Terms of New Senior Notes.

(i) Equity Offering. On or before the Effective Date, Company shall have consummated the Equity Offering.

(ii) New Senior Notes. Any New Senior Notes issued on or before the Effective Date shall be unsecured and unguaranteed, and the interest rate, covenants, defaults, remedies and all other material terms thereof shall be reasonably satisfactory to Administrative Agent.

E. Satisfaction of Conditions to Effectiveness of Existing Lender Consent. All conditions precedent to the effectiveness of the Existing Lender Consent shall have been satisfied.

F. Opinions of Counsel to Company. Lenders shall have received (i) originally executed copies of one or more favorable written opinions of Latham & Watkins, counsel for Company, in substantially the form of Exhibit XII annexed hereto, and (ii) originally executed copies of one or more favorable written opinions of James W. Baehren, Associate General Counsel for Company, in substantially the form of Exhibit XIII annexed hereto, in each case dated as of the Effective Date and covering such other matters and including such changes as shall be reasonably requested or approved by Administrative Agent on behalf of Lenders and their counsel.

G. Opinions of Counsel to Administrative Agent. Lenders shall have received an originally executed copy of one or more favorable written opinions of O'Melveny & Myers LLP, counsel to Agents, dated as of the Effective Date, substantially in the form of Exhibit XIV annexed hereto and as to such other matters as Administrative Agent on behalf of Lenders may reasonably request.

H. Conversion of Existing Revolving Loans; Payment of Accrued Interest and Fees Under Existing Credit Agreement. Anything contained in the Existing Credit Agreement to the contrary notwithstanding, (i) on or before the Effective Date, Company shall have converted all Existing Revolving Loans that are outstanding as Eurodollar Rate Loans into Base Rate Loans (and, in connection therewith, Company hereby agrees to pay to Existing Lenders such amounts as would have been payable pursuant to subsection 2.6E of the Existing Credit Agreement if such Eurodollar Rate Loans had been prepaid on the Effective Date), (ii) Company shall have paid to Administrative Agent, for distribution (as appropriate) to Existing Lenders, all accrued and unpaid interest with respect to all Existing Revolving Loans as of the Effective Date, and (iii) Company shall have paid to Administrative Agent, for distribution (as appropriate) to Existing Lenders, all commitment fees and letter of credit fees which are accrued and unpaid as of the Effective Date under subsections 2.3A and 2.8F of the Existing Credit Agreement.

I. No Event of Default under Existing Credit Agreement. Administrative Agent shall have received an Officers' Certificate from Company, dated the Effective Date, to the effect that, as of the Effective Date, there exists no "Event of Default" or "Potential Event of Default" under and as defined in the Existing Credit Agreement.

J. Payment of Agents' Fees and "Additional Bank Financing Fees". On or before the Effective Date, (i) Company shall have paid to Agents any fees referred to in subsection 2.3B that are payable on the Effective Date and (ii) Company shall have paid to Administrative Agent, for distribution (as appropriate) to Lenders, the "Additional Bank Financing Fees" described in that certain letter agreement dated April 24, 1997, among Company, Bankers, BofA, NationsBank and ScotiaBank.

K. Corporate Proceedings, Etc. On or before the Effective Date, all corporate and other proceedings taken or to be taken in connection with the transactions contemplated hereby and all documents incidental thereto not

previously found acceptable by Agents, acting on behalf of Lenders, and their counsel shall be reasonably satisfactory in form and substance to Agents and such counsel, and Agents and such counsel shall have received all such counterpart originals or certified copies of such documents as Agents may reasonably request.

L. Performance of Agreements. On or before the Effective Date, Company shall have performed in all material respects all agreements which this Agreement provides shall be performed by it on or before the Effective Date except as otherwise disclosed to and agreed to in writing by Lenders.

3.2 Conditions to All Loans

Subject to the provisions of subsections 2.1B and 2.8D, the obligations of Lenders to make all Loans are subject to the following further conditions precedent:

A. Administrative Agent shall have received, in accordance with the provisions of subsection 2.1C or 2.9B, as the case may be, on or before any Funding Date, an originally executed Notice of Borrowing or Bid Rate Loan Quote Request, as the case may be, signed by the chief executive officer, the chief financial officer, the treasurer or an assistant treasurer of Company or by any executive officer of Company designated by any of the above-described officers on behalf of Company in writing delivered to Administrative Agent.

B. As of that Funding Date:

1. The representations and warranties contained herein shall be true, correct and complete in all material respects on and as of that Funding Date to the same extent as though made on and as of that date, except that the representations and warranties need not be true and correct (a) to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true, correct and complete in all material respects on and as of such earlier date and (b) to the extent that changes in the facts and conditions on which such representations and warranties are based are required or permitted under this Agreement;

2. No event shall have occurred and be continuing or would result from the consummation of the borrowing contemplated by such Notice of Borrowing or Bid Rate Loan Quote Request which would constitute (a) an Event of Default or (b) a Potential Event of Default;

3. Company shall have performed in all material respects all agreements and satisfied all conditions which this Agreement provides shall be performed by it on or before such Funding Date;

4. No order, judgment or decree of any court, arbitrator or governmental authority shall purport to enjoin or restrain any Lender from making that Loan;

5. The making of the Loans requested on such Funding Date shall not violate Regulation U of the Board of Governors of the Federal

Reserve System; and

6. There shall not be pending or, to the knowledge of Company threatened, any action, suit, proceeding, governmental investigation or arbitration against or affecting Company or any of its Subsidiaries or any property of Company or any of its Subsidiaries, which has not been disclosed by Company in writing pursuant to subsection 4.5 or 5.1(vii) prior to the making of the last preceding Loans (or, in the case of the initial Loans made hereunder, prior to the execution of this Agreement) and there shall have occurred no development not so disclosed in any such action, suit, proceeding, governmental investigation or arbitration so disclosed, which, in either event, in the opinion of Requisite Lenders (as communicated by Requisite Lenders to Administrative Agent and evidenced by a written notice from Administrative Agent to Company), would reasonably be expected to have a Material Adverse Effect.

C. Each borrowing by Company hereunder shall constitute a representation and warranty by Company hereunder as of the applicable Funding Date that subsection 3.2B is satisfied on and as of such Funding Date.

3.3 Conditions to All Letters of Credit

The issuance of any Letter of Credit by any Lender hereunder is subject to prior or concurrent satisfaction of all of the following conditions:

A. On or before the date of issuance of such Letter of Credit, Administrative Agent (and the Issuing Lender, if Administrative Agent is not the Issuing Lender) shall have received, in accordance with the provisions of subsection 2.8B, an originally executed Notice of Issuance of Letter of Credit requesting the issuance of such Letter of Credit, all other information specified in subsection 2.8B, and such other documents as the Issuing Lender may reasonably require in connection with the issuance of such Letter of Credit.

B. On the date of issuance of such Letter of Credit, all conditions precedent described in subsection 3.2B shall be satisfied to the same extent as though the issuance of such Letter of Credit were the making of a Loan and the date of issuance of such Letter of Credit were a Funding Date.

SECTION 4

COMPANY'S REPRESENTATIONS AND WARRANTIES

In order to induce Lenders to enter into this Agreement and to make the Loans, to induce Administrative Agent to make overdrafts in respect of the Overdraft Account, to induce Issuing Lenders to issue Letters of Credit and to induce Lenders to purchase participations in Letters of Credit, Company represents and warrants to each Lender that the following statements are true, correct and complete:

4.1 Organization, Powers, Good Standing, Business and Subsidiaries

A. Organization and Powers. Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Company has all requisite corporate power and authority to own and operate its properties, to carry on its business as now conducted and proposed to be conducted, to enter into each Loan Document to which it is a party and to carry out the transactions contemplated hereby and thereby, and to issue the Notes

B. Good Standing. Company is in good standing wherever necessary to carry on its present business and operations, except in jurisdictions in which the failure to be in good standing has not had and will not have a material adverse effect on the conduct of the business of Company and its Subsidiaries taken as a whole.

C. Conduct of Business. Company and its Subsidiaries are engaged only in the businesses permitted to be engaged in under subsection 6.8.

D. Subsidiaries. Each of Company's corporate Subsidiaries is validly existing and in good standing under the laws of its respective jurisdiction of incorporation and has full corporate power and authority to own its assets and properties and to operate its business as presently owned and conducted except where failure to be in good standing or a lack of corporate power and authority has not had and will not have a material adverse effect on Company and its Subsidiaries taken as a whole.

4.2 Authorization of Borrowing, Etc.

A. Authorization of Borrowing. The execution, delivery and performance of the Loan Documents and the issuance, delivery and payment of the Notes have been duly authorized by all necessary corporate action by Company.

B. No Conflict. The execution, delivery and performance by Company of each Loan Document, the issuance, delivery and performance of the Notes and the New Senior Notes, and the consummation of the Refinancing did not, do not and will not (i) violate any provision of law applicable to Company or any of its Subsidiaries, the Certificate of Incorporation or Bylaws of Company, or any order, judgment or decree of any court or other agency of government binding on Company, (ii) conflict with, result in a material breach of or constitute (with due notice or lapse of time or both) a material default under any Contractual Obligation of Company or any of its Subsidiaries, (iii) result in or require the creation or imposition of any Lien upon any of the properties or assets of Company or any of its Subsidiaries, or (iv) require any approval of stockholders or any approval or consent (other than consents obtained pursuant to the Existing Lender Consent and the Consent Solicitation) of any Person under any Contractual Obligation of Company or any of its Subsidiaries.

C. Governmental Consents. The execution, delivery and performance by Company of the Loan Documents, the issuance, delivery and performance of the Notes and the New Senior Notes, and the consummation of the Refinancing did not, do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body except for

filings, consents or notices required by federal or state securities laws, which filings, consents or notices have been or will be made during the period in which they are required to be made.

D. Binding Obligations. This Agreement and the other Loan Documents executed prior to the date of this Agreement are, and the other Loan Documents and the Notes to be executed subsequent to the date of this Agreement, when executed and delivered will be, the legally valid and binding obligations of Company, enforceable against Company in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

E. Obligations Constitute "Senior Indebtedness". All monetary Obligations, including without limitation Company's obligations to repay the Loans and the Overdraft Amount and to reimburse any drawings under Letters of Credit, do and will constitute "Senior Indebtedness" under the Existing Subordinated Note Indenture.

4.3 Financial Condition

Company has heretofore delivered to Lenders, at Lenders' request, the audited consolidated balance sheet of Company and its Subsidiaries as at December 31, 1996 and the related consolidated statements of income, stockholders' equity and cash flows of Company and its Subsidiaries for the Fiscal Year then ended. All such statements were prepared in conformity with GAAP. All such consolidated financial statements fairly present the consolidated financial position of Company and its Subsidiaries as at the date thereof and the consolidated results of operations and changes in financial position of Company and its Subsidiaries for the period covered thereby. Neither Company nor any of its Subsidiaries has any material contingent liability or liability for taxes, long-term lease or unusual forward or long-term commitment, which is not reflected in the foregoing financial statements or in the most recent consolidated financial statements delivered pursuant to subsection 5.1 of this Agreement, except for those incurred since the date of such financial statements that are not prohibited hereunder.

4.4 No Adverse Material Change; No Stock Payments

Since December 31, 1996 there has been no change in the business, operations, properties, assets or condition (financial or otherwise) of Company and its Subsidiaries, which has been, either in any case or in the aggregate, materially adverse to Company and its Subsidiaries, taken as a whole. Since the Effective Date, neither Company nor any of its Subsidiaries have directly or indirectly declared, ordered, paid or made or set apart any sum or property for any Restricted Junior Payment or agreed so to do except as permitted by subsection 6.4.

4.5 Litigation; Adverse Facts

Except as disclosed in Company's annual report on Form 10-K for the Fiscal Year ended December 31, 1996, there is no action, suit, proceeding, governmental investigation or arbitration of which Company has knowledge

(whether or not purportedly on behalf of Company or any of its Subsidiaries) at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, pending or, to the knowledge of Company, threatened against or affecting Company or any of its Subsidiaries or any property of Company or any of its Subsidiaries which would reasonably be expected to result in a Material Adverse Effect.

4.6 Payment of Taxes

Except to the extent permitted by subsection 5.3, all material tax returns and reports of Company and each of its Subsidiaries required to be filed by any of them have been timely filed, and all material taxes, assessments, fees and other governmental charges upon such Persons and upon their respective properties, assets, income and franchises which are due and payable have been paid when due and payable.

4.7 Governmental Regulation

Neither Company nor any of its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935 or the Investment Company Act of 1940 or to any federal or state statute or regulation limiting its ability to incur Indebtedness for money borrowed.

4.8 Securities Activities

Neither Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock.

4.9 Employee Benefit Plans

A. Each of Company and each of its Subsidiaries is in compliance with all applicable provisions of ERISA, the Internal Revenue Code and other applicable federal, state or foreign law with respect to each Plan, and has performed all of its obligations under each Plan, except to the extent that failure to comply, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Company, each of its Subsidiaries and each ERISA Affiliate has made all required contributions to any Plan subject to Section 412 of the Internal Revenue Code, except to the extent that a failure to do so would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Internal Revenue Code has been made with respect to any Plan.

B. (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan which is reasonably likely to be terminated has any Unfunded Pension Liability in an amount which, individually or in the aggregate for all such Pension Plans (excluding for purposes of such computation any such Pension Plans with respect to which assets exceed benefit liabilities), would reasonably be expected to have a Material Adverse Effect if such Pension Plan or Pension Plans were then terminated; and (iii) neither Company, any of its Subsidiaries or any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA that,

individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

4.10 Disclosure

No representation or warranty of Company contained in this Agreement or any other document, certificate or written statement furnished to Lenders by or on behalf of Company for use in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or omits to state a material fact (known to Company in the case of any document not furnished by it) necessary in order to make the statements contained herein or therein not misleading in light of the circumstances in which the same were made. The projections and pro forma financial information contained in such materials are based upon good faith estimates and assumptions believed by Company to be reasonable at the time made, it being recognized by Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results. There is no fact known to Company (other than matters of a general economic nature) which materially and adversely affects the business, operations, property, assets or condition (financial or otherwise) of Company and its Subsidiaries, taken as a whole, which has not been disclosed herein or in such other documents, certificates and statements furnished to Lenders for use in connection with the transactions contemplated hereby.

4.11 Environmental Protection

Company and each of its Subsidiaries is in compliance with all applicable Environmental Laws in respect of the conduct of its business and the ownership of its property, except such noncompliance as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Without limiting the effect of the preceding sentence:

A. to the best of Company's knowledge, neither Company nor any of its Subsidiaries has received a complaint, order, citation, notice or other written communication with respect to the existence or alleged existence of a violation of, or liability arising under, any Environmental Law, the outcome of which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; and

B. to the best of Company's knowledge there are no environmental, health or safety conditions existing at any real property owned, operated or leased by Company or any of its existing or former Subsidiaries or any of their respective predecessors, including off-site treatment or disposal facilities used by Company or any of its existing or former Subsidiaries for waste treatment or disposal, which would reasonably be expected to require any construction or other capital costs or clean-up obligations to be incurred prior to the final scheduled maturity of the Obligations in order to assure compliance with any Environmental Law, including provisions regarding clean-up, to the extent that any of such conditions, construction or other capital costs or clean-up obligations, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

SECTION 5

COMPANY'S AFFIRMATIVE COVENANTS

Company covenants and agrees that, so long as any of the Revolving Loan Commitments hereunder shall be in effect and until payment in full of all of the Loans, the Notes and the Overdraft Amount, the cancellation or expiration of all Letters of Credit and the reimbursement of all amounts drawn thereunder, unless Requisite Lenders shall otherwise give prior written consent, Company shall perform all covenants in this Section 5.

5.1 Financial Statements and Other Reports

Company will maintain, and cause each of its Consolidated Subsidiaries to maintain, a system of accounting established and administered in accordance with sound business practices to permit preparation of consolidated financial statements in conformity with GAAP. Company will deliver to Lenders:

(i) Quarterly Financials. as soon as practicable and in any event within 45 days after the end of each Fiscal Quarter, other than quarters which are the last quarter in a Fiscal Year, (a) the consolidated balance sheet of Company as at the end of such period and the related consolidated statements of income and cash flows of Company for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter and (b) a statement setting forth sales and operating income data by Reporting Unit for the last month of such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, setting forth in the case of the statements described in clauses (a) and (b) above in comparative form the corresponding figures for the corresponding periods of the previous Fiscal Year and, with respect to the consolidated statements of income and the statement of sales and operating income data by Reporting Unit, the corresponding figures from the consolidated plan and financial forecast for the current Fiscal Year delivered pursuant to subsection 5.1(x), all in reasonable detail and certified by the chief accounting officer, the chief financial officer or treasurer of Company that they fairly present the consolidated financial condition of Company and its Subsidiaries as at the dates indicated and the consolidated results of operations and cash flows for the periods indicated, subject to changes resulting from audit and normal year-end adjustment and insofar as relates to Reporting Units based on Company's normal accounting procedures applied on a consistent basis;

(ii) Year-End Financials. as soon as practicable and in any event within 90 days after the end of each Fiscal Year of Company (a) the consolidated balance sheet of Company as at the end of such year and the related consolidated statements of income, stockholders' equity and cash flows of Company for such Fiscal Year and (b) a statement setting forth sales and operating income data by Reporting Unit for such Fiscal Year, setting forth in the case of the statements described in clauses (a) and (b) above, in comparative form the corresponding figures for the previous year and, with respect to the consolidated statements of income

and the statement of sales and operating income data by Reporting Unit, the corresponding figures from the consolidated plan and financial forecast for the current Fiscal Year delivered pursuant to subsection 5.1(x), all in reasonable detail, (c) in the case of such consolidated financial statements, accompanied by a report thereon of independent certified public accountants of recognized national standing selected by

Company which report shall be unqualified as to going concern and scope of audit and shall state that such consolidated financial statements present fairly the financial position of Company and its Subsidiaries as at the dates indicated and the results of their operations and cash flows for the periods indicated in conformity with GAAP consistently applied and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards and (d) in the case of such financial statements with respect to Reporting Units, certified by the chief accounting officer, the chief financial officer or treasurer of Company based on Company's normal accounting procedures applied on a consistent basis;

(iii) Officers' Certificates and Compliance Certificates. together with each delivery of financial statements of Company and its Subsidiaries pursuant to subdivisions (i) and (ii) above, (a) an Officers' Certificate of Company stating that the signers have reviewed the terms of this Agreement and the Notes and have made, or caused to be made under their supervision, a review in reasonable detail of the transactions and condition of Company and its Subsidiaries during the accounting period covered by such financial statements and that such review has not disclosed the existence during or at the end of such accounting period, and that the signers do not have knowledge of the existence as at the date of the Officers' Certificate, of any condition or event which constitutes an Event of Default or Potential Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action Company has taken, is taking and proposes to take with respect thereto; and (b) a Compliance Certificate demonstrating compliance (as determined in accordance with GAAP) during and at the end of such accounting periods with the restrictions contained in subsections 6.1, 6.2, 6.3, 6.4, 6.5 and 6.6 and, in addition, a written statement of the chief accounting officer or chief financial officer of Company describing in reasonable detail the differences between the financial information contained in such financial statements and the information contained in the Compliance Certificate relating to Company's compliance with subsection 6.5;

(iv) Accountants' Certification. to the extent required pursuant to clause (a) or (b) below, together with each delivery of financial statements pursuant to subdivisions (i) or (ii) of this subsection 5.1, a written statement from the chief accounting officer or chief financial officer or treasurer of Company setting forth (a) if necessary to explain any material changes in the consolidated financial statements caused by the adoption of new accounting principles, a comparison and reconciliation of the consolidated financial statements with pro forma consolidated financial statements prepared as if the new accounting principles had not been adopted (it being understood that, subject to

the following clause (b), only one such statement shall be required with respect to any particular adoption of any new accounting principles) and (b) during the pendency of any negotiations provided for in subsection 9.9 resulting from any change in accounting principles and policies, the differences which would have resulted if such financial statements had been prepared without giving effect to such change;

(v) SEC Filings and Press Releases. promptly upon their becoming available, copies of (a) all annual reports and proxy statements sent or made available generally by Company to its security holders or by any Subsidiary of Company to its security holders other than Company or another Subsidiary, (b) all reports and all registration statements of Company or any of its Subsidiaries filed with the Securities and Exchange Commission on Forms S-2, S-3, S-4 and 8-K, (c) all press releases and other statements made available generally by Company or any of its Consolidated Subsidiaries or any of its material Foreign Subsidiaries to the public concerning material developments in the business of Company or any of such Subsidiaries, and (d) such other filings with the Securities and Exchange Commission or any other regulatory agency having jurisdiction over the affairs of Company and its Subsidiaries as Administrative Agent may reasonably request;

(vi) Events of Default, Etc. promptly upon any Responsible Officer of Company obtaining knowledge (a) of any condition or event which constitutes an Event of Default or Potential Event of Default, or becoming aware that any Lender or Administrative Agent has given any notice or taken any other action with respect to a claimed Event of Default or Potential Event of Default under this Agreement, (b) that any Person has given any notice to Company or any Subsidiary of Company or taken any other action with respect to a claimed default or event or condition of the type referred to in subsection 7.2, or (c) of the occurrence of any event or change (including any event or change relating to environmental or ERISA matters) that has caused or evidences, or would reasonably be expected to give rise to, either in any case or in the aggregate, a Material Adverse Effect, an Officers' Certificate specifying the nature and period of existence of any such condition or event, or specifying the notice given or action taken by such holder or Person and the nature of such claimed default, Event of Default, Potential Event of Default, event or condition, and what action Company has taken, is taking and proposes to take with respect thereto;

(vii) Litigation or Other Proceedings. promptly upon any Responsible Officer of Company obtaining knowledge of (a) the institution of, or non-frivolous threat of, any action, suit, proceeding, governmental investigation or arbitration against or affecting Company or any of its Subsidiaries or any property of Company or any of its Subsidiaries not previously disclosed by Company to Lenders, or (b) any material development in any such action, suit, proceeding, governmental investigation or arbitration, which, in either case, if adversely determined, would reasonably be expected to cause a Material Adverse Effect, written notice thereof to Lenders and provide such other information as may be reasonably available to it to enable Lenders and their counsel to evaluate such matters;

(viii) Financial Plans. as soon as practicable and in any event within 90 days after the end of each Fiscal Year of Company, a consolidated plan and financial forecast, prepared in accordance with Company's normal accounting procedures applied on a consistent basis, for such Fiscal Year of Company and its Subsidiaries, including, without

limitation, (a) a forecasted consolidated balance sheet, consolidated statement of income and consolidated statement of cash flow of Company for such Fiscal Year, (b) forecasted consolidated balance sheets and statements of income of Company and a statement setting forth forecasted sales and operating income data for each Reporting Unit for each Fiscal Quarter of such Fiscal Year, and (c) the amount of forecasted capital expenditures and unallocated overhead for such Fiscal Year; and

(ix) Other Information. with reasonable promptness, such other information and data with respect to Company or any of its Subsidiaries as from time to time may be reasonably requested by any Lender through Administrative Agent.

5.2 Corporate Existence, Etc.

Company will at all times preserve and keep in full force and effect its corporate existence and rights and franchises material to its business and the businesses of each of its Subsidiaries; provided, however, that the corporate existence of any such Subsidiary may be terminated if its parent corporation determines that such termination is in the best interest of such parent corporation.

5.3 Payment of Taxes and Claims; Tax Consolidation

A. Company will, and will cause each of its Subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or in respect of any of its franchises, business, income or property before any material penalty accrues thereon, and all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a material Lien upon any of its properties or assets, prior to the time when any material penalty or fine shall be incurred with respect thereto; provided that no such charge or claim need be paid if being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and if such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor.

B. Company will not, nor will it permit any of its Subsidiaries to, file or consent to the filing of any consolidated income tax return with any Person (other than Company or any of its Subsidiaries or such other Person as may be reasonably acceptable to Requisite Lenders).

5.4 Maintenance of Properties; Insurance

Company will maintain or cause to be maintained in good repair, working order and condition all material properties used or useful in the business of Company and its Subsidiaries and from time to time will make or cause to be made all appropriate repairs, renewals and replacements thereof. Company will maintain or cause to be maintained, with financially

sound and reputable insurers, insurance with respect to its properties and business and the properties and business of its Subsidiaries against loss or damage of the kinds customarily insured against by corporations of established reputation engaged in the same or similar businesses and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other corporations ("Industry Standards") and may self insure to the extent, and only to the extent, consistent with Industry Standards.

5.5 Inspection

Company shall permit any authorized representatives designated by any Lender, at the expense of that Lender, to visit and inspect any of the properties of Company or any of its Subsidiaries, including its and their financial and accounting records, and to make copies and take extracts therefrom, and to discuss its and their affairs, finances and accounts with its and their officers and independent public accountants, all upon reasonable notice and at such reasonable times during normal business hours and as often as may be reasonably requested.

5.6 Compliance with Laws, Etc.

Company and its Subsidiaries shall exercise all due diligence in order to comply with the requirements of all applicable laws, rules, regulations and orders (including all Environmental Laws) of any governmental authority, noncompliance with which in any case or in the aggregate would reasonably be expected to cause a Material Adverse Effect.

5.7 Securities Activities.

Following the application of the proceeds of any Loans, not more than 25% of the value of the assets (either of Company only or of Company and its Subsidiaries on a consolidated basis) subject to the provisions of subsection 6.1 or 6.6, or subject to any restriction contained in any agreement or instrument between Company and any Lender or any Affiliate of any Lender relating to Indebtedness and within the scope of subsection 7.2, will be Margin Stock.

SECTION 6

COMPANY'S NEGATIVE COVENANTS

Company covenants and agrees that, so long as any of the Revolving Loan Commitments shall be in effect and until payment in full of all of the Loans, the Notes and the Overdraft Amount, the cancellation or expiration of all Letters of Credit and the reimbursement of all amounts drawn thereunder, unless Requisite Lenders shall otherwise give prior written consent, Company will perform all covenants in this Section 6.

6.1 Liens and Related Matters

A. Company will not, and will not permit any of its Consolidated Subsidiaries to, directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any property or asset (including any

document or instrument in respect of goods or accounts receivable) of Company or any of its Consolidated Subsidiaries, whether now owned or hereafter acquired, or any income or profits therefrom, except:

(i) Permitted Encumbrances;

(ii) Liens described in Schedule B annexed hereto ("Existing Liens") and Liens securing Indebtedness incurred to refinance any Indebtedness secured by Existing Liens so long as (a) the principal amount of such refinancing Indebtedness does not exceed the greater of (1) the fair market value of the assets subject to such Lien and (2) the principal amount (or, if greater, the committed amount) of the Indebtedness refinanced thereby and (b) such refinancing Indebtedness is not secured by any collateral which did not secure the Indebtedness refinanced thereby;

(iii) Liens arising from the giving, simultaneously with or within 180 days after the acquisition or construction of real property or tangible personal property, of any purchase money Lien (including vendors' rights under purchase contracts under an agreement whereby title is retained for the purpose of securing the purchase price thereof) on real property or tangible personal property hereafter acquired or constructed and not heretofore owned by Company or any of its Subsidiaries, or from the acquiring hereafter of real property or tangible personal property not heretofore owned by Company or any of

its Subsidiaries subject to any then-existing Lien (whether or not assumed), or from the extension, renewal or replacement of any Indebtedness secured by any of the foregoing Liens so long as the aggregate principal amount thereof and the security therefor is not thereby increased; provided, however, that in each case (a) such Lien is limited to such acquired or constructed real or tangible personal property and fixed improvements, if any, then existing or thereafter erected thereon, and (b) the principal amount of the Indebtedness secured by such Lien, together (without duplication) with the principal amount of all other Indebtedness secured by liens on such property, shall not exceed the cost (which shall be deemed to include, without duplication, the amount of Indebtedness secured by Liens, including existing Liens, on such property) of such property to Company or any of its Subsidiaries;

(iv) Liens encumbering accounts receivable sold and cash reserves established in connection therewith pursuant to any transaction permitted under subsection 6.6(v); and

(v) Additional Liens securing Indebtedness of Company and its Consolidated Subsidiaries in an aggregate principal amount not to exceed \$350,000,000 at any time outstanding.

B. Except as provided herein, Company will not, and will not permit any of its Consolidated Subsidiaries to, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any such Subsidiary to (i) pay dividends or make any other distributions on any of such Subsidiary's capital stock owned by Company or any other Subsidiary of Company, (ii) repay or prepay any

Indebtedness owed by such Subsidiary to Company or any other Subsidiary of Company, (iii) make loans or advances to Company or any other Subsidiary of Company, or (iv) transfer any of its property or assets to Company or any other Subsidiary of Company, except for such restrictions or encumbrances existing by reason of (a) any restrictions existing under any of the Loan Documents or any other agreements or contracts in effect on the Effective Date, (b) any restrictions with respect to any Person that becomes a Subsidiary of Company after the Effective Date under any agreement in existence at the time such Person becomes such a Subsidiary, (c) any restrictions with respect to any Subsidiary of Company imposed pursuant to an agreement which has been entered into for the sale or disposition of all or substantially all of the capital stock or assets of such Subsidiary, (d) any restrictions with respect to any Subsidiary of Company all or substantially all of whose assets consist of property encumbered by Liens permitted under subsection 6.1A, (e) restrictions imposed by applicable laws, (f) restrictions under leases of, or mortgages and other agreements relating to Liens on, specified property or assets limiting or prohibiting transfers of such property or assets (including, without limitation, non-assignment clauses, due-on-sale clauses and clauses prohibiting junior Liens), and (g) any restrictions existing under any agreement that amends, refinances or replaces any agreement containing restrictions permitted under the preceding clauses (a) through (f); provided that the terms and conditions of any such agreement are no less favorable to Company than those under the agreement so amended, refinanced or replaced.

6.2 Investments; Joint Ventures

Company will not, and will not permit any of its Consolidated Subsidiaries to, directly or indirectly make or own any Investment in any Person or enter into any Joint Venture, except:

(i) Company and its Consolidated Subsidiaries may make and own Investments in Cash Equivalents;

(ii) Company and its Consolidated Subsidiaries may continue to own Investments described in Schedule C annexed hereto;

(iii) Company and its Consolidated Subsidiaries may continue to own and may make intercompany loans;

(iv) Company and its Consolidated Subsidiaries may make and own Investments received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(v) Company and its Consolidated Subsidiaries may continue to own Investments in, and may make and own Investments resulting from capital calls, buyout obligations or similar requirements in respect of, Joint Ventures operating outside of the United States which are in existence on the date hereof;

(vi) Company and its Consolidated Subsidiaries may make and own Investments in Joint Ventures operating outside of the United States if

such arrangement is required pursuant to the law of the jurisdiction in which such Joint Venture is operating;

(vii) Company and its Consolidated Subsidiaries may make and own Investments arising in connection with Commodities Agreements entered into in accordance with current industry practice (at the time of making any such Investment) or the past practices of Company and its Subsidiaries; and

(viii) In addition to Investments permitted by clauses (i)-(vii) above, Company and its Consolidated Subsidiaries may make and own Investments with an aggregate fair market value of not more than \$500,000,000.

6.3 Letters of Credit

Company will not, and will not permit any of its Consolidated Subsidiaries to, directly or indirectly become liable with respect to reimbursement obligations in respect of Standby Letters of Credit or Commercial Letters of Credit having a maximum aggregate amount available for drawing at any time in excess of \$500,000,000.

6.4 Restricted Junior Payments

Company will not, and will not permit any of its Consolidated Subsidiaries to, directly or indirectly, declare, order, pay, make or set apart any sum for any Restricted Junior Payment (any such action constituting the "making" of a Restricted Junior Payment for purposes of this subsection 6.4) except that, so long as no Event of Default, and no Potential Event of Default under subsection 7.6, shall have occurred and be continuing or shall be caused thereby, Company may (i) make Restricted Junior Payments consisting of purchases of Common Stock in connection with the administration of Company's employee benefits program and (ii) make additional Restricted Junior Payments so long as, after giving effect to each such Restricted Junior Payment, the aggregate amount of all such Restricted Junior Payments made from and after the Effective Date does not exceed the sum of (a) \$200,000,000 plus (b) 50% of Consolidated Net Income for the period from December 31, 1996 to the applicable date of determination.

6.5 Financial Covenant

A. Interest Coverage Ratio.

Company will not permit the ratio of (i) Consolidated Adjusted EBITDA to (ii) Consolidated Interest Expense on the last day of each Fiscal Quarter (the "Reference Date") during each period indicated below to be less than the correlative ratio indicated for the four Fiscal-Quarter period ending on the Reference Date:

PERIOD	MINIMUM INTEREST COVERAGE RATIO
Effective Date - 03/31/00	2.25:1.00
Thereafter	2.50:1.00

B. Maximum Consolidated Leverage Ratio.

Company will not permit the Consolidated Leverage Ratio as of the last day of any Fiscal Quarter ending during any period indicated below to be more than the correlative ratio indicated for such period:

PERIOD	MAXIMUM CONSOLIDATED LEVERAGE RATIO
Effective Date - 12/31/97	4.50:1.00
01/01/98 - 12/31/98	4.25:1.00
01/01/99 - 12/31/99	4.00:1.00
01/01/00 - 12/31/00	3.75:1.00
01/01/01 - 12/31/01	3.50:1.00

6.6 Restriction on Fundamental Changes

Subject to subsection 5.2, each of Company and its Subsidiaries will not enter into any transaction of merger or consolidation, or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any part of its business, property or fixed assets, whether now owned or hereafter acquired, except:

(i) any Subsidiary of Company may be merged or consolidated with or into Company or any Subsidiary of Company, or be liquidated, wound up or dissolved, or all or any part of its business, property or assets may be conveyed, sold, leased, transferred or otherwise disposed of, in one transaction or a series of transactions, to Company or any Subsidiary of Company; provided that, in the case of such a merger or consolidation involving Company, Company shall be the continuing or surviving corporation;

(ii) Company and its Subsidiaries may convey, sell, lease or otherwise dispose of in the ordinary course of business any property or asset which is obsolete or no longer useful in any of its businesses or is of de minimis value, as determined in good faith by the Board of Directors of Company or such Subsidiary, as the case may be;

(iii) so long as no Event of Default has occurred and is continuing or shall be caused thereby, Company and its Subsidiaries may convey, sell, lease or otherwise dispose of any of their assets outside the ordinary course of business; provided that (a) any such sale or other disposition is made for at least the fair market value of such assets; and (b) Company and its Subsidiaries may not sell or otherwise dispose of, in any one or more Asset Sales consummated after the date hereof, an amount equal to or greater than an aggregate of (i) \$300,000,000 in fair market value of stock or other assets pursuant to this subsection 6.6(iii) during any consecutive 12-month period or (ii) \$600,000,000 in fair market value of stock or other assets pursuant to this subsection 6.6(iii) during the term of this Agreement;

(iv) Company and its Subsidiaries may sell, resell or otherwise

dispose of real or personal property held for sale or resale in the ordinary course of business; and

(v) Company and its Subsidiaries may sell accounts receivable pursuant to accounts receivable securitization facilities on customary terms for such facilities (including customary terms as to the non-recourse nature of such facilities to Company and its Subsidiaries with respect to defaults by account debtors in payment of any accounts receivable sold pursuant thereto).

6.7 Transactions with Shareholders and Affiliates

Company will not, and will not permit any of its Consolidated Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with any holder of 5% or more of any class of equity securities of Company or with any Affiliate of Company or of any such holder, on terms that are less favorable to Company or that Subsidiary, as the case may be, than those which might be obtained at the time from Persons who are not such a holder or Affiliate; provided that the foregoing restriction shall not apply to (i) any transaction between Company and any of its wholly-owned Subsidiaries or between any of its wholly-owned Subsidiaries, (ii) customary fees paid to members of the Board of Directors of Company and its Subsidiaries, (iii) transactions approved by a majority of the disinterested members of the Board of Directors of Company or the applicable Subsidiary, (iv) purchases and sales of goods from retailers and suppliers affiliated with KKR in the ordinary course of business on terms not materially less favorable than generally available from such retailers or suppliers, or (v) the payment of an annual fee to KKR for rendering management and consulting services to Company and the reimbursement of expenses in connection therewith.

6.8 Conduct of Business

From and after the Effective Date, Company will not, and will not permit any of its Subsidiaries to, fundamentally or substantively alter the character of its business from that conducted by Company and its Subsidiaries, taken as a whole, as of the Effective Date.

6.9 Amendments or Waivers of Certain Documents

Neither Company nor any of its Consolidated Subsidiaries will amend or otherwise change the subordination provisions of the Existing Subordinated Notes or the Existing Subordinated Note Indenture, or make any payment consistent with such an amendment or change.

SECTION 7 EVENTS OF DEFAULT

If any of the following conditions or events ("Events of Default") shall occur and be continuing:

7.1 Failure to Make Payments When Due

Failure to pay any installment of principal of any Loan when due, whether at stated maturity, by acceleration, by notice of prepayment or otherwise; or failure to pay any interest on any Loan or any other amount due under this Agreement within five days after the date due; or

7.2 Default in Other Agreements

A. Failure of Company or any of its Subsidiaries to pay when due any principal or interest on any Indebtedness (other than Indebtedness referred to in subsection 7.1) or guaranties of Indebtedness in an individual principal amount of \$50,000,000 or more or with an aggregate principal amount of \$100,000,000 or more, in each case beyond the end of any period prior to which the obligee thereunder is prohibited from accelerating payment thereunder; or

B. Breach or default of Company or any of its Subsidiaries with respect to any other term of any evidence of any Indebtedness or guaranties of Indebtedness in an individual principal amount of \$50,000,000 or more or with an aggregate principal amount of \$100,000,000 or more (or any loan agreement, mortgage, indenture or other agreement relating thereto) if the effect of such failure, default or breach is to cause, or (in the case of a breach or default with respect to a material term of the applicable Indebtedness or guaranty) to permit the holder or holders of that Indebtedness or guaranty (or a trustee on behalf of such holder or holders) then to cause, that Indebtedness or guaranty to become or be declared due prior to its stated maturity (or the stated maturity of any underlying obligation, as the case may be); provided that such failure, default or breach has not been waived by such holder or holders or trustee on behalf of such holder or holders; or

7.3 Breach of Certain Covenants

Failure of Company to perform or comply with any term or condition contained in subsections 2.5 or 5.2 or Section 6 of this Agreement; or

7.4 Breach of Warranty

Any representation or warranty made Company in any Loan Document or in any statement or certificate at any time given by Company in writing pursuant hereto or thereto or in connection herewith or therewith shall be false in any material respect on the date as of which made; or

7.5 Other Defaults under Agreement or Loan Documents

Company shall default in the performance of or compliance with any term contained in this Agreement or the other Loan Documents other than those referred to above in subsections 7.1, 7.3 or 7.4 and such default shall not have been remedied or waived within 30 days after receipt of notice from Administrative Agent or any Lender of such default; or

7.6 Involuntary Bankruptcy; Appointment of Receiver, Etc.

(A) A court having jurisdiction in the premises shall enter a

decree or order for relief in respect of Company or any of its Material Subsidiaries in an involuntary case under the Bankruptcy Code or any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, which decree or order is not stayed; or any other similar relief shall be granted under any applicable federal or state law; or (B) an involuntary case is commenced against Company or any of its Material Subsidiaries under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over Company or any of its Material Subsidiaries, or over all or a substantial part of its property, shall have been entered; or the involuntary appointment of an interim receiver, trustee or other custodian of Company or any of its Material Subsidiaries for all or a substantial part of its property; or the issuance of a warrant of attachment, execution or similar process against any substantial part of the property of Company or any of its Material Subsidiaries, and the continuance of any such events in subpart (B) for 60 days unless dismissed, bonded or discharged; or

7.7 Voluntary Bankruptcy; Appointment of Receiver, Etc.

Company or any of its Material Subsidiaries shall have an order for relief entered with respect to it or commence a voluntary case under the Bankruptcy Code or any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; the making by Company or any of its Material Subsidiaries of any general assignment for the benefit of creditors; or the inability or failure of Company or any of its Material Subsidiaries, or the admission by Company or any of its Material Subsidiaries in writing of its inability to pay its debts as such debts become due; or the Board of Directors of Company or any of its Material Subsidiaries (or any committee thereof) adopts any resolution or otherwise authorizes action to approve any of the foregoing; or

7.8 Judgments and Attachments

Any money judgment, writ or warrant of attachment, or similar process involving (i) in any individual case an amount in excess of \$25,000,000 or (ii) in the aggregate at any time an amount in excess of \$50,000,000 (in either case not adequately covered by insurance as to which the insurance company has acknowledged coverage) shall be entered or filed against Company or any of its Material Subsidiaries or any of their respective assets and shall remain undischarged, unvacated, unbonded or unstayed for a period of 60 days or in any event later than five days prior to the date of any proposed sale thereunder; or

7.9 Dissolution

Any order, judgment or decree shall be entered against Company or any of its Material Subsidiaries decreeing the dissolution or split up of Company or that Subsidiary and such order shall remain undischarged or

unstayed for a period in excess of 30 days; or

7.10 Change of Control

A Change of Control shall have occurred; or

7.11 Employee Benefit Plans

An ERISA Event shall occur with respect to a Pension Plan or Multiemployer Plan.

THEN (i) upon the occurrence of any Event of Default described in the foregoing subsection 7.6 or 7.7, each of (x) the unpaid principal amount of and accrued interest on the Loans, (y) the Overdraft Amount and all accrued and unpaid interest thereon, and (z) an amount equal to the maximum amount which may at any time be drawn under all Letters of Credit then outstanding (whether or not any beneficiary under any Letter of Credit shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Letter of Credit) shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by Company, and the obligation of Administrative Agent to honor any overdraft in respect of the Overdraft Account, the obligation of each Lender to make any Loan, the obligation of Administrative Agent to issue any Letter of Credit and the right of any other Lender to issue any Letter of Credit hereunder shall thereupon terminate, and (ii) upon the occurrence of any other Event of Default, Requisite Lenders (or Administrative Agent, at the direction or with the consent of Requisite Lenders) may, by written notice to Company, declare an amount equal to the amounts described in clauses (x), (y) and (z) above to be, and the same shall forthwith become, due and payable, together with accrued interest thereon, and the obligation of Administrative Agent to honor any overdraft in respect of the Overdraft Account, the obligation of each Lender to make any Loan, the obligation of Administrative Agent to issue any Letter of Credit and the right of any other Lender to issue any Letter of Credit hereunder shall thereupon terminate; provided that the foregoing shall not affect in any way (A) the right of Administrative Agent to cause Lenders to make Revolving Loans in order to repay the then outstanding Overdraft Amount as provided in (and subject to the conditions set forth in) subsection 2.1B, (B) the obligations of Lenders to purchase from Administrative Agent participations in the Overdraft Amount as provided in subsection 2.1B, and (C) the obligations of Lenders to purchase from Issuing Lenders participations in the unreimbursed amount of any drawings under any Letters of Credit as provided in subsection 2.8E.

Any amounts described in clause (z) above, when received by Administrative Agent, shall be held by Administrative Agent, for the benefit of Lenders, as collateral security for the Obligations of Company in respect of all outstanding Letters of Credit, and Company hereby (X) grants to Administrative Agent a security interest in all such amounts, together with any interest accrued thereon and any Investments of such amounts, as security for such Obligations, (Y) agrees to execute and deliver to Administrative Agent all such documents and instruments as may be necessary or, in the opinion of Administrative Agent, desirable in order to more fully evidence, perfect or protect such security interest, and (Z) agrees that, upon the

honoring by any Issuing Bank of any drawing under a Letter of Credit issued by it, Administrative Agent is authorized and directed to apply any amounts held as collateral security in accordance with the terms of this paragraph to reimburse such Issuing Lender for the amount of such drawing.

Notwithstanding the foregoing, if at any time within 60 days after acceleration of the maturity of any Loan, Company shall pay all arrears of interest and all payments on account of principal which shall have become due otherwise than by acceleration (with interest on principal and, to the extent permitted by law, on overdue interest, at the rates specified in this Agreement or the Notes) and all Events of Default and Potential Events of Default (other than non-payment of principal of and accrued interest on the Loans and the Notes, and payments of amounts referred to in clause (z) above, in each case which is due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to subsection 9.7, then Requisite Lenders by written notice to Company may rescind and annul the acceleration and its consequences (and upon such written notice all obligations of each Lender hereunder shall be reinstated, in each case as in effect immediately prior to such acceleration), and Administrative Agent shall return to Company any amounts held by Administrative Agent pursuant to the immediately preceding paragraph as cash collateral in respect of amounts described in clause (z) above; but such action shall not affect any subsequent Event of Default or Potential Event of Default or impair any right consequent thereon.

Anything contained in this Agreement to the contrary notwithstanding, after the occurrence of an Event of Default and the acceleration of the maturity of the Loans and the amounts referred to in clauses (y) and (z) above, all payments relating to the Loans and such amounts shall be made to Administrative Agent for the account of Lenders and all amounts received by Administrative Agent which are to be applied to the payment of the Obligations shall be distributed to Lenders in such a manner that each Lender receives the same proportionate share of such amounts based on the ratio of the Aggregate Amounts Due to such Lender to the Aggregate Amounts Due to all Lenders.

SECTION 8

AGENTS

8.1 Appointment

Bankers is hereby appointed Administrative Agent hereunder by each Lender and in such capacity as Administrative Agent to serve as Bid Rate Loan Agent, and each Lender hereby authorizes Administrative Agent to act hereunder and under the other instruments and agreements referred to herein as its agent hereunder and thereunder, and Bankers agrees to act as such upon the express conditions contained in this Section 8. BofA is hereby appointed Syndication Agent hereunder by each Lender, and BofA agrees to act as such upon the express conditions contained in this Section 8. Each of NationsBank and ScotiaBank is hereby appointed Co-Documentation Agent hereunder by each Lender, and each of NationsBank and ScotiaBank agrees to act as such upon the express conditions contained in this Section 8. The provisions of this Section 8 are solely for the benefit of Agents and Lenders, and Company shall not have any rights as a third party beneficiary of any of the provisions

hereof. In performing their functions and duties under this Agreement, Agents shall act solely as agents of Lenders and do not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for Company. Neither Syndication Agent nor Co-Documentation Agents nor any Lenders named as Lead Managers or Co-Agents hereunder shall have any liability under this Agreement to any Person, other than as Lenders hereunder.

8.2 Powers; General Immunity

A. Duties Specified. Each Lender irrevocably authorizes Administrative Agent to take such action on such Lender's behalf and to exercise such powers hereunder and under the other instruments and agreements referred to herein as are specifically delegated to Administrative Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. Administrative Agent shall have only those duties and responsibilities which are expressly specified in this Agreement and it may perform such duties by or through its agents or employees. Each of the Co-Documentation Agents and Syndication Agent shall have no powers or duties hereunder except as expressly specified in this Agreement. The duties of Agents shall be mechanical and administrative in nature; Agents shall not have by reason of this Agreement a fiduciary relationship in respect of any Lender; and nothing in this Agreement, expressed or implied, is intended to or shall be so construed as to impose upon Agents any obligations in respect of this Agreement or the other instruments and agreements referred to herein except as expressly set forth herein or therein.

B. No Responsibility for Certain Matters. Agents shall not be responsible to any Lender for the execution, effectiveness, genuineness, validity, enforceability, collectability or sufficiency of this Agreement or the Notes issued hereunder, or for any representations, warranties, recitals or statements made herein or therein or made in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by Administrative Agent to Lenders or by or on behalf of Company to Administrative Agent or any Lender or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or the use of Letters of Credit or of the existence or possible existence of any Event of Default or Potential Event of Default. Anything contained in this Agreement to the contrary notwithstanding, Administrative Agent shall have no liability arising from confirmations of the amount of outstanding Loans or the Letter of Credit Usage or the component amounts thereof.

C. Exculpatory Provisions. No Agent nor any of its respective officers, directors, employees or agents shall be liable to Lenders for any action taken or omitted hereunder or in connection herewith unless caused by its or their gross negligence or willful misconduct. If Administrative Agent shall request instructions from Lenders with respect to any act or action (including the failure to take an action) in connection with this Agreement, or the other instruments and agreements referred to herein, Administrative Agent shall be entitled to refrain from such act or taking such action unless and until Administrative Agent shall have received instructions from Requisite

Lenders. Without prejudice to the generality of the foregoing, (i) Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any communication, instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons, and shall be entitled to rely and shall be protected in relying on opinions and judgments of attorneys (who may be attorneys for Company), accountants, experts and other professional advisors selected by it; and (ii) no Lender shall have any right of action whatsoever against Administrative Agent as a result of Administrative Agent acting or (where so instructed) refraining from acting under this Agreement or the other instruments and agreements referred to herein in accordance with the instructions of Requisite Lenders. Administrative Agent shall be entitled to refrain from exercising any power, discretion or authority vested in it under this Agreement or the other instruments and agreements referred to herein unless and until it has obtained the instructions of Requisite Lenders.

D. Agents Entitled to Act as Lender. The agency hereby created shall in no way impair or affect any of the rights and powers of, or impose any duties or obligations upon, any Agent in its individual capacity as a Lender hereunder. With respect to its participation in the Loans and Letters of Credit, each Agent shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not performing the duties and functions delegated to it hereunder and the term "Lender" or "Lenders" or any similar term shall, unless the context clearly otherwise indicates, include each Agent in its individual capacity. Each Agent and each of its Affiliates may accept deposits from, lend money to and generally engage in any kind of banking, trust, financial advisory or other business with Company or any Affiliate of Company as if it were not performing the duties specified herein, and may accept fees and other consideration from Company for services in connection with this Agreement and otherwise without having to account for the same to Lenders.

8.3 Representations and Warranties; No Responsibility for Appraisal of Creditworthiness

Each Lender represents and warrants that it has made its own independent investigation of the financial condition and affairs of Company in connection with the making of the Loans and the issuance of Letters of Credit hereunder and such Lender's purchasing of participations in such Letters of Credit and has made and shall continue to make its own appraisal of the creditworthiness of Company. No Agent shall have any duty or responsibility either initially or on a continuing basis to make any such investigation or any such appraisal on behalf of Lenders or to provide any Lender with any credit or other information with respect thereto whether coming into its possession before the making of the Loans or the issuance of the Letters of Credit or any time or times thereafter and no Agent shall further have any responsibility with respect to the accuracy of or the completeness of the information provided to Lenders.

8.4 Right to Indemnity

Each Lender severally agrees to indemnify each Agent, proportionately to its Pro Rata Share, to the extent such Agent shall not have been reimbursed by Company, for and against any and all liabilities,

obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, counsel fees and disbursements) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Agent in performing its duties hereunder or in any way relating to or arising out of this Agreement or the other instruments and agreements referred to herein; provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct. If any indemnity furnished to an Agent for any purpose shall, in the opinion of such Agent, be insufficient or become impaired, such Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished.

8.5 Registered Persons Treated as Owners

Administrative Agent may deem and treat the Persons listed as Lenders in the Register as the owners of the corresponding Loans listed therein for all purposes hereof unless and until an Assignment and Acceptance effecting the assignment or transfer thereof shall have been accepted by Administrative Agent and recorded in the Register as provided in subsection 9.2 (ii). Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is listed in the Register as a Lender shall be conclusive and binding on any subsequent holder, transferee or assignee of the corresponding Loan.

8.6 Successor Administrative Agent and Overdraft Account Provider

Administrative Agent may resign at any time by giving 30 days prior written notice thereof to Lenders and Company, and Administrative Agent may be removed at any time with or without cause by an instrument or concurrent instruments in writing delivered to Company and Administrative Agent and signed by Requisite Lenders. Upon any such notice of resignation or any such removal, Requisite Lenders shall have the right, upon five days notice to Company, to appoint a successor Administrative Agent; provided that such appointment shall be subject to the consent of Company, which consent shall not be unreasonably withheld. Upon the acceptance of any appointment as an Administrative Agent hereunder by a successor Administrative Agent, that successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Administrative Agent, and the retiring or removed Administrative Agent shall be discharged from its duties and obligations as Administrative Agent under this Agreement. After any retiring or removed Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Section 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

Any resignation or removal of Administrative Agent pursuant to this subsection 8.6 shall also constitute the resignation or removal of Administrative Agent as the provider of the Overdraft Account, and any successor Administrative Agent appointed pursuant to this subsection 8.6 shall, upon its acceptance of, and as a condition to, such appointment, become the successor provider of the Overdraft Account for all purposes hereunder. In such event (i) Company shall repay in full the Overdraft Amount and all

other amounts owing to the retiring or removed Administrative Agent under the Overdraft Agreement, and (ii) Company and the retiring or removed Administrative Agent shall terminate the Overdraft Agreement to which they are a party and Company and the successor Administrative Agent shall enter into a successor Overdraft Agreement.

SECTION 9

MISCELLANEOUS

9.1 Representation of Lenders

Each Lender hereby represents that it is a commercial lender or financial institution which makes loans in the ordinary course of its business and that it will make each Loan hereunder for its own account in the ordinary course of such business; provided, however, that, subject to subsection 9.2, the disposition of the Notes or other evidences of Indebtedness held by that Lender shall at all times be within its exclusive control.

9.2 Assignments and Participations in Loans, Notes and Letters of Credit

A. General. Each Lender shall, subject to the provisions of this subsection 9.2, have the right at any time to (i) sell, assign, transfer or negotiate to any Eligible Assignee, or (ii) sell participations to any Person in, all or any part of any Loan or Loans made by it or its Revolving Loan Commitment or its Letters of Credit or participations therein or any other interest herein or in any other Obligations owed to it; provided that no such assignment or participation shall, without the consent of Company, require Company to file a registration statement with the Securities and Exchange Commission or apply to qualify such assignment or participation of the Loans, Letters of Credit or participations therein or the other Obligations under the securities laws of any state. Except as otherwise provided in this subsection 9.2, no Lender shall, as between Company and such Lender, be relieved of any of its obligations hereunder as a result of any sale, assignment, transfer or negotiation of, or any granting of participations in, all or any part of the Loans, Revolving Loan Commitment, Letters of Credit or participations therein or the other Obligations owed to such Lender.

B. Assignments.

(i) Amounts and Terms of Assignments. Each Loan, Revolving Loan Commitment, Letter of Credit or participation therein or other Obligation may (a) be assigned in any amount (of a constant and not a varying percentage) to another Lender, or to an Affiliate of the assigning Lender or another Lender, with the giving of notice to Company and Administrative Agent or (b) be assigned in an amount (of a constant and not a varying percentage) of not less than \$10,000,000 (or such lesser amount (X) as shall constitute the aggregate amount of all Loans, Revolving Loan Commitment, Letters of Credit or participations therein and other Obligations of the assigning Lender or (Y) so long as, after giving effect to such assignment and any other assignments concurrently being made to the assignee, such assignee receives not less

than \$10,000,000 of the Loans, Revolving Loan Commitment or other Obligations assigned to it) to any other Eligible Assignee with the giving of notice to Company and Administrative Agent and with the consent of Company and Administrative Agent, in the case of an assignment made by a Lender other than Administrative Agent, or with the consent of Company, in the case of an assignment made by Administrative Agent (which consent of Company and Administrative Agent shall not be unreasonably withheld; provided that the inability of an Eligible Assignee to satisfy the requirements set forth in subsection 2.7C(iv) of this Agreement, if applicable, shall constitute reasonable grounds for withholding such consent). To the extent of any such assignment in accordance with either clause (a) or (b) above, the assigning Lender shall be relieved of its obligations with respect to its Loans, Revolving Loan Commitment, Letters of Credit or participations therein or other Obligations or the portion thereof so assigned. The parties to each such assignment shall execute and deliver to Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with, with respect to assignments which occur following the Effective Date, a processing and recordation fee of \$3,500, and such certificates, documents or other evidence, if any, with respect to United States federal income tax withholding matters as the assignee under such Assignment and Acceptance may be required to deliver to Administrative Agent pursuant to subsection 2.7C(iv). Upon such execution, delivery and acceptance, from and after the effective date specified in such Assignment and Acceptance, (y) the assignee thereunder shall be a party hereto and a "Lender" hereunder and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Lender hereunder, including, without limitation, the obligation in subsection 9.20 to maintain the confidentiality of all non-public information received by it pursuant to this Agreement and (z) the assigning Lender thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such assigning Lender shall cease to be a party hereto); provided that, if the assignee of the assigning Lender is an Affiliate of such Lender, such assignee shall not be entitled to receive any greater amount pursuant to subsections 2.6E or 2.7 than the assigning Lender would have been entitled to receive in respect of the amount of the assignment effected by such assigning Lender to such Affiliate had no such assignment occurred. The Revolving Loan Commitments hereunder shall be modified to reflect the Revolving Loan Commitment of such assignee and any remaining Revolving Loan Commitment of such assigning Lender and, if any such assignment occurs after the issuance of a Note to the assigning Lender hereunder, if requested pursuant to subsection 2.1E(iv), new Notes shall, upon surrender of the assigning Lender's Note, be issued upon request to the assignee and to the assigning Lender, substantially in the form of Exhibit VII or Exhibit VIII annexed hereto, as the case may be, with appropriate insertions, to reflect the new Revolving Loan Commitments and/or outstanding Loans, as the case may be, of the assignee and the assigning Lender. In the event that a Lender assigns

the full amount of its Revolving Loans, Revolving Loan Commitments and other Obligations and such Lender has any outstanding Bid Rate Loans at the time of such assignment, such Lender must also assign the full amount of such Bid Rate Loans to an Eligible Assignee. Notwithstanding the foregoing provisions of this subsection 9.2B(i), any Lender may pledge or assign all or any portion of its rights under this Agreement to a Federal Reserve Bank as security for borrowings therefrom; provided that no such pledge or assignment shall release any such Lender from its obligations hereunder.

(ii) Acceptance by Administrative Agent; Recordation in Register. Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with the processing and recordation fee referred to in subsection 9.2B(i) and any certificates, documents or other evidence with respect to United States federal income tax withholding matters that such assignee may be required to deliver to Administrative Agent pursuant to subsection 2.7C(iv), Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially

the form of Exhibit XI hereto and if Administrative Agent and Company have consented to the assignment evidenced thereby (in each case to the extent such consent is required pursuant to subsection 9.2B(i)), (a) accept such Assignment and Acceptance by executing a counterpart thereof as provided therein (which acceptance shall evidence any required consent of Administrative Agent to such assignment), (b) record the information contained therein in the Register, and (c) give prompt notice thereof to Company. Administrative Agent shall maintain a copy of each Assignment and Acceptance delivered to and accepted by it as provided in this subsection 9.2B(ii).

C. Participations. The holder of any participation, other than an Affiliate of the Lender granting such participation, shall not be entitled to require such Lender to take or omit to take any action hereunder except action directly affecting (i) the extension of the regularly scheduled maturity of any portion of the principal amount of or interest on any Loan allocated to such participation or (ii) a reduction of the principal amount of or the rate of interest payable on any Loan or payments due in repayment of draws under Letters of Credit allocated to such participation, and all amounts payable by Company hereunder shall be determined as if such Lender had not sold such participation. A Lender which has sold a participation in its Loans or Revolving Loan Commitment shall require the holder of such participation to agree in writing to comply with the provisions of subsection 9.20 and if a Lender desires to give any prospective participant a copy of any non-public information obtained by Lenders pursuant to the requirements of this Agreement which has been identified as such by Company, such Lender shall require such prospective participant to agree in writing to hold such information in accordance with such prospective participant's customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices prior to its delivery of such material to such prospective participant. Company hereby acknowledges and agrees that, only for purposes of subsections 2.6E, 2.7, 9.5 and 9.6, any participation will give rise to a direct obligation of Company to the participant and the participant shall be considered to be a "Lender"; provided that no participant shall be entitled to receive any greater amount pursuant to subsections 2.6E

or 2.7 than the transferor Lender would have been entitled to receive in respect of the amount of the participation effected by such transferor Lender to such participant had no such participation occurred.

D. Assignments to Federal Reserve Banks. In addition to the assignments and participations permitted under the foregoing provisions of this subsection 9.2, any Lender may assign and pledge all or any portion of its Loans, the other Obligations owed to such Lender, and its Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any operating circular issued by such Federal Reserve Bank; provided that (i) no Lender shall, as between Company and such Lender, be relieved of any of its obligations hereunder as a result of any such assignment and pledge and (ii) in no event shall such Federal Reserve Bank be considered to be a "Lender" or be entitled to require the assigning Lender to take or omit to take any action hereunder.

E. Information. Each Lender may furnish any information concerning Company and its Subsidiaries in the possession of that Lender from time to time to assignees and participants (including prospective assignees and participants), subject to subsection 9.20.

9.3 Expenses

Whether or not the transactions contemplated hereby shall be consummated, Company agrees to promptly pay (i) all the actual and reasonable costs and expenses of preparation of this Agreement and the other Loan Documents and all the costs of furnishing all opinions by counsel for Company (including without limitation any opinions requested by Lenders as to any legal matters arising hereunder), and of Company's performance of and compliance with all agreements and conditions contained herein on their part to be performed or complied with; (ii) the reasonable fees, expenses and disbursements of counsel to Agents (including allocated costs of internal counsel) in connection with the negotiation, preparation, execution and administration of this Agreement, the other Loan Documents, the Letters of Credit and the Loans hereunder, and any amendments and waivers hereto or thereto; and (iii) after the occurrence of an Event of Default, all costs and expenses (including reasonable attorneys' fees, including allocated costs of internal counsel, and costs of settlement) incurred by Lenders in enforcing any Obligations of or in collecting any payments due from Company hereunder or under the Notes or any of the other Loan Documents by reason of such Event of Default or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or of any insolvency or bankruptcy proceedings.

9.4 Indemnity

In addition to the payment of expenses pursuant to subsection 9.3, whether or not the transactions contemplated hereby shall be consummated, directors, employees, agents, and affiliates of Agents and Lenders (collectively called the "Indemnitees") harmless from and against, any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or

nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnitee shall be designated a party thereto), which may be imposed on, incurred by, or asserted against that Indemnitee, in any manner relating to or arising out of this Agreement or the other Loan Documents, Lenders' agreement to make the Loans or the use or intended use of the proceeds of the Loans or the issuance of Letters of Credit hereunder and Lenders' agreement to purchase participations therein as provided for herein or the use or intended use of the Letters of Credit or the honoring of overdrafts under the Overdraft Agreement or the purchase of participations by Lenders in the Overdraft Amount (the "indemnified liabilities"); provided that Company shall have no obligation to an Indemnitee hereunder with respect to indemnified liabilities arising from the gross negligence or willful misconduct of that Indemnitee. Company also agrees to indemnify and hold harmless the Indemnitees from any claim, demand or liability for broker's or finder's fees alleged to have been incurred in connection with any transactions contemplated by this Agreement and any expenses, including reasonable legal fees, arising in connection with any such claim, demand or liability. To the extent that the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, Company shall contribute the maximum portion which it is permitted to pay and satisfy under applicable law, to the payment and satisfaction of all indemnified liabilities incurred by the Indemnitees or any of them.

9.5 Set Off

In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, each Lender is hereby authorized by Company at any time or from time to time, without notice to Company, or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured but not including trust accounts) and any other Indebtedness at any time held or owing by that Lender to or for the credit or the account of Company against and on account of the obligations and liabilities of Company to that Lender under this Agreement, the Notes, the Overdraft Agreement and the Letters of Credit, including, but not limited to, all claims of any nature or description arising out of or connected with this Agreement, the Letters of Credit or the Notes or the other Loan Documents, irrespective of whether or not (a) that Lender shall have made any demand hereunder or (b) that Lender shall have declared the principal of and the interest on the Loans and Notes, any obligations of Company in respect of the Letters of Credit and other amounts due hereunder to be due and payable as permitted by Section 7 and although said obligations and liabilities, or any of them, may be contingent or unmatured.

9.6 Ratable Sharing

Lenders hereby agree among themselves that if any of them shall, through the exercise of any right of counterclaim, setoff, banker's lien or otherwise or as adequate protection of a deposit treated as cash collateral

under the Bankruptcy Code, receive payment or reduction of a proportion of the aggregate amount of principal and interest then due with respect to the Loans owed to that Lender, the amount then due to that Lender with respect to the Overdraft Amount or any Letter of Credit or any participation therein, or any fees or commissions payable hereunder or under the other Loan Documents (collectively, the "Aggregate Amounts Due" to such Lender) which is greater than the proportion received by any other Lender in respect to the Aggregate Amounts Due to such other Lender, then the Lender receiving such proportionately greater payment shall (y) notify each other Lender and Administrative Agent of such receipt and (z) purchase participations (which it shall be deemed to have done simultaneously upon the receipt of such payment) in the Aggregate Amounts Due to the other Lenders so that all such recoveries of Aggregate Amounts Due shall be shared by the Lenders in proportion to the Aggregate Amounts Due them; provided that if all or part of such proportionately greater payment received by such purchasing Lender is thereafter recovered from such Lender, those purchases shall be rescinded and the purchase prices paid for such participations shall be returned to that Lender to the extent of such recovery, but without interest. Company expressly consents to the foregoing arrangement and agrees that any holder of a participation so purchased and any other subsequent holder of a participation in any Loan or Letter of Credit or the Overdraft Amount otherwise acquired may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all monies owing by Company to that holder as fully as if that holder were a holder of such a Loan or Letter of Credit or the Overdraft Amount in the amount of the participation held by that holder.

9.7 Amendments and Waivers

A. No amendment, modification, termination or waiver of any provision of this Agreement or of the Notes, and no consent to any departure by Company therefrom, shall in any event be effective without the written concurrence of Requisite Lenders; provided that no such amendment, modification, termination, waiver or consent shall, without the consent of each Lender (with Obligations directly affected in the case of the following clause (i)): (i) extend the scheduled final maturity of any Loan or Note, or extend the stated expiration date of any Letter of Credit or the date for reimbursement of any amount drawn thereunder, beyond the Revolving Loan Commitment Termination Date, or reduce the rate of interest (other than any waiver of any increase in the interest rate applicable to any of the Loans pursuant to subsection 2.2E) or fees in respect of the Revolving Loan Commitments, the Loans or the Letters of Credit, or extend the time of payment of interest or fees in respect thereof, or reduce the principal amount of any of the Obligations (including any Obligation to reimburse the amount of any drawing honored under any Letter of Credit), (ii) amend, modify, terminate or waive any provision of this subsection 9.7 or any other provision of this Agreement expressly requiring the approval or concurrence of all Lenders, (iii) reduce the percentage specified in the definition of Requisite Lenders or change the definition of "Pro Rata Share" (it being understood that, with the consent of Requisite Lenders, additional extensions of credit pursuant to this Agreement may be included in determining what constitutes Requisite Lenders and in determining the Pro Rata Shares of Lenders, in each case on substantially the same basis as the Revolving Loan Commitments and the Revolving Loans are included in such determinations on the Effective Date), or (iv) consent to the assignment or

transfer by Company of any of its rights and obligations under this Agreement and the other Loan Documents; provided, further that no such amendment, modification, termination or waiver shall (1) increase the Revolving Loan Commitment of any Lender over the amount thereof then in effect without the consent of such Lender (it being understood that (A) amendments, modifications or waivers of conditions precedent, covenants, Potential Events of Default or Events of Default or of mandatory reductions in the Revolving Loan Commitments shall not constitute an increase of the Revolving Loan Commitment of any Lender and (B) an increase in the available portion of the Revolving Loan Commitment of any Lender shall not constitute an increase in the Revolving Loan Commitment of such Lender); (2) amend, modify, terminate or waive any provision of subsection 2.1B or any other provision of this Agreement relating to the Overdraft Account or the Overdraft Amount (including any provision relating to the repayment of the Overdraft Amount with the proceeds of Revolving Loans or relating to the obligations of Lenders to purchase participations in the Overdraft Amount) without the consent of Administrative Agent; (3) amend, modify, terminate or waive any provision of this Agreement relating to the obligations of Lenders to purchase participations in Letters of Credit without the written concurrence of BofA, Administrative Agent and each other Issuing Lender which has a Letter of Credit then outstanding or which has not been reimbursed for a drawing under a Letter of Credit issued by it; or (4) amend, modify, terminate or waive any provision of Section 8 applicable to any Agent without the consent of such Agent.

B. If, in connection with any proposed amendment, modification, termination, waiver or consent relating to any of the provisions of this Agreement or the Notes as described in any of clauses (i) through (v) of the first proviso to subsection 9.7A, the consent of Requisite Lenders is obtained but the consent of one or more of the other Lenders whose consent is also required is not obtained, then Company shall have the right, so long as all such non-consenting Lenders whose individual consent is required are treated as described in either clause (i) or (ii) below, to (i) replace each such non-consenting Lender with one or more Replacement Lenders (as defined in subsection 9.7C) pursuant to subsection 9.7C so long as at the time of such replacement each such Replacement Lender consents to the proposed amendment, modification, termination, waiver or consent and/or (ii) terminate each such non-consenting Lender's Revolving Loan Commitment and repay in full its outstanding Loans in accordance with subsection 2.4A(i); provided that unless the Revolving Loan Commitments that are terminated and the Loans that are repaid pursuant to the preceding clause (ii) are immediately replaced in full at such time through the addition of new Lenders or the increase of the Revolving Loan Commitments and/or outstanding Loans of existing Lenders (who in each case must specifically consent thereto), then in the case of any action pursuant to the preceding clause (ii), Requisite Lenders (determined before giving effect to the proposed action) shall specifically consent thereto; provided further that Company shall not have the right to terminate any such non-consenting Lender's Revolving Loan Commitment and repay in full its outstanding Loans pursuant to clause (ii) of this subsection 9.7B if, immediately after the termination of such Lender's Revolving Loan Commitment, the Total Utilization of Revolving Loan Commitments would exceed the Revolving Loan Commitments; provided still further that Company shall not have the right to replace a Lender solely as a result of the exercise of such Lender's rights (and the withholding of any required consent by such Lender) pursuant to the second proviso to subsection 9.7A.

C. (i) In the event of certain refusals by any Lender, as provided in subsection 9.7B, to consent to certain proposed amendments, modifications, terminations, waivers or consents with respect to this Agreement which have been approved by Requisite Lenders, Company may, upon five Business Days' written notice to Administrative Agent (which notice Administrative Agent shall promptly transmit to each Lender) repay all Loans, together with accrued and unpaid interest, fees and other amounts owing to such Lender (a "Replaced Lender") in accordance with, and subject to the requirements of, subsection 9.7B so long as (i) in the case of the repayment of Loans of any Lender pursuant to this subsection 9.7C the Revolving Loan Commitment of such Lender is terminated concurrently with such repayment (at which time Schedule A shall be deemed modified to reflect the changed Revolving Loan Commitments) and (ii) in the case of the repayment of Loans of any Lender the consents required by Section 9.7B in connection with the repayment pursuant to this subsection 9.7C have been obtained.

(ii) At the time of any replacement pursuant to this subsection 9.7C, the lender replacing such Replaced Lender (the "Replacement Lender") shall enter into one or more assignment agreements, in form and substance satisfactory to Administrative Agent, pursuant to which the Replacement Lender shall acquire the Revolving Loan Commitment and outstanding Loans of, and participations in the Overdraft Amount and Letters of Credit by, the Replaced Lender and, in connection therewith, shall pay to (x) the Replaced Lender in respect thereof an amount equal to the sum of (A) an amount equal to the principal of, and all accrued interest on, all outstanding Loans of the Replaced Lender, (B) an amount equal to all unpaid drawings with respect to Letters of Credit that have been funded by (and not reimbursed to) such Replaced Lender, together with all then unpaid interest with respect thereto at such time, and (C) an amount equal to all accrued, but theretofore unpaid, fees owing to the Replaced Lender and (y) the appropriate Issuing Lender an amount equal to such Replaced Lender's Pro Rata Share of any unpaid drawing with respect to Letters of Credit (which at such time remains an unpaid drawing), to the extent such amount was not theretofore funded by such Replaced Lender;

(iii) All obligations of Company owing to the Replaced Lender (excluding those specifically described in clause (ii) above in respect of which the assignment purchase price has been, or is concurrently being, paid, but including, however, any amounts that would have been payable by Company pursuant to subsection 2.6E if Company had directly prepaid the Loans of such Replaced Lender) shall be paid in full by Company to such Replaced Lender concurrently with such replacement; and

(iv) Upon the execution of the respective assignment documentation, the payment of amounts referred to in clauses (ii) and (iii) above and, if so requested by the Replacement Lender, delivery to the Replacement Lender of the appropriate Note or Notes executed by Company, the Replacement Lender shall become a Lender hereunder and the Replaced Lender shall cease to constitute a Lender hereunder, except with respect to Company's obligations regarding indemnification provisions under this Agreement, which shall survive for the benefit of such Replaced Lender. Notwithstanding anything to the contrary

contained above, no Issuing Lender may be replaced hereunder at any time while it has Letters of Credit outstanding hereunder unless arrangements satisfactory to such Issuing Lender (including the furnishing of a standby letter of credit in form and substance, and issued by an issuer, satisfactory to such Issuing Lender or the furnishing of cash collateral in amounts and pursuant to arrangements satisfactory to such Issuing Lender) have been made with respect to such outstanding Letters of Credit.

D. Administrative Agent may, but shall have no obligation to, with the concurrence of any Lender, execute amendments, modifications, waivers or consents on behalf of that Lender. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on Company in any case shall entitle Company to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this subsection 9.7 shall be binding upon each Lender at the time outstanding, each future Lender and, if signed by Company, on Company.

9.8 Independence of Covenants

All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of an Event of Default or Potential Event of Default if such action is taken or condition exists.

9.9 Change in Accounting Principles, Fiscal Year or Tax Laws

If (i) any changes in accounting principles and policies from those used in the preparation of the financial statements referred to in subsection 4.3 hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) would result in a change in the method of calculation of financial covenants, standards or terms found in Sections 1, 5 and 6 hereof, (ii) there is any change in Company's Fiscal Quarter or Fiscal Year, or (iii) there is a material change in federal tax laws which materially affects Company's ability to comply with the financial covenants, standards or terms found in Sections 1, 5 or 6 hereof, the parties hereto agree to enter into negotiations in order to amend such provisions (in accordance with subsection 9.7) so as to equitably reflect such changes with the desired result that the criteria for evaluating Company's financial condition shall be the same after such changes as if such changes had not been made.

9.10 Notices

Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, telexed or sent by United States mail or by courier service and shall be deemed to have been given when delivered in person or by courier service, by receipt of telecopy or telex or four Business

Days after depositing it in the United States mail, registered or certified, with postage prepaid and properly addressed; provided that notices to Administrative Agent or Company shall not be effective until received. For the purposes hereof, the addresses of the parties hereto (until notice of a change thereof is delivered as provided in this subsection 9.10) shall be as set forth under each party's name on the signature pages hereof or in the applicable Assignment and Acceptance.

9.11 Survival of Warranties and Certain Agreements

A. All agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, the making of the Loans hereunder, the execution and delivery of the Notes and the issuance of the Letters of Credit.

B. Notwithstanding anything in this Agreement or implied by law to the contrary, the agreements of Company set forth in subsections 2.6E, 2.7, 9.3 and 9.4 and the agreements of Lenders set forth in subsections 8.2C, 8.4, 9.5 and 9.6 shall survive the payment of the Loans, the Notes and the Overdraft Amount, the cancellation or expiration of the Letters of Credit and the termination of this Agreement.

9.12 Failure or Indulgence Not Waiver; Remedies Cumulative

No failure or delay on the part of Administrative Agent or any Lender in the exercise of any power, right or privilege hereunder or under the other Loan Documents shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing under this Agreement or the other Loan Documents are cumulative to and not exclusive of, any rights or remedies otherwise available.

9.13 Severability

In case any provision in or obligation under this Agreement or the Notes shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

9.14 Obligations Several; Independent Nature of Lenders' Rights

The obligation of each Lender hereunder is several, and no Lender shall be responsible for the obligation or commitment of any other Lender hereunder. Nothing contained in this Agreement and no action taken by Lenders pursuant hereto shall be deemed to constitute Lenders to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and each Lender shall, subject to Section 7, be entitled to protect and enforce its rights arising out of this Agreement and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose.

9.15 Headings

Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

9.16 Applicable Law

THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. EACH LETTER OF CREDIT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OR RULES DESIGNATED IN SUCH LETTER OF CREDIT, OR IF NO SUCH LAWS OR RULES ARE DESIGNATED, THE UNIFORM CUSTOMS AND PRACTICES FOR DOCUMENTARY CREDITS (1993 REVISION), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 500 OR ANY SUCCESSOR PUBLICATIONS (THE "UNIFORM CUSTOMS") AND, AS TO MATTERS NOT GOVERNED BY THE UNIFORM CUSTOMS, THE LAWS OF THE STATE OF NEW YORK.

9.17 Successors and Assigns

This Agreement shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of the parties hereto and the successors and assigns of Lenders. Neither Company's rights or obligations under the Loan Documents or any interest therein may be assigned without the written consent of all Lenders. Lenders' rights of assignment are subject to subsection 9.2.

9.18 Consent to Jurisdiction and Service of Process

ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST COMPANY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY OBLIGATIONS THEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, COMPANY, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY

(I) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS;

(II) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS;

(III) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO COMPANY AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SUBSECTION 9.10;

(IV) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER COMPANY IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT;

(V) AGREES THAT LENDERS RETAIN THE RIGHT TO SERVE PROCESS IN ANY

OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST COMPANY IN THE COURTS OF ANY OTHER JURISDICTION; AND

(VI) AGREES THAT THE PROVISIONS OF THIS SUBSECTION 9.18 RELATING TO JURISDICTION AND VENUE SHALL BE BINDING AND ENFORCEABLE TO THE FULLEST EXTENT PERMISSIBLE UNDER NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1402 OR OTHERWISE.

9.19 Waiver of Jury Trial

EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LOAN TRANSACTION OR THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each party hereto acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this Agreement, and that each will continue to rely on this waiver in their related future dealings. Each party hereto further warrants and represents that it has reviewed this waiver with its legal counsel and that it knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE LOANS MADE HEREUNDER. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

9.20 Confidentiality

Lenders shall hold all non-public information obtained pursuant to the requirements of this Agreement which has been identified as such by Company in accordance with their customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event (i) subject to subsection 9.2, may make disclosure reasonably required by any bona fide transferee or participant in connection with the contemplated transfer of any Revolving Loan Commitment, any Loan, any Letter of Credit or any participation therein and (ii) may make disclosure as required or requested by any governmental agency or representative thereof or pursuant to legal process; provided that, unless specifically prohibited by applicable law or court order, each Lender shall notify Company of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) for disclosure of any such non-public information prior to disclosure of such information; and further provided that in no event shall any Lender be obligated or required to return any materials furnished by Company.

9.21 Counterparts; Effectiveness

This Agreement and any amendments, waivers, consents, or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts, together shall constitute but one and the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by Company, by Existing Lenders constituting "Requisite Lenders" under the Existing Credit Agreement, and by all Lenders that are not Existing Lenders and upon receipt by Company and Administrative Agent of written or telephonic notification of such execution and authorization of delivery thereof.

WITNESS the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

COMPANY:

OWENS-ILLINOIS, INC.,

By: David G. Van Hooser

Name: David G. Van Hooser

Title: Senior Vice President

Notice Address:

Owens-Illinois, Inc.
One Seagate
Toledo, Ohio 43666
Attention: Treasurer

with a copy to:

c/o Kohlberg Kravis
Roberts & Co.
2800 Sand Hill Road
Suite 200
Menlo Park, California 94025
Attention: Edward A. Gilhuly

S-1

LENDERS:

BANKERS TRUST COMPANY,
individually and as Administrative Agent

By: Mary Jo Jolly
Name: Mary Jo Jolly
Title: Assistant Vice President

Notice Address:

Bankers Trust Company
130 Liberty Street, 14th Floor
New York, New York 10006
Attention: Mary Jo Jolly
Telex: 126642

with a copy to:

Bankers Trust Company
300 South Grand Avenue, 41st Floor
Los Angeles, California 90071
Attention: Robert G. Kolb
Telex: 4720048

S-2

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION,
individually and as Syndication Agent

By: Paul B. Higdon

Name: Paul B. Higdon
Title: Managing Director

Notice Address:

Bank of America National Trust
and Savings Association
231 South LaSalle Street
Chicago, IL 60697
Attention: Kenneth Humpf
Telephone: (312) 828-7902
Fax: (312) 974-9626

with a copy to:

Bank of America National Trust
and Savings Association
231 South LaSalle Street
Chicago, IL 60697
Attention: Paul Higdon
Telephone: (312) 828-7952
Fax: (312) 987-0303

THE BANK OF NOVA SCOTIA,
individually and as Co-Documentation
Agent

By: F.C.H. Ashby

Name: F.C.H. Ashby
Title: Senior Manager Loan Operations

Notice Address:

The Bank of Nova Scotia
Atlanta Agency
600 Peachtree Street, N.E.
Suite 2700
Atlanta, Georgia 30308
Attention: Claude Ashby

with a copy to:

The Bank of Nova Scotia
Chicago Representative Office
181 W. Madison Street
Suite 3700
Chicago, IL 60602
Attn: David Vishny

S-4

NATIONSBANK, N.A.,
individually and as Co-Documentation
Agent

By: Alissa Woodworth

Name: Alissa Woodworth
Title: Vice President

Notice Address:

NationsBank
101 N. Tryon
NC-001-15-03
Charlotte, North Carolina 28255
Attention: Ms. Renita Hines
Fax: (704) 386-8694

With a copy to:

NationsBank
233 S. Wacker Drive
Suite 2800
Chicago, Illinois 60606
Attention: Ms. Valerie C. Mills
Telephone: (312) 234-5649
Fax: (312) 234-5619

S-5

ABN AMRO BANK N.V.,
individually and as Co-Agent

By: J.M. Janovsky
Name: J.M. Janovsky
Title: Group V.P.

By: Kathryn C. Toth
Name: Kathryn C. Toth
Title: Group V.P. and Operational Manager

Notice Address:

ABN Amro Bank N.V.
One PPG Place
Suite 2950
Pittsburgh, PA 15222-5401
Attention: Mr. James Janovsky
Fax: (412) 566-2266
Telex: 6734601
Answerback: BANCOLANDO

with a copy to:

ABN Amro Bank N.V.
One PPG Place
Suite 2950
Pittsburgh, PA 15222
Attention: Monica Meis
Fax: (412) 471-2326

Letter of Credit Contact:

ABN Amro Bank N.V.
One PPG Place
Suite 2950
Pittsburgh, PA 15222
Attention: Monica Meis
Fax: (412) 471-2326

THE BANK OF NEW YORK,
individually and as Co-Agent

By: Edward J. Dougherty

Name: Edward J. Dougherty
Title: Vice President

Notice Address:

The Bank of New York
One Wall Street 22nd Floor
New York, New York 10286
Attention: Edward J. Dougherty

with a copy to:

The Bank of New York
One Wall Street 22nd Floor
New York, New York 10286
Attention: Susan Baratta

Letter of Credit Contact:

The Bank of New York
One Wall Street 22nd Floor
New York, New York 10286
Attention: Susan Baratta

S-7

CIBC, INC.,
individually and as Co-Agent

By: Justin S. Sndak

Name: Justin S. Sndak
Title: Director

Notice Address:

Base Rate and Eurodollar Rate Loans

Canadian Imperial Bank of Commerce
2727 Paces Ferry Road, Suite 1200
Atlanta, Georgia 30339
Attention: Ava Cool
Telephone: (770) 319-4816
Fax: (770) 319-4950
Telex: 54-2413
Answerback: CANBANK ATL

Bid Rate Loans

Canadian Imperial Bank of Commerce
425 Lexington Avenue
New York, New York 10017
Attention: Carol Kizzia
Tel: (212) 856-3693
Fax: (212) 856-3533
Telex: 426-504
Answerback: CIMM

CREDIT LYONNAIS CHICAGO BRANCH,
individually and as Co-Agent

By: Mary Ann Klemm

Name: Mary Ann Klemm

Title: Vice President and Group Head

Notice Address:

Credit Lyonnais
227 West Monroe
Suite 3800
Chicago, Illinois
Attention: Eric Tobin
Telephone: (312) 220-7314
Fax: (312) 641-0527

with a copy to:

Credit Lyonnais
227 West Monroe
Suite 3800
Chicago, Illinois
Attention: Cory Billups
Telephone: (312) 220-7309
Fax: (312) 641-0527

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

By: Gary C. Wilson

Name: Gary C. Wilson
Title: First Vice President

Notice Address:

The First National Bank of Chicago
611 Woodward Avenue
2nd Floor
Detroit, Michigan 48226
Attention: Robert L. Jackson
Telephone: (313) 225-1241
Fax: (313) 225-1212

with a copy to:

The First National Bank of Chicago
611 Woodward Avenue
2nd Floor
Detroit, Michigan 48226
Attention: Philip Medsger
Telephone: (313) 225-1671
Fax: (313) 225-2406

THE FUJI BANK, LIMITED,
individually and as Co-Agent

By: Peter L. Chinnici

Name: Peter L Chinnici
Title: Joint General Manager

Notice Address:

The Fuji Bank, Limited
225 West Wacker Drive, Suite 2000
Chicago, Illinois 60606
Attention: James R. Fayen
Telex: 253114
Answerback: FUJI CGO

Letter of Credit Contact:

The Fuji Bank, Limited
225 West Wacker Drive, Suite 2000
Chicago, Illinois 60606
Attention: Cely Navarro
Telex: 253114
Answerback: FUJI CGO

THE INDUSTRIAL BANK OF JAPAN, LIMITED,
individually and as Co-Agent

By: Hiroaki Nakamura

Name: Hiroaki Nakamura
Title: Joint General Manager

Notice Address:

The Industrial Bank of Japan, Limited
227 West Monroe Street
Chicago, IL 60606
Attention: Steve Ryan
Fax: (312) 855-8200
Telephone: (312) 855-6251

Letter of Credit Contact:

The Industrial Bank of Japan, Limited
Ms. Stephanie Ciaramitaro
Credit Administration
Tel: (312) 855-8447
Fax: (312) 855-8200

KEYBANK NATIONAL ASSOCIATION,
individually and as Co-Agent

By: Tom Purcell

Name: Tom Purcell
Title: Vice President

Notice Address:

KeyBank National Association
127 Public Square
Mail Stop OH-01-27-0606
Cleveland, OH 44114-1306
Attention: Tom Purcell
Telephone: (216) 689-4439
Fax: (216) 689-4981

S-13

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.,
CHICAGO BRANCH,
individually and as Co-Agent

By: Brady S. Sadek

Name: Brady S. Sadek
Title: Vice President and Deputy General Manager

Notice Address:

The Long-Term Credit Bank of Japan, Ltd.
Chicago Branch
190 South LaSalle Street, Suite 800
Chicago, Illinois 60603
Attention: Brady S. Sadek
Tel: (312) 704-5455
Fax: (312) 704-8505

with a copy to:

The Long-Term Credit Bank of Japan, Ltd.
Chicago Branch
190 South LaSalle Street, Suite 800
Chicago, Illinois 60603
Attention: Loan Administration
Tel: (312) 704-5494
Fax: (312) 704-8717

Letter of Credit Contact:

The Long-Term Credit Bank of Japan, Ltd.
Chicago Branch
190 South LaSalle Street, Suite 800
Chicago, Illinois 60603
Attention: Loan Administration
Tel: (312) 704-5494
Fax: (312) 704-8717

ROYAL BANK OF CANADA,
individually and as Co-Agent

By: Molly Drennan

Name: Molly Drennan
Title: Senior Manager Corporate Banking

Notice Address:

Royal Bank of Canada
One North Franklin Street
Chicago, Illinois 60606
Attention: Molly Drennan
Fax: (312) 551-0805

with a copy to:

Royal Bank of Canada
Financial Square
New York, New York 10005
Attention: Susan Muir

S-15

THE SAKURA BANK, LIMITED
individually and as Co-Agent

By: Shunji Sakurai

Name: Shunji Sakurai
Title: Joint General Manager

Notice Address:

The Sakura Bank, Limited
227 West Monroe Street
Suite 4700
Chicago, Illinois 60606
Attention: David J. Wuertz
Telephone: (312) 580-3268
Fax: (312) 332-5345

S-16

SOCIETE GENERALE,
individually and as Co-Agent

By: Eric Bellaiche

Name: Eric Bellaiche
Title: Vice President

Notice Address:

Societe Generale
181 W. Madison St., Suite 3400
Chicago, Illinois 60602
Attention: Mr. Eric Bellaiche
Telephone: (312) 578-5015
Telex: 190130
Answerback: SGCHI UT

S-17

THE SUMITOMO BANK, LIMITED,
individually and as Co-Agent

By: Hiroyuki Iwami

Name: Hiroyuki Iwami
Title: Joint General Manager

Notice Address:

The Sumitomo Bank, Ltd.
Chicago Branch
Sears Tower, Suite 4800
233 South Wacker Drive
Chicago, Illinois 60606-6448
Attention: John Dilegge
Telex: 25-3734
Answerback: SUMIT CGO

With a copy to:

The Sumitomo Bank, Ltd.
Chicago Branch
Sears Tower, Suite 4800
233 South Wacker Drive
Chicago, Illinois 60606-6448
Attention: Tom Hanzel
Telex: 25-3734
Answerback: SUMIT CGO

Letter of Credit contact:

The Sumitomo Bank, Ltd.
Chicago Branch
Sears Tower, Suite 4800
233 South Wacker Drive
Chicago, Illinois 60606-6448
Attention: John Byrd
Tel: (312) 879-7695
Fax: (312) 876-1490

TORONTO DOMINION (TEXAS), INC.,
individually and as Co-Agent

By: Neva Nesbitt

Name: Neva Nesbitt
Title: Vice President

Notice Address:

The Toronto-Dominion Bank,
Houston Branch
909 Fannin
Houston, TX 77010
Attention: Neva Nesbitt
Tel: (713) 653-8261
Fax: (713) 951-9921

with a copy to:

The Toronto-Dominion Bank,
31 West 52nd Street, 18th Floor
New York, New York 10019
Attention: Cecile Martin
Senior Associate
Corporate Finance
Fax: (212) 262-1926

S-19

BANQUE NATIONALE DE PARIS,
individually and as Lead Manager

By: Arnaud Collin du Bocage

Name: Arnaud Collin du Bocage

Title: Executive Vice President & General Manager

Notice Address:

Banque Nationale de Paris
209 South LaSalle Street
5th Floor
Chicago, IL 60604
Attention: Rosalie C. Hawley
Telephone: (312) 977-2203
Fax: (312) 977-1380

S-20

BANQUE PARIBAS,
individually and as Lead Manager

By: Karen E. Coons

Nicholas C. Mast

Name: Karen E. Coons
Title: Vice President

Nicholas C. Mast
Vice President

Notice Address:

Banque Paribas
227 West Monroe
Suite 3300
Chicago, Illinois 60606
Attention: Karen Coons
Fax: (312) 853-6020

S-21

CAISSE NATIONALE DE CREDIT AGRICOLE,
individually and as Lead Manager

By: David Bouhl, F.V.P.

Name: David Bouhl, F.V.P.

Title: Head of Corporate Banking Chicago

Notice Address:

Caisse Nationale de Credit Agricole
55 East Monroe Street, Suite 4700
Chicago, Illinois 60603-5702
Attention: William Jeffers
Vice President
Telex: 283594
Fax: (312) 372-3724

S-22

COMPAGNIE FINANCIERE DE CIC
ET DE L'UNION EUROPEENNE,
individually and as Lead Manager

By: Brian O'Leary

Name: Brian O'Leary
Title: Vice President

By: Sean Mounier

Name: Sean Mounier
Title: First Vice President

Notice Address:

CIC
520 Madison Avenue
37th Floor
New York, New York 10022
Attention: Brian O'Leary
Fax: (212) 715-4535
Telephone: (212) 715-4422

S-23

DAI-ICHI KANGYO BANK, LIMITED,
individually and as Lead Manager

By: Seiichiro Ino

Name: Seiichiro Ino
Title: Vice President

Notice Address:

Dai-Ichi Kangyo Bank, Limited
10 South Wacker Drive
26th Floor
Chicago, Illinois 60606
Attention: Norman Fedder
Manager
Fax: (312) 876-2011

S-24

FLEET NATIONAL BANK,
individually and as Lead Manager

By: Steve Kalin

Name: Steve Kalin
Title: AVP

Notice Address:

Fleet National Bank
One Landmark Square
Stamford, Connecticut 06904
Attention: Steve Kalin
Fax: (203) 358-6111

S-25

MELLON BANK, N.A.,
individually and as Lead Manager

By: Mark F. Johnston

Name: Mark F. Johnston
Title: AVP

Notice Address:

Mellon Bank, N.A.
One Mellon Bank Center
45th Floor
Pittsburgh, PA 15258
Attention: Mark Johnston

Letter of Credit Contact:

Mellon Bank, N.A.
Three Mellon Bank Center
Room 2329
Pittsburgh, PA 15259
Attention: Sue Stahl

S-26

NATIONAL CITY BANK,
individually and as Lead Manager

By: Robert C. Rowe

Name: Robert C. Rowe
Title: Vice President

Notice Address:

National City Bank
Locator #2102
1900 East Ninth Street
Cleveland, OH 44114-3484
Attention: Jeff Douglas
Telex: 212637 NCBUR
Answerback: NCBUR

S-27

THE SANWA BANK, LIMITED,
CHICAGO BRANCH,
individually and as Lead Manager

By: James P. Byrnes

Name: James P. Byrnes
Title: First Vice President

Notice Address:

The Sanwa Bank, Limited
10 South Wacker Drive
31st Floor
Chicago, IL 60606
Attention: Lisa Dean Jeszke
Fax: (312) 346-6677
Tel: (312) 993-4339

with a copy to:

The Sanwa Bank, Limited
200 Public Square
BP America Building, 29th Floor
Suite 3400
Cleveland, OH 44114
Attention: James Byrnes
Fax: (216) 736-3381
Tel: (216) 736-3377

Letter of Credit Contact:

The Sanwa Bank, Limited
10 South Wacker Drive
31st Floor
Chicago, IL 60606
Attention: Lisa Dean Jeszke
Fax: (312) 346-6677
Tel: (312) 993-4339

ARAB BANKING CORPORATION,

By: Sheldon Tilney

Name: Sheldon Tilney
Title: Deputy General Manager

Notice Address:

Arab Banking Corporation
277 Park Avenue, 32nd Floor
New York, New York 10172-3299
Attention: Grant E. McDonald
Fax: (212) 583-0921/0922

Letter of Credit Contact:

Arab Banking Corporation
277 Park Avenue, 32nd Floor
New York, New York 10172-3299
Attention: Supervisor
Loan Administration
Fax: (212) 583-0921/0922

S-29

BANCA COMMERCIALE ITALIANA,
CHICAGO BRANCH,

By: Julian M. Teodori

Name: Julian M. Teodori
Title: Senior Vice President and Branch Manager

By: Mark D. Mooney

Name: Mark D. Mooney
Title: Vice President

Notice Address:

Banca Commerciale Italiana
150 North Michigan Avenue
Suite 1500
Chicago, Illinois 60601
Attention: Mark Mooney
Telephone: (312) 346-1112
Fax: (312) 346-5758

S-30

BANCA DI ROMA,

By: Joyce Montgomery

Romeo Collina

Name: Joyce Montgomery

Romeo Collina

Title: Assistant Vice President

Senior Vice

President and
Branch Manager

Notice Address:

Banca di Roma
225 West Washington Street
Suite 1200
Chicago, Illinois 60606
Attention: Steven Paley
Telephone: (312) 704-2629

Fax: (312) 726-3058

S-31

BANCA POPOLARE DI MILANO,

By: Anthony Franco

Name: Anthony Franco

Title: Executive Vice President & General Manager

By: Esperanza Quintero

Name: Esperanza Quintero

Title: Vice President

Notice Address:

Banca Popolare di Milano
375 Park Avenue
New York, New York 10152
Attention: Esperanza Quintero
Telephone: (312) 758-5040

S-32

BANK OF HAWAII,

By: Donna R. Parker

Name: Donna R. Parker
Title: Vice President

Notice Address:

Bank of Hawaii
1850 North Central Avenue
Suite 400
Phoenix, Arizona 85004
Attention: Donna Parker
Telephone: (602) 257-2436
Fax: (602) 257-2235

Letter of Credit Contact:

Bank of Hawaii
1850 North Central Avenue
Suite 400
Phoenix, Arizona 85004
Attention: Donna Parker
Telephone: (602) 257-2436
Fax: (602) 257-2235

S-33

BANK OF MONTREAL,

By: Leon H. Sinclair

Name: Leon H. Sinclair
Title: Director

Notice Address:

Bank of Montreal
115 South LaSalle Street
12th Floor
Chicago, Illinois 60603
Attention: Mary Roney
Fax: (312) 750-3888

S-34

CARIPLO CASSA DI RISPARMIO DELLE
PROVINCIE LOMBARDE, S.p.A.,

By: B. Eppolito	C. Kennedy
Name: B. Eppolito	C. Kennedy
Title: AVP	First Vice President

Notice Address:

Cariplo Bank
10 East 53rd Street
36th Floor
New York, New York 10022
Attention: Barbara Eppolito
Fax: (212) 527-8777

S-35

CITIBANK, N.A.,

By: Marjorie Futornick

Name: Marjorie Futornick
Title: Vice President

Notice Address:

Citibank, N.A.
200 South Wacker Drive
Chicago, Illinois 60606
Attention: Ms. Emily Rosenstock
Telephone: (312) 993-3233
Fax: (312) 993-6840

S-36

COMERICA BANK,

By: Lee J. Santioni

Name: Lee J. Santioni
Title: First Vice President

Notice Address:

Comerica
One Detroit Center
500 Woodward Avenue
Detroit, Michigan 48226
Attention: Anthony Davis
Fax: (313) 222-9514

S-37

COMMERZBANK AKTIENGESELLSCHAFT,

By: Mark D. Monson

Name: Mark D. Monson
Title: Vice President

By: J. Timothy Shortly

Name: J. Timothy Shortly
Title: Senior Vice President

Notice Address:

Commerzbank Aktiengesellschaft
311 South Wacker Drive
Chicago, Illinois 60606
Attention: Mr. Bill Binder
Telephone: (312) 408-6920
Fax: (312) 435-1485

S-38

CREDITO ITALIANO S.p.A.,

By: Harmon P. Butler

Name: Harmon P. Butler

Title: First Vice President and Deputy Manager

By: Umberto Seretti

Name: Umberto Seretti

Title: Vice President

Notice Address:

Credito Italiano S.p.A.
375 Park Avenue, 2nd Floor
New York, New York 10152
Attention: Harmon P. Butler
Fax: (212) 826-8623

S-39

ISTITUTO BANCARIO SAN PAOLO
DI TORINO, S.p.A.,

By: Carlo Persico

Name: Carlo Persico
Title: Deputy General Manager

By: William De Angelo

Name: William De Angelo
Title: First Vice President

Notice Address:

Istituto Bancario San Paolo
Di Torino, S.p.A.
245 Park Avenue
New York, New York 10167
Attention: Davide Scarselli
Fax: (212) 599-5303

S-40

KREDIETBANK, N.V.

By: John E. Thierfelder	Robert Snauffer
Name: John E. Thierfelder	Robert Snauffer
Title: Vice President	Vice President

Notice Address:

Kredietbank N.V.
125 West 55th Street
10th Floor
New York, New York 10019
Attention: John E. Thierfelder
Telephone: (212) 541-0727
Fax: (212) 956-5580

S-41

THE MITSUBISHI TRUST AND BANKING
CORP.,

By: Patricia Loret de Mola

Name: Patricia Loret de Mola
Title: Senior Vice President

Notice Address:

The Mitsubishi Trust and Banking Corp.
520 Madison Ave., 25th Floor
New York, NY 10022
Attention: Manager of Loan
Administration
Tel: (212) 891-8256
Fax: (212) 755-2349 or 846-0970

Letter of Credit Contact:

The Mitsubishi Trust and Banking Corp.
520 Madison Ave., 25th Floor
New York, NY 10022
Attention: Manager of Loan
Administration
Tel: (212) 891-8256
Fax: (212) 755-2349 or (212) 846-0970

THE MITSUI TRUST AND
BANKING COMPANY, LIMITED,

By: Margaret Holloway

Name: Margaret Holloway
Title: Vice President and Manager

Notice Address:

Mitsui Trust
190 South LaSalle Street, Suite 1000
Chicago, Illinois 60603
Attention: Tim Devane
Tel: (312) 201-4739
Fax: (312) 201-0593

with a copy to:

Mitsui Trust
1251 Avenue of the Americas
39th Floor
New York, New York 10020-1104
Attention: Edward Simnor
Tel: (212) 790-5352
Fax: (212) 768-9044

THE NORTHERN TRUST COMPANY,

By: S. Biff Bowman

Name: S. Biff Bowman
Title: Vice President

Notice Address:

The Northern Trust Company
50 S. LaSalle St., #B-11
Chicago, Illinois 60675
Attention: Biff Bowman
Vice President
Telex: 433-0397
Answerback: NT CI CGO
Fax: (312) 630-6062

with a copy to:

The Northern Trust Company
50 S. LaSalle St., #B-11
Chicago, Illinois 60675
Attention: Nicole Kidder

S-44

REPUBLIC NATIONAL BANK OF NEW YORK,

By: Jean-Pierre Diels

Name: Jean-Pierre Diels
Title: Executive Vice President

By: Patrick Hildreth

Name: Patrick Hildreth
Title: First Vice President

Notice Address:

Republic National Bank of New York
450 5th Avenue
New York, New York 10018
Attention: Nissim Husni

S-45

THE TOKAI BANK, LTD., CHICAGO BRANCH

By: Tatsuo Ito

Name: Tatsuo Ito
Title: Joint General Manager

Notice Address:

The Tokai Bank, Ltd., Chicago Branch
181 West Madison Street
Suite 3600
Chicago, Illinois 60602
Attention: Mr. Michael Zoretich
Telephone: (312) 456-3442
Fax: (312) 977-0003

S-46

THE TOYO TRUST & BANKING CO., LTD.

By: Takashi Mikumo

Name: Takashi Mikumo
Title: Vice President

Notice Address:

The Toyo Trust & Banking Co., Ltd.
666 Fifth Avenue
33rd Floor
New York, New York 10103
Attention: Barry Wadler
Telephone: (212) 307-3400
Fax: (212) 307-3498

S-47

UNION BANK OF CALIFORNIA, N.A.,

By: Gail L. Fletcher

Name: Gail L. Fletcher
Title: Vice President

Notice Address:

Union Bank of California, N.A.
400 California Street
17th Floor
San Francisco, California 94104
Attention: Gail Fletcher
Telephone: (415) 765-3753
Fax: (415) 765-3146

S-48

UNITED STATES NATIONAL BANK OF
OREGON,

By: Chris Karlin

Name: Chris Karlin
Title: Vice President

Notice Address:

United States National Bank of Oregon
National Corporate Banking
555 SW Oak, PL-4
Portland, Oregon 97204
Attention: Chris J. Karlin,
Vice President
Telex: 360549
Answerback: USNATLBANK
PTL
Fax: (503) 275-4267

with a copy to:

United States National Bank of Oregon
National Corporate Banking
555 SW Oak, PL-4
Portland, Oregon 97204
Attention: Chris J. Karlin
Vice President

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WACHOVIA BANK,

By: Henry H. Hagan

Name: Henry H. Hagan
Title: S.V.P.

Notice Address:

Wachovia Bank
191 Peachtree Street NE - 28th Floor
Mail Code: 370
Atlanta, Georgia 30303
Attention: Eero Maki
Telephone: (404) 332-5275
Fax: (404) 332-6898

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WESTDEUTSCHE LANDESBANK
GIROZENTRALE NEW YORK BRANCH

By: Cynthia M. Niesen

Name: Cynthia M. Niesen
Title: Managing Director

By: Karen E. Hoplock

Name: Karen E. Hoplock
Title: Vice President

Notice Address:

Westdeutsche Landesbank
1211 Avenue of the Americas
New York, New York 10036
Attention: Ms. Cynthia Niesen
Telephone: (212) 852-6168
Fax: (212) 852-6307

S-51

YASUDA TRUST & BANKING CO. LTD.,

By: Joseph C. Meek

Name: Joseph C. Meek
Title: Deputy General Manager

Notice Address:

Yasuda Trust and Banking Co., Ltd.
181 W. Madison Street, Ste. 4500
Chicago, IL 60602
Attention: Nick Walz
Tel: (312) 683-3836
Fax: (312) 683-3899

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EXHIBIT I

[FORM OF]

NOTICE OF BORROWING

Pursuant to that certain Amended and Restated Credit Agreement dated as of May 15, 1997 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; capitalized terms used herein without definition having the meanings set forth in the Credit Agreement) among Owens-Illinois, Inc., a Delaware corporation ("Company"), the Lenders named therein, the Lenders named as Lead Managers and Co-Agents, The Bank of Nova Scotia and NationsBank, N.A., as Co-Documentation Agents, Bank of America National Trust and Savings Association, as Syndication Agent, and Bankers Trust Company, as Administrative Agent, this represents Company's request to borrow on _____, ____ from Lenders on a pro rata basis \$_____ as [Base Rate/Eurodollar Rate] Revolving Loans. [The Interest Period for such Loans is requested to be a _____-month period.] The proceeds of such Loans are to be deposited in Company's account at Administrative Agent.

The undersigned officer, to the best of his/her knowledge as an officer of Company, and Company do hereby certify that (i) the undersigned is the [insert title of undersigned officer] of Company; (ii) the undersigned has read the conditions precedent to the making of any Loans set forth in subsection 3.2B of the Credit Agreement, and any definitions or other provisions in the Credit Agreement relating thereto with respect to the statements contained herein, and the undersigned has made or caused to be made such examination or investigation as is necessary to enable him/her to express an informed opinion as to whether or not such conditions have been complied with; and (iii) each of the conditions set forth in subsection 3.2B of the Credit Agreement has been satisfied on and as of the date hereof and will be satisfied on and as of the date of the proposed borrowing.

DATED: _____

OWENS-ILLINOIS, INC.

By _____
Title _____

[FORM OF]

NOTICE OF ISSUANCE OF LETTER OF CREDIT

Pursuant to that certain Amended and Restated Credit Agreement dated as of May 15, 1997 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; capitalized terms used herein without definition having the meanings set forth in the Credit Agreement) among Owens-Illinois, Inc., a Delaware corporation ("Company"), the Lenders named therein, the Lenders named as Lead Managers and Co-Agents, The Bank of Nova Scotia and NationsBank, N.A., as Co-Documentation Agents, Bank of America National Trust and Savings Association, as Syndication Agent, and Bankers Trust Company, as Administrative Agent, this represents Company's request to have _____ issue a [Commercial/Standby] Letter of Credit on _____, _____ in the face amount of [\$_____] [_____](1) [_____] with an expiration date of _____, _____ for the benefit of (2) .

The undersigned officer, to the best of his/her knowledge as an officer of Company, and Company certify that (i) the undersigned has read the conditions precedent to the issuance of any Letter of Credit set forth in subsections 3.2B and 3.3B of the Credit Agreement and any definitions or other provisions in the Credit Agreement relating thereto with respect to the statements contained herein, and the undersigned has made or caused to be made such examination or investigation as is necessary to enable him/her to express an informed opinion as to whether or not such conditions have been complied with and (ii) each of the conditions set forth in subsection 3.2B of the Credit Agreement has been satisfied on and as of the date hereof and will be satisfied on and as of the date of the proposed issuance of such Letter of Credit, in each case to the same extent as though the issuance of such Letter of Credit were the making of a Loan and the date of issuance of such Letter of Credit were a Funding Date.

DATED: _____

OWENS-ILLINOIS, INC.

By _____
Title _____

(1) Insert foreign currency if applicable.

(2) Insert name and address of the beneficiary of the Letter of Credit.

EXHIBIT III

[FORM OF]

NOTICE OF CONVERSION/CONTINUATION

Pursuant to that certain Amended and Restated Credit Agreement dated as of May 15, 1997 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; capitalized terms used herein without definition having the meanings set forth in the Credit Agreement) among Owens-Illinois, Inc., a Delaware corporation ("Company"), the Lenders named therein, the Lenders named as Lead Managers and Co-Agents, The Bank of Nova Scotia and NationsBank, N.A., as Co-Documentation Agents, Bank of America National Trust and Savings Association, as Syndication Agent, and Bankers Trust Company, as Administrative Agent, this represents Company's request (1) [A: to convert \$_____ in principal amount of presently outstanding [Base Rate/Eurodollar Rate] Revolving Loans [with a final Interest Payment Date of _____, ____] to [Base Rate/Eurodollar Rate] Loans on _____, _____. [The Interest Period for such Eurodollar Rate Loans is requested to be a _____-month period.]] [B: to continue as Eurodollar Rate Loans \$_____ in principal amount of presently outstanding Eurodollar Rate Loans with a final Interest Payment Date of _____, _____. The Interest Period for such Eurodollar Rate Loans commencing on such Interest Payment Date is requested to be a _____-month period.]

The undersigned officer, to the best of his/her knowledge as an officer of Company, and Company certify that no Event of Default has occurred and is continuing under the Credit Agreement.

DATED: _____

OWENS-ILLINOIS, INC.

By _____
 Title _____

 (1) Insert A or B with appropriate insertions and deletions.

statements contained herein, and the undersigned has made or caused to be made such examination or investigation as is necessary to enable him/her to express an informed opinion as to whether or not such conditions have been complied with; and (iii) each of the conditions set forth in subsection 3.2B of the Credit Agreement has been satisfied on and as of the date hereof and will be satisfied on and as of the date of the proposed borrowing.

Capitalized terms used herein without definition have the meanings assigned to such terms in the Credit Agreement.

OWENS-ILLINOIS, INC.

By _____

Title _____

IV-2

EXHIBIT V

[FORM OF]

INVITATION FOR BID RATE LOAN QUOTES

To: [Name of Lender]

From: Bankers Trust Company ("Administrative Agent")

Re: Invitation for Bid Rate Loan Quotes to
Owens-Illinois, Inc. ("Company")

Pursuant to subsection 2.9C of that certain Amended and Restated Credit Agreement dated as of May 15, 1997 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; capitalized terms used herein without definition having the meanings assigned to such terms in the Credit Agreement) among Company, the Lenders listed therein, the Lenders named as Lead Managers and Co-Agents, The Bank of Nova Scotia and NationsBank, N.A., as Co-Documentation Agents, Bank of America National Trust and Savings Association, as Syndication Agent, and Administrative Agent, we are pleased on behalf of Company to invite you to submit Bid Rate Loan Quotes to Company for the following proposed Bid Rate Loan(s):

Proposed Funding Date of Bid Rate Loan: _____

Principal Amount	Duration of Bid Rate Loan Interest Period
\$ _____	

Please respond to this invitation by no later than 10:00 a.m. (New York time) on the proposed Funding Date.

BANKERS TRUST COMPANY,
as Administrative Agent

By: _____

Title: _____

EXHIBIT VI

[FORM OF]

BID RATE LOAN QUOTE

Bankers Trust Company
P.O. Box 318
Church Street Station
New York, New York 10015]
Telecopy No.: _____

Attention: _____

Re: Bid Rate Loan Quote to Owens-Illinois, Inc. ("Company")

In response to your invitation on behalf of Company dated _____, _____, we hereby make the following Bid Rate Loan Quote on the following terms:

1. Quoting Lender:

2. Person to contact at Quoting Lender:

3. Funding Date of proposed Bid Rate Loan(s):

_____ (1)

4. We hereby offer to make Bid Rate Loan(s) in the following principal amounts, for the following Bid Rate Loan Interest Periods and at the following rates:

- - - - -

(1) As specified in the related Invitation for Bid Rate Loan Quotes.

	Duration	
	of Bid-	
	Rate Loan	
Principal	Interest	
Amount (2)	Period (3)	Interest Rate (4)
\$ _____		
\$ _____		

Provided that the aggregate principal amount of Bid Rate Loans for which this offer may be accepted shall not exceed \$_____2

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Amended and Restated Credit Agreement dated as of May 15, 1997 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; capitalized terms used herein without definition having the meanings assigned to such terms in the Credit Agreement) among Company, the Lenders listed therein, the Lenders named as Lead Managers and Co-Agents, The Bank of Nova Scotia and NationsBank, N.A., as Co-Documentation Agents, Bank of America National Trust and Savings Association, as Syndication Agent, and Bankers Trust Company, as Administrative Agent, irrevocably obligate us to make the Bid Rate Loan(s) for which any offer(s) are accepted, in whole or in part.

Very truly yours,

[NAME OF LENDER]

Date: _____

By: _____

Title: _____

- - - - -

(2) principal amount offered for each Bid Rate Loan Interest Period may not exceed principal amount requested; specify aggregate limitaton if the sum of the individual offers exceeds the aggregate amount the quoting Lender is willing to lend. Offers must be made in minimum amounts of \$5,000,000 and integral multiples of \$1,000,000 in excess thereof.

(3) 30, 60, 90 or 180 days, as specified in the related Invitation for Bid Rate Loan Quotes.

(4) Specify rate of interest per annum (expressed as an absolute number and not in terms of a specified margin over the quoting Lender's cost of funds and rounded to the nearest 1/100th of 1%).

EXHIBIT VII

[FORM OF REVOLVING NOTE]

OWENS-ILLINOIS, INC.

PROMISSORY NOTE DUE DECEMBER 31, 2001
(REVOLVING LOANS)

May __, 1997

\$ (1)

FOR VALUE RECEIVED, OWENS-ILLINOIS, INC., a Delaware corporation ("Company"), promises to pay to the order of ("Payee"), on or before the Revolving Loan Commitment Termination Date, the lesser of (x) (\$1) and (y) the unpaid principal amount of all advances made by Payee to Company as Revolving Loans under the Credit Agreement referred to below.

Company also promises to pay interest on the unpaid principal amount hereof from the date hereof until paid in full, at the rates and at the times which shall be determined in accordance with the provisions of the Amended and Restated Credit Agreement dated as of May 15, 1997 among Company, the Lenders named therein, the Lenders named as Lead Managers and Co-Agents, The Bank of Nova Scotia and NationsBank, N.A., as Co-Documentation Agents, Bank of America National Trust and Savings Association, as Syndication Agent, and Bankers Trust Company, as Administrative Agent, as amended, amended and restated, supplemented or otherwise modified from time to time (said Amended and Restated Credit Agreement, as so amended, amended and restated, supplemented or otherwise modified from time to time, being the "Credit Agreement"). Capitalized terms used herein without definition shall have the meanings set forth in the Credit Agreement.

This Note is one of Company's "Revolving Notes" in the aggregate principal amount of \$3,000,000,000 and is issued pursuant to and entitled to the benefits of the Credit Agreement to which reference is hereby made for a more complete statement of the terms and conditions under which the Revolving Loans evidenced hereby were made and are to be repaid.

- - - - -

- (1) Insert amount of Lender's Revolving Loan commitment in numbers.
- (2) Insert name of Lender in capital letters.
- (3) Insert amount of Lender's Revolving Loan Commitment in words.

All payments of principal and interest in respect of this Note shall be made in lawful money of the United States of America in same day funds at the Funding and Payment Office, or at such other place as shall be designated in writing for such purpose in accordance with the terms of the Credit Agreement. Until notified in writing of the transfer of this Note, Company and Administrative Agent shall be entitled to deem Payee or such person who has been so identified by the transferor in writing to Company and Administrative Agent as the holder of this Note, as the owner and holder of this Note. Each of Payee and any subsequent holder of this Note agrees, by its acceptance hereof, that before disposing of this Note or any part hereof it will make a notation hereon of all principal payments previously made hereunder and of the date to which interest hereon has been paid; provided, however, that the failure to make a notation of any payment made on this Note shall not limit or otherwise affect the obligation of Company hereunder with respect to payments of principal or interest on this Note.

Whenever any payment on this Note shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest on this Note.

This Note is subject to mandatory prepayment as provided in subsection 2.4A(ii) and prepayment at the option of Company as provided in subsection 2.4A(i) of the Credit Agreement.

THE CREDIT AGREEMENT AND THIS NOTE SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

Upon the occurrence of an Event of Default, the unpaid balance of the principal amount of this Note, together with all accrued but unpaid interest thereon, may become, or may be declared to be, due and payable in the manner, upon the conditions and with the effect provided in the Credit Agreement.

The terms of this Note are subject to amendment only in the manner provided in the Credit Agreement.

No reference herein to the Credit Agreement and no provision of this Note or the Credit Agreement shall alter or impair the obligation of Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the place, at the respective times, and in the currency herein prescribed.

Company promises to pay all costs and expenses, including reasonable attorneys' fees, all as provided in subsection 9.3 of the Credit Agreement, incurred in the collection and enforcement of this Note. Company and endorsers of this Note hereby waive diligence, presentment, protest, demand and notice of every kind and, to the full extent permitted by law, the right to plead any statute of limitations as a defense to any demand hereunder.

IN WITNESS WHEREOF, Company has caused this Note to be executed and delivered by its duly authorized officer, as of the day and year first above written.

OWENS-ILLINOIS, INC.

By _____

Title _____

VII-3

TRANSACTIONS ON REVOLVING NOTE

Date	Type of Loan Made This Date	Amount of Loan Made This Date	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By
------	-----------------------------------	-------------------------------------	--	--	---------------------

VII-4

EXHIBIT VIII

[FORM OF BID RATE LOAN NOTE]

OWENS-ILLINOIS, INC.

PROMISSORY NOTE DUE DECEMBER 31, 2001
(BID RATE LOANS)

May __, 1997

FOR VALUE RECEIVED, OWENS-ILLINOIS, INC., a Delaware corporation ("Company"), hereby promises to pay to the order of (1) ("Payee") the unpaid principal amount of each advance made by Payee to Company as a Bid Rate Loan under the Credit Agreement referred to below on the last day of the Bid Rate Loan Interest Period relating to such Bid Rate Loan.

Company also promises to pay interest on the unpaid principal amount of each Bid Rate Loan from the date such Bid Rate Loan is made until paid in full, at the rates and at the times which shall be determined in accordance with the provisions of the Amended and Restated Credit Agreement dated as of May 15, 1997 among Company, the Lenders named therein, the Lenders named as Lead Managers and Co-Agents, The Bank of Nova Scotia and NationsBank, N.A., as Co-Documentation Agents, Bank of America National Trust and Savings Association, as Syndication Agent, and Bankers Trust Company, as Administrative Agent, as amended, amended and restated, supplemented or otherwise modified from time to time (said Amended and Restated Credit Agreement, as so amended, amended and restated, supplemented or otherwise modified from time to time, being the "Credit Agreement"). Capitalized terms used herein without definition shall have the meanings set forth in the Credit Agreement.

This Note is one of Company's Bid Rate Loan Notes and is issued pursuant to and entitled to the benefits of the Credit Agreement to which reference is hereby made for a more complete statement of the terms and conditions under which the Bid Rate Loans evidenced hereby were made and are to be repaid.

All payments of principal and interest in respect of this Note shall be made in lawful money of the United States of America in same day funds at the Funding and Payment Office, or at such other place as shall be designated in writing for such purpose in accordance with the terms of the Credit Agreement. Until notified in writing of the transfer of this Note, Company and Administrative Agent shall be entitled to deem Payee or such person who has been so identified by the transferor in writing to Company and

- - - - -
(1) Insert name of Lender in capital letters.

Administrative Agent as the holder of this Note, as the owner and holder of this Note. Each of Payee and any subsequent holder of this Note agrees, by its acceptance hereof, that before disposing of this Note or any part hereof it will make a notation hereon of all principal payments previously made hereunder and of the date to which interest hereon has been paid; provided, however, that the failure to make a notation of any payment made on this Note shall not limit or otherwise affect the obligation of Company hereunder with respect to payments of principal or interest on this Note.

Whenever any payment on this Note shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest on this Note.

This Note is subject to mandatory prepayment as provided in subsection 2.4A(ii) of the Credit Agreement and to prepayment at the option of Company with the consent of Payee as provided in subsection 2.4A(i) of the Credit Agreement.

THE CREDIT AGREEMENT AND THIS NOTE SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

Upon the occurrence of an Event of Default, the unpaid balance of the principal amount of this Note, together with all accrued but unpaid interest thereon, may become, or may be declared to be, due and payable in the manner, upon the conditions and with the effect provided in the Credit Agreement.

The terms of this Note are subject to amendment only in the manner provided in the Credit Agreement.

No reference herein to the Credit Agreement and no provision of this Note or the Credit Agreement shall alter or impair the obligation of Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the place, at the respective times, and in the currency herein prescribed.

Company promises to pay all costs and expenses, including reasonable attorneys' fees, all as provided in subsection 9.3 of the Credit Agreement, incurred in the collection and enforcement of this Note. Company and endorsers of this Note hereby consent to renewals and extensions of time at or after the maturity hereof, without notice, and hereby waive diligence, presentment, protest, demand and notice of every kind and, to the full extent permitted by law, the right to plead any statute of limitations as a defense to any demand hereunder.

IN WITNESS WHEREOF, Company has caused this Note to be executed and delivered by its duly authorized officer, as of the day and year first above written.

OWENS-ILLINOIS, INC.

By _____

Title _____

VIII-3

TRANSACTIONS ON BID RATE LOAN NOTE

Date	Amount of Loan Made This Date	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By
------	-------------------------------------	--	--	---------------------

VIII-4

EXHIBIT IX

[FORM OF]

OVERDRAFT AGREEMENT

This OVERDRAFT AGREEMENT is dated as of May 15, 1997 and entered into by and between OWENS-ILLINOIS, INC., a Delaware corporation ("Company"), and BANKERS TRUST COMPANY ("Bank").

RECITALS

WHEREAS, Company and Bank are parties to that certain Amended and Restated Credit Agreement dated as of May 15, 1997 among Company, the Lenders listed therein, the Lead Managers and Co-Agents listed therein, The Bank of Nova Scotia and NationsBank, N.A., as Co-Documentation Agents, Bank of America National Trust and Savings Association, as Syndication Agent, and Bank, as Administrative Agent (as it may be amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; capitalized terms used herein without definition having the meanings assigned to such terms in the Credit Agreement); and

WHEREAS, pursuant to and subject to the limitations set forth in subsection 2.1B of the Credit Agreement, Company and Bank are permitted to establish and maintain an overdraft facility to facilitate Company's cash management practices.

NOW, THEREFORE, in consideration of the premises and the terms and conditions stated herein, the parties hereby agree as follows:

1. Upon presentment to Bank for payment of an item drawn by Company on Company's account _____ (the "Account") with Bank in an amount that, when charged against the Account, creates an overdraft in the Account, Bank shall pay such item; provided that Bank elects to do so as provided herein; and provided, further that after giving effect to such overdraft (i) the Overdraft Amount shall not exceed \$50,000,000, and (ii) the Overdraft Amount shall not at any time exceed the amount of the Revolving Loan Commitments minus the sum of (y) the aggregate principal amount of all outstanding Revolving Loans and Bid Rate Loans plus (z) the Letter of Credit Usage at such time.

2. Bank may elect not to pay any item that would create an overdraft, with or without notice to Company, if Bank, in its sole discretion, believes that it will not be able, pursuant to subsection 2.1B of the Credit Agreement, to require each other Lender to make a Revolving Loan or to purchase a participation, in each case for the purpose of refunding Bank in the amount of such overdraft.

3. Company shall pay to Bank on demand, and in any event not more than three Business Days from the date of creation of any overdraft in the

Account, an amount equal to the Overdraft Amount then outstanding in respect of such overdraft. In addition, Company shall pay, on demand or, if no demand is made, on the last Business Day of each month, interest on the Overdraft Amount from time to time outstanding at a fluctuating rate per annum (calculated on the basis of a 360-day year and the actual number of days elapsed) equal to the Base Rate minus the Applicable Facility Fee Percentage;

provided that if the Overdraft Amount or interest thereon is not paid when due, the Overdraft Amount and, to the extent permitted by applicable law, any interest thereon not paid when due shall thereafter bear interest payable on demand at a rate per annum equal to the Prime Rate plus 2.00% per annum; and provided, further that, unless demand is otherwise made, the interest payable on the last Business Day of any month shall be that which is accrued and unpaid through such Business Day. Bank may, at its option, request Lenders to make Revolving Loans as provided in subsection 2.1B of the Credit Agreement and apply the proceeds of such Revolving Loans to effect payment of the Overdraft Amount as set forth above.

4. Company shall make each payment hereunder to Bank in lawful money of the United States of America and in same day funds at the office of Bank located at One Bankers Trust Plaza, New York, New York 10006.

5. Promptly after the last day of each month, Bank will prepare and send to Company copies of statements of the Account showing the charges made thereto and the Overdraft Amount and interest accrued thereon as of the last day of such month. Such statements, and any photocopies of items and other records held by Bank relating to the Account, shall (absent manifest or demonstrable error) constitute evidence of the Indebtedness owed by Company hereunder.

6. Without prejudice to Bank's other rights, Company hereby authorizes Bank to charge against any balance in the Account and/or in any of Company's other accounts with Bank and/or against any other debt owing by Bank to Company any amount owing by Company to Bank hereunder; provided that Bank shall give Company notice of any such charge prior thereto or as soon as reasonably practicable thereafter.

7. Notwithstanding anything to the contrary contained herein, Bank shall not be obligated to pay any item which would create an overdraft in the Account if such payment would be an extension of credit to Company in violation of any limitation or prohibition provided by any applicable statute or regulation.

8. This Agreement shall terminate upon the termination of the Revolving Loan Commitments. In addition, at any time prior to the termination of the Revolving Loan Commitments, Bank or Company may, upon at least five Business Day's written notice to the other party, terminate this Agreement; provided that no such termination shall affect Company's obligations with respect to overdrafts created on or prior to such termination or Bank's rights with respect to such overdrafts. This Agreement is not for the benefit of any party other than Company and Bank.

9. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT

REGARD TO CONFLICTS OF LAWS PRINCIPLES.

10. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

11. Company hereby submits to the jurisdiction of any state or federal court in the State of New York with respect to any action or proceeding in connection with this Agreement to the full extent provided in subsection 9.18 of the Credit Agreement and such subsection 9.18 of the Credit Agreement is hereby incorporated herein by this reference.

12. The parties hereto agree to waive their respective rights to a jury trial with respect to any action or proceeding in connection with this Agreement to the full extent provided in subsection 9.19 of the Credit Agreement and such subsection 9.19 of the Credit Agreement is hereby incorporated herein by this reference.

[Remainder of page intentionally left blank]

WITNESS the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

BANKERS TRUST COMPANY

By: _____
Title: _____

OWENS-ILLINOIS, INC.

By: _____
Title: _____

IX-S-1

COMPLIANCE CERTIFICATE

THE UNDERSIGNED HEREBY CERTIFY THAT:

(1) We are the duly elected [Title] and [Title] of Owens-Illinois, Inc., a Delaware corporation ("Company");

(2) We have reviewed the terms of the Amended and Restated Credit Agreement dated as of May 15, 1997 among Company, the Lenders named therein, the Lenders named as Lead Managers and Co-Agents, The Bank of Nova Scotia and NationsBank, N.A., as Co-Documentation Agents, Bank of America National Trust and Savings Association, as Syndication Agent, and Bankers Trust Company, as Administrative Agent (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; capitalized terms used herein and in Attachment No. 1 annexed hereto and not otherwise defined herein or in such Attachment No. 1 having the meanings assigned to such terms in the Credit Agreement), and we have made, or have caused to be made under our supervision, a review in reasonable detail of the transactions and condition of Company and its Subsidiaries during the accounting period covered by the attached financial statements; and

(3) The examination described in paragraph (2) did not disclose and we have no knowledge of the existence of any condition or event which constitutes an Event of Default or Potential Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below.

Describe below (or in a separate attachment to this Certificate) the exceptions, if any, to paragraph (3) by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Company has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Attachment No. 1 annexed hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this ____ day of _____, ____ pursuant to subsection 5.1(iii) of the Credit Agreement.

OWENS-ILLINOIS, INC.

By _____

Title _____

By _____

Title _____

ATTACHMENT NO. 1
TO COMPLIANCE CERTIFICATE

(The certificate attached hereto is dated as of _____ and pertains to the period from _____ to _____.) Subsection references herein relate to the subsections of the Credit Agreement.

A. Investments

1. Aggregate fair market value of all Investments permitted under subsection 6.2(viii) \$_____
2. Maximum permitted under subsection 6.2(viii). \$500,000,000

B. Letters of Credit

1. Reimbursement obligations in respect of letters of credit \$_____
2. Maximum permitted under subsection 6.3 \$500,000,000

C. Restricted Junior Payments

1. Consolidated Net Income for period from December 31, 1996 until _____, _____. \$_____
2. Aggregate amount of Restricted Junior Payments (other than Restricted Junior Payments in respect of Common Stock purchases in connection with Company's employee benefits program) made from and after the Effective Date to the determination date set forth in C.1 \$_____
3. Maximum permitted under subsection 6.4 (sum of \$200,000,000 plus 50% of C.1). \$_____

D. Interest Coverage Ratio for the Period Ended _____, _____

1. Consolidated Net Income. \$_____
2. Consolidated Interest Expense. \$_____
3. Provisions for taxes based on income \$_____
4. Total depreciation expense \$_____

- 5. Total amortization expense \$_____
- 6. Material non-recurring gains and losses. \$_____
- 7. Consolidated Adjusted EBITDA (1+2+3+4+5+6) \$_____
- 8. Interest Coverage Ratio (7):(2). _____:1.00
- 9. Minimum ratio permitted under subsection 6.5A. _____:1.00

E. Maximum Consolidated Leverage Ratio as of _____, _____

- 1. Consolidated Total Debt. \$_____
- 2. Consolidated Adjusted EBITDA (D.7) \$_____
- 3. Consolidated Adjusted EBITDA attributable to acquisitions \$_____
- 4. Pro forma 12-month Consolidated Adjusted EBITDA attributable to acquisitions \$_____
- 5. Consolidated Pro Forma EBITDA (2-3+4). \$_____
- 6. Consolidated Leverage Ratio (1):(5). _____:1.00
- 7. Maximum Leverage Ratio permitted under subsection 6.5B _____:1.00

F. Fundamental Changes

- 1. Aggregate fair market value of stock or other assets sold in any one or more Asset Sales during consecutive 12-month period in one or more transactions permitted under subsection 6.6(iii)(b)(i) \$_____
- 2. Maximum permitted during consecutive 12-month period under subsection 6.6(iii)(b)(i) before consent of Requisite Lenders required \$300,000,000

- 3. Aggregate fair market value of stock or other assets sold in any one or more Asset Sales after Closing Date in one or more transactions permitted under subsection 6.6(iii)(b)(ii) \$_____
- 4. Maximum permitted under subsection 6.6(iii)(b)(ii) before consent of Requisite Lenders required \$600,000,000

ASSIGNMENT AND ACCEPTANCE

This ASSIGNMENT AND ACCEPTANCE (this "Agreement") is entered into by and between the parties designated as Assignor ("Assignor") and Assignee ("Assignee") above the signatures of such parties on the Schedule of Terms attached hereto and hereby made an integral part hereof (the "Schedule of Terms") and relates to that certain Credit Agreement described in the Schedule of Terms (said Credit Agreement, as amended, supplemented or otherwise modified to the date hereof and as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "Credit Agreement", the terms defined therein and not otherwise defined herein being used herein as therein defined).

IN CONSIDERATION of the agreements, provisions and covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Assignment and Assumption.

(a) Effective upon the Settlement Date specified in Item 4 of the Schedule of Terms (the "Settlement Date"), Assignor hereby sells and assigns to Assignee, without recourse, representation or warranty (except as expressly set forth herein), and Assignee hereby purchases and assumes from Assignor, that percentage interest in all of Assignor's rights and obligations as a Lender arising under the Credit Agreement and the other Loan Documents with respect to Assignor's Revolving Loan Commitment and outstanding Loans, if any, which represents, as of the Settlement Date, the percentage interest specified in Item 3 of the Schedule of Terms of all rights and obligations of Lenders arising under the Credit Agreement and the other Loan Documents with respect to the Revolving Loan Commitments and any outstanding Loans (the "Assigned Share"). Without limiting the generality of the foregoing, the parties hereto hereby expressly acknowledge and agree that any assignment of all or any portion of Assignor's rights and obligations relating to Assignor's Revolving Loan Commitment shall include (i) in the event Assignor is an Issuing Lender with respect to any outstanding Letters of Credit (any such Letters of Credit being "Assignor Letters of Credit"), the sale to Assignee of a participation in the Assignor Letters of Credit and any drawings thereunder as contemplated by subsection 2.8A of the Credit Agreement and (ii) the sale to Assignee of a ratable portion of any participations previously purchased by Assignor pursuant to said subsection 2.8A with respect to any Letters of Credit other than the Assignor Letters of Credit.

(b) In consideration of the assignment described above, Assignee hereby agrees to pay to Assignor, on the Settlement Date, the principal amount of any outstanding Loans included within the Assigned Share, such payment to be made by wire transfer of immediately available funds in accordance with the applicable payment instructions set forth in Item 5 of the Schedule of Terms.

(c) Assignor hereby represents and warrants that Item 3 of the Schedule of Terms correctly sets forth the amount of the Revolving Loan

Commitment and the Pro Rata Share corresponding to the Assigned Share.

(d) Assignor and Assignee hereby agree that, upon giving effect to the assignment and assumption described above, (i) Assignee shall be a party to, and a "Lender" under, the Credit Agreement and shall have all of the rights and obligations under the Loan Documents, and shall be deemed to have made all of the covenants and agreements contained in the Loan Documents, arising out of or otherwise related to the Assigned Share, and (ii) Assignor shall be absolutely released from any of such obligations, covenants and agreements assumed or made by Assignee in respect of the Assigned Share. Assignee hereby acknowledges and agrees that the agreement set forth in this Section 1(d) is expressly made for the benefit of Company, Administrative Agent, Assignor and the other Lenders and their respective successors and permitted assigns.

(e) Assignor and Assignee hereby acknowledge and confirm their understanding and intent that (i) this Agreement shall effect the assignment by Assignor and the assumption by Assignee of Assignor's rights and obligations with respect to the Assigned Share, (ii) any other assignments by Assignor of a portion of its rights and obligations with respect to the Revolving Loan Commitments and any outstanding Loans shall have no effect on the Revolving Loan Commitment and the Pro Rata Share corresponding to the Assigned Share as set forth in Item 3 of the Schedule of Terms or on the interest of Assignee in any outstanding Loans corresponding thereto, and (iii) from and after the Settlement Date, Administrative Agent shall make all payments under the Credit Agreement in respect of the Assigned Share (including without limitation all payments of principal and accrued but unpaid interest, commitment fees and letter of credit fees with respect thereto) (A) in the case of any such interest and fees that shall have accrued prior to the Settlement Date, to Assignor, and (B) in all other cases, to Assignee; provided that Assignor and Assignee shall make payments directly to each other to the extent necessary to effect any appropriate adjustments in any amounts distributed to Assignor and/or Assignee by Administrative Agent under the Loan Documents in respect of the Assigned Share in the event that, for any reason whatsoever, the payment of consideration contemplated by Section 1(b) occurs on a date other than the Settlement Date.

SECTION 2. Certain Representations, Warranties and Agreements.

(a) Assignor represents and warrants that it is the legal and beneficial owner of the Assigned Share, free and clear of any adverse claim.

(b) Assignor shall not be responsible to Assignee for the execution, effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of any of the Loan Documents or for any representations, warranties, recitals or statements made therein or made in any written or oral statements or in any financial or other statements, instruments, reports or certificates or any other documents furnished or made by Assignor to Assignee or by or on behalf of Company or any of its Subsidiaries to Assignor or Assignee in connection with the Loan Documents and the transactions contemplated thereby or for the financial condition or business affairs of Company or any other Person liable for the payment of any Obligations, nor shall Assignor be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions,

covenants or agreements contained in any of the Loan Documents or as to the use of the proceeds of the Loans or the use of the Letters of Credit or as to the existence or possible existence of any Event of Default or Potential Event of Default.

(c) Assignee represents and warrants that it is an Eligible Assignee; that it has experience and expertise in the making of loans such as the Loans; that it has acquired the Assigned Share for its own account in the ordinary course of its business and without a view to distribution of the Loans within the meaning of the Securities Act or the Exchange Act or other federal securities laws (it being understood that, subject to the provisions of subsection 9.2 of the Credit Agreement, the disposition of the Assigned Share or any interests therein shall at all times remain within its exclusive control); and that it has received, reviewed and approved a copy of the Credit Agreement and the other Loan Documents (including all Exhibits and Schedules thereto).

(d) Assignee represents and warrants that it has received from Assignor such financial information regarding Company and its Subsidiaries as is available to Assignor and as Assignee has requested, that it has made its own independent investigation of the financial condition and affairs of Company and its Subsidiaries in connection with the assignment evidenced by this Agreement, and that it has made and shall continue to make its own appraisal of the creditworthiness of Company and its Subsidiaries. Assignor shall have no duty or responsibility, either initially or on a continuing basis, to make any such investigation or any such appraisal on behalf of Assignee or to provide Assignee with any other credit or other information with respect thereto, whether coming into its possession before the making of the initial Loans or at any time or times thereafter, and Assignor shall not have any responsibility with respect to the accuracy of or the completeness of any information provided to Assignee.

(e) Each party to this Agreement represents and warrants to the other party hereto that it has full power and authority to enter into this Agreement and to perform its obligations hereunder in accordance with the provisions hereof, that this Agreement has been duly authorized, executed and delivered by such party and that this Agreement constitutes a legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity.

SECTION 3. Miscellaneous.

(a) Each of Assignor and Assignee hereby agrees from time to time, upon request of the other such party hereto, to take such additional actions and to execute and deliver such additional documents and instruments as such other party may reasonably request to effect the transactions contemplated by, and to carry out the intent of, this Agreement.

(b) Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except by an instrument in writing signed by the party (including, if applicable, any party required to evidence its consent to or acceptance of this Agreement) against whom enforcement of such

change, waiver, discharge or termination is sought.

(c) Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service, upon receipt of telefacsimile or telex, or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed. For the purposes hereof, the notice address of each of Assignor and Assignee shall be as set forth on the Schedule of Terms or, as to either such party, such other address as shall be designated by such party in a written notice delivered to the other such party. In addition, the notice address of Assignee set forth on the Schedule of Terms shall serve as the initial notice address of Assignee for purposes of subsection 9.10 of the Credit Agreement.

(d) In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(e) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

(f) This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

(g) This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

(h) This Agreement shall become effective upon the date (the "Effective Date") upon which all of the following conditions are satisfied: (i) the execution of a counterpart hereof by each of Assignor and Assignee, (ii) the execution of a counterpart hereof by Company as evidence of its consent hereto to the extent required under subsection 9.2B(i) of the Credit Agreement, (iii) the receipt by Administrative Agent of the processing and recordation fee referred to in subsection 9.2B(i) of the Credit Agreement, (iv) the delivery by Assignee to Administrative Agent of such forms, certificates or other evidence with respect to United States federal income tax withholding matters as Assignee may be required to deliver to Administrative Agent pursuant to subsection 2.7C(iv), (v) the execution of a counterpart hereof by Administrative Agent as evidence of its acceptance hereof in accordance with subsection 9.2B(ii) of the Credit Agreement, (vi) the receipt by Administrative Agent of originals or telefacsimiles of the counterparts described above and authorization of delivery thereof, and (vii)

the recordation by Administrative Agent in the Register of the pertinent information regarding the assignment effected hereby in accordance with subsection 9.2B(ii) of the Credit Agreement.

[Remainder of page intentionally left blank]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized, such execution being made as of the Effective Date in the applicable spaces provided on the Schedule of Terms.

SCHEDULE OF TERMS

- 1. Borrower: Owens-Illinois, Inc.
- 2. Name and Date of Credit Agreement: Amended and Restated Credit Agreement dated as of May 15, 1997 by and among Owens-Illinois, Inc., the financial institutions listed therein as Lenders, the Lenders named therein as Lead Managers and Co-Agents for Lenders, The Bank of Nova Scotia and NationsBank, N.A., as Co-Documentation Agents, Bank of America National Trust and Savings Association, as Syndication Agent, and Bankers Trust Company, as Administrative Agent.
- 3. Amounts:

(a) Aggregate Revolving Loan Commitments of all Lenders:\$ _____
 (b) Assigned Share/Pro Rata Share: _____%
 (c) Amount of Assigned Share of Revolving Loan Commitments:\$ _____

4. Settlement Date: _____, 199_

5. Payment Instructions:

ASSIGNOR:	ASSIGNEE:
_____	_____
_____	_____
_____	_____
Attention: _____	Attention: _____
Reference: _____	Reference: _____

6. Notice Addresses:

ASSIGNOR:	ASSIGNEE:
_____	_____
_____	_____
_____	_____

7. Signatures:

[NAME OF ASSIGNOR], as Assignor	[NAME OF ASSIGNEE], as Assignee
------------------------------------	------------------------------------

By:	By:
Title:	Title:

[Consented to in accordance with subsection 9.2B(i) of the Credit Agreement Accepted in accordance with subsection 9.2B(ii) of the Credit Agreement

[COMPANY]	[NAME OF ADMINISTRATIVE AGENT], as Administrative Agent
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By:	By:
Title:	Title:

EXHIBIT XII

[FORM OF OPINION OF LATHAM & WATKINS]

May 16, 1997

Bankers Trust Company,
as Administrative Agent
130 Liberty Street, 14th Floor
New York, New York 10017

Bank of America National Trust
and Savings Association, as
Syndication Agent
1850 Gateway Boulevard
Concord, California 94520

The Bank of Nova Scotia,
as Co-Documentation Agent
600 Peachtree Street, N.E.
Atlanta, Georgia 30308

NationsBank, N.A.,
as Co-Documentation Agent
101 N. Tryon
NC-001-15-03
Charlotte, North Carolina 28255

and

The Lead Managers, Co-Agents and Lenders
identified on Exhibit A hereto

Re: Amended and Restated Credit Agreement, dated as of May 15, 1997 among
Owens-Illinois, Inc., the Lenders, Lead Managers and Co-Agents listed

therein, The Bank of Nova Scotia and NationsBank, N.A., as Co-
Documentation Agents, Bank of America National Trust & Savings
Association, as Syndication Agent and Bankers Trust Company, as
Administrative Agent

Ladies and Gentlemen:

We have acted as special counsel to Owens-Illinois, Inc., a
Delaware corporation (the "Company"), in connection with that certain Amended
and Restated Credit Agreement, dated as of May 15, 1997 (the "Credit
Agreement") among the Company, the Lenders, Lead Managers and Co-Agents listed
therein (collectively, the "Lenders"), The Bank of Nova Scotia and
NationsBank, N.A., as Co-Documentation Agents (each, in such capacity, a
"Co-Documentation Agent"), Bank of America National Trust and Savings
Association, as Syndication Agent (in such capacity, the "Syndication Agent")

and Bankers Trust Company, as Administrative Agent (in such capacity, the "Administrative Agent").

This opinion is rendered to you, at the request of the Company, pursuant to Section 3.1F of the Credit Agreement. Capitalized terms defined in the Credit Agreement, used herein and not otherwise defined herein, shall have the meanings given them in the Credit Agreement.

As such counsel, we have examined such matters of fact and questions of law as we have considered appropriate for purposes of rendering the opinions expressed below. We have examined, among other things, the following:

- (a) the Credit Agreement;
- (b) the Revolving Notes and Bid Rate Loan Notes, in each case issued by the Company on the Effective Date (collectively, the "Notes");
- (c) the Overdraft Agreement; and
- (d) the Existing Senior Debenture Indenture and the Existing Subordinated Note Indenture (collectively, the "Indentures").

The documents described in subsections (a) through (c) above are referred herein collectively as the "Loan Documents."

In our examination, we have assumed the genuineness of all signatures, the legal capacity of all natural persons executing documents, the authenticity of all documents submitted to us as originals, and the conformity to authentic original documents of all documents submitted to us as copies.

We have been furnished with, and with your consent have relied upon, certificates of officer(s) of the Company with respect to certain factual matters. In addition, we have obtained and relied upon such certificates and assurances from public officials as we have deemed necessary.

We are opining herein as to the effect on the subject transactions only of the federal laws of the United States, the internal laws of the State of New York and the General Corporation Law of the State of Delaware (the "DGCL"), and we express no opinion with respect to the applicability thereto, or the effect thereon, of the laws of any other jurisdiction or, in the case of Delaware, any other laws or as to any matters of municipal law or the laws of any other local agencies within any state. Various issues are addressed in the opinion of James W. Baehren, Associate General Counsel of the Company, separately provided to you, and we express no opinion with respect to those matters.

Our opinions set forth in paragraph 2 below are based upon our consideration of only those statutes, rules and regulations which, in our experience, are normally applicable to borrowers and guarantors in loan transactions.

For purposes of our opinion, we have assumed, with your permission, that (i) the Company is duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, with corporate power and authority to conduct its business as now conducted and to own, or hold under lease, its assets and to enter into the Loan Documents and perform its obligations thereunder, (ii) the Company has duly authorized, executed and delivered each Loan Document, and (iii) none of the execution, delivery and performance by the Company of any Loan Document will result in the violation of the Certificate of Incorporation or Bylaws of the Company.

Subject to the foregoing and the other matters set forth herein, and in reliance thereon, it is our opinion that, as of the date hereof:

1. Each of the Loan Documents constitutes a legally valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

2. The execution and delivery by the Company of the Loan Documents and the borrowing and repayment of the Loans by the Company pursuant to the Credit Agreement do not: (i) violate any federal or New York statute, rule or regulation applicable to the Company (including, without limitation, Regulations G, T, U or X of the Board of Governors of the Federal Reserve System) or any provision of the DGCL applicable to the Company, (ii) result in the breach of or a default under any of the Indentures, or (iii) require any consents (other than that contemplated by the Consent Solicitation), approvals, authorizations, registrations, declarations or filings by the Company under any federal or New York statute, rule or regulation applicable to the Company or under any provision of the DGCL applicable to the Company. No opinion is expressed in this paragraph 2 as to the application of Section 548 of the federal Bankruptcy Code and comparable provisions of state law or of any antifraud laws, antitrust or trade regulation laws.

3. The Company is not an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

4. It is not necessary in connection with the execution and delivery by the Company of the Notes to the recipients thereof (the "Note Recipients") on the Effective Date to register the Notes under the Securities Act of 1933, as amended, or to qualify any indenture in respect thereof under the Trust Indenture Act of 1939, as amended.

5. All monetary obligations of the Company under the Credit Agreement and the Company Guaranty are within the definition of "Senior Indebtedness" as defined in the Senior Subordinated Debt Indenture.

The opinions expressed in paragraph 1 are subject to the following limitations, qualifications and exceptions:

(a) the effect of bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting the rights or remedies of creditors generally;

(a) the effect of general principles of equity, whether enforcement considered in a proceeding in equity or at law, and the discretion of the

court before which any proceeding therefor may be brought;

(b) the unenforceability under certain circumstances under law or court decisions of provisions providing for the indemnification of or contribution to a party with respect to a liability where such indemnification or contribution is contrary to public policy; and

(c) the unenforceability of any provision requiring the payment of attorneys' fees, except to the extent that a court determines such fees to be reasonable.

We call to your attention that the provisions of the Loan Documents which permit the Administrative Agent, the Syndication Agent, either Co-Documentation Agent, any Lead Manager, any Co-Agent or any Lender to take action or make determinations may be subject to a requirement that such action be taken or such determinations be made in a commercially reasonable manner and in good faith.

For purposes of our opinions expressed in paragraph 2, we have assumed, with your permission, that, as of the Effective Date, the entire amount of the Revolving Loan Commitments is outstanding.

For purposes of our opinions expressed in paragraph 4, we have assumed with your permission that each Note Recipient is a commercial lender or a financial institution which makes loans in the ordinary course of its business and that it is receiving the Notes to be received by it and will make each Loan under the Credit Agreement to be made by it for its own account in the ordinary course of its commercial banking or lending business and not with a view to or for sale in connection with any distribution of such Notes.

To the extent that the obligations of the Company may be dependent upon such matters, we assume for purposes of this opinion that: all parties to the Loan Documents are duly incorporated, validly existing and in good standing under the laws of their respective jurisdictions of incorporation; all parties to the Loan Documents have the requisite corporate power and authority to execute and deliver the Loan Documents and to perform their respective obligations under the Loan Documents to which they are a party; and the Loan Documents to which such parties are a party have been duly authorized, executed and delivered by such parties and (with respect to such parties other than the Company) constitute their legally valid and binding obligations, enforceable against them in accordance with their terms. Except as expressly covered by this opinion, we express no opinion as to compliance by any parties to the Loan Documents with any state or federal laws or regulations applicable to the subject transactions because of the nature of their business.

This opinion is rendered only to you and is solely for your benefit in connection with the transactions covered hereby. This opinion may not be relied upon by you for any other purpose, or furnished to, quoted to or relied upon by any other person, firm or corporation for any purpose, without our prior written consent. At your request, we hereby consent to reliance hereon by any future assignees of your interest in the Credit Agreement which are Eligible Assignees as expressly permitted by subsection 9.2 of the Credit Agreement; provided that you have notified such assignee that this opinion

speaks only as of the date hereof and to its addressees and that we have no responsibility or obligation to update this opinion, to consider its applicability or correctness to other than its addressees, or to take into account changes in law, facts or any other development of which we may later become aware.

Very truly yours,

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Exhibit A
to
Opinion of Latham & Watkins

Dated May 16, 1997
Rendered In Connection With
Owens-Illinois, Inc. Amended and Restated Credit Agreement

Lead Managers:

Banque Nationale de Paris
Banque Paribas
Caisse Nationale de Credit Agricole
Compagnie Financiere De CIC Et De L'Union Europeenne
Dai-Ichi Kangyo Bank, Limited
Fleet National Bank
Mellon Bank, N.A.
National City Bank
The Sanwa Bank, Limited, Chicago Branch

Co-Agents:

ABN Amro Bank N.V.
The Bank of New York
CIBC, Inc.
Credit Lyonnais
The First National Bank of Chicago
The Fuji Bank, Limited
The Industrial Bank of Japan, Limited
Keybank National Association
The Long-Term Credit Bank of Japan, Ltd.
Royal Bank of Canada
The Sakura Bank, Limited
Societe Generale
The Sumitomo Bank, Limited
Toronto-Dominion (Texas), Inc.

Lenders:

Arab Banking Corporation
Banca Commerciale Italiana, Chicago Branch
Banca Di Roma
Banca Popolare Di Milano
Bank of Hawaii
Bank of Montreal
Cariplo Cassa Di Risparmio Delle Provincie Lombarde, S.p.A.
Citibank, N.A.
Comerica Bank
Commerzbank Aktiengesellschaft
Credito Italiano S.p.A.,
Istituto Bancario San Paolo Di Torino, S.p.A.
Kredietbank
The Mitsubishi Trust and Banking Corp.

The Mitsui Trust and Banking Company, Limited
The Northern Trust Company
Republic National Bank of New York
The Tokai Bank, Ltd., Chicago Branch
Toyo Trust & Banking Co.
Union Bank of California, N.A.
United States National Bank of Oregon
Wachovia Bank
Westdeutsche Landesbank Girozentrale New York Branch
Yasuda Trust & Banking Co. Ltd.

EXHIBIT XIII

[FORM OF OPINION OF GENERAL COUNSEL FOR OWENS-ILLINOIS]

May 16, 1997

Bankers Trust Company,
as Administrative Agent
130 Liberty Street, 14th Floor
New York, New York 10017

Bank of America National Trust
and Savings Association, as
Syndication Agent
1850 Gateway Boulevard
Concord, California 94520

The Bank of Nova Scotia,
as Co-Documentation Agent
600 Peachtree Street, N.E.
Atlanta, Georgia 30308

NationsBank, N.A.,
as Co-Documentation Agent
101 N. Tryon
NC-001-15-03
Charlotte, North Carolina 28255

and

The Lead Managers, Co-Agents and Lenders
identified on Exhibit A hereto

Re: Amended and Restated Credit Agreement, dated as of May 15, 1997 among
Owens-Illinois, Inc., the Lenders, Lead Managers and Co-Agents listed
therein, The Bank of Nova Scotia and NationsBank, N.A., as Co-
Documentation Agents, Bank of America National Trust & Savings
Association, as Syndication Agent and Bankers Trust Company, as
Administrative Agent

Ladies and Gentlemen:

I am associate general counsel to Owens-Illinois, Inc., a Delaware
corporation (the "Company"), and render this opinion to you in such capacity
pursuant to Section 3.1F of that certain Amended and Restated Credit
Agreement, dated as of May 15, 1997 (the "Credit Agreement") among the
Company, the Lenders, Lead Managers and Co-Agents listed therein
(collectively, the "Lenders"), The Bank of Nova Scotia and NationsBank, N.A.,
as Co-Documentation Agents (each, in such capacity, a "Co-Documentation
Agent"), Bank of America National Trust and Savings Association, as
Syndication Agent (in such capacity, the "Syndication Agent"), and Bankers

Trust Company, as Administrative Agent (in such capacity, the "Administrative Agent"). Capitalized terms defined in the Credit Agreement, used herein and not otherwise defined herein, shall have the meanings given them in the Credit Agreement.

As such counsel, I have examined such matters of fact and questions of law as I have considered appropriate for purposes of rendering the opinions expressed below. I have examined, among other things, the following:

- (a) the Credit Agreement;
- (b) the Revolving Notes and Bid Rate Loan Notes, in each case issued by the Company on the Effective Date (collectively, the "Notes");
- (c) the Overdraft Agreement;
- (d) the Certificate of Incorporation and Bylaws (the "Governing Documents") of the Company;
- (e) the indenture(s) (but not including the Existing Senior Debenture Indenture or the Existing Subordinated Note Indenture), note(s), loan agreement(s), mortgage(s), deed(s) of trust, security agreement(s) and other written agreement(s) and instrument(s) creating, evidencing or securing indebtedness of the Company or its Subsidiaries and which are material to the Company and its Subsidiaries taken as a whole (the "Material Agreements"); and
- (f) court and administrative orders, writs, judgments and decrees specifically directed to the Company or its Subsidiaries which are material to the Company and its Subsidiaries taken as a whole (the "Court Orders").

The documents described in subsections (a) through (c) above are referred herein collectively as the "Loan Documents."

In my examination, I have assumed the genuineness of all signatures, the legal capacity of all natural persons executing documents, the authenticity of all documents submitted to me as originals, and the conformity to authentic original documents of all documents submitted to me as copies.

I have been furnished with, and with your consent have relied upon, certificates of officer(s) of the Company with respect to certain factual matters. In addition, I have obtained and relied upon such certificates and assurances from public officials as I have deemed necessary.

I am opining herein as to the effect on the subject transactions only of the federal laws of the United States, the internal laws of the State of Ohio and the General Corporation Law of the State of Delaware (the "DGCL"), and I express no opinion with respect to the applicability thereto, or the effect thereon, of the laws of any other jurisdiction or, in the case of Delaware, any other laws or as to any matters of municipal law or the laws of

any other local agencies within any state. I express no opinion herein with respect to the applicability to the subject transactions, or the effect thereon, of any federal or state securities laws. Various issues are addressed in the opinion of Latham & Watkins, separately provided to you in connection with the Credit Agreement, and I express no opinion with respect to those matters.

Whenever a statement herein is qualified by "to the best of my knowledge" or a similar phrase, it is intended to indicate that I do not have current actual knowledge of the inaccuracy of such statement.

For purposes of this opinion, I have assumed, with your permission, that none of the execution, delivery and performance by the Company of the Loan Documents will result in the violation of any federal statute, rule or regulation applicable to the Company (including, without limitation, Regulations G, T, U or X of the Board of Governors of the Federal Reserve System) or the DGCL.

Subject to the foregoing and the other matters set forth herein, and in reliance thereon, it is my opinion that, as of the date hereof:

1. The Company has been duly incorporated and is validly existing and in good standing under the laws of the State of Delaware with corporate power and authority to conduct its business as now conducted and to own, or hold under lease, its assets and to enter into the Loan Documents and perform its obligations thereunder.

2. The execution, delivery and performance by the Company of the Loan Documents have been duly authorized by all necessary corporate action of the Company. Each Loan Document has been duly executed and delivered by the Company.

3. None of the execution and delivery by the Company of the Loan Documents or the borrowing and repayment of the Loans by the Company pursuant to the Credit Agreement: (i) violate the provisions of the Company's Governing Documents, (ii) violate any Ohio statute, rule or regulation applicable to the Company, (iii) result in the breach of or a default under any of the Material Agreements or Court Orders, or (iv) require any consents [(other than that contemplated by the Consent Solicitation)], approvals, authorizations, registrations, declarations or filings by the Company under any Ohio statute, rule or regulation applicable to the Company. No opinion is expressed in this paragraph 3 as to the application of Section 548 of the federal Bankruptcy Code and comparable provisions of state law or of any antifraud laws, antitrust or trade regulation laws.

4. To the best of my knowledge after due inquiry, there are no legal or governmental proceedings pending or threatened to which the Company or any Subsidiary of the Company is a party or to which any of the properties of the Company or any Subsidiary of the Company is subject (except for those legal or governmental proceedings previously disclosed in writing to Lenders including, without limitation, those disclosed in the Company's annual report on Form 10-K for the fiscal year ended December 31, 1996) that has a significant likelihood of resulting in a Material Adverse Effect.

In rendering the opinions expressed in paragraph 3 insofar as they require interpretation of the Material Agreements (i) I have assumed with your permission that all courts of competent jurisdiction would enforce such agreements as written and would apply the internal laws of the State of Ohio without giving effect to any choice of law provisions contained therein or any choice of law principles which would result in application of the internal laws of any other state, (ii) to the extent that any questions of legality or legal construction have arisen in connection with my review, I have applied the laws of the State of Ohio in resolving such questions and (iii) except as expressly set forth in paragraph 3, I express no opinion with respect to the effect of any action or inaction by the Company under the Loan Documents or by the Company or any Subsidiary of the Company under the Material Agreements which may result in a breach or default under any Material Agreement. I advise you that Material Agreements may be governed by other laws, that such laws may vary substantially from the law assumed to govern for purposes of this opinion, and that this opinion may not be relied upon as to whether or not a breach or default would occur under the law actually governing such Material Agreements.

This opinion is rendered only to you and is solely for your benefit in connection with the transactions covered hereby. This opinion may not be relied upon by you for any other purpose, or furnished to, quoted to or relied upon by any other person, firm or corporation for any purpose, without my prior written consent. At your request, I hereby consent to reliance hereon by any future assignees of your interest in the Credit Agreement which are Eligible Assignees as expressly permitted by subsection 9.2 of the Credit Agreement; provided that you have notified such assignee that this opinion speaks only as of the date hereof and to its addressees and that I have no responsibility or obligation to update this opinion, to consider its applicability or correctness to other than its addressees, or to take into account changes in law, facts or any other development of which I may later become aware.

Very truly yours,

Exhibit A
to
Opinion of James W. Baehren

Dated May 16, 1997
Rendered In Connection With
Owens-Illinois, Inc. Amended and Restated Credit Agreement

Lead Managers:

Banque Nationale de Paris
Banque Paribas
Caisse Nationale de Credit Agricole
Compagnie Financiere De CIC Et De L'Union Europeenne
Dai-Ichi Kangyo Bank, Limited
Fleet National Bank
Mellon Bank, N.A.
National City Bank
The Sanwa Bank, Limited, Chicago Branch
Co-Agents:

ABN Amro Bank N.V.
The Bank of New York
CIBC, Inc.
Credit Lyonnais
The First National Bank of Chicago
The Fuji Bank, Limited
The Industrial Bank of Japan, Limited
Keybank National Association
The Long-Term Credit Bank of Japan, Ltd.
Royal Bank of Canada
The Sakura Bank, Limited
Societe Generale
The Sumitomo Bank, Limited
Toronto-Dominion (Texas), Inc.

Lenders:

Arab Banking Corporation
Banca Commerciale Italiana, Chicago Branch
Banca Di Roma
Banca Popolare Di Milano
Bank of Hawaii
Bank of Montreal
Cariplo Cassa Di Risparmio Delle Provincie Lombarde, S.p.A.
Citibank, N.A.
Comerica Bank
Commerzbank Aktiengesellschaft
Credito Italiano S.p.A.,
Istituto Bancario San Paolo Di Torino, S.p.A.
Kredietbank
The Mitsubishi Trust and Banking Corp.

The Mitsui Trust and Banking Company, Limited
The Northern Trust Company
Republic National Bank of New York
The Tokai Bank, Ltd., Chicago Branch
Toyo Trust & Banking Co.
Union Bank of California, N.A.
United States National Bank of Oregon
Wachovia Bank
Westdeutsche Landesbank Girozentrale New York Branch
Yasuda Trust & Banking Co. Ltd.

May 16, 1997

Bankers Trust Company,
as Administrative Agent
One Bankers Trust Plaza
New York, New York 10006

Bank of America National Trust
and Savings Association,
as Syndication Agent
231 South LaSalle Street
Chicago, IL 60697

The Bank of Nova Scotia,
as Co-Documentation Agent
600 Peachtree Street, N.E.
Atlanta, Georgia 30308

NationsBank, N.A.,
as Co-Documentation Agent
101 N. Tryon
NC-001-15-03
Charlotte, North Carolina 28255

and

The Lead Managers, Co-Agents and Lenders
Party to the Amended and Restated
Credit Agreement Referenced Below

Re: Loans to Owens-Illinois, Inc.

Ladies and Gentlemen:

We have acted as counsel to Bankers Trust Company, as Administrative Agent (in such capacity, "Administrative Agent") and Bank of America National Trust and Savings Association, as Syndication Agent (in such capacity, "Syndication Agent"), in connection with the preparation and delivery of an Amended and Restated Credit Agreement dated as of May 15, 1997 (the "Credit Agreement") among Owens-Illinois, Inc., a Delaware corporation ("Company"), the Lenders named therein, the Lenders named as Lead Managers, Co-Agents and Co-Documentation Agents for Lenders, Syndication Agent and Administrative Agent and in connection with the preparation and delivery of certain related documents.

We have participated in various conferences with representatives of Company and Agents and conferences and telephone calls with Latham & Watkins, counsel to Company, and with your representatives, during which the

Credit Agreement and related matters have been discussed, and we have also participated in the meeting held on the date hereof (the "Closing") incident to the funding of the initial loans made under the Credit Agreement. We have reviewed the forms of the Credit Agreement and the exhibits thereto, including the forms of the promissory notes annexed thereto (the "Notes"), and the opinions of Latham & Watkins and James W. Baehren, Associate General Counsel to the Company (collectively, the "Opinions"), and the officers' certificates and other documents delivered at the Closing. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals or copies and the due authority of all persons executing the same, and we have relied as to factual matters on the documents that we have reviewed.

Although we have not independently considered all of the matters covered by the Opinions to the extent necessary to enable us to express the conclusions therein stated, we believe that the Credit Agreement and the exhibits thereto are in substantially acceptable legal form and that the Opinions and the officers' certificates and other documents delivered in connection with the execution and delivery of, and as conditions to the making of the initial loans under, the Credit Agreement and the Notes are substantially responsive to the requirements of the Credit Agreement.

Respectfully submitted,

SCHEDULE A

REVOLVING LOAN COMMITMENTS; PRO RATA SHARES

Lender	Revolving Loan Commitment	Pro Rata Share
Agents:		
Bankers Trust Company	\$125,000,000	4.17%
Bank of America National Trust and Savings Assoc.	125,000,000	4.17
The Bank of Nova Scotia	125,000,000	4.17
NationsBank, N.A.	125,000,000	4.17
Co-Agents:		
ABN Amro Bank N.V.	80,000,000	2.67
The Bank of New York	80,000,000	2.67
CIBC, Inc.	80,000,000	2.67
Credit Lyonnais	80,000,000	2.67
The First National Bank of Chicago	80,000,000	2.67
The Fuji Bank, Limited	80,000,000	2.67
The Industrial Bank of Japan, Limited Chicago Branch	80,000,000	2.67
KeyBank National Association	80,000,000	2.67
The Long-Term Credit Bank of Japan, Ltd., Chicago Branch	80,000,000	2.67
Royal Bank of Canada	80,000,000	2.67
The Sakura Bank, Limited	80,000,000	2.67
Societe Generale	80,000,000	2.67
The Sumitomo Bank, Limited	80,000,000	2.67

Toronto Dominion (Texas), Inc.	80,000,000	2.67
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Lead Managers:

Banque Nationale De Paris	\$70,000,000	2.33%
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Banque Paribas	70,000,000	2.33
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Caisse Nationale De Credit Agricole	70,000,000	2.33
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Dai-Ichi Kangyo Bank, Limited	70,000,000	2.33
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Mellon Bank, N.A.	70,000,000	2.33
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National City Bank	70,000,000	2.33
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The Sanwa Bank, Limited, Chicago Branch	70,000,000	2.33
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Compagnie Financiere De CIC Et De L'Union Europeenne	67,500,000	2.25
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Fleet National Bank	67,500,000	2.25
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Lenders:

Bank of Montreal	65,000,000	2.17
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Citibank, N.A.	50,000,000	1.67
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The Mitsubishi Trust and Banking Corp.	50,000,000	1.67
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Union Bank of California, N.A.	50,000,000	1.67
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Wachovia Bank	50,000,000	1.67
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Westdeutsche Landesbank Girozentrale New York Branch	50,000,000	1.67
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United States National Bank of Oregon	40,000,000	1.33
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Yasuda Trust & Banking Co. Ltd.	40,000,000	1.33
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The Northern Trust Company	35,000,000	1.17
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Republic National Bank of New York	35,000,000	1.17
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The Tokai Bank, Ltd., Chicago Branch	30,000,000	1.00
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Arab Banking Corporation	25,000,000	0.83
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Banca Di Roma	\$25,000,000	0.83%
Cariplo Cassa Di Riparmio Delle Provincie Lombarde, S.p.A.	25,000,000	0.83
Comerica Bank	25,000,000	0.83
Commerzbank Aktiengesellschaft	25,000,000	0.83
Credito Italiano, S.p.A.	25,000,000	0.83
Istituto Bancario San Paolo Di Torino, S.p.A.	25,000,000	0.83
Kredietbank	25,000,000	0.83
Bank of Hawaii	15,000,000	0.50
Toyo Trust & Banking Co.	15,000,000	0.50
Banca Commerciale Italiana, Chicago Branch	10,000,000	0.33
Banca Popolare Di Milano	10,000,000	0.33
The Mitsui Trust and Banking Company, Limited	10,000,000	0.33
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	\$3,000,000,000	100.000%

SCHEDULE B
EXISTING LEINS
OF
OWENS-ILLINOIS AND
CONSOLIDATED SUBSIDIARIES

Location	Property encumbered	Amount of Encumbrance (\$M)
Danville, VA and Tracy, CA	Real estate, plant & equipment	10,313
Commonwealth of PA	Real estate, plant & equipment	433
Various capital leases	Real estate, plant & equipment	1,356
Total Existing Liens		----- 12,102 =====

SCHEDULE C
INVESTMENTS
OF
OWENS-ILLINOIS AND
CONSOLIDATED SUBSIDIARIES

Investment -----	Amount (\$M) -----
Foreign investments and advances	
Consol, Ltd.	3,400
Huta Szkla Jaroslaw, S.A.	9,200
Regioplast, S.A.	19,700

Total investments and advances	32,300
Other investments	
BriGam Ventures Inc.	1,260
Cross City	1,334
Industrial Development Board of the City of Montgomery	1,550
Norman Hartzel/Don McCone (Castalia)	777

Total Other Investments	4,921
Total Investments	37,221
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SCHEDULE D
REPORTING UNITS
OF
OWENS-ILLINOIS

Glass Container
International Glass
Plastic Containers
Labels & Carriers
Closure & Specialty
Prescription Products

D-1

SCHEDULE E
LETTERS OF CREDIT OUTSTANDING UNDER EXISTING CREDIT AGREEMENT

Refer #	Memo	Amount Outstanding	T-O Date	Mat Date	Iss	Loc #	Code	Div
LOC00001	State of California	17,768,571.00	05/01/89	06/16/97	BOA	133809	1/3	090
		----- 17,768,571.00 = Bank of America						
LOC00014	Aetna Life Insurance	1,457,530.00	07/01/87	06/30/97	BTC	S-01760	2/3	090
LOC00015	NJDEP- Bridgeton	3,149,459.00	03/13/87	03/12/98	BTC	S-01120	1/3	090
LOC00016	NJDEP- OI/Schott	213,285.00	05/24/90	05/24/97	BTC	S-07039	1/3	090
LOC00017	Old Republic Insurance	500,000.00	01/31/92	01/31/98	BTC	S-08285	1/3	090
LOC00018	Ohio Dept. Commerce	55,000.00	07/01/94	06/30/97	BTC	S-09998	1/3	090
LOC00019	OK Workers Comp	2,500,000.00	01/31/91	01/31/98	BTC	S-07585	1/3	090
LOC00020	National Union Fire	3,659,000.00	11/08/89	09/01/97	BTC	S-06176	1/3	090
LOC00021	Peoples Gas	100,000.00	11/18/89	11/18/97	BTC	S-05933	1/3	090
LOC00022	Pitney Bowes	750,000.00	05/22/91	04/30/98	BTC	S-07811	1/3	090
LOC00023	State of CA/Amador	240,590.00	02/18/92	12/31/97	BTC	S-08333	2/3	090
LOC00024	CIT Group/ Equip	4,611,589.04	08/14/91	07/31/97	BTC	S-07930	1/3	090
LOC00025	NHW/ Hibernia Bank	6,000,000.00	11/09/90	11/09/97	BTC	S-07378	1/3	090
LOC00026	NJDEP- Glassboro	3,124,250.00	03/13/87	03/12/98	BTC	S-01121	1/3	090
LOC00027	Industrial Comm OH	2,975,000.00	08/11/87	06/30/97	BTC	S-02026	1/3	090
LOC00028	Liberty Mutual SAC	176,462.00	10/06/93	10/06/97	BTC	S-09537	1/3/ 4	090
LOC00029	Connell Finance	107,161.00	08/06/91	09/30/97	BTC	S-07951	1/3/ 4	090
LOC00030	Continental Casualty	9,712,000.00	06/18/92	06/18/97	BTC	S-08571	1/3	090
LOC00031	Banc- Ireland/ First	14,473,891.00	08/14/91	07/31/97	BTC	S-70929	1/3	090
LOC00032	NY Workers Comp	2,269,000.00	10/06/89	10/06/97	BTC	S-05934	1/3	090
LOC00033	Liberty Mutual SPPI	137,689.00	10/30/92	03/31/98	BTC	S-08831	1/3/ 4	090
LOC00052	NY Gas Wells	60,000.00	09/09/96	09/09/97	BTC	S-11510	1/3	090
LOC00055	Banker Trust Co.	125,080,711.00	03/05/97	03/05/98	BTC	S-11789	1/3	090
LOC00036	Texas Employer's	50,000.00	12/31/87	12/31/97	BTC	S-02899	1/3	301

SUPPLEMENTAL INDENTURE

OWENS-ILLINOIS, INC.,
as Issuer

AND

THE GUARANTORS NAMED HEREIN,
as Guarantors

AND

THE BANK OF NEW YORK,
as Trustee

Dated as of May 9, 1997

Supplemental to the Indenture, dated as of
December 15, 1991, relating to the Issuer's
11% Senior Debentures due 2003

SUPPLEMENTAL INDENTURE, dated as of May 9, 1997, by and among OWENS-ILLINOIS, INC., a Delaware corporation (hereinafter called the "Company"), as issuer, the guarantors listed as acknowledging the terms hereof (hereinafter called the "Guarantors"), and THE BANK OF NEW YORK, as trustee (hereinafter called the "Trustee"), under the Indenture, dated as of December 15, 1991 (the "Indenture"), by and among the Company, the Guarantor and the Trustee relating to the Company's 11% Senior Debentures due 2003 (the "Securities").

RECITALS OF THE COMPANY

The Company has implemented a refinancing plan designed to reduce interest expense, reduce the amount and extend the maturities of the Company's outstanding long-term debt, improve financial flexibility and increase share owners' equity.

As part of the refinancing plan, the Company is making a cash tender offer (the "Offer") to purchase the Securities and is soliciting consents (the "Solicitation") to the amendments to the Indenture (the "Amendments") (all as described in the Offer to Purchase and Consent Solicitation, dated April 25, 1997 (the "Offer to Purchase and Consent Solicitation")).

In accordance with Section 9.02 of the Indenture, the Holders of at least a majority in principal amount of the outstanding Securities have consented to such Amendments.

The Board of Directors of the Company has duly authorized the execution and delivery of this Supplemental Indenture. In addition, the Company has delivered an Opinion of Counsel to the Trustee pursuant to Section 9.05 of the Indenture and has done all other things necessary to make this Supplemental Indenture a valid agreement of the Company in accordance with the terms hereof and of the Indenture.

This Supplemental Indenture is effective as of the date upon which the conditions set forth in Section 1.09 hereof are satisfied and the Amendments effected by this Supplemental Indenture will become operative on the date the Securities are accepted for payment by the Company pursuant to the Offer.

WHEREFORE, each party agrees as follows for the benefit of the other party and for the equal or ratable benefit of the Holders of the Securities, as follows:

ARTICLE 1. DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. Definitions.

For all purposes of the Indenture and this Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) the words "herein," "hereof" and "hereunder" and other words of similar import refer to the Indenture and this Supplemental Indenture as a whole and not to any particular Article, Section or subdivision; and

(b) certain capitalized terms used but not defined herein shall have the meanings assigned to them in the Indenture.

Section 1.02. Governing Law.

This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

Section 1.03. Successors.

All agreements of the Company in this Supplemental Indenture shall bind its successors. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

Section 1.04. Duplicate Originals.

The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 1.05. Separability.

In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.06. Table of Contents, Headings, Etc.

The Article and Section headings and the Table of Contents of this Supplemental Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms and provisions hereof. Except as expressly provided herein and notwithstanding the elimination of certain Sections of the Indenture as set forth in Article Two hereof, all references to Sections in the Indenture shall remain unchanged.

Section 1.07. Benefits of Supplemental Indenture.

Nothing in this Supplemental Indenture, express or implied, shall give to any person, other than the parties hereto and their successors hereunder, any Paying Agent and the Holders, any benefit or any legal or equitable right, remedy or claim under this Supplemental Indenture.

Section 1.08. Trustee's Disclaimer.

The Trustee makes no representation as to the validity or accuracy of this Supplemental Indenture.

Section 1.09. Effectiveness.

This Supplemental Indenture shall take effect on the date (the Effective Date") that each of the following conditions shall have been satisfied or waived:

(a) each of the parties hereto shall have executed and delivered this Supplemental Indenture; and

(b) the Trustee shall have received an opinion of Latham & Watkins, Counsel to the Company, dated the Effective Date, pursuant to Section 9.05 of the Indenture;

provided, however, that the Amendments set forth in Article Two hereof shall take effect only upon and simultaneously with, and shall have no force and effect prior to, the acceptance for purchase and payment of the Securities tendered pursuant to the Offer.

ARTICLE 2. THE AMENDMENTS

Section 2.01. Amendments.

The Indenture is hereby amended as follows:

(a) The definitions of the following terms are hereby eliminated in their entirety from Section 1.01 of the Indenture:

- (1) "Accelerated Indebtedness";
- (2) "Acquired Indebtedness";
- (3) "Adjusted Consolidated Net Worth";
- (4) "Consolidated Cash Flow Available for Fixed Charges";
- (5) "Consolidated Fixed Charge Ratio";
- (6) "Consolidated Fixed Charges";
- (7) "Consolidated Interest Expense";
- (8) "Consolidated Net Income";
- (9) "Consolidated Net Operating Income";
- (10) "Debenture Indenture";
- (11) "Debentures";
- (12) "Debt Securities";
- (13) "Debt Securities Indentures";
- (14) "Domestic Subsidiary";
- (15) "Effective Time";
- (16) "Foreign Subsidiary";
- (17) "Indenture Trustees";
- (18) "Interest Expense";
- (19) "Junior Debenture Indenture";
- (20) "Junior Debentures";
- (21) "Junior Discount Debenture Indenture";
- (22) "Junior Discount Debentures";
- (23) "Management Investors";
- (24) "Material Subsidiary";
- (25) "Merger";
- (26) "Merger Agreement";
- (27) "Old Owens-Illinois";
- (28) "Permitted Liens";
- (29) "Public Debentures"; and
- (30) "Tender Offer."

(b) Section 4.03 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.03. [Intentionally omitted]."

(c) Section 4.04 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.04. [Intentionally omitted]."

(d) Section 4.05 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.05. [Intentionally omitted]."

(e) Section 4.06 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.06. [Intentionally omitted]."

(f) Section 4.08 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.08. [Intentionally omitted]."

(g) Section 4.13 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.13. [Intentionally omitted]."

(h) Section 4.14 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.14. [Intentionally omitted]."

(i) Section 4.16 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.16. [Intentionally omitted]."

(j) Section 5.01 of the Indenture is hereby amended to state, in its entirety, the following:

"SECTION 5.01 When Company May Merge, Etc.

The Company may not consolidate with, merge with or into, or transfer all or substantially all of its assets (as an entirety or substantially an entirety in one transaction or a series of related transactions), to any person (except a wholly owned Subsidiary of the Company with a positive Consolidated Net Worth, provided that in connection with any merger of the Company with a wholly owned Subsidiary of the Company, no consideration (other than common stock in the surviving corporation or the Company) shall be issued or distributed to the stockholders of the Company) or permit any party to merge with or into it, unless:

(1) the Company shall be the continuing person, or the person (if other than the Company) formed by such consolidation or into which the Company is merged or to which the properties and assets of the Company are transferred shall be a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia and shall expressly assume, by a supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all of the obligations of the Company under the Securities and this Indenture and shall further expressly assume the obligations of the Company under the Company Pledge Agreement, and the obligations of the Guarantor under this Indenture shall remain in full force and effect;

(2) immediately before and immediately after giving effect to such transaction, no Event of Default and no Default shall have occurred and be continuing; and

(3) [Intentionally omitted].

(4) [Intentionally omitted].

(5) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture comply with this Section 5.01 and that all conditions precedent herein provided for relating to such transaction have been complied with."

(k) Section 6.01 of the Indenture is hereby amended to state, in its entirety, the following:

"SECTION 6.01. Events of Default.

An "Event of Default" occurs with respect to the Securities if:

(1) the Company defaults in the payment of interest on the Securities when the same becomes due and payable and the default continues for a period of 30 days;

(2) the Company defaults in the payment of the principal of (or premium, if any, on) any of the Securities when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(3) the Company fails to comply in any respect with any of its other agreements contained in the Securities, the Company Pledge Agreement, for so long as the Securities are secured thereunder, or this Indenture, Group fails to comply in any respect with any of its agreements contained in its initial Guaranty or this Indenture, or, after the date on which the Additional Guaranties and Pledges are granted and for so long as the Securities are secured or guaranteed thereunder, as applicable, Group fails to comply in any respect with any of its agreements contained in the Group Exchange Guaranty or any Subsidiary fails to comply in any respect with any of its agreements contained in a Subsidiary Pledge Agreement or any Subsidiary Guaranty to which it is a party and, in any case, the default continues for the period and after the notice specified below;

(4) [Intentionally omitted].

(5) [Intentionally omitted].

(6) the Company pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case or proceeding,

(B) consents to the entry of an order for relief against it in an involuntary case or proceeding,

(C) consents to the appointment of a Custodian of it for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors, or

(E) generally is unable to pay its debts as the same become due; or

(7) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company in an involuntary case or proceeding,

(B) appoints a Custodian of the Company for all or substantially all of its properties, or

(C) orders the liquidation of the Company,

and in each case the order or decree remains unstayed and in effect for 60 days.

The term "Bankruptcy Law" means Title 11 of the United States Code or any similar Federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator, sequestrator or similar official under Bankruptcy Law.

In the case of any Event of Default pursuant to the provisions of this Section 6.01 occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium which the Company would have had to pay if the Company then had elected to redeem the Securities pursuant to paragraph 5 of the Securities, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law, anything contained in this Indenture or in the Securities to the contrary notwithstanding.

A Default under clause (3) is not an Event of Default until the Trustee notifies the Company in writing, or the Holders of at least 50% of the principal amount of the Securities outstanding notify the Company and the Trustee in writing, of the Default and the Company does not cure the Default within 30 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." Such notice shall be given by the Trustee if so requested in writing by the Holders of 50% of the principal amount of the Securities then outstanding."

(1) Section 6.02 of the Indenture is hereby amended to state, in its entirety, the following:

"SECTION 6.02. Acceleration.

If an Event of Default (other than an Event of Default specified in Section 6.01(6) or (7)) occurs and is continuing, the Trustee or the Holders

of at least 50% of the principal amount of the Securities then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare all unpaid principal of, premium, if any, and accrued interest on the Securities to be due and payable, as specified below. Upon a declaration of acceleration, such principal, premium, if any, and accrued interest shall be due and payable. If an Event of Default specified in Section 6.01(6) or (7) occurs, all unpaid principal of, premium, if any, and accrued interest on the Securities then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. The Holders of at least a majority in principal amount of the Securities by notice to the Trustee may rescind an acceleration and its consequences if (i) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Securities which have become due solely by such declaration of acceleration, have been cured or waived, and (ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction."

(m) Section 8.01 of the Indenture is hereby amended to state, in its entirety, the following:

"SECTION 8.01. Termination of Company's Obligations.

Except as otherwise provided in this Section 8.01 the Company may terminate its obligations under the Securities and this Indenture, and the obligations of each Guarantor shall terminate, if:

(a) all Securities previously authenticated and delivered (other than destroyed, lost or stolen Securities which have been replaced or Securities which are paid pursuant to Section 4.01 or Securities for whose payment money or securities has theretofore been held in trust and thereafter repaid to the Company, as provided in Section 8.03) have been delivered to the Trustee for cancellation and the Company has paid all sums payable by it hereunder; or

(b) (1) the Securities mature within one year or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption; and

(2) the Company irrevocably deposits in trust with the Trustee during such one-year period, under the terms of an irrevocable trust agreement in form and substance satisfactory to the Trustee, as trust funds solely for the benefit of the Holders for that purpose, money or Government Securities (as defined in clause (c)(1) below) sufficient (in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee), without consideration of any reinvestment of such interest, to pay principal and interest on the Securities to maturity or redemption, as the case may be, and to pay all other sums payable by

it hereunder; or

(c) (1) the Company has irrevocably deposited or caused to be deposited with the Trustee or Paying Agent and conveyed all right, title and interest for the benefit of the Holders, under the terms of an irrevocable trust agreement in form and substance satisfactory to the

Trustee, as trust funds in trust solely for the benefit of the Holders for that purpose, money or direct non-callable obligations of, or non-callable obligations guaranteed by, the United States of America for the payment of which guaranty or obligation the full faith and credit of the United States is pledged ("Government Securities") maturing as to principal and interest in such amounts and at such times as are sufficient (in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee), without consideration of any reinvestment of such interest, to pay principal of, premium, if any, and interest on the outstanding Securities to redemption or maturity,

provided that the Trustee or Paying Agent shall have been irrevocably instructed to apply such money or the proceeds of such Government Securities to the payment of said principal, premium, if any, and interest with respect to the Securities;

(2) no Default or Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit;

(3) the Company shall have delivered to the Trustee either (A) a ruling directed to the Trustee received from the Internal Revenue Service to the effect that the Holders of the Securities will not recognize income, gains or loss for Federal income tax purposes as a result of the Company's exercise of its option under this Section 8.01(c) and will be subject to Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such option had not been exercised or (B) an Opinion of Counsel to the same effect as the ruling described in clause (A) accompanied by a ruling to that effect published by the Internal Revenue Service, unless there has been a change in the applicable Federal income tax law since the date of this Indenture such that a ruling from the Internal Revenue Service is no longer required;

(4) the Company has paid or caused to be paid all sums then payable by the Company hereunder and under the Securities; and

(5) the Company has delivered to the Trustee an Officers ' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the foregoing clause (c), prior to the end of the passage of 90 days following the deposit of trust funds, none of the Company's obligations under this Indenture shall be discharged. With respect to the foregoing clause (b), and subsequent to the end of such 90-day period with respect to the foregoing clause (c), the Company's obligations and, to the extent applicable, each Guarantor's obligations, in Sections 2.02, 2.03, 2.04, 2.05, 2.06, 2.11, 4.01, 4.02, 7.06, 7.07, 8.03 and 8.04, the initial Guaranty by Group, the Company Pledge Agreement, and, after the date on which the Additional Guaranties and Pledges are granted and for so long as the Securities are guaranteed and secured thereunder, any Subsidiary Pledge Agreement, the Group Exchange Guaranty, and any Subsidiary Guaranty shall survive until the Securities are no longer outstanding. Thereafter, only the

Company's obligations and, to the extent applicable, Group's obligations, in Sections 7.06, 8.03 and 8.04 shall survive. If and when a ruling from the Internal Revenue Service or Opinion of Counsel referred to in clause (3) above is able to be provided specifically without regard to, and not in reliance upon, the continuance of the Company's obligations under Section 4.01, then the Company's and each Guarantor's (to the extent applicable) obligations under such Section 4.01 and Section 10.01, the Company Pledge Agreement and, after the date on which the Additional Guaranties and Pledges are granted and not previously released, any Subsidiary Pledge Agreement, the Group Exchange Guaranty, and any Subsidiary Guaranty shall cease upon delivery to the Trustee of such ruling or Opinion of Counsel and compliance with the other conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture.

After any such irrevocable deposit the Trustee upon request shall acknowledge in writing the discharge of the Company's and each Guarantor's obligations under the Securities, the Company Pledge Agreement, any Subsidiary Pledge Agreement, if applicable, each Guaranty and this Indenture except for those surviving obligations specified above."

ARTICLE 3.

ENDORSEMENT AND CHANGE OF FORM OF SECURITIES

Section 3.01. Notice to Securityholders.

After the Amendments become effective, the Company shall mail to Holders a notice briefly describing such Amendments.

Section 3.02. Notation on Securities.

(a) Securities authenticated and delivered after the effectiveness of this Supplemental Indenture shall bear the following notation:

"The Company and the Trustee have entered into a Supplemental Indenture, dated as of May 9, 1997, which (i) amended and/or eliminated certain restrictive covenants contained in Articles IV and V of the Indenture; (ii) amended certain provisions with respect to defaults and remedies contained in Article VI of the Indenture and (iii) amended certain provisions contained in Article VIII of the Indenture. Reference is hereby made to such Supplemental Indenture, copies of which are on file with The Bank of New York, Trustee."

The Trustee may require holders of Securities authenticated and delivered prior to the effectiveness of this Supplemental Indenture to deliver such Securities to the Trustee so that the Trustee may place the aforementioned notation on such Securities.

(b) If the Company or the Trustee so determines, the Company, in exchange for the Securities, shall issue and the Trustee shall authenticate new securities that reflect the changed terms.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

OWENS-ILLINOIS, INC.,
Issuer

BY: /s/David G. Van Hooser

Name: David G. Van Hooser
Title: Senior Vice President and
Director of Corporate
Strategy and Treasurer

THE BANK OF NEW YORK,
Trustee

BY: /s/Lucille Firrincieli

Name: Lucille Firrincieli
Title: Assistant Vice President

EACH GUARANTOR hereby acknowledges and consents to the terms and provisions of this Supplemental Indenture.

OWENS-ILLINOIS GROUP, INC.
Owens-Brockway Packaging, Inc.
OI Closure FTS Inc.
OI Plastic Products FTS Inc.
O-I Health Care Holding Corp.
OI General FTS Inc.
OI General Finance Inc.
Owens-Brockway Glass Container Inc.
OI IONE STS Inc.
Owens-Illinois Closure Inc.
Specialty Packaging Licensing Company
Owens-Brockway Plastic Products Inc.
Owens-Illinois Prescription Products Inc.
Owens-Illinois Labels Inc.
Owens-Illinois General Inc.
OI Castalia STS Inc.
OI Levis Park STS Inc.
OI AID STS Inc.

BY: /s/David G. Van Hooser

Name: David G. Van Hooser
Title: Vice President and Treasurer
of each of the foregoing
Guarantors

SECOND AMENDMENT
TO
SECOND AMENDED AND RESTATED STOCK OPTION PLAN
FOR KEY EMPLOYEES OF OWENS-ILLINOIS, INC.

Pursuant to the authority reserved to the Compensation Committee (the "Committee") of the Board of Directors of Owens-Illinois, Inc. (the "Company") under Section 7.2 of the Second Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc. (the "Plan"), the Committee hereby amends the Plan as follows:

1. Article I of the Plan is amended by the addition thereto of a new Section 1.1, to read, in its entirety, as follows:

Section 1.1 - Additional Option

"Additional Option" means an Option granted to an Optionee to purchase a number of shares of Common Stock equal to the number of shares of Common Stock tendered or relinquished by the Optionee in payment of the exercise price upon exercise of an Option and/or the number of shares of Common Stock tendered or relinquished in payment of the amount to be withheld under applicable federal, state and local income tax laws in connection with the exercise of an option as described in Article VIII.

2. Article I of the Plan is amended by the addition thereto of a new Section 1.2, to read, in its entirety, as follows:

Section 1.2 - Additional Option Feature

"Additional Option Feature" means a feature of an Option that provides for the automatic grant of an Additional Option in accordance with the provisions described in Article VIII.

3. Existing Sections 1.1 through 1.24, inclusive, of the Plan are amended by redesignating such Sections as Sections 1.3 through 1.26.

4. Section 2.1 of the Plan is amended by the addition at the end of the second sentence the following:

For purposes of determining the number of shares that may be sold under the Plan, such number shall increase by the number of shares of Common Stock tendered or relinquished to the Corporation (a) in connection with the exercise of an Option or (b) in payment of federal, state and local income tax withholding liabilities upon exercise of an Option.

5. Section 5.3(b)(ii) of the Plan is amended to read, in its entirety, as follows:

(ii) With the consent of the Committee, (A) shares of the Company's Common Stock owned by the Optionee duly endorsed for transfer to the Company, or, (B) shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option, with a Fair Market Value on the date of Option exercise equal to the aggregate Option price of the shares with respect to which such Option or portion is thereby exercised; or

6. Section 5.3(c) of the Plan is amended to read, in its entirety, as follows:

(c) The payment to the Company (or other employer corporation) of all amounts which it is required to withhold under federal, state or local law in connection with the exercise of the Option; with the consent of the Committee, (i) shares of the Company's Common Stock owned by the Optionee duly endorsed for transfer, or, (ii) shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option, valued at Fair Market Value as of the date of Option exercise, may be used to make all or part of such payment;

7. Section 5.4 of the Plan is amended by deleting it in its entirety.

8. Sections 5.5 through 5.7, inclusive, of the Plan are amended by redesignating such Sections as Sections 5.4 through 5.6.

9. The first sentence of Section 5.6, as redesignated, of the Plan is amended by deleting it in its entirety.

10. The first sentence of Section 6.1 of the Plan is amended to read, in its entirety, as follows:

The Compensation Committee shall consist of two or more Directors, appointed by and holding office at the pleasure of the Board.

11. The last sentence of Section 6.2 of the Plan is amended to read, in its entirety, as follows:

In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under this Plan except with respect to matters which under Rule 16b-3 or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

12. The Plan is amended by the addition thereto after the end of Article VII of the following:

ARTICLE VIII

ADDITIONAL OPTIONS

Section 8.1 - Additional Options

(a) The Committee may, at or after the date of grant of an Option, grant Additional Options. Additional Options may be granted with respect to any outstanding Option.

(b) If, with the consent of the Committee pursuant to Section 5.3(b)(ii), an Optionee exercises an Option that has an Additional Option Feature by tendering or relinquishing shares of Common Stock and/or when shares of Common Stock are tendered or relinquished in payment for the amount to be withheld under applicable federal, state and local income tax laws (at withholding rates not to exceed the Optionee's applicable marginal tax rates) in connection with the exercise of an option, the Optionee shall automatically be granted an Additional Option. The Additional Option shall be subject to the following provisions:

(i) The Additional Option shall cover the number of shares of Common Stock equal to the sum of (A) the number of shares of Common Stock tendered or relinquished as consideration upon the exercise of the Option to which such Additional Option Feature relates and (B) the number of shares of Common Stock tendered or relinquished in payment of the amount to be withheld under applicable federal, state and local income tax laws in connection with the exercise of the option to which such Additional Option Feature relates;

(ii) The Additional Option will not have an Additional Option Feature unless the Committee directs otherwise;

(iii) The Additional Option exercise price shall be 100% of the Fair Market Value per share on the date the employee tenders or relinquishes shares of Common Stock to exercise the Option that has the Additional Option Feature and/or tenders or relinquishes shares of Common Stock in payment of income tax withholding on the exercise of an Option that has the Additional Option Feature; and

(iv) The Additional Option shall have the same termination date and other termination provisions as the underlying Option that had the Additional Option Feature.

13. This Second Amendment shall be effective on or as of the date of its approval by the stockholders of the Company. In all other respects the Plan shall remain in full force and effect as originally adopted.

* * * *

I hereby certify that the foregoing Second Amendment to Second Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc. was duly adopted by the Compensation Committee of the Board of Directors of Owens-Illinois, Inc. on March 18, 1997.

Executed as of the 15th day of May, 1997.

/s/ Thomas L. Young

Secretary

Corporate Seal

* * * *

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of Owens-Illinois, Inc. on March 27, 1997.

Executed as of the 15th day of May, 1997.

/s/ Thomas L. Young

Secretary

* * * *

I hereby certify that the foregoing Plan was duly approved by the stockholders of Owens-Illinois, Inc. on May 14, 1997.

Executed as of the 15th day of May, 1997.

/s/ Thomas L. Young

Secretary

SECOND AMENDMENT TO AMENDED AND RESTATED
OWENS-ILLINOIS, INC. SENIOR MANAGEMENT INCENTIVE PLAN

Pursuant to authority reserved and duly delegated to the Compensation Committee (the "Committee") of the Board of Directors of Owens-Illinois, Inc. (the "Company") under the Amended and Restated Owens-Illinois, Inc. Senior Management Incentive Plan (the "Plan"), the Committee hereby amends the Plan as follows:

1. Paragraph 2 of the Plan is amended by the addition thereto, in appropriate alphabetical order, of the following new definitions:

"Equity Participation Plan" means the 1997 Equity Participation Plan of Owens-Illinois, Inc. executed May 15, 1997, as amended from time to time.

"Fair Market Value" shall have the meaning set forth in the Equity Participation Plan.

"Restricted Stock" shall have the meaning set forth in the Equity Participation Plan.

2. Paragraph 9.1 of the Plan is amended to read as follows:

9.1 Except to the extent deferred at the option of an Executive in accordance with a Deferred Compensation Plan, and/or except to the extent distributable in the form of Restricted Stock at the option of an Executive in accordance with paragraph 9.4 hereof, each Executive's Annual Bonuses for each year, determined in accordance with paragraph 8 hereof, shall be paid to him in cash no later than March 15 of the following year.

3. Paragraph 9 of the Plan is amended by the addition thereto, at the end thereof, of the following new paragraph 9.4:

9.4 From time to time the Committee may grant to any Executive eligible for an Annual Bonus under the Plan the option to receive all or any specified part of such Annual Bonus in Restricted Stock. On or before October 1 (or such subsequent date not later than December 31, as determined by the Committee) of any year for which the Committee has granted such an option, any Executive to whom such an option has been granted may elect, by written notice to the Committee, to receive distribution of all or any specified part of his Annual Bonus for such year in the form of Restricted Stock with a Fair Market Value at the date of distribution equal to 100 percent (or such higher percent as determined by the Committee) of the dollar amount of such Annual Bonus or part thereof if payable in cash. If so elected, such distribution shall be made no later than March

15 of the following year, in accordance with applicable provisions of the Equity Participation Plan. The terms of the Restricted Stock shall be set forth in a Restricted Stock Agreement, the form and content of which shall be approved by the Committee.

4. This Second Amendment shall be effective as of January 1, 1997. In all other respects the Plan shall remain in full force and effect as originally adopted and heretofore amended.

IN WITNESS WHEREOF, the Committee has caused this Second Amendment to be executed by a duly authorized officer of the Company this 23rd day of May, 1997.

Owens-Illinois, Inc.

By /s/ Thomas L. Young

Executive Vice President

Attest:

/s/ James W. Baehren

Assistant Secretary

THIRD AMENDMENT TO AMENDED AND RESTATED
OWENS-ILLINOIS, INC. SENIOR MANAGEMENT INCENTIVE PLAN

Pursuant to authority reserved and duly delegated to the Compensation Committee (the "Committee") of the Board of Directors of Owens-Illinois, Inc. (the "Company") under the Amended and Restated Owens-Illinois, Inc. Senior Management Incentive Plan (the "Plan"), the Committee hereby amends the Plan as follows:

1. Paragraph 6 of the Plan is amended to read as follows:

6. Performance Objectives. The Board, on recommendation of the CEO, shall establish one or more Performance Objectives for the Company for each year, each of which shall be expressed as the attainment by the Company, at the end of such year, of a specified measurable operating, financial, or other objective, such as (but not limited to) a specified rate of Return on Net Assets or shareholders equity or a specified rate of earnings per share. The Board may, in its discretion on recommendation of the CEO, establish separate Performance Objectives for one or more Units for any year, expressed as the attainment by such Unit, at the end of such year, of a specified measurable operating, financial, or other objective, such as (but not limited to) a specified rate of Return on Net Assets or shareholders equity or a specified rate of earnings per share. Each year's Performance Objective(s) shall be established before or as soon as practicable after the beginning of such year, and each Executive shall thereupon be notified thereof.

2. Paragraph 7 of the Plan is amended to read as follows:

7. Operating Results. As soon as practicable after the end of each year, the specific objective or objectives used as the Performance Objective(s) for such year for the Company and for each Unit shall be determined and reported to the Board and the CEO. The Company's Operating Results for each year, for purposes of the Plan, shall be the percentage which the specific objective or objectives used as the Performance Objective(s) for such year, as so reported, is of the Company's Performance Objective(s) for such year. Each Unit's Operating Results for each year, for purposes of the Plan, shall be the percentage which the Unit's specific objective or objectives used as the Performance Objective(s) for such year, as so reported, is of the Company's or, if established, the Unit's Performance Objective(s) for such year.

3. Paragraph 8.4 of the Plan is amended to read as follows:

8.4 To the extent payable in accordance with paragraph 8.2 hereof, the Discretionary component of the Bonus Pool shall be paid to Executives as Annual Bonuses in the discretion of the CEO or, in the case of the CEO's Annual Bonus, in the discretion of the Board, taking into consideration, in addition to the Company's or a Unit's Operating Results as defined for purposes of this Plan, an Executive's contributions to the Company's other financial and non-financial objectives, such as quality of service and products, customer satisfaction, adherence to or furtherance of the Company's legal and ethical policies, product development, market share, improvement in financial indicators of the Company's success other than the specific objective or objectives used as the Performance Objective(s) for such year, and effective response to adverse economic conditions or to unforeseen adverse events beyond the control of the Company or a Unit.

4. This Third Amendment shall be effective as of January 1, 1997. In all other respects the Plan shall remain in full force and effect as originally adopted and heretofore amended.

IN WITNESS WHEREOF, the Committee has caused this Third Amendment to be executed by a duly authorized officer of the Company as of the 18th day of July, 1997.

Owens-Illinois, Inc.

By /s/ Thomas L. Young

Executive Vice President

Attest:

/s/ James W. Baehren

Assistant Secretary

FIRST AMENDMENT TO AMENDED AND RESTATED
OWENS-ILLINOIS, INC. PERFORMANCE AWARD PLAN

Pursuant to authority reserved and duly delegated to the Compensation Committee (the "Committee") of the Board of Directors of Owens-Illinois, Inc. (the "Company") under the Amended and Restated Owens-Illinois, Inc. Performance Award Plan (the "Plan"), the Committee hereby amends the Plan as follows:

1. Paragraph 2 of the Plan is amended by the addition thereto, in appropriate alphabetical order, of the following new definitions:

"Equity Participation Plan" means the 1997 Equity Participation Plan of Owens-Illinois, Inc. Executed as of May 15, 1997, as amended from time to time.

"Fair Market Value" shall have the meaning set forth in the Equity Participation Plan.

"Restricted Stock" shall have the meaning set forth in the Equity Participation Plan.

2. Paragraph 9.1 of the Plan is amended to read as follows:

9.1 Except to the extent deferred at the option of a Participant in accordance with a Deferred Compensation Plan, and/or except to the extent distributable in the form of Restricted Stock at the option of a Participant in accordance with paragraph 9.4 hereof, each Participant's Performance Award for each Award Period, to the extent earned and payable as determined in accordance with paragraph 8 hereof, shall be paid to him in cash no later than March 15 of the year following the end of such Award Period.

3. Paragraph 9 of the Plan is amended by the addition thereto, at the end thereof, of the following new paragraph 9.4:

9.4 From time to time the Committee may grant to any Participant eligible for a Performance Award under the Plan the option to receive all or any specified part of such Award in Restricted Stock. On or before October 1 (or such subsequent date not later than December 31, as determined by the Committee) of the final year within an Award Period for which the Committee has granted such an option, any Participant to whom such an option has been granted may elect, by written notice to the Committee, to receive distribution of all or any specified part of his Performance Award for such Award Period in the form of Restricted Stock with a Fair Market Value at the date of distribution equal to 100 percent (or such higher percent as determined by the

Committee) of the dollar amount of such Award or part thereof if payable in cash. If so elected, such distribution shall be made no later than March 15 of the year following the end of such Award Period, in accordance with applicable provisions of the Equity Participation Plan. The terms of the Restricted Stock shall be set forth in a Restricted Stock Agreement, the form and content of which shall be approved by the Committee.

4. This First Amendment shall be effective as of January 1, 1997. In all other respects the Plan shall remain in full force and effect as originally adopted.

IN WITNESS WHEREOF, the Committee has caused this First Amendment to be executed by a duly authorized officer of the Company this 23rd day of May, 1997.

Owens-Illinois, Inc.

By /s/ Thomas L. Young

Executive Vice President

Attest:

/s/ James W. Baehren

Assistant Secretary

1997 EQUITY PARTICIPATION PLAN

OF

OWENS-ILLINOIS, INC.

OWENS-ILLINOIS, INC., a Delaware corporation, has adopted the 1997 Equity Participation Plan of Owens Illinois, Inc. (the "Plan"), effective May 14, 1997, for the benefit of its eligible employees. The purposes of this Plan are as follows:

(1) To further the growth, development and financial success of the Company by providing additional incentives to certain of its key Employees (as defined hereunder) who have been or will be given responsibility for the management or administration of the Company's business affairs, by assisting them to become owners of capital stock of the Company and thus to benefit directly from its growth, development and financial success.

(2) To enable the Company to obtain and retain the services of the type of professional, technical and managerial employees considered essential to the long-range success of the Company by providing and offering them an opportunity to become owners of capital stock of the Company under options, including options that are intended to qualify as "incentive stock options" under Section 422 of the Code (as defined hereunder).

ARTICLE I

DEFINITIONS

Whenever the following terms are used in this Plan, they shall have the meaning specified below unless the context clearly indicates to the contrary. The masculine pronoun shall include the feminine and neuter and the singular shall include the plural, where the context so indicates.

Section 1.1 - Additional Option

"Additional Option" means an Option granted to an Optionee to purchase a number of shares of Common Stock equal to the number of shares of Common Stock tendered or relinquished by the Optionee in payment of the exercise price upon exercise of an Option and/or the number of shares of Common Stock tendered or relinquished in payment of the amount to be withheld under applicable federal, state and local income tax laws in connection with the exercise of an option as described in Article VI.

Section 1.2 - Additional Option Feature

"Additional Option Feature" means a feature of an Option that provides for the automatic grant of an Additional Option in accordance with the provisions described in Article VI.

Section 1.3 - Award

"Award" shall mean an Option or Restricted Stock granted under this Plan.

Section 1.4 - Award Limit

"Award Limit" shall mean 500,000 shares of Common Stock or, as the context may require, Options to acquire 500,000 shares of Common Stock.

Section 1.5 - Board

"Board" shall mean the Board of Directors of the Company.

Section 1.6 - Code

"Code" shall mean the Internal Revenue Code of 1986, as amended.

Section 1.7 - Committee

"Committee" shall mean the Compensation Committee of the Board, appointed as provided in Section 8.1

Section 1.8 - Common Stock

"Common Stock" shall mean the Company's common stock, \$.01 par value.

Section 1.9 - Company

"Company" shall mean Owens-Illinois, Inc. In addition, "Company" shall mean any corporation assuming, or issuing new employee stock options in substitution for, Incentive Stock Options, outstanding under the Plan, in a transaction to which Section 424(a) of the Code applies.

Section 1.10 - Director

"Director" shall mean a member of the Board.

Section 1.11 - Employee

"Employee" shall mean any employee (as defined in accordance with the regulations and revenue rulings then applicable under Section 3401(c) of the Code) of the Company, or of any corporation which is then a Parent Corporation or a Subsidiary, whether such employee is so employed at the time this Plan is adopted or becomes so employed subsequent to the adoption of this Plan.

Section 1.12 - Exchange Act

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

Section 1.13 - Fair Market Value

"Fair Market Value" of a share of the Company's stock as of a given date shall be: (i) the closing price of a share of the Company's stock on the principal exchange on which shares of the Company's stock are then trading, if any, on the day previous to such date, or, if shares were not traded on the day previous to such date, then on the next preceding trading day during which a sale occurred; or (ii) if such stock is not traded on an exchange but is quoted on NASDAQ or a successor quotation system, (1) the last sales price (if the stock is then listed as a National Market Issue under the NASD National Market System) or (2) the mean between the closing representative bid and asked prices (in all other cases) for the stock on the day previous to such date as reported by NASDAQ or such successor quotation system; or (iii) if such stock is not publicly traded on an exchange and not quoted on NASDAQ or a successor quotation system, the mean between the closing bid and asked prices for the stock, on the day previous to such date, as determined in good faith by the Committee; or (iv) if the Company's stock is not publicly traded, the fair market value established by the Committee acting in good faith.

Section 1.14 - Incentive Stock Option

"Incentive Stock Option" shall mean an Option which qualifies under Section 422 of the Code and which is designated as an Incentive Stock Option by the Committee.

Section 1.15 - Non-Qualified Option

"Non-Qualified Option" shall mean an Option which is not an Incentive Stock Option and which is designated as a Non-Qualified Option by the Committee.

Section 1.16 - Officer

"Officer" shall mean an officer of the Company, as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as such Rule may be amended in the future.

Section 1.17 - Option

"Option" shall mean an option to purchase capital stock of the Company, granted under the Plan. "Options" includes both Incentive Stock Options and Non-Qualified Options.

Section 1.18 - Optionee

"Optionee" shall mean an Employee to whom an Option or Restricted Stock, as the case may be, is granted under the Plan.

Section 1.19 - Parent Corporation

"Parent Corporation" shall mean any corporation in an unbroken chain of corporations ending with the Company if each of the corporations other than the Company then owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Section 1.20 - Plan

"Plan" shall mean this 1997 Equity Participation Plan of Owens-Illinois, Inc.

Section 1.21 - Restricted Stock

"Restricted Stock" shall mean Common Stock awarded under Article VII of this Plan.

Section 1.22 - Restricted Stock Agreement

"Restricted Stock Agreement" shall mean Restricted Stock Agreement as provided in Section 7.2.

Section 1.23 - Rule 16b-3

"Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended in the future.

Section 1.24 - Secretary

"Secretary" shall mean the Secretary of the Company.

Section 1.25 - Section 162(m) Participant

"Section 162(m) Participant" shall mean any key Employee designated by the Committee as a key Employee whose compensation for the fiscal year in which the key Employee is so designated or a future fiscal year may be subject to the limit on deductible compensation imposed by Section 162(m) of the Code.

Section 1.26 - Securities Act

"Securities Act" shall mean the Securities Act of 1933, as amended.

Section 1.27 - Subsidiary

"Subsidiary" shall mean any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. "Subsidiary" shall also mean any

partnership in which the Company and/or any Subsidiary owns more than 50% of the capital or profits interests.

Section 1.28 - Termination of Employment

"Termination of Employment" shall mean the time when the employee-employer relationship between the Optionee or holder of Restricted Stock and the Company, a Parent Corporation or a Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, total disability or retirement, but excluding (i) terminations where there is a simultaneous reemployment by the Company, a Parent Corporation or a Subsidiary or (ii) except with respect to an Incentive Stock Option, terminations where the Optionee or holder of Restricted Stock continues a relationship (e.g., as a director or as a consultant) with the Company, a Parent Corporation or a Subsidiary. The Committee, in its absolute discretion, shall determine the effect of all other matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a Termination of Employment resulted from a discharge for good cause, and all questions of whether particular leaves of absence constitute Terminations of Employment; provided, however, that, with respect to Incentive Stock Options, a leave of absence shall constitute a Termination of Employment if, and to the extent that, such leave of absence interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section. Notwithstanding any other provision of this Plan, the Company or any of its subsidiaries has an absolute and unrestricted right to terminate the Optionee's or holder of Restricted Stock's employment at any time for any reason whatsoever, with or without cause.

Section 1.29 - Transferable Option

"Transferable Option" means a Non-Qualified Option which by its terms, as determined by the Committee and set forth in the applicable Option Agreement (or an amendment thereto), may be transferred by the Optionee, in writing and with written notice thereof to the Committee, by gift, without the receipt of any consideration, (i) to such Optionee's spouse; (ii) to any child or more remote lineal descendant of such Optionee or to the spouse of any such child or more remote lineal descendant; or (iii) to any trust, custodianship, or other similar fiduciary relationship maintained for the benefit of any one or more of such persons, but is otherwise nontransferable except by will or the applicable laws of descent and distribution.

Section 1.30 - Transferee

"Transferee" shall mean any person or entity to whom or to which an Optionee has transferred a Transferable Option.

ARTICLE II

SHARES SUBJECT TO PLAN

Section 2.1 - Shares Subject to Plan

(a) The shares of stock subject to Options and awards of Restricted Stock shall be shares of the Company's \$.01 par value Common Stock.

The aggregate number of such shares which may be issued upon exercise of such Options or upon any such awards of Restricted Stock shall not exceed 10,000,000. For purposes of determining the number of shares of Common Stock that may be sold under the Plan, such number shall increase by the number of shares tendered or relinquished to the Corporation (a) in connection with the exercise of an Option or (b) in payment of federal, state and local income tax withholding liabilities upon exercise of an Option or award or vesting of Restricted Stock.

(b) The maximum number of shares which may be subject to Awards granted under the Plan to any Employee in any calendar year shall not exceed the Award Limit.

Section 2.2 - Unexercised Options

If any Option expires or is cancelled without having been fully exercised, the number of shares subject to such Option but as to which such Option was not exercised prior to its expiration or cancellation may again be granted hereunder, subject to the limitations of Section 2.1. If any Restricted Stock is repurchased by the Company or forfeited in connection with a Termination of Employment or otherwise, the number of shares repurchased or forfeited may again be granted hereunder, subject to the limitations of Section 2.1.

Section 2.3 - Changes in Company's Shares

In the event that the outstanding shares of Common Stock of the Company are hereafter changed into or exchanged for a different number or kind of shares or other securities of the Company, or of another corporation, by reason of reorganization, merger, consolidation, recapitalization, reclassification, or the number of shares is increased or decreased by reason of a stock split-up, stock dividend, combination of shares or any other increase or decrease in the number of such shares of Common Stock effected without receipt of consideration by the Company (provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration"), the Committee shall make appropriate adjustments in the number and kind of shares for the purchase of which Options may be granted or which may be granted as Restricted Stock, including adjustments of the limitations in Section 2.1 on the maximum number and kind of shares which may be issued on exercise of Options and for the grants of Restricted Stock, and of the Award Limit set forth in Section 1.4.

ARTICLE III

GRANTING OF OPTIONS

Section 3.1 - Eligibility

Any key Employee of the Company or of any corporation which is then a Parent Corporation or a Subsidiary shall be eligible to be granted Options, except as provided in Section 3.2.

Section 3.2 - Qualification of Incentive Stock Options

No Incentive Stock Option shall be granted unless such Option, when granted, qualifies as an "incentive stock option" under Section 422 of the Code.

3.3 - Granting of Options

(a) The Committee shall from time to time, in its absolute discretion:

(i) Determine which Employees are key Employees and select from among the key Employees (including those to whom Options have been previously granted under the Plan) such of them as in its opinion should be granted Options; and

(ii) Determine the number of shares to be subject to such Options granted to such selected key Employees, and determine whether such Options are to be Incentive Stock Options or Non-Qualified Options; and

(iii) Determine the terms and conditions of such Options, consistent with the Plan, including, but not limited to:

(A) such terms and conditions as may be required in order for such Options to qualify as performance-based compensation as described in Section 162(m)-(4)(C) of the Code if the Committee determines that such Options should so qualify; and/or

(B) such terms and conditions as may be required in order to make a Non-Qualified Option a Transferable Option.

(b) Upon the selection of a key Employee to be granted an Option, the Committee shall instruct the Secretary to issue such Option and may impose such conditions on the grant of such Option as it deems appropriate. Without limiting the generality of the preceding sentence, the Committee may, in its discretion and on such terms as it deems appropriate, require as a condition on the grant of an Option to an Employee that the Employee surrender for cancellation some or all of the unexercised Options which have been previously granted to him. An Option the grant of which is conditioned upon such

surrender may have an Option price lower (or higher) than the Option price of the surrendered Option, may cover the same (or a lesser or greater) number of shares as the surrendered Option, may contain such other terms as the Committee deems appropriate and shall be exercisable in accordance with its terms, without regard to the number of shares, price, Option period or any other term or condition of the surrendered Option.

ARTICLE IV

TERMS OF OPTIONS

Section 4.1 - Option Agreement

Each Option shall be evidenced by a written Stock Option Agreement, which shall be executed by the Optionee and an authorized Officer of the Company and which shall contain such terms and conditions as the Committee shall determine, consistent with the Plan, including, but not limited to such terms and conditions as may be required in order for such Option to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code if the Committee determines that such Option should so qualify. Stock Option Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to qualify such Options as "incentive stock options" under Section 422 of the Code. Stock Option Agreements evidencing Transferable Options shall contain (or may be amended to contain) such terms and conditions as may be necessary to meet the definition of a Transferable Option under Section 1.29 hereof.

Section 4.2 - Option Price

The price of the shares subject to each Option shall be set by the Committee; provided, however, that the price per share shall be not less than 100% of the Fair Market Value of such shares on the date such Option is granted; provided, further, that, in the case of an Incentive Stock Option, the price per share shall not be less than 110% of the Fair Market Value of such shares on the date such Option is granted in the case of an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company, any Subsidiary or any Parent Corporation.

Section 4.3 - Commencement of Exercisability

(a) No Option may be exercised in whole or in part during the first year after such Option is granted, except as may be provided in Sections 4.3(c) and 4.6.

(b) Subject to the provisions of Sections 4.3(a), 4.3(c), 4.3(d), 4.6 and 9.4, Options shall become exercisable at such times and in such installments (which may be cumulative) as the Committee shall provide in the terms of each individual Option; provided, however, that by a resolution adopted after an Option is granted the Committee may, on such terms and

conditions as it may determine to be appropriate and subject to Sections 4.3(a), 4.3(c), 4.3(d), 4.6 and 9.4, accelerate the time at which such Option or any portion thereof may be exercised.

(c) No portion of an Option which is unexercisable at Termination of Employment shall thereafter become exercisable; provided, however, that provision may be made that such Option shall become exercisable in the event of a Termination of Employment because of the Optionee's retirement or total disability (each as determined by the Committee in accordance with Company policies) or death; and provided further, that in the event the Committee extends the right of an Optionee to exercise his or her Option pursuant to Section 4.4(a)(vii) below, the Committee may also provide that such Option shall become exercisable immediately, or in accordance with the schedule of exercisability which would be applicable to such Option but for the Optionee's Termination of Employment, or in accordance with any other schedule determined in the Committee's discretion.

(d) To the extent that the aggregate Fair Market Value of stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by an Optionee during any calendar year (under the Plan and all other incentive stock option plans of the Company, any Subsidiary and any Parent Corporation) exceeds \$100,000, such options shall be taxed as Non-Qualified Options. The rule set forth in the preceding sentence shall be applied by taking options into account in the order in which they were granted. For purposes of this Section 4.3(d), the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted.

Section 4.4 - Expiration of Options

(a) No Option may be exercised to any extent by anyone after the first to occur of the following events:

(i) In the case of an Incentive Stock Option, (A) the expiration of ten years from the date the Option was granted, or (B) in the case of an Optionee owning (within the meaning of Section 424(d) of the Code), at the time the Option was granted, more than 10% of the total combined voting power of all classes of stock of the Company, any Subsidiary or any Parent Corporation, the expiration of five years from the date the Option was granted; or

(ii) In the case of a Non-Qualified Option, the expiration of ten years and one day from the date the Option was granted; or

(iii) Except as provided in clauses (iv) through (viii) below, the date of the Optionee's Termination of Employment; or

(iv) In the case of an Optionee who is totally disabled (within the meaning of Section 22(e)(3) of the Code for purposes of an Incentive Stock Option, or otherwise as determined by the Committee in accordance with Company policies), the expiration of one year from the

date of the Optionee's Termination of Employment by reason of his or her disability unless the Optionee dies within said one-year period; or

(v) In the case of an Optionee who retires after reaching the Company's normal retirement age or who takes early retirement, the expiration of three months from the date of Optionee's Termination of Employment by reason of such retirement, or in the case of any such retiring Optionee whose right to exercise his or her Option is extended by the Committee, which extension shall not exceed three years from the date of Optionee's Termination of Employment, the date upon which such extension expires; or

(vi) The expiration of one year from the date of the Optionee's death; or

(vii) In the case of an Optionee who is discharged not for good cause, the expiration of three months from the Optionee's Termination of Employment unless the Optionee dies within said three-month period; or

(viii) In the case of any Optionee whose right to exercise his or her Option is extended by the Committee, which extension shall not exceed three years from the date of Optionee's Termination of Employment, the date upon which such extension expires.

(b) Subject to the provisions of Section 4.4(a), the Committee shall provide, in the terms of each individual Option, when such Option expires and becomes unexercisable; and (without limiting the generality of the foregoing) the Committee may provide in the terms of individual Options that said Options expire immediately upon a Termination of Employment; provided, however, that provision may be made that such Option shall become exercisable in the event of a Termination of Employment because of the Optionee's retirement (as determined by the Committee in accordance with Company policies), total disability (within the meaning of Section 22(e)(3) of the Code for purposes of an Incentive Stock Option, or otherwise as determined by the Committee in accordance with Company policies) or death; and provided further, that in the event the Committee extends the right of an Optionee to exercise his or her Option pursuant to Section 4.4(a)(vii) above, the Committee may also provide that such Option shall become exercisable immediately, or in accordance with the schedule of exercisability which would be applicable to such Option but for the Optionee's Termination of Employment, or in accordance with any other schedule determined in the Committee's discretion.

Section 4.5 - Consideration

In consideration of the granting of an Option, the Optionee shall agree, in the written Stock Option Agreement, to remain in the employ of the Company, a Parent Corporation or a Subsidiary for a period of at least one year after the Option is granted. Nothing in this Plan or in any Stock Option Agreement hereunder shall confer upon any Optionee any right to continue in the employ of the Company, any Parent Corporation or any Subsidiary or shall

interfere with or restrict in any way the rights of the Company, its Parent Corporations and its Subsidiaries, which are hereby expressly reserved, to discharge any Optionee at any time for any reason whatsoever, with or without cause.

Section 4.6 - Merger, Consolidation, Acquisition, Liquidation or Dissolution

Notwithstanding the provisions of Section 9.3, in its absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may provide by the terms of any Option that such Option cannot be exercised after the merger or consolidation of the Company with or into another corporation, the acquisition by another corporation or person (excluding any employee benefit plan of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company) of all or substantially all of the Company's assets or 51% or more of the Company's then outstanding voting stock, or the liquidation or dissolution of the Company; and if the Committee so provides, it may, in its absolute discretion and on such terms and conditions as it deems appropriate, also provide, either by the terms of such Option or by a resolution adopted prior to the occurrence of such merger, consolidation, acquisition, liquidation or dissolution, that, for some period of time prior to such event, such Option shall be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in Section 4.3(a), Section 4.3(b) and/or any installment provisions of such Option.

Section 4.7 - No Right to Continued Employment

Nothing in this Plan or in any Non-Qualified Stock Option Agreement hereunder shall confer upon any Optionee any right to continue in the employ of the Company, any Parent Corporation or any Subsidiary or shall interfere with or restrict in any way the rights of the Company, its Parent Corporations and its Subsidiaries, which are hereby expressly reserved, to terminate or discharge any Optionee at any time for any reason whatsoever, with or without cause.

ARTICLE V

EXERCISE OF OPTIONS

Section 5.1 - Persons Eligible to Exercise

During the lifetime of the Optionee, only he or his Transferee, if any, may exercise an Option (or any portion thereof) granted to him. After the death of the Optionee, any exercisable portion of an Option may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Stock Option Agreement, be exercised by his Transferee, if any, or by his personal representative or any other person empowered to do so under the deceased Optionee's will or under the then applicable laws of descent and distribution. All of the terms and conditions of any Option in the hands of the Optionee during his lifetime shall be and remain fully applicable and

binding on his Transferee, if any, and on any other person who may become eligible to exercise such Option.

Section 5.2 - Partial Exercise

At any time and from time to time prior to the time when any exercisable Option or exercisable portion thereof becomes unexercisable under the Plan or the applicable Stock Option Agreement, such Option or portion thereof may be exercised in whole or in part; provided, however, that the Company shall not be required to issue fractional shares and the Committee may, by the terms of the Option, require any partial exercise to be with respect to a specified minimum number of shares.

Section 5.3 - Manner of Exercise

An exercisable Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary or his office of all of the following prior to the time when such Option or such portion becomes unexercisable under the Plan or the applicable Stock Option Agreement:

(a) Notice in writing signed by the Optionee or other person then entitled to exercise such Option or portion, stating that such Option or portion is exercised, such notice complying with all applicable rules established by the Committee; and

(b) (i) Full payment (in cash or by check) for the shares with respect to which such Option or portion is thereby exercised; or

(ii) With the consent of the Committee, (A) shares of the Company's Common Stock owned by the Optionee duly endorsed for transfer to the Company, or, (B) shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option, with a Fair Market Value on the date of Option exercise equal to the aggregate Option price of the shares with respect to which such Option or portion is thereby exercised; or

(iii) With the consent of the Committee, a full recourse promissory note bearing interest (at least such rate as shall then preclude the imputation of interest under the Code or any successor provision) and payable upon such terms as may be prescribed by the Committee. The Committee may also prescribe the form of such note and the security to be given for such note. No Option may, however, be exercised by delivery of a promissory note or by a loan from the Company when or where such loan or other extension of credit is prohibited by law; or

(iv) With the consent of the Committee, any combination of the consideration provided in the foregoing subsections (i), (ii) and (iii); and

(c) The payment to the Company (or other employer corporation) of all amounts which it is required to withhold under

federal, state or local law in connection with the exercise of the Option; with the consent of the Committee, (i) shares of the Company's Common Stock owned by the Optionee duly endorsed for transfer, or, (ii) shares of the Company's Common Stock issuable to the Optionee upon exercise of the Option, valued at Fair Market Value as of the date of Option exercise, may be used to make all or part of such payment;

(d) Such representations and documents as the Committee, in its absolute discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal or state securities laws or regulations. The Committee may, in its absolute discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer orders to transfer agents and registrars; and

(e) In the event that the Option or portion thereof shall be exercised pursuant to Section 5.1 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option or portion thereof.

Section 5.4 - Conditions to Issuance of Stock Certificates

The shares of stock issuable and deliverable upon the exercise of an Option, or any portion thereof, may be either previously authorized but unissued shares or issued shares which have then been reacquired by the Company. The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of any Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed; and

(b) The completion of any registration or other qualification of such shares under any state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, which the Committee shall, in its absolute discretion, deem necessary or advisable; and

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its absolute discretion, determine to be necessary or advisable; and

(d) The payment to the Company (or other employer corporation) of all amounts which it is required to withhold under federal, state or local law in connection with the exercise of the Option; and

(e) The lapse of such reasonable period of time following the exercise of the Option as the Committee may establish from time to time for reasons of administrative convenience.

Section 5.5 - Rights as Stockholders

The holders of Options shall not be, nor have any of the rights or privileges of, stockholders of the Company in respect to any shares purchasable upon the exercise of any part of an Option unless and until certificates representing such shares have been issued by the Company to such holders.

Section 5.6 - Transfer Restrictions

The Committee, in its absolute discretion, may impose such restrictions on the transferability of the shares purchasable upon the exercise of an Option as it deems appropriate. Any such other restriction shall be set forth in the respective Stock Option Agreement and may be referred to on the certificates evidencing such shares. The Committee may require the Employee to give the Company prompt notice of any disposition of shares of stock, acquired by exercise of an Incentive Stock Option, within two years from the date of granting such Option or one year after the transfer of such shares to such Employee. The Committee may direct that the certificates evidencing shares acquired by exercise of an Option refer to such requirement to give prompt notice of disposition.

ARTICLE VI

ADDITIONAL OPTIONS

Section 6.1 - Additional Options

(a) The Committee may, at or after the date of grant of an Option, grant Additional Options. Additional Options may be granted with respect to any outstanding Option.

(b) If, with consent of the Committee pursuant to Section 5.3(b)(ii), an Optionee exercises an Option that has an Additional Option Feature by tendering or relinquishing shares of Common Stock and/or when shares of Common Stock are tendered or relinquished in payment for the amount to be withheld under applicable federal, state and local income tax laws in connection with the exercise of an option, the Optionee shall automatically be granted an Additional Option. The Additional Option shall be subject to the following provisions:

(i) The Additional Option shall cover the number of shares of Common Stock equal to the sum of (A) the number of shares of Common Stock tendered or relinquished as consideration upon the exercise of the Option to which such Additional Option Feature relates and (B) the number of shares of Common Stock tendered or relinquished in payment of the amount to be withheld under applicable federal, state and local income tax laws in connection with the exercise of the option to which such Additional Option Feature relates;

(ii) The Additional Option will not have an Additional Option Feature unless the Committee directs otherwise;

(iii) The Additional Option exercise price shall be 100% of the Fair Market Value per share on the date the employee tenders or relinquishes shares of Common Stock to exercise the Option that has the Additional Option Feature and/or tenders or relinquishes shares of Common Stock in payment of income tax withholding on the exercise of an Option that has the Additional Option Feature; and

(iv) The Additional Option shall have the same termination date and other termination provisions as the underlying Option that had the Additional Option Feature.

ARTICLE VII

AWARDS OF RESTRICTED STOCK

Section 7.1 - Award of Restricted Stock

1. The Committee may from time to time, in its absolute discretion:

a. Select from among the key Employees (including Employees who have previously received Options under this Plan) such of them as in its opinion should be awarded Restricted Stock; and

b. Determine the purchase price, if any, and other terms and conditions applicable to such Restricted Stock, consistent with this Plan.

2. The Committee shall establish the purchase price, if any, and form of payment for Restricted Stock; provided, however, that such purchase price shall be no less than the par value of the Common Stock to be purchased, unless otherwise permitted by applicable state law. In all cases, legal consideration shall be required for each issuance of Restricted Stock.

3. Upon the selection of a key Employee to be awarded Restricted Stock, the Committee shall instruct the Secretary of the Company to issue such Restricted Stock and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate.

Section 7.2 - Restricted Stock Agreement

Restricted Stock shall be issued only pursuant to a written Restricted Stock Agreement, which shall be executed by the selected key Employee and an authorized officer of the Company and which shall contain such terms and conditions as the Committee shall determine, consistent with this Plan.

Section 7.3 - Rights as Stockholders

Upon delivery of the shares of Restricted Stock to the escrow holder pursuant to Section 7.8, the holder of Restricted Stock shall have, unless otherwise provided by the Committee, all the rights of a stockholder with respect to said shares, subject to the restrictions in his Restricted Stock Agreement, including voting rights and the right to receive all dividends and other distributions paid or made with respect to the shares; provided, however, that in the discretion of the Committee, any extraordinary distributions with respect to the Common Stock shall be subject to the restrictions set forth in Section 7.4.

Section 7.4 - Restrictions

All shares of Restricted Stock issued under this Plan (including any shares received by holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of each individual Restricted Stock Agreement, be subject to such restrictions as the Committee shall provide, which restrictions may include, without limitation, restrictions concerning voting rights and transferability and restrictions based on duration of employment with the Company, Company performance and individual performance; provided, however, that by action taken after the Restricted Stock is issued, the Committee may, on such terms and conditions as it may determine to be appropriate, remove any or all of the restrictions imposed by the terms of the Restricted Stock Agreement. Restricted Stock may not be sold or encumbered until all restrictions are terminated or expire. Unless provided otherwise by the Committee, if no consideration was paid by the holder of Restricted Stock upon issuance, a holder of Restricted Stock's rights in unvested Restricted Stock shall lapse upon Termination of Employment.

Section 7.5 - Provisions Applicable to Section 162(m) Participants

4. Notwithstanding anything in the Plan to the contrary, the Committee may grant any performance or incentive awards of Restricted Stock described in this Article VII to a Section 162(m) Participant that vest or become exercisable upon the attainment of performance targets for the Company which are related to one or more of the following performance goals: (i) pre-tax income, (ii) operating income, (iii) cash flow, (iv) earnings per share, (v) earnings before any one or more of the following items: interest, taxes, depreciation or amortization, (vi) return on equity, (vii) return on invested capital or assets and (viii) cost reductions or savings.

5. To the extent necessary to comply with the performance-based compensation requirements of Section 162(m)(4)(C) of the Code, with respect to performance or incentive awards described in this Article VII which may be granted to one or more Section 162(m) Participants, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (i) designate one or more Section 162(m) Participants, (ii) select the performance goal or goals applicable to the fiscal year or other designated fiscal period,

(iii) establish the various targets and bonus amounts which may be earned for such fiscal year or other designated fiscal period and (iv) specify the relationship between performance goals and targets and the amounts to be earned by each Section 162(m) Participant for such fiscal year or other designated fiscal period. Following the completion of each fiscal year or other designated fiscal period, the Committee shall certify in writing whether the applicable performance targets have been achieved for such fiscal year or other designated fiscal period. In determining the amount earned by a Section 162(m) Participant, the Committee shall have the right to reduce (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the fiscal year or other designated fiscal period.

Section 7.6 - Repurchase of Restricted Stock

The Committee may provide in the terms of each individual Restricted Stock Agreement that the Company shall have the right to repurchase from the holder of Restricted Stock the Restricted Stock then subject to restrictions under the Restricted Stock Agreement immediately upon a Termination of Employment between the holder of Restricted Stock and the Company, at a cash price per share equal to the price paid by the holder of Restricted Stock for such Restricted Stock; provided, however, that provision may be made that no such right of repurchase shall exist in the event of a Termination of Employment without cause, or following a change in control of the Company or because of the holder of the Restricted Stock's retirement, death or disability, or otherwise.

Section 7.7 - Tax Withholding

The Company shall be entitled to require payment in cash or deduction from other compensation payable to each holder of Restricted Stock of any sums required by federal, state or local tax law to be withheld with respect to the issuance, vesting or exercise of any Restricted Stock. The Committee may in its discretion and in satisfaction of the foregoing requirement allow such holder of Restricted Stock to elect to have the Company withhold shares of Common Stock otherwise issuable under such award (or allow the return of shares of Common Stock) having a Fair Market Value equal to the sums required to be withheld.

Section 7.8 - Escrow

The Secretary of the Company or such other escrow holder as the Committee may appoint shall retain physical custody of each certificate representing Restricted Stock until all of the restrictions imposed under the Restricted Stock Agreement with respect to the shares evidenced by such certificate expire or shall have been removed.

Section 7.9 - Legend

In order to enforce the restrictions imposed upon shares of Restricted Stock hereunder, the Committee shall cause a legend or legends to

be placed on certificates representing all shares of Restricted Stock that are still subject to restrictions under Restricted Stock Agreements, which legend or legends shall make appropriate reference to the conditions imposed thereby.

ARTICLE VIII

ADMINISTRATION

Section 8.1 - Compensation Committee

The Compensation Committee shall consist of two or more Directors, appointed by and holding office at the pleasure of the Board. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee shall be filled by the Board.

Section 8.2- Duties and Powers of Committee

It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and the Options and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. Any such interpretations and rules in regard to Incentive Stock Options shall be consistent with the basic purpose of the Plan to grant "incentive stock options" within the meaning of Section 422 of the Code. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under this Plan except with respect to matters which under Rule 16b-3 or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

Section 8.3 - Majority Rule

The Committee shall act by a majority of its members in office. The Committee may act either by vote at a meeting or by a memorandum or other written instrument signed by a majority of the Committee.

Section 8.4 - Compensation; Professional Assistance; Good Faith Actions

Members of the Committee shall receive such compensation for their services as members as may be determined by the Board. All expenses and liabilities incurred by members of the Committee in connection with the administration of the Plan shall be borne by the Company. The Committee may employ attorneys, consultants, accountants, appraisers, brokers or other persons. The Committee, the Company and its Officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all Optionees, the Company and all other interested persons. No member of the Committee shall be

personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Options, and all members of the Committee shall be fully protected by the Company in respect to any such action, determination or interpretation.

ARTICLE IX

OTHER PROVISIONS

Section 9.1- Options Not Transferable

No Award or interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Optionee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that nothing in this Section 9.1 shall prevent any transfer of a Transferable Option in accordance with its terms or any transfer by will or by the applicable laws of descent and distribution.

Section 9.2 - Amendment, Suspension or Termination of the Plan

The Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee. However, without approval of the Company's stockholders given within twelve months before or after the action by the Committee, no action of the Committee may, except as provided in Section 2.3, increase any limit imposed in Section 2.1 on the maximum number of shares which may be issued on exercise of Options or awarded as Restricted Stock, modify the Award Limit, materially modify the eligibility requirements of Section 3.1, reduce the minimum Option price requirements of Section 4.2, extend the limit imposed in this Section 9.2 on the period during which Awards may be granted or amend or modify the Plan in a manner requiring stockholder approval under Rule 16b-3 or Section 162(m) of the Code. Neither the amendment, suspension nor termination of the Plan shall, without the consent of the holder of an Award alter or impair any rights or obligations under any Award theretofore granted. No Award may be granted during any period of suspension nor after termination of the Plan, and in no event may any Award be granted under this Plan after the first to occur of the following events:

(a) The expiration of ten years from the date the Plan is adopted by the Board; or

(b) The expiration of ten years from the date the Plan is approved by the Company's stockholders under Section 9.3.

Section 9.3 - Adjustments in Outstanding Awards

In the event that the outstanding shares of Common Stock subject to Awards 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, or the number of shares is increased or decreased by reason of a stock split-up, stock dividend, combination of shares or any other increase or decrease in the number of such shares of Common Stock effected without receipt of consideration by the Company (provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration"), the Committee shall make appropriate adjustments in the number and kind of shares as to which all outstanding Awards, or portions thereof then unexercised or unvested, shall be exercisable or granted upon any Awards, to the end that after such event the Award holder's proportionate interest shall be maintained as before the occurrence of such event. Such adjustment in an outstanding Award shall be made without change in the total price applicable to the Award or the unexercised portion of an 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 Award price per share; provided, however, that, in the case of Incentive Stock Options, each such adjustment shall be made in such manner as not to constitute a "modification" within the meaning of Section 424(h)(3) of the Code. Any such adjustment made by the Committee shall be final and binding upon all holders of Awards, the Company and all other interested persons.

Section 9.4 - Approval of Plan by Stockholders

This Plan will be submitted for the approval of the Company's stockholders within twelve months after the date of the Board's initial adoption of the Plan. Awards may be granted prior to such stockholder approval; provided, however, that such Awards shall not be exercisable prior to the time when the Plan is approved by the stockholders; provided, further, that if such approval has not been obtained at the end of said twelve-month period, all Awards previously granted under the Plan shall thereupon be cancelled and become null and void, provided that the Company will return to the holder of the cancelled Award any purchase price previously paid therefor. The Company shall take such actions with respect to the Plan as may be necessary to satisfy the requirements of Rule 16b-3(b).

Section 9.5 - Effect of Plan Upon Other Option and Compensation Plans

The adoption of this Plan shall not affect any other compensation or incentive plans in effect for the Company, any Parent Corporation or any Subsidiary. Nothing in this Plan shall be construed to limit the right of the Company, any Parent Corporation or any Subsidiary (a) to establish any other forms of incentives or compensation for employees of the Company, any Parent Corporation or any Subsidiary or (b) to grant or assume options or restricted stock otherwise than under this Plan in connection with any proper corporate purpose, including, but not by way of limitation, the grant or assumption of options or restricted stock in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, firm or association.

Section 9.6 - Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

Section 9.7 - Conformity to Securities Laws

The Plan is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, including without limitation Rule 16b-3. Notwithstanding anything herein to the contrary, the Plan shall be administered, and Awards shall be granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and Awards granted hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

* * * *

I hereby certify that the foregoing 1997 Equity Participation Plan was duly adopted by the Board of Directors of Owens-Illinois, Inc. on March 27, 1997.

Executed as of the 15th day of May, 1997.

/s/ Thomas L. Young

Secretary

Corporate Seal

* * * *

I hereby certify that the foregoing Plan was duly approved by the stockholders of Owens-Illinois, Inc. on May 14, 1997.

Executed as of the 15th day of May, 1997.

/s/ Thomas L. Young

Secretary

OWENS-ILLINOIS, INC.
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 (Millions of dollars, except ratios)

	Six Months ended June 30,			
	Actual 1997	Pro Forma As Adjusted For Refinancing Plan 1997	Actual 1996	Pro Forma As Adjusted for Avir Acquisition and Refinancing Plan 1996
	-----	-----	-----	-----
Earnings from continuing operations before income taxes, minority share owners' interests, extraordinary items and cumulative effect of accounting changes	\$233.0	\$266.9	\$187.3	\$274.9
Less: Equity earnings	(9.3)	(9.3)	(8.4)	(10.6)
Add: Total fixed charges deducted from earnings	178.5	144.6	159.0	142.6
Proportional share of pretax loss of 50% owned associates	(1.3)	(1.3)	-----	-----
Earnings available for payment of fixed charges	\$400.9 =====	\$400.9 =====	\$337.9 =====	\$406.9 =====
Fixed charges (including the Company's proportional share of 50% owned associates):				
Interest expense	\$164.8	\$131.9	\$145.8	\$130.0
Portion of operating lease rental deemed to be interest	11.2	11.2	10.7	11.1
Amortization of deferred financing costs and debt discount expense	2.5	1.5	2.5	1.5
Total fixed charges deducted from earnings and total fixed charges	\$178.5 =====	\$144.6 =====	\$159.0 =====	\$142.6 =====
Ratio of earnings to fixed charges	2.2	2.8	2.1	2.9

EXHIBIT 23
CONSENT OF MCCARTER & ENGLISH

August 12, 1997

Ladies and Gentlemen:

We consent to the incorporation by reference in this Quarterly Report on Form 10-Q of Owens-Illinois, Inc. and Owens-Illinois Group, Inc. for the quarter ended June 30, 1997, of the reference to our firm under the caption "Legal Proceedings."

Very truly yours,

/s/McCarter & English

McCarter & English

This schedule contains summary financial information extracted from the June 30, 1997 condensed consolidated balance sheet, and the condensed consolidated results of operations for the six-month period then ended and is qualified in its entirety by reference to such financial statements.

1

6-MOS	
DEC-31-1997	JUN-30-1997
	305,800,000
	0
	727,800,000
	36,600,000
	621,600,000
1,781,200,000	0
	3,797,600,000
	1,603,500,000
	6,825,700,000
1,081,900,000	0
	3,161,000,000
	0
	21,400,000
	1,400,000
	1,207,000,000
6,825,700,000	0
	2,280,800,000
	2,373,900,000
	1,774,600,000
	1,774,600,000
	0
	0
	167,300,000
	233,000,000
	74,200,000
141,500,000	0
	(84,500,000)
	0
	57,000,000
	0.44
	0.44