

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

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

For the fiscal year ended September 30, 2004:

OR

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

For the transition period _____ to _____

Commission file number: 1-10596

ESCO Technologies Inc.

(Exact name of registrant as specified in its charter)

Missouri
(State or other jurisdiction
of incorporation or organization)

43-1554045
(I.R.S. Employer
Identification No.)

8888 Ladue Road, Ste. 200
St. Louis, Missouri
(Address of principal executive offices)

63124-2056
(Zip Code)

Registrant's telephone number, including area code:

(314) 213-7200

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$0.01 per share	New York Stock Exchange, Inc.
Preferred Stock Purchase Rights	New York Stock Exchange, Inc.

(Cover page 1 of 2 pages)

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

None

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes No

Aggregate market value of the Common Stock held by non-affiliates of the registrant as of the close of business on March 31, 2004: \$579,431,157*.

* For purpose of this calculation only, without determining whether the following are affiliates of the registrant, the registrant has assumed that (i) its directors and executive officers are affiliates, and (ii) no party who has filed a Schedule 13D or 13G is an affiliate.

Number of shares of Common Stock outstanding at December 10, 2004: 12,782,870.

DOCUMENTS INCORPORATED BY REFERENCE:

1. Portions of the registrant's Annual Report to Stockholders for fiscal year ended September 30, 2004 (the "2004 Annual Report") (Parts I and II).
2. Portions of the registrant's Proxy Statement dated December 22, 2004 (the "2005 Proxy Statement") (Part III).

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ESCO TECHNOLOGIES INC.
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PART I

Item 1. Business

THE COMPANY

ESCO Technologies Inc. (“ESCO”) is a producer of engineered products and systems for industrial and commercial applications sold to customers world-wide. ESCO operates in three industry segments which, together with the operating subsidiaries within each segment, are as follows:

Filtration/Fluid Flow:

Filtertek Inc.
Filtertek BV
Filtertek do Brasil Industria E Comercio Ltda.
Filtertek SA
Filtertek GmbH
PTI Technologies Inc. (“PTI”)
VACCO Industries (“VACCO”)
ESCO Electronica De Mexico, S.A. de C.V. (“ESCOMEX”)

Communications:

Distribution Control Systems, Inc. (“DCSI”)
Distribution Control Systems Caribe, Inc.
Comtrak Technologies, L.L.C. (“Comtrak”)

Test:

ETS-Lindgren L.P. (“ETS”)
Lindgren RF Enclosures, Inc. (“Lindgren”)
Euroshield OY
Ray Proof Limited
Beijing Lindgren ElectronMagnetic Technology Co., Ltd. (“Beijing Lindgren”)
ETS-Lindgren Japan, Inc.

All of the Filtertek entities listed above are hereinafter collectively referred to as “Filtertek”.

Filtertek de Puerto Rico, Inc. ceased operations in March 2004: its operations were transferred to Filtertek Inc. (Hebron, Illinois) and ESCOMEX (Juarez, Mexico).

The above operating subsidiaries are engaged primarily in the research, development, manufacture, sale and support of the products and systems described below, and are subsidiaries of ESCO Technologies Holding Inc., a wholly-owned direct subsidiary of ESCO. ESCO and its direct and indirect subsidiaries are hereinafter referred to collectively as the “Company”. The Company’s businesses are subject to a number of risks and uncertainties, including without limitation those discussed below. See “Management’s Discussion and Analysis” appearing in the 2004 Annual Report, which is herein incorporated by reference, and “Forward-Looking Information” below.

DISCONTINUED OPERATIONS

In July 2003, the Company announced its decision to divest its microfiltration and separations businesses (“MicroSep Business”) in the Filtration/Fluid Flow segment. The MicroSep Business consisted of PTI Advanced Filtration Inc. (Oxnard, California), PTI Technologies Limited (Sheffield, England) and PTI S.p.A. (Milan, Italy). The MicroSep Business produced membrane-based microfiltration and separation products and systems for use in process filtration and separation applications. The key customer segments included the microelectronics, chemicals, nutraceuticals, food and beverage, electrocoat, pharmaceutical, healthcare and petrochemical markets. In fiscal 2004 the MicroSep Business accounted for approximately \$29 million in net sales.

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Effective April 2, 2004, the Company completed the sale of PTI Advanced Filtration Inc. and PTI Technologies Limited to domnick hunter group plc for \$18 million in cash. On June 8, 2004, the Company completed the sale of PTI S.p.A. to a group of investors comprised of that subsidiary's senior management for \$5.3 million. In October 2003, the Company terminated its exclusive license rights to the patent portfolio and related intellectual property of North Carolina Separations Research Technology Inc. and its affiliate ("NCSRT"), which license rights were a part of the MicroSep Business, as discussed under "INTELLECTUAL PROPERTY" in this Item 1.

The MicroSep Business is accounted for as discontinued operations in the Consolidated Financial Statements in the 2004 Annual Report in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". In fiscal 2004, the MicroSep Business accounted for approximately \$29 million in net sales.

The following sections of this Item 1 refer to the Company's continuing operations, except where noted. Accordingly, dollar amounts and percentages presented below in this Item 1 for all periods reflect continuing operations by excluding the MicroSep Business. See Note 2 of the 2004 Annual Report, which Note is herein incorporated by reference.

PRODUCTS

The Company's products are described below. See Note 14 of the Notes to Consolidated Financial Statements in the 2004 Annual Report for financial information regarding segments, which Note is herein incorporated by reference.

FILTRATION/FLUID FLOW

The Filtration/Fluid Flow segment accounted for approximately 41%, 41% and 48% of the Company's total revenue in fiscal years 2004, 2003 and 2002, respectively.

Filtartek develops and manufactures a broad range of high-volume filtration products at its facilities in North America, South America and Europe. Filtartek's products, which are centered around its insert injection-molding technology wherein a filter medium is inserted into the tooling prior to injection-molding of the filter housing, have widespread applications in the medical and healthcare markets, automotive fluid system market, consumer appliance and other commercial and industrial markets. Typical Filtartek customers may require daily production of many thousands of units, at very high levels of quality, that are generally produced in highly-automated manufacturing cells. Many of Filtartek's products are produced utilizing patented designs or proprietary product or process design, or both. Filtartek's products are typically supplied to original equipment manufacturers under long-term contracts. In fiscal 2004, Filtartek introduced a number of new products including a new high flow infusion filter for healthcare applications, and continued to develop a patented new needleless drug delivery system for pharmaceutical applications, which was introduced in fiscal 2003. The Tek Packaging Division of Filtartek Inc. produces highly engineered thermal-formed packaging products.

PTI is a leading supplier of filtration products serving the commercial aerospace, military aerospace and various industrial markets. The industrial markets include chemical processing, power generation and mobile equipment. PTI is working on the development of a new Intellisensor® technology to provide aviation and industrial customers with a prognostic health monitoring tool for their filtered lubricants and fluids.

VACCO supplies flow control products to the aerospace industry for use in aircraft, satellite propulsion systems, satellite launch vehicles and the space shuttle. VACCO also uses its etched disc technology to produce quiet valves and manifolds for U.S. Navy and severe service industrial applications.

COMMUNICATIONS

The Communications segment accounted for approximately 33%, 36% and 30% of the Company's total revenue in fiscal years 2004, 2003 and 2002, respectively.

DCSI is a leading manufacturer of two-way power line communication systems for the electric utility industry. These systems provide electric utilities with a patented communication technology for automatic meter reading, demand-side management and distribution automation (the "TWACS® systems"). Revenue from the TWACS systems, which may be considered a class of similar products, accounted for approximately 31%, 34%, and 29% of the Company's consolidated revenue in fiscal years 2004, 2003 and 2002, respectively. During fiscal 2004, sales of the TWACS® systems to PPL Electric Utilities Corporation ("PPL") declined to \$21.6 million, or 5% of total Company sales, as the contract neared completion. PPL sales were \$63.9 million and \$31.5 million, or 16% and 10% of total Company sales, in fiscal 2003 and 2002, respectively. In addition, revenue from a \$50 million follow-on contract with Puerto Rico Electric Power Authority awarded in fiscal 2001 amounted to \$17.0 million in fiscal 2004. Revenue from this contract of approximately \$15.5 million is expected to be realized in fiscal 2005. This contract will continue through fiscal 2006. Sales to electric utility cooperatives in fiscal 2004 increased 83% over fiscal 2003 sales.

Comtrak manufactures advanced video security monitoring systems for commercial and industrial applications. Comtrak is continuing to work jointly with ADT Security Services, Inc., who is selling this system under its SecurVision® trademark to a variety of markets.

TEST

The Test segment accounted for approximately 26%, 23% and 22% of the Company's total revenue in fiscal years 2004, 2003 and 2002, respectively.

ETS designs and manufactures products to measure and contain electromagnetic and acoustic energy. It supplies a broad range of products including radio frequency ("RF") test enclosures, acoustic test enclosures, RF absorptive materials, antennas, antenna masts, turntables, electric and magnetic probes, TEM (transverse electromagnetic) cells, GTEM (gigahertz transverse electromagnetic) cells and other test accessories required to perform a variety of tests. ETS also provides the design, program management and integration services required to supply customers with turnkey solutions. ETS also performs certified calibrations for antennas, probes, meters and other components. In fiscal 2003, ETS developed a Cellular Telecommunications and Internet Association certified test lab which provides customers with a variety of certified wireless test services. ETS serves the healthcare, electronics, transportation and defense markets.

Lindgren designs, manufactures, installs and services electromagnetic ("EM") shielding systems used in medical facilities, wireless product testing and electronic product testing. Lindgren's products include RF and magnetic shielding for MRI (magnetic resonance imaging) rooms, shielded test enclosures, RF filters, fiber optic interface components, active magnetic field compensation systems, and a line of proprietary doors designed specifically for EM isolation, containment and measurement applications. Lindgren also supplies special high performance RF and acoustic shielded rooms for secure data processing and communications for government security applications.

Euroshield OY designs and manufactures a broad range of modular shielding systems and shielded doors, some of which are proprietary, for the world market. It also provides the design, program management and integration services to supply the European market with turnkey solutions.

Beijing Lindgren manufactures electromagnetic shielding systems to support most of the Asian market. These products are used in medical facilities and wireless and electronic product testing. Beijing Lindgren also provides design, program management, installation and support services to the region.

ETS-Lindgren Japan, Inc. provides design, program management, installation and support services for the Japanese market.

MARKETING AND SALES

The Filtration/Fluid Flow and Test segments' products generally are distributed to customers through a domestic and foreign network of distributors, sales representatives and factory salespersons. The Communications segment's sales to investor-owned utilities are primarily made directly to the utilities. This segment primarily utilizes distributors and sales representatives to sell its systems to the electric utility cooperative and municipal markets.

The Company's international sales accounted for approximately 22%, 19% and 20% of the Company's total sales in the fiscal years ended September 30, 2004, 2003 and 2002, respectively. See Note 14 of the Notes to Consolidated Financial Statements in the 2004 Annual Report for financial information regarding geographic areas, which Note is herein incorporated by reference.

The Company's international sales are subject to risks inherent in foreign commerce, including currency fluctuations and devaluations, the risk of war and terrorism, changes in foreign governments and their policies, differences in foreign laws, uncertainties as to enforcement of contract rights, and difficulties in negotiating and resolving disputes with foreign customers.

Some of the Company's products are sold directly or indirectly to the U.S. Government under contracts with the Army, Navy and Air Force and subcontracts with prime contractors of such entities. Direct and indirect sales to the U.S. Government accounted for approximately 8%, 8% and 7% of the Company's total sales in the fiscal years ended September 30, 2004, 2003 and 2002, respectively.

INTELLECTUAL PROPERTY

The Company owns or has other rights in various forms of intellectual property (i.e., patents, trademarks, service marks, copyrights, mask works, trade secrets and other items). As a major supplier of engineered products to growing industrial and commercial markets, the Company emphasizes developing intellectual property and protecting its rights therein. However, the scope of protection afforded by intellectual property rights, including those of the Company, is often uncertain and involves complex legal and factual issues. Some intellectual property rights, such as patents, have only a limited term. Also, there can be no assurance that issued patents will not be infringed or designed around by others. In addition, the Company may not elect to pursue an infringer due to the high costs and uncertainties associated with litigation. Further, there can be no assurance that courts will ultimately hold issued patents valid and enforceable.

With respect to the Filtration/Fluid Flow segment, an increasing number of products are based on patented or otherwise proprietary technology that sets them apart from the competition. Of particular importance to Filtertek is a U.S. patent covering certain transmission sump filters, which will expire in 2009. Also, Filtertek is pursuing actions for infringement (licensing and cost recovery) concerning its U.S. patent on certain needle-free medical connection devices, having claims which will expire on various dates between 2011 and 2013. VACCO's proprietary quieting technology is a significant differentiator for products supplied to the U.S. Navy submarine fleet. In the Communications segment, many of the products are based on patented or otherwise proprietary technology, including the Company's TWACS technology. The TWACS systems are protected primarily by a number of patents expiring on various dates between 2004 and 2017. Patents covering significant aspects of the TWACS technology will expire in 2007 and 2010 for outbound signal reception, 2007 for inbound signal detection, and 2017 for inbound signal generation. The Communications segment policy is to seek patent and/or other forms of intellectual property protection on new and improved products, components of products and methods of operation for its businesses, as such developments are made. In the Test segment, patent protection is sought for significant inventions.

In October 2003, the Company terminated the license agreement pursuant to which it had acquired exclusive rights to the patent portfolio and related intellectual property (including its flat sheet module technology) of NCSRT, a manufacturer of cross-flow filtration and separation modules and equipment. The NCSRT license rights were a part of the MicroSep Business, which was divested by the Company in fiscal 2004, as discussed in "Discontinued Operations" in this Item 1.

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The Company considers its patent and other intellectual property to be of significant value in each of its segments. The Communications segment owns intellectual property, including its TWACS technology, which it deems necessary or desirable for the manufacture, use or sale of its products. No other segment is materially dependent on any single patent, group of patents or other intellectual property.

BACKLOG

Total Company backlog at September 30, 2004 was \$249.1 million, representing a decrease of \$13.9 million (5%) from the beginning of the fiscal year backlog of \$263.0 million. The backlog of firm orders at September 30, 2004 and September 30, 2003, respectively, was: \$77.7 million and \$86.2 million for Filtration/Fluid Flow; \$108.7 million and \$130.4 million for Communications; and \$62.7 million and \$46.4 million for Test. As of September 30, 2004, it is estimated that domestic customers accounted for approximately 78% of the Company's total firm orders, and international customers accounted for approximately 22%. Of the Company's total backlog of orders at September 30, 2004, approximately 82% is expected to be completed in the fiscal year ending September 30, 2005.

PURCHASED COMPONENTS AND RAW MATERIALS

The Company's products require a wide variety of components and materials. Although the Company has multiple sources of supply for most of its material requirements, certain components and raw materials are supplied by sole-source vendors, and the Company's ability to perform certain contracts depends on their performance. In the past, these required raw materials and various purchased components generally have been available in sufficient quantities. However, in each of the Company's segments, there are instances of some risk of shortages of materials or components due to reliance on sole source of supply.

The Filtration/Fluid Flow segment purchases supplies from a wide array of vendors. In most instances, multiple vendors of raw materials are screened during a qualification process to ensure that there will not be an interruption of supply should one of them discontinue operations. Nonetheless, in some situations, there is a risk of shortages due to reliance on a limited number of suppliers or because of price fluctuations due to the nature of the raw materials, as in the case of petroleum-based resins utilized by Filtertek.

In the Communications segment, DCSI utilizes a limited number of supply sources to produce substantially all of DCSI's end-products.

The Test segment is a vertically integrated supplier of EM shielding products, producing most of its critical RF components. However, this segment purchases significant quantities of raw materials such as steel, copper, nickel and wood. Accordingly, the segment is subject to price fluctuations in the worldwide raw materials markets. In fiscal 2004, this segment experienced significant price increases in the metal markets as compared to the prior year.

COMPETITION

Competition in the Company's major markets is broadly based and global in scope. The Company faces intense competition from a large number of companies for nearly all of its products. Competition can be particularly intense during periods of economic slowdown, and this has been experienced in the past in some of the Filtration/Fluid Flow markets. Although the Company is a leading supplier in several of the markets it serves, it maintains a relatively small share of the business in many of the other markets it serves. Individual competitors range in size from annual revenues of less than \$1 million to billion dollar enterprises. Because of the specialized nature of the Company's products, it is impossible to state precisely its competitive position with respect to its products. Substantial efforts are required in order to maintain existing business levels. In the Company's major served markets, competition is driven primarily by quality, technology, price and delivery performance. The following information concerns the Company's industry segments.

Pall Corporation, SPX Filtran and SoFrance are the primary competitors in the Filtration/Fluid Flow markets. Other significant competitors in these markets include Illinois Tool Works Inc. and Moog Inc.

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Primary competitors of the Communications segment in the utility communications market include Itron, Inc., Hunt Technologies Inc., Cellnet Technology Inc. and Elster Electricity.

The Test segment is the global leader in the EM shielding market. Significant competitors in this served market include Braden Shielding Systems, TDK RF Solutions Inc., IMEDCO AG and Cuming Corporation.

RESEARCH AND DEVELOPMENT

Research and development and the Company's technological expertise are important factors in the Company's business. Research and development programs are designed to develop technology for new products or to extend or upgrade the capability of existing products, and to enhance their commercial potential.

The Company performs research and development at its own expense, and also engages in research and development funded by customers. For the fiscal years ended September 30, 2004, 2003 and 2002, total Company-sponsored research and development expenses were approximately \$12.2 million, \$11.0 million and \$11.9 million, respectively. Total customer-sponsored research and development expenses were approximately \$6.1 million, \$7.1 million and \$6.0 million for the fiscal years ended September 30, 2004, 2003 and 2002, respectively. All of the foregoing expense amounts exclude certain engineering costs primarily associated with product line extensions, modifications and maintenance, which amounted to approximately \$9.6 million, \$6.7 million and \$5.9 million for the fiscal years ended September 30, 2004, 2003 and 2002, respectively.

ENVIRONMENTAL MATTERS

The Company is involved in various stages of investigation and cleanup relating to environmental matters. It is very difficult to estimate the potential costs of such matters and the possible impact of these costs on the Company at this time due in part to: the uncertainty regarding the extent of pollution; the complexity of Government laws and regulations and their interpretations; the varying costs and effectiveness of alternative cleanup technologies and methods; the uncertain level of insurance or other types of cost recovery; and in the case of off-site waste disposal facilities, the uncertain level of the Company's relative involvement and the possibility of joint and several liability with other contributors under applicable law. Based on information currently available, the Company does not believe that the aggregate costs involved in the resolution of any of its environmental matters will have a material adverse effect on the Company's financial statements.

GOVERNMENT CONTRACTS

The Company's contracts with the U.S. Government and subcontracts with prime contractors of the U.S. Government are primarily firm fixed-price contracts under which work is performed and paid for at a fixed amount without adjustment for the actual costs experienced in connection with the contracts. Therefore, unless the customer actually or constructively alters or impedes the work performed, all risk of loss due to cost overruns is borne by the Company. All Government prime contracts and virtually all of the Company's subcontracts provide that they may be terminated at the convenience of the Government. Upon such termination, the Company is normally entitled to receive equitable compensation. See "Marketing And Sales" in this Item 1 for additional information regarding Government contracts.

EMPLOYEES

As of November 30, 2004, the Company employed approximately 2,350 persons.

FINANCING

On October 6, 2004, the Company entered into a new \$100 million five-year revolving credit facility with a \$50 million increase option. This facility replaced the Company's \$60 million credit facility that would have otherwise matured in April 2005. The new facility is available for direct borrowings and/or the issuance of letters of credit, and is provided by a group of six banks, led by Wells Fargo Bank as agent, with a maturity of October 6, 2009. The facility is secured by the unlimited guaranty of the Company's material domestic

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subsidiaries and a 65% pledge of the material foreign subsidiaries' share equity. See "Management's Discussion and Analysis — Capital Resources and Liquidity" in the 2004 Annual Report, and Note 10 of the Notes to Consolidated Financial Statements in the 2004 Annual Report, which information is herein incorporated by reference.

HISTORY OF THE BUSINESS

ESCO was incorporated in Missouri in August 1990 as a wholly-owned subsidiary of Emerson Electric Co. ("Emerson") to be the indirect holding company for several Emerson subsidiaries, which were primarily in the defense business. Ownership of ESCO and its subsidiaries was distributed on October 19, 1990 by Emerson to its shareholders through a special distribution. Since that time, through a series of acquisitions and divestitures, the Company has shifted its primary focus from defense contracting to the supply of engineered products marketed to industrial and commercial users. Effective July 10, 2000, ESCO changed its name from ESCO Electronics Corporation to ESCO Technologies Inc.

The MicroSep Business that was divested in fiscal 2004 is discussed under "Discontinued Operations" in this Item 1.

FORWARD-LOOKING INFORMATION

Statements contained in this Item 1 "Business", Item 3 "Legal Proceedings" and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" (incorporated by reference to "Management's Discussion and Analysis" appearing in the 2004 Annual Report) regarding future events, the Company's future revenues, profitability, financial resources, expected completion of backlog orders, projections about the Company's future performance and the industries in which the Company operates, statements regarding the Company's financial control systems' compliance with the Sarbanes-Oxley Act at the end of fiscal 2005, the Company's ability to utilize NOLs, reinvestment of foreign earnings, adequacy of future cash flows, the outcome of current litigation, effects of final judgments in any litigation, costs and impacts resulting from environmental matters, claims and charges, future share repurchases, investments, acquisitions and other statements contained herein which are not strictly historical are considered "forward-looking statements" within the meaning of the safe harbor provisions, of the federal securities laws. Words such as expects, anticipates, targets, goals, projects, intends, plans, believes, estimates, variations of such words, and similar expressions are intended to help identify such forward-looking statements. Investors are cautioned that such statements are only predictions, speak only as of the date of this report, and the Company undertakes no duty to update. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment including, but not limited to: the timing and execution of real estate sales; termination for convenience of customer contracts; timing and magnitude of future contract awards; weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; technical difficulties; the availability of selected acquisitions; the timing, pricing and availability of shares offered for sale; delivery delays or defaults by customers; performance issues with key suppliers and subcontractors; collective bargaining and labor disputes; changes in laws and regulations including changes in accounting standards and taxation requirements; changes in foreign or U.S. business conditions affecting the distribution of foreign earnings; actual clean up costs and required level of Company contribution relating to environmental matters; litigation uncertainty; and the Company's successful execution of internal operating plans.

AVAILABLE INFORMATION

The Company makes available free of charge through its Internet website, www.escotechnologies.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

Item 2. Properties

The Company's principal buildings contain approximately 1,078,050 square feet of floor space. Approximately 714,300 square feet are owned by the Company and approximately 363,750 square feet are leased. See Note 8 of the Notes to Consolidated Financial Statements in the 2004 Annual Report, which information is herein incorporated by reference. The principal plants and offices are as follows*:

<u>Location</u>	<u>Size (Sq. Ft.)</u>	<u>Sq. Ft. Owned/Leased</u>	<u>Lease Expiration Date</u>	<u>Principal Use (Industry Segment)</u>
Oxnard, CA	127,400	Owned		Management, Engineering and Manufacturing (Filtration/Fluid Flow)
South El Monte, CA	100,100	Owned		Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Durant, OK	100,000	Owned		Manufacturing (Test)
Hebron, IL	99,800	Owned		Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Huntley, IL	85,000	Owned		Manufacturing (Filtration/Fluid Flow)
Cedar Park, TX	75,200	Owned		Management, Engineering and Manufacturing (Test)
Austin, TX	69,300	Leased	12-31-07 (w/two 5-year renewal options)	Management, Engineering and Manufacturing (Test)
Glendale Heights, IL	59,400	Leased	3-31-05 (w/one 5-year and three 3-year renewal options)	Management, Engineering and Manufacturing (Test)
St. Louis, MO	58,600	Leased	3-31-08 (w/two 5-year renewal options)	Management and Engineering (Communications)
Sao Paulo, Brazil	40,000	Leased	7-31-07	Manufacturing (Filtration/Fluid Flow)
Plailly, France	37,200	Owned		Engineering and Manufacturing (Filtration/Fluid Flow)
St. Louis, MO	35,000	Owned		Management and Engineering (Communications)
Juarez, Mexico	34,400	Leased	12-31-07	Engineering and Manufacturing (Filtration/Fluid Flow)
Minocqua, WI	30,200	Leased	3-31-05 (w/one 5-year, and three 3-year renewal options)	Engineering and Manufacturing (Test)

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<u>Location</u>	<u>Size (Sq. Ft.)</u>	<u>Sq. Ft. Owned/Leased</u>	<u>Lease Expiration Date</u>	<u>Principal Use (Industry Segment)</u>
Eura, Finland	29,300	Owned		Management, Engineering and Manufacturing (Test)
Stevenage, England	25,650	Leased	8-11-17 (w/option to terminate on 8-12-07)	Management, Engineering and Manufacturing (Test)
Newcastle West, Ireland	25,300	Owned		Manufacturing (Filtration/Fluid Flow)
Beijing, China	24,400	Leased	3,000 sq. ft. Office 8-1-07 21,400 sq. ft. Plant 3-1-07	Manufacturing (Test)
St. Louis, MO	21,800	Leased	8-31-05 (w/two 5-year renewal options)	ESCO Headquarters

* The table does not include an owned vacant facility in Patillas, PR, consisting of approximately 110,000 square feet, that was listed in Item 2 in previous Forms 10-K (Filtration / Fluid Flow). The Company ceased operations in this facility in March 2004, and is currently marketing it for sale.

The Company believes its buildings, machinery and equipment have been generally well maintained, are in good operating condition and are adequate for the Company's current production requirements.

Item 3. Legal Proceedings

As a normal incident of the businesses in which the Company is engaged, various claims, charges and litigation are asserted or commenced from time to time against the Company. The Company believes that final judgments, if any, which might be rendered against the Company in current litigation are adequately reserved, covered by insurance, or would not have a material adverse effect on its financial statements.

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

None.

Executive Officers of the Registrant

The following sets forth certain information as of December 13, 2004 with respect to ESCO's executive officers. These officers have been elected to terms which expire at the first meeting of the Board of Directors after the next annual meeting of stockholders.

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Victor L. Richey, Jr.*	47	Chairman, Chief Executive Officer and Director
Charles J. Kretschmer	48	President, Chief Operating Officer and Director
Gary E. Muenster	44	Vice President and Chief Financial Officer
Alyson S. Barclay	45	Vice President, Secretary and General Counsel

* Also Chairman of the Executive Committee of the Board of Directors.

There are no family relationships among any of the executive officers and directors.

From March 1998 until October 2000, Mr. Richey was Vice President of ESCO, and was Senior Vice President and Group Executive from October 2000 until August 2001. Mr. Richey was President and Chief Operating Officer from August 2001 until October 2002. Since October 2002, he has been Chief Executive Officer of ESCO, and since April 2003, he has also been Chairman.

From August 1997 until October 1999, Mr. Kretschmer was Vice President of ESCO. He was Vice President and Chief Financial Officer from October 1999 until February 2001, and Senior Vice President and Chief Financial Officer from February 2001 until February 2002, Executive Vice President and Chief Financial Officer from February 2002 to October 2002, and he has been President and Chief Operating Officer since the latter date.

From October 1994 until May 1998, Mr. Muenster was Controller of ESCO. He was Vice President and Controller of ESCO from May 1998 until October 2002. Since the latter date, he has been Vice President and Chief Financial Officer.

From October 1995 until October 1999, Ms. Barclay was Assistant General Counsel of ESCO. She has been Vice President, Secretary and General Counsel of ESCO since October 1999.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Registrant Purchases of Equity Securities

The information required by this item is incorporated herein by reference to Note 11 of the Notes to Consolidated Financial Statements, "Common Stock Market Price" and "Shareholders' Summary—Capital Stock Information" appearing in the 2004 Annual Report. ESCO does not anticipate, currently or in the foreseeable future, paying cash dividends on the Common Stock, although it reserves the right to do so to the extent permitted by applicable law and agreements. ESCO's dividend policy will be reviewed by the Board of Directors at such future time as may be appropriate in light of relevant factors at that time, based on ESCO's earnings and financial position and such other business considerations as the Board deems relevant. See Item 12 for equity compensation plan information.

REGISTRANT PURCHASES OF EQUITY SECURITIES*:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1-31, 2004	0	0	0	1,067,719
August 1-31, 2004	84,100	\$61.30	84,100	983,619
Sep. 1-30, 2004	72,100	\$66.93	72,100	911,519
Total	156,200	\$63.90	156,200	

* The repurchase program was first approved on February 8, 2001 for a maximum of 1,300,000 shares. On August 7, 2003, this program was extended to September 30, 2004. On August 10, 2004, it was announced that the program was extended to September 30, 2006, the current expiration date. No repurchase program has expired during the period covered by the table. There currently is no repurchase program which the

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registrant has determined to terminate prior to expiration, or under which the registrant does not intend to make further purchases.

Item 6. Selected Financial Data

The information required by this item, with respect to selected financial data, is incorporated herein by reference to “Five-Year Financial Summary” and Notes 2 and 3 of the Notes to Consolidated Financial Statements appearing in the 2004 Annual Report.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The information required by this item is incorporated herein by reference to “Management’s Discussion and Analysis” appearing in the 2004 Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is incorporated herein by reference to “Management’s Discussion and Analysis — Market Risk Analysis” appearing in the 2004 Annual Report.

Item 8. Financial Statements and Supplementary Data

The information required by this item is incorporated herein by reference to the Consolidated Financial Statements of the Company on pages 27 through 52 and the report thereon of KPMG LLP, an independent registered public accounting firm, appearing on page 54 of the 2004 Annual Report.

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

None.

Item 9A. Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as defined in Rules 13A-15(e) and 15d—15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of September 30, 2004. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

There have been no changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2004 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information regarding nominees and directors appearing under “Nominees and Continuing Directors” in the 2005 Proxy Statement is hereby incorporated by reference. Information regarding executive officers is set forth in Part I of this Form 10-K. Information regarding the Audit and Finance Committee and its members appearing under “Board of Directors and Committees” in the 2005 Proxy Statement is hereby incorporated by

reference.

Information appearing under “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2005 Proxy Statement is hereby incorporated by reference.

The Company has adopted codes of ethics which apply to its chief executive officer, its chief financial officer and all other senior executives, as well as all Company employees. The following documents are available free of charge through the Company’s internet website at www.escotechnologies.com and in print to any person who requests them: Corporate Governance Guidelines; Charters of the Audit and Finance Committee, Human Resources and Compensation Committee, and Nominating and Corporate Governance Committee; Code of Business Conduct and Ethics; and Code of Ethics for Senior Financial Officers.

Item 11. Executive Compensation

Information appearing under “Board of Directors and Committees” and “Executive Compensation” (except for the “Report of the Human Resources And Compensation Committee On Executive Compensation” and the “Performance Graph”) in the 2005 Proxy Statement is hereby incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information regarding beneficial ownership of shares of common stock by nominees and directors, by executive officers, by directors and executive officers as a group and by any known five percent stockholders appearing under “Security Ownership of Directors and Executive Officers” and “Security Ownership of Certain Beneficial Owners” in the 2005 Proxy Statement is hereby incorporated by reference.

Equity Compensation Plan Information:

The following table summarizes certain information regarding Common Shares that may be issued by the Company pursuant to its equity compensation plans existing as of September 30, 2004.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(1)
	(a)	(b)	(c)
Equity compensation plans approved by security holders(2)	837,530(3)	\$27.2581(4)	1,264,350(5)(6)
Equity compensation plans not approved by security holders	0	N/A	174,650(7)
Total	837,530	\$27.2581	1,439,000

(1) Number of Common Shares is subject to adjustment for changes in capitalization for stock splits, stock dividends and similar events.

(2) Consists of the Company’s 1994 and 1999 Stock Option Plans, the 2001 Stock Incentive Plan and the 2004 Incentive Compensation Plan. The 1994 and 1999 Stock Option Plans and the 2001 Stock Incentive Plan have been amended without Stockholder approval in accordance with their terms, as follows: the Company’s 1994 and 1999 Stock Option Plans have been amended to reflect the change of the Company’s name and the elimination of the Company’s common stock trust receipts, to provide for withholding, to provide for adjustment upon a special distribution and/or in certain other respects; the 1994

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Stock Option Plan was amended to permit the Human Resources and Compensation Committee (the "Committee"), in its discretion, to extend the period during which an optionee who terminates employment on account of retirement on or after age 60 may exercise his stock option to five years after retirement, but before ten years from the date of grant; and all three of the above Plans were amended to authorize the Committee to delegate to the Chief Executive Officer the power to grant stock options to persons who are not "officers" as defined in Rule 16A-1 under the Exchange Act, with the limitation of 5,000 shares per award and 50,000 shares awarded in the aggregate in any fiscal year, and to delegate to other employees the power to extend a stock option beyond termination of employment for optionees who are not such "officers".

- (3) Includes Common Shares issuable in connection with the vesting and distribution of performance-accelerated restricted share awards under the Company's 2001 Stock Incentive Plan.
- (4) Does not include 159,483 Common Shares issuable in connection with the vesting and distribution of outstanding performance-accelerated restricted share awards under the 2001 Stock Incentive Plan, for which there are no exercise prices.
- (5) Comprises 43,539 Common Shares under the 1999 Stock Option Plan, 220,811 Common Shares under the 2001 Stock Incentive Plan and 1,000,000 Common Shares under the 2004 Incentive Compensation Plan. On October 1, 2004, 125,000 shares were added to the authorized shares allocated to the 2001 Stock Incentive Plan, which may be used for the grant of stock options, SARs, performance share awards or other stock-based awards; provided, however, that not more than 200,000 of the total shares added to this Plan on October 1, 2002, 2003 and 2004 may be used for performance share awards or other stock-based awards.
- (6) Does not include shares that may be purchased on the open market pursuant to the Company's Employee Stock Purchase Plan (the "ESPP"). Under the ESPP, participants may elect to have up to 10% of their current salary or wages withheld and contributed to one or more independent trustees for the purchase of Common Shares. At the discretion of an officer of the Company, the Company or a domestic subsidiary or division may contribute cash in an amount not to exceed 20% of the amounts contributed by participants. The total number of Common Shares purchased with the Company's matching contributions, however, may not exceed 100,000. As of September 30, 2004, 4,775 shares had been purchased with the Company's matching funds.
- (7) Represents Common Shares issuable pursuant to the Compensation Plan for Non-Employee Directors (the "Compensation Plan"), which provides for each director to be paid an annual retainer fee payable partially in cash and partially in Common Shares. Periodically, the Human Resources and Compensation Committee of the Board of Directors determines the amount of the retainer fee and the allocation of the fee between cash and Common Shares. The maximum number of Common Shares available for distribution under the Compensation Plan is 200,000 shares. The stock portion of the retainer fee is distributable in quarterly installments. Directors may elect to defer receipt of all of the cash portion and/or all of the stock portion of the retainer fee. The deferred amounts are credited to the director's deferred compensation account in stock equivalents. Deferred amounts are distributed in Common Shares or cash at such future dates as specified by the director unless distribution is accelerated in certain circumstances, including a change in control of the Company. The stock portion which has been deferred may only be distributed in Common Shares.

Item 13. Certain Relationships and Related Transactions

None.

Item 14. Principal Accounting Fees and Services

Information regarding the Company's independent auditors, their fees and services, and the Company's Audit and Finance Committee's pre-approval policies and procedures regarding such fees and services appearing under "III. Independent Auditors" in the 2005 Proxy Statement is hereby incorporated by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as a part of this report:

1. The Consolidated Financial Statements of the Company on pages 27 through 52 and the Report of Independent Registered Public Accounting Firm thereon of KPMG LLP appearing on page 54 of the 2004 Annual Report.
2. Financial Statement Schedules.

II. Valuation and Qualifying Accounts

Report of Independent Registered Public Accounting Firm

Other financial statement schedules have been omitted because the subject matter is disclosed elsewhere in the financial statements and notes thereto, not required or not applicable, or the amounts are not sufficient to require submission.

3. Exhibits:

Exhibit Number	Description	Filed Herewith or Incorporated by Reference to Document Indicated By Footnote
3.1	Restated Articles of Incorporation	Incorporated by Reference, Exhibit 3(a)[1]
3.2	Amended Certificate of Designation, Preferences and Rights of Series A Participating Cumulative Preferred Stock of the Registrant	Incorporated by Reference, Exhibit 4(e)[2]
3.3	Articles of Merger effective July 10, 2000	Incorporated by Reference, Exhibit 3(c)[3]
3.4	Bylaws, as amended and restated	Incorporated by Reference, Exhibit 3.4[4]
4.1	Specimen Common Stock Certificate	Incorporated by Reference, Exhibit 4(a)[3]
4.2	Specimen Rights Certificate	Incorporated by Reference, Exhibit B to Exhibit 4.1[5]
4.3	Rights Agreement dated as of September 24, 1990 (as amended and restated as of February 3, 2000) between the Registrant and Registrar and Transfer Company, as successor Rights Agent	Incorporated by Reference, Exhibit 4.1[5]
4.4	Credit Agreement dated as of October 6, 2004, among the Registrant, Wells Fargo Bank, N.A., as agent, and the lenders listed therein	
10.1	Form of Indemnification Agreement with each of ESCO's directors.	Incorporated by Reference, Exhibit 10(k)[6]
10.2	Supplemental Executive Retirement Plan as amended and restated as of August 2, 1993*	Incorporated by Reference, Exhibit 10(n)[7]
10.3	Second Amendment to Supplemental Executive Retirement Plan effective May 1, 2001*	Incorporated by Reference, Exhibit 10.4[8]
10.4	Directors' Extended Compensation Plan*	Incorporated by Reference, Exhibit 10(o)[7]
10.5	First Amendment to Directors' Extended Compensation Plan effective January 1, 2000*	Incorporated by Reference, Exhibit 10.11[9]
10.6	Second Amendment to Directors' Extended Compensation Plan effective April 1, 2001*	Incorporated by Reference, Exhibit 10.7[8]

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Exhibit Number	Description	Filed Herewith or Incorporated by Reference to Document Indicated By Footnote
10.7	1994 Stock Option Plan (as amended and restated effective October 16, 2000)*	Incorporated by Reference, Exhibit 10.1[10]
10.8	Amendment to 1994 Stock Option Plan effective July 18, 2002*	Incorporated by Reference, Exhibit 10(b)[11]
10.9	Form of Incentive Stock Option Agreement*	Incorporated by Reference, Exhibit 10.15[9]
10.10	Severance Plan adopted as of August 10, 1995 (as restated February 5, 2002)*	Incorporated by Reference, Exhibit 10[12]
10.11	Amendment to 1994 Stock Option Plan effective August 7, 2003*	Incorporated by Reference, Exhibit 10.12[4]
10.12	1999 Stock Option Plan (as amended and restated effective October 16, 2000)*	Incorporated by Reference, Exhibit 10.2[10]
10.13	Form of Incentive Stock Option Agreement*	Incorporated by Reference, Exhibit 10.3[10]
10.14	Amendment to 1999 Stock Option Plan effective August 7, 2003*	Incorporated by Reference, Exhibit 10.15[4]
10.15	Employment Agreement with Executive Officer*[13]	Incorporated by Reference, Exhibit 10(bb)[1]
10.16	Amendment to Employment Agreement with Executive Officer*[14]	Incorporated by Reference, Exhibit 10.18[8]
10.17	Executive Stock Purchase Plan*	Incorporated by Reference, Exhibit 10.24[9]
10.18	Compensation Plan For Non-Employee Directors*	Incorporated by Reference, Exhibit 10.22[8]
10.19	2001 Stock Incentive Plan*	Incorporated by Reference, Exhibit B[15]
10.20	Form of Incentive Stock Option Agreement*	Incorporated by Reference, Exhibit 10.24[16]
10.21	Form of Non-qualified Stock Option Agreement*	Incorporated by Reference, Exhibit 10.25[16]
10.22	Form of Notice of Award—Performance— Accelerated Restricted Stock*	Incorporated by Reference, Exhibit 10.26[16]
10.23	Form of Supplemental Executive Retirement Plan Agreement*	Incorporated by Reference, Exhibit 10.28[16]
10.24	Amendment to 2001 Stock Incentive Plan effective August 7, 2003*	Incorporated by Reference, Exhibit 10.29[4]
10.25	Sixth Amendment and Restatement of Employee Stock Purchase Plan effective as of October 15, 2003*	Incorporated by Reference, Appendix C[17]

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Exhibit Number	Description	Filed Herewith or Incorporated by Reference to Document Indicated By Footnote
10.26	Second Amendment to Employment Agreement with V.L. Richey, Jr. (identical document with C.J. Kretschmer)*	Incorporated by Reference, Exhibit 10.1[18]
10.27	Second Amendment to Employment Agreement with G.E. Muenster (identical document with A.S. Barclay)*	Incorporated by Reference, Exhibit 10.2[18]
10.28	Notice of Award — restricted stock award to V.L. Richey, Jr. (identical documents except for number of shares awarded for: C.J. Kretschmer — 4,750 shares; G.E. Muenster — 2,400 shares; A.S. Barclay — 1,800 shares)*	Incorporated by Reference, Exhibit 10.3[18]
10.29	2004 Incentive Compensation Plan*	Incorporated by Reference, Appendix B[17]
13	The following-listed sections of the Annual Report to Stockholders for the year ended September 30, 2004: Five-Year Financial Summary (p. 55) Management’s Discussion and Analysis (pgs. 12-26) Consolidated Financial Statements (pgs. 27-52) and Report of Independent Registered Public Accounting Firm (p. 54) Shareholders’ Summary — Capital Stock Information (p. 56) Common Stock Market Price (p. 55)	
21	Subsidiaries of ESCO	
23	Consent of Independent Registered Accounting Firm	
31.1	Certification of Chief Executive Officer	
31.2	Certification of Chief Financial Officer	
32	Certification of Chief Executive Officer and Chief Financial Officer	

-
- [1] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1999, at the Exhibit indicated.
- [2] Incorporated by reference to Form 10-Q for the fiscal quarter ended March 31, 2000, at the Exhibit indicated.
- [3] Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2000, at the Exhibit indicated.
- [4] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2003, at the Exhibit indicated.

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- [5] Incorporated by reference to Current Report on Form 8-K dated February 3, 2000, at the Exhibit indicated.
- [6] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1991, at the Exhibit indicated.
- [7] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1993, at the Exhibit indicated.
- [8] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2001, at the Exhibit indicated.
- [9] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2000, at the Exhibit indicated.
- [10] Incorporated by reference to Form 10-Q for the fiscal quarter ended December 31, 2000, at the Exhibit indicated.
- [11] Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2002, at the Exhibit indicated.
- [12] Incorporated by reference to Form 10-Q for the fiscal quarter ended March 31, 2002, at the Exhibit indicated.
- [13] Identical Employment Agreements between ESCO and executive officers A.S. Barclay, G.E. Muenster and V.L. Richey, Jr., except that in the cases of Ms. Barclay and Mr. Muenster the minimum annual salary is \$94,000 and \$108,000, respectively.
- [14] Identical Amendments to Employment Agreements between ESCO and executive officers A.S. Barclay, G.E. Muenster and V.L. Richey, Jr.
- [15] Incorporated by reference to Notice of Annual Meeting of the Stockholders and Proxy Statement dated December 11, 2000, at the Exhibit indicated.
- [16] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2002, at the Exhibit indicated.
- [17] Incorporated by reference to Notice of Annual Meeting of the Stockholders and Proxy Statement dated December 29, 2003, at the Appendix indicated.
- [18] Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2004, at the Exhibit indicated.
- * Represents a management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 15(c) of this Part IV.
- (b) Exhibits: Reference is made to the list of exhibits in this Part IV, Item 15(a)3 above.
- (c) Financial Statement Schedules: Reference is made to Part IV, Item 15(a)2 above.

SIGNATURES

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

ESCO TECHNOLOGIES INC.

Date: December 14, 2004

By (s) V.L. Richey, Jr.
V.L. Richey, Jr.
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below effective December 14, 2004, by the following persons on behalf of the registrant and in the capacities indicated.

SIGNATURE	TITLE
<u>(s) V.L. Richey, Jr.</u>	Chairman, Chief Executive Officer and Director
<u>V.L. Richey, Jr. (s) C.J. Kretschmer</u>	President, Chief Operating Officer and Director
<u>C.J. Kretschmer (s) G.E. Muenster</u>	Vice President and Chief Financial Officer, Principal Accounting Officer
<u>G.E. Muenster (s) W.S. Antle III</u>	Director
<u>W.S. Antle III (s) J.M. McConnell</u>	Director
<u>J.M. McConnell (s) L.W. Solley</u>	Director
<u>L.W. Solley (s) J.M. Stolze</u>	Director
<u>J.M. Stolze (s) D.C. Trauscht</u>	Director
<u>D.C. Trauscht (s) J.D. Woods</u>	Director
<u>J.D. Woods</u>	

[Table of Contents](#)**ESCO Technologies Inc.**
Schedule II — Valuation and Qualifying Accounts
Years Ended September 30, 2004, 2003 and 2002

(Dollars in thousands)	Balance at Beginning of Period	Additions Charged to Expense	Deductions	Balance at End of Period
2002				
Allowance for doubtful accounts	\$ 957	115	466	606
Warranty reserve	\$1,411	1,983	1,910	1,484
2003				
Allowance for doubtful accounts	\$ 606	336	208	734
Warranty reserve	\$1,484	2,536	2,646	1,374
2004				
Allowance for doubtful accounts	\$ 734	114	222	626
Warranty reserve	\$1,374	3,206	2,433	2,147

Note: Amounts above exclude discontinued operations.

Report of Independent Registered Public Accounting Firm

The Board of Directors
ESCO Technologies Inc.:

Under date of November 9, 2004, we reported on the consolidated balance sheets of ESCO Technologies Inc. and subsidiaries as of September 30, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2004, which are incorporated herein by reference. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 15 of the notes to consolidated financial statements, on July 1, 2003, the Company adopted FASB Interpretation No. 46, "Consolidation of Variable Interest Entities."

/s/ KPMG LLP

St. Louis, Missouri
November 9, 2004

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INDEX TO EXHIBITS

Exhibits are listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K.

<u>Exhibit No.</u>	<u>Exhibit</u>
4.4	Credit Agreement dated as of October 6, 2004, among the Registrant, Wells Fargo Bank, N.A., as agent, and the lenders listed therein.
13	The following-listed sections of the Annual Report to Stockholders for the year ended September 30, 2004: Five-year Financial Summary (p. 55) Management's Discussion and Analysis (pgs. 12-26) Consolidated Financial Statements (pgs. 27-52) and Report of Independent Registered Public Accounting Firm (p. 54) Shareholders' Summary—Capital Stock Information (p. 56) Common Stock Market Price (p. 55)
21	Subsidiaries of ESCO
23	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32	Certification of Chief Executive Officer and Chief Financial Officer

See Item 15(a)3 for a list of exhibits incorporated by reference

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CREDIT AGREEMENT

DATED AS OF OCTOBER 6, 2004

BY AND AMONG

ESCO TECHNOLOGIES INC., AS BORROWER

THE LENDERS PARTY HERETO

AND

WELLS FARGO BANK, NATIONAL ASSOCIATION,
AS SWING LINE LENDER, OFFSHORE CURRENCY FRONTING LENDER,
LETTER OF CREDIT ISSUER, ADMINISTRATIVE AGENT AND SOLE LEAD
ARRANGER

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of October 6, 2004, is by and among ESCO TECHNOLOGIES INC., a Missouri corporation ("Borrower"), the Lenders from time to time party hereto, WELLS FARGO BANK, NATIONAL ASSOCIATION, as the Swing Line Lender, Offshore Currency Fronting Lender, Letter of Credit Issuer, Administrative Agent and Sole Lead Arranger.

WITNESSETH:

WHEREAS, the Borrower has requested that the Lenders provide a revolving credit facility consisting of revolving credit loans to and letters of credit for the account of the Borrower and offshore currency loans to certain Borrowing Subsidiaries in the aggregate amount of up to \$100,000,000 at any one time outstanding (including a swing line subfacility thereunder from the Swing Line Lender in the principal amount of up to \$7,500,000, a foreign currency subfacility thereunder from the Offshore Currency Fronting Lender in the principal amount of up to \$30,000,000 and a letter of credit subfacility thereunder from the Letter of Credit Issuer in the principal amount of up to \$25,000,000);

WHEREAS, the proceeds of the revolving credit facility will be used to refinance certain existing indebtedness of the Borrower, to finance Permitted Acquisitions and for ongoing working capital and general corporate purposes, including, without limitation, to pay fees, costs and expenses incurred in connection with the transactions contemplated hereby; and

WHEREAS, the Lenders are willing to extend commitments to make Revolving Credit Loans to the Borrower hereunder, the Offshore Currency Fronting Lender is willing to extend a commitment to make Fronted Offshore Currency Loans to the Borrowing Subsidiaries hereunder, the Swing Line Lender is willing to extend a commitment to make Swing Line Loans to the Borrower hereunder and the Letter of Credit Issuer is willing to extend a commitment to issue Letters of Credit upon the application of the Borrower and for the account of the Borrower or a Guarantor Subsidiary hereunder, in each case, for the respective purposes provided herein and only on the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Definitions. The following terms, as used herein, have the following meanings:

"Acquired Business" means the entity or assets acquired by the Borrower or a Subsidiary in an Acquisition.

"Acquired Cash Flow" means, with respect to any period, the Consolidated EBITDA attributable on a pro forma basis to any Acquisitions effected during such period assuming the consummation of such Acquisition as of the first day of such period, taking into account

adjustments reasonably satisfactory to Administrative Agent to eliminate the effect of any non-recurring expenses or income with respect to Borrower and its Subsidiaries or any acquired Person or assets on Consolidated EBITDA as determined by the chief financial officer of Borrower, the basis for which are set forth in reasonable detail in the compliance certificate delivered to Administrative Agent pursuant to Section 5.01(c).

"Acquisition" means any transaction or series of related transactions, consummated on or after the date of this Agreement, by which the Borrower or any Subsidiary directly or indirectly (a) acquires all or substantially all of the assets comprising one or more business units of any other Person, whether through purchase of assets, merger or otherwise or (b) acquires (in one transaction or as the most recent transaction in a series of transactions) at least (i) a majority (in number of votes) of the capital stock and/or other securities of a corporation having ordinary voting power for the election of directors (other than stock and/or other securities having such power only by reason of the happening of a contingency), (ii) a majority (by percentage of voting power) of the outstanding partnership interests of a partnership, (iii) a majority (by percentage of voting power) of the outstanding membership interests of a limited liability company or (iv) a majority of the ownership interests in any organization or entity other than a corporation, partnership or limited liability company.

"Adjusted Base Rate" means the Base Rate plus the Applicable Base Rate Margin. The Adjusted Base Rate shall be adjusted automatically on and as of the effective date of any change in the Base Rate and/or the Applicable Base Rate Margin.

"Administrative Agent" means Wells Fargo in its capacity as Administrative Agent for the Lenders hereunder, and its successors in such capacity.

"Administrative Agent-Related Persons" means the Administrative Agent (including any successor Administrative Agent), together with its affiliates, and the officers, directors, employees, agents and attorneys-in-fact of such Persons and affiliates.

"Administrative Questionnaire" means, with respect to each Lender, an administrative questionnaire in the form prepared by the Administrative Agent and submitted to the Administrative Agent duly completed by such Lender.

"Affiliate" means any Person (a) which directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with the Borrower or any Subsidiary, (b) which directly or indirectly through one or more intermediaries beneficially owns or holds or has the power to direct the voting power of 5% or more of any class of capital stock, partnership interests, membership interests or other equity interests of the Borrower or any Subsidiary, (c) which has 5% or more of any class of its capital stock, partnership interests, membership interests or other equity interests beneficially owned or held, directly or indirectly, by the Borrower or any Subsidiary or (d) who is a director, officer, manager or employee of the Borrower or any Subsidiary. For purposes of this definition, "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

"Agent Fee Letter" means the letter agreement between the Borrower and the Administrative Agent, dated ___, 2004, relating to certain agency and other fees due the Administrative Agent and the Lenders, as the same may be amended, modified, extended, renewed, supplemented or restated from time to time.

"Agreement" means this Credit Agreement, as the same may be amended, modified, extended, renewed, supplemented or restated from time to time.

"Alternate Currency" shall mean any Offshore Currency (and any other currency which is at the relevant time freely traded in the offshore interbank foreign exchange markets and is freely transferable and freely convertible into Dollars) which the applicable Borrowing Subsidiary requests the Offshore Currency Fronting Lender to include as an Alternate Currency hereunder and which is acceptable to the Offshore Currency Fronting Lender and with respect to which an Offshore Currency Addendum has been executed by a Borrowing Subsidiary and the Offshore Currency Fronting Lender in connection therewith.

"Applicable Lending Office" means, with respect to any Lender, (a) in the case of its Base Rate Loans, its Base Rate Lending Office and (b) in the case of its LIBOR Loans, its LIBOR Lending Office.

"Applicable LIBOR Margin", "Applicable Base Rate Margin" and "Applicable Commitment Fee Rate" mean the per annum rate shown in the applicable column below based on the applicable Consolidated Leverage Ratio:

If the Consolidated Leverage Ratio is, then	Applicable LIBOR Margin is	Applicable Base Rate Margin is	Applicable Commitment Fee Rate is
> or = 2.5 to 1.0 (Pricing Level I)	1.375%	0.000%	0.275%
> or = 2.0 to 1.0 but < 2.5 to 1.0 (Pricing Level II)	1.125%	0.000%	0.250%
> or = 1.5 to 1.0 but < 2.0 to 1.0 (Pricing Level III)	0.875%	0.000%	0.225%
> or = 1.0 to 1.0 but < 1.50 to 1.0 (Pricing Level IV)	0.750%	0.000%	0.200%
< 1.0 to 1.0 (Pricing Level V)	0.625%	0.000%	0.175%

The determination of the Applicable LIBOR Margin, the Applicable Base Rate Margin and the Applicable Commitment Fee Rate as of any date shall be based on the Consolidated Leverage

Ratio as of the last day of the most recently ended Fiscal Quarter for which financial statements of Borrower and its Subsidiaries (and the related Compliance Certificate) have been delivered to the Administrative Agent pursuant to Section 5.01 (which determination shall be made and be effective from and after the date the Administrative Agent receives the applicable financial statements and Compliance Certificate from the Borrower); provided, however, that if the applicable financial statements and related Compliance Certificate for any Fiscal Quarter or Fiscal Year are not delivered to the Administrative Agent when due in accordance with Section 5.01, then Pricing Level I shall apply during the period commencing on the date such financial statements and Compliance Certificate were due and ending on the date such financial statements and Compliance Certificate are delivered to the Administrative Agent. Notwithstanding the foregoing, Pricing Level V shall apply during the period commencing on the date of this Agreement and ending on the date the Administrative Agent receives the Borrower's financial statements for its Fiscal Quarter ending September 30, 2004; provided, however, that if such financial statements and related Compliance Certificate are not delivered to the Administrative Agent when due in accordance with Section 5.01, then Pricing Level I shall apply during the period commencing on the date such financial statements and Compliance Certificate were due and ending on the date such financial statements and Compliance Certificate are delivered to the Administrative Agent.

"Assignee" has the meaning set forth in Section 9.06(c).

"Assignment and Assumption Agreement" has the meaning set forth in Section 9.06(c).

"Base Rate" means, for any day, a rate of interest per annum equal to the higher of (a) the Prime Rate for such day and (b) the sum of the Federal Funds Effective Rate for such day plus 1/2% per annum.

"Base Rate Lending Office" means, as to each Lender, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Base Rate Lending Office) or such other office as such Lender may hereafter designate as its Base Rate Lending Office by notice to the Borrower and the Administrative Agent.

"Base Rate Loan" means each Loan to be made by a Lender as a Base Rate Loan in accordance with the applicable Notice of Revolving Credit Borrowing or the applicable Offshore Currency Addendum or pursuant to Article VIII, and each Loan continued as a, or converted into, a Base Rate Loan pursuant to Section 2.04(d).

"Benefit Arrangement" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"Borrower" means, ESCO Technologies Inc., a Missouri corporation, and its successors.

"Borrowing Subsidiary" means any Foreign Subsidiary that is designated as a Borrowing Subsidiary by the Company pursuant to Section 2.03 (i) with the consent of Administrative Agent, which consent shall not be unreasonably withheld, which Foreign Subsidiary shall have delivered a Borrowing Subsidiary Supplement in accordance with Section 2.03(i).

"Borrowing" has the meaning set forth in Section 1.03.

"Borrowing Subsidiary Supplement" means a Borrowing Subsidiary Supplement in the form of Exhibit H.

"Business Day" means (a) with respect to any borrowing, payment or rate selection of LIBOR Loans, a day (other than a Saturday or Sunday) on which lenders generally are open in Denver, Colorado and San Francisco, California for the conduct of substantially all of their commercial lending activities and on which dealings in United States dollars are carried on in the London interbank market, (b) with respect to any Loan denominated in a Foreign Currency, a day (other than a Saturday or Sunday) on which lenders generally are open for foreign exchange business in London, England and on which dealings in the relevant Offshore Currency are carried on in the applicable offshore foreign exchange interbank market in which disbursements of or payments in such Offshore Currency will be made or received, and (c) for all other purposes, a day (other than a Saturday or Sunday) on which lenders generally are open in Denver, Colorado and San Francisco, California for the conduct of substantially all of their commercial lending activities.

"Capitalized Lease" means any lease of (or other indebtedness arrangements conveying the right to use) real and/or personal property, by a Person as lessee which in accordance with GAAP is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" of any Person means, as of the date of any determination thereof, the amount at which the aggregate rental and other payment obligations due and to become due under all Capitalized Leases under which such Person is a lessee would be reflected as a liability on a balance sheet of such Person in accordance with GAAP.

"Central Standard Time" means, at any time, time in the central time zone in the United States at such time, whether daylight savings time or standard time.

"Compliance Certificate" means a certificate in the form of Exhibit G attached hereto delivered in accordance with Section 5.01(c).

"Computation Date" has the meaning specified in Section 2.06(a).

"Consolidated Debt" means, as of the date of any determination thereof, all Debt of the Borrower and its Subsidiaries as of such date, determined on a consolidated basis and in accordance with GAAP.

"Consolidated EBITDA" means, for the period in question, the sum of (a) Consolidated Net Income during such period plus (b) to the extent deducted in determining such Consolidated Net Income, the sum of (i) Consolidated Interest Expense during such period, plus (ii) all provisions for any Federal, state, local and/or foreign income taxes made by the Borrower and its Subsidiaries during such period (whether paid or accrued) plus (iii) all depreciation and amortization expenses of the Borrower and its Subsidiaries during such period, all determined on a consolidated basis and in accordance with GAAP; provided, however, that for the purposes of determining Consolidated EBITDA for any period during which an Acquisition permitted under this Agreement is consummated, Consolidated EBITDA shall be adjusted to give effect to the

consummation of such Acquisition on a pro forma basis in accordance with GAAP, as if such Acquisition occurred on the first day of such period, such adjustments to be calculated in a manner reasonably satisfactory to the Administrative Agent.

"Consolidated Interest Expense" means, for the period in question, without duplication, all gross interest expense of the Borrower and its Subsidiaries (including, without limitation, all commissions, discounts and/or related amortization and other fees and charges owed by the Borrower and its Subsidiaries with respect to letters of credit, the net costs associated with interest swap obligations of the Borrower and its Subsidiaries, capitalized interest expense, the interest portion of Capitalized Lease Obligations and the interest portion of any deferred payment obligation) during such period, all determined on a consolidated basis and in accordance with GAAP; provided, however, that for the purposes of determining Consolidated Interest Expense for any period during which an Acquisition permitted under this Agreement is consummated, Consolidated Interest Expense shall be adjusted to give effect to the consummation of such Acquisition on a pro forma basis in accordance with GAAP, as if such Acquisition occurred on the first day of such period, such adjustments to be calculated in a manner reasonably satisfactory to the Administrative Agent.

"Consolidated Leverage Ratio" means, as of the last day of any Fiscal Quarter, the ratio of (a) Consolidated Debt as of such day to (b) Consolidated EBITDA for the four (4) consecutive Fiscal Quarter period ending on such day.

"Consolidated Net Income" means, for the period in question, the after-tax net income (or loss) of Borrower and its Subsidiaries during such period, determined on a consolidated basis and in accordance with GAAP, after excluding (a) any loss or any income of any Person in which the Borrower or a Subsidiary has an ownership interest (other than a Subsidiary) except to the extent that any such income has actually been received by the Borrower or such Subsidiary in the form of cash dividends or similar cash distributions, (b) any gain or loss (net of any tax effect) resulting from the sale of any capital assets by the Borrower or any Subsidiary other than in the ordinary course of business, (c) extraordinary, unusual or non-recurring gains or losses, (d) gains resulting from the write-up of assets, and (e) proceeds of any life insurance policy.

"Consolidated Net Worth" means, as of the date of any determination thereof, the consolidated stockholders' equity of the Borrower and its Subsidiaries as of such date, determined on a consolidated basis and in accordance with GAAP.

"Consolidated Total Assets" means, as of the date of any determination thereof, the total amount of all assets of the Borrower and its Subsidiaries as of such date, determined on a consolidated basis and in accordance with GAAP.

"Consolidated Total Capitalization" means, as of the date of any determination thereof, the sum of (a) Consolidated Net Worth as of such date plus (b) Consolidated Debt as of such date.

"Conversion/Continuation Notice" has the meaning set forth in Section 2.04(d).

"Credit Availability Period" means the period from and including the Effective Date to but not including the Termination Date.

"Debt" of any Person shall mean, as of the date of determination thereof, the sum of, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all fixed or contingent reimbursement obligations of such Person with respect to letters of credit, (d) all obligations of such Person to pay the deferred purchase price of property or services (other than unsecured trade accounts payable, deferred compensation items and like expense accruals arising in the ordinary course of business), (e) all Capitalized Lease Obligations of such Person, (f) all Synthetic Lease Obligations of such Person, (g) the Swap Termination Value under any Swap Contract to which such Person is a party to the extent such Swap Termination Value is owed or would be owed by such Person, (h) all Debt of any partnership or joint venture (other than a joint venture that it itself a corporation or limited liability company) in which such Person is a general partner of joint venturer, except to the extent that such Debt is expressly made non-recourse to such Person, and (i) all Debt of others of the kind described in clauses (a) through (h) above which is Guaranteed by such Person. The amount of any Debt Guaranteed by a Person pursuant to clause (i) above shall be deemed to be an amount equal to the lesser of (i) the stated or determinable amount (inclusive of principal, interest, fees and other charges) of the primary obligation in respect of which such Guarantee is made or (ii) the maximum amount for which such guaranteeing Person may be liable pursuant to the terms of the instrument embodying such Guarantee, unless such primary obligation and the maximum amount for which such guaranteeing Person may be liable are not stated or determinable, in which case the amount of Debt subject to such Guarantee shall be such guaranteeing Person's maximum reasonably anticipated liability in respect thereof as mutually determined by Borrower's Board of Directors and the Administrative Agent.

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

"Defaulting Lender" has the meaning set forth in Section 2.04(f).

"Dollar" and "\$" means lawful money of the United States of America.

"Dollar Equivalent" means, at any time, (a) as to any amount denominated in Dollars, the amount thereof at such time, and (b) as to any amount denominated in an Offshore Currency, the equivalent amount in Dollars, as determined by Administrative Agent at such time on the basis of the Spot Rate for the purchase of Dollars with such Offshore Currency on the most recent Computation Date.

"Domestic Subsidiary" means each Subsidiary which is not a Foreign Subsidiary.

"EBITDA" means with respect to any Subsidiary, for the period in question, the sum of (a) Net Income during such period plus (b) to the extent deducted in determining such Net Income, the sum of (i) Interest Expense during such period, plus (ii) all provisions for any Federal, state, local and/or foreign income taxes made by such Subsidiary and its subsidiaries during such period (whether paid or accrued), plus (iii) all depreciation and amortization expenses of such Subsidiary and its subsidiaries during such period, all determined on a consolidated basis and in accordance with GAAP; provided, however, that for the purposes of

determining EBITDA for any period during which an Acquisition permitted under this Agreement is consummated, EBITDA shall be adjusted to give effect to the consummation of such Acquisition on a pro forma basis in accordance with GAAP, as if such Acquisition occurred on the first day of such period, such adjustments to be calculated in a manner reasonably satisfactory to the Administrative Agent.

"Effective Date" means the date this Agreement becomes effective in accordance with Section 3.01.

"Eligible Line of Business" means any business engaged in as of the date of this Agreement by the Borrower or any Subsidiary and businesses similar or related thereto.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules or other governmental restrictions to which the Borrower or any Subsidiary is subject relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or toxic or hazardous substances or wastes or the clean-up or other remediation thereof and any and all judgments, orders, decrees, permits, grants, franchises, licenses or agreements relating to the foregoing to which the Borrower or any Subsidiary is a party or which is otherwise applicable to the Borrower or any Subsidiary.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

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

"EURIBOR Base Rate" means an interest rate set for the drawing of financial funds in Euro for a period equal to the Interest Period four Business Days prior to the first day of the relevant Interest Period appearing on the Reuters screen at about 11 a.m. Brussels time, page "EURIBOR01". Reuters Screen, page "EURIBOR01" means the displays entitled as page "EURIBOR01" on the money rates monitor of the Reuters agency (Reuters Monitor Money Rate Service) or on any other page which may replace page EURIBOR01 in the service of the said agency for the purposes of display of the interbank interest rates offered on the Eurozone market;

"EURIBOR Rate" means, with respect to Revolving Credit Loans denominated in Euro for the relevant Interest Period, the sum of (i) the quotient of (A) the EURIBOR Base Rate applicable to such Interest Period, divided by (B) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the Applicable LIBOR Margin. The EURIBOR Rate shall be rounded to the next higher multiple of 1/16 of 1% if the rate is not such a multiple.

"Event of Default" has the meaning set forth in Section 6.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 9:00 a.m. (Central Standard Time) on such day on such transactions received by the Administrative Agent from three (3) Federal funds brokers of recognized standing selected by the Administrative Agent in its sole discretion.

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

"Fiscal Quarter" means a fiscal quarter of the Borrower.

"Fiscal Year" means a fiscal year of the Borrower.

"Foreign Subsidiary" means each Subsidiary which (a) is organized under the laws of a jurisdiction other than the United States of America or any state, territory or political subdivision thereof, (b) conducts substantially all of its business outside of the United States of America and (c) has substantially all of its assets outside of the United States of America.

"Fronted Offshore Currency Commitment" means, for the Offshore Currency Fronting Lender for each Alternate Currency, the obligation of the Offshore Currency Fronting Lender to make Fronted Offshore Currency Loans in such Alternate Currency not exceeding the Dollar Equivalent set forth in the applicable Offshore Currency Addendum, as such amount may be modified from time to time pursuant to the terms of this Agreement and the applicable Offshore Currency Addendum.

"Fronted Offshore Currency Loan" means a loan made by an Offshore Currency Fronting Lender to a Borrowing Subsidiary pursuant to Section 2.03 and an Offshore Currency Addendum.

"Fronted Offshore Currency Note" means a promissory note in such form as required by the Offshore Currency Addendum.

"GAAP" means, at any time, generally accepted accounting principles at such time in the United States.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other liability or obligation of any other

Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantor Subsidiary" means each of Comtrak Technologies, L.L.C., a Missouri limited liability company, Distribution Control Systems, Inc., a Missouri corporation, ETS-Lindgren L.P., a Texas limited partnership, ESCO Technologies Holding Inc., a Delaware corporation, Filtertek Inc., a Delaware corporation, Lindgren Inc., a Delaware corporation, Lindgren R.F. Enclosures, Inc., an Illinois corporation, PTI Technologies Inc., a Delaware corporation, Rantec Holdings Inc., a Missouri corporation, Rantec Commercial Inc., a California corporation, and Vacco Industries, a California corporation, each of which is a Subsidiary of the Borrower, and any other Subsidiary which hereafter Guarantees the payment of the Obligations.

"Guaranty" means that certain Continuing Guaranty dated as of the date hereof and executed by each Guarantor Subsidiary in favor of the Administrative Agent, the Swing Line Lender, the Offshore Currency Fronting Lender, the Letter of Credit Issuer and each Lender with respect to the Obligations, as the same may be amended, modified, extended, renewed, supplemented or restated from time to time.

"Hostile Acquisition" means the acquisition of the capital stock, partnership interests, membership interests or other equity interests of a Person through a tender offer or similar solicitation of the owners of such capital stock, partnership interests, membership interests or other equity interests which has not been approved (prior to such acquisition) by resolutions of the Board of Directors of such Person or by similar action if such Person is not a corporation, and as to which such approval has not been withdrawn.

"Interest Expense" means with respect to any Subsidiary, for the period in question, without duplication, all gross interest expense of such Subsidiary and its subsidiaries (including, without limitation, all commissions, discounts and/or related amortization and other fees and charges owed by such Subsidiary and its subsidiaries with respect to letters of credit, the net costs associated with interest swap obligations of such Subsidiary and its subsidiaries, capitalized interest expense, the interest portion of Capitalized Lease Obligations and the interest portion of any deferred payment obligation) during such period, all determined on a consolidated basis and in accordance with GAAP; provided, however, that for the purposes of determining Interest Expense for any period during which an Acquisition permitted under this Agreement is consummated, Interest Expense shall be adjusted to give effect to the consummation of such Acquisition on a pro forma basis in accordance with GAAP, as if such Acquisition occurred on the first day of such period, such adjustments to be calculated in a manner reasonably satisfactory to the Administrative Agent.

"Interest Period" means, with respect to each LIBOR Loan and each Offshore Currency Loan, the period commencing on the date of such Borrowing and ending 1, 2, 3 or 6 months

thereafter, as the Borrower may elect in the applicable Notice of Revolving Credit Borrowing or Conversion/Continuation Notice, as the case may be; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) 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, subject to clause (c) below, end on the last Business Day of a calendar month; and

(c) no Interest Period may extend beyond the Termination Date.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Investment" shall mean any investment (including, without limitation, any loan or advance) by any Person in or to any other Person, whether payment therefor is made in cash or capital stock or other equity interests, and whether such investment is by acquisition of stock or other equity interests or indebtedness, or by loan, advance, transfer of property or assets out of the ordinary course of business, capital contribution, equity or profit sharing interest, extension of credit on terms other than those normal in the ordinary course of business or otherwise.

"Issuance Request" shall have the meaning set forth in Section 2.18(d).

"Lender" means each lender listed on the signature pages of this Agreement, each Assignee which becomes a Lender pursuant to Section 9.06(c) and their respective successors and assigns; provided, however, that for purposes of this Agreement and each other Loan Document, "Lender" shall also include each affiliate of a Lender which has entered into a Swap Contract with the Borrower relating to any of the Loans and its successor and assigns and each such affiliate and its successors and assigns shall be deemed to be a Lender party to this Agreement.

"Letter of Credit" means a Letter of Credit issued pursuant to Section 2.18.

"Letter of Credit Expiry Date" means, with respect to any Letter of Credit, the date which is the earlier of (i) eighteen (18) months after the date of issuance therefor or (ii) five (5) Business Days prior to the Termination Date.

"Letter of Credit Issuer" means Wells Fargo, as the issuer of the Letters of Credit.

"Letter of Credit Issuer-Related Persons" means the Letter of Credit Issuer (including any successor Letter of Credit Issuer), together with its affiliates, and the officers, directors, employees, agents and attorneys-in-fact of such Persons and affiliates.

"Letter of Credit Obligations" means, as at the time of determination thereof, the sum of (i) the Reimbursement Obligations then outstanding plus (ii) the aggregate undrawn face amount of the then outstanding Letters of Credit.

"Letter of Credit Sublimit" means the lesser of (a) \$25,000,000 and (b) the total Revolving Credit Commitments at such time.

"LIBOR Base Rate" means, with respect to LIBOR Loans for the relevant Interest Period, the rate determined by the Administrative Agent to be the rate offered by first-class lenders in the London interbank market to Wells Fargo to place deposits in U.S. dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of the relevant LIBOR Loan and having a maturity equal to such Interest Period.

"LIBOR Lending Office" means, as to each Lender, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its LIBOR Lending Office) or such other office, branch or affiliate of such Lender as it may hereafter designate as its LIBOR Lending Office by notice to the Borrower and the Administrative Agent.

"LIBOR Loan" means each Loan to be made as a LIBOR Loan in accordance with the applicable Notice of Revolving Credit Borrowing or the applicable Offshore Currency Addendum.

"LIBOR Rate" means, with respect to LIBOR Loans for the relevant Interest Period, the sum of (i) the quotient of (A) the LIBOR Base Rate applicable to such Interest Period, divided by (B) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the Applicable LIBOR Margin. The LIBOR Rate shall be rounded to the next higher multiple of 1/16 of 1% if the rate is not such a multiple.

"Lien" shall mean any interest in property securing an obligation owed to, or a claim by, a Person other than the owner of the property, whether such interest is based on common law, statute or contract, including, without limitation, any security interest, mortgage, deed of trust, pledge, hypothecation, judgment lien or other lien or encumbrance of any kind or nature whatsoever, any conditional sale or trust receipt, any lease (other than an operating lease), consignment or bailment for security purposes and any Capitalized Lease.

"Loan" means a Revolving Credit Loan, a Swing Line Loan or a Fronted Offshore Currency Loan.

"Loan Document" means this Agreement, each Offshore Currency Addendum, each Borrowing Subsidiary Supplement, each Note, each Reimbursement Agreement, the Guaranty, each document evidencing the granting of a security interest or lien with respect to Borrower's direct or indirect ownership interest in each Material Foreign Subsidiary, the Agent Fee Letter, the Upfront Fee Letter and each Swap Contract now or hereafter executed by the Borrower, a Borrowing Subsidiary or a Guarantor Subsidiary with or in favor of a Lender or an affiliate of a Lender relating to any of the Loans, each as the same may be amended, modified, extended, renewed, supplemented or restated from time to time.

"Material Adverse Effect" means (a) a material adverse effect on the properties, assets, liabilities, business, prospects, operations, income or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole, (b) material impairment of the ability of the Borrower or any Borrowing Subsidiary to perform its obligations under any of the Loan Documents, (c) material impairment of the ability of any Guarantor Subsidiary to perform its obligations under the Guaranty or (d) material impairment of the enforceability of the rights of, or benefits available to, the Administrative Agent, the Swing Line Lender, the Offshore Currency Fronting Lender, the Letter of Credit Issuer and/or any Lender under this Agreement, any Note, the Guaranty and/or any other Loan Document.

"Material Debt" means any Debt (other than the Obligations) of the Borrower and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal amount exceeding \$10,000,000.

"Material Plan" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of \$10,000,000.

"Material Subsidiary" means (a) any Domestic Subsidiary which has Guaranteed any Material Debt or (b) any Domestic Subsidiary or Foreign Subsidiary which (i) has assets with an aggregate book value which at any time exceeds 2.5% of Consolidated Total Assets at such time or (ii) has EBITDA during any four (4) consecutive Fiscal Quarter period which exceeds 5% of Consolidated EBITDA during such period. Notwithstanding the foregoing, if at any time (a) all of the Subsidiaries which are not Material Subsidiaries have, in the aggregate, assets with a book value which at any time exceeds 15% of Consolidated Total Assets at such time or (b) all of the Subsidiaries which are not Material Subsidiaries have, in the aggregate, EBITDA during any four (4) consecutive Fiscal Quarter period which exceeds 15% of Consolidated EBITDA during such period, then from and after such time all of the Subsidiaries shall be Material Subsidiaries.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five (5) plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five (5) year period.

"Net Income" means for any Subsidiary, for the period in question, the after-tax net income (or loss) of such Subsidiary and its subsidiaries during such period, determined on a consolidated basis and in accordance with GAAP, after excluding (a) any loss or any income of any Person in which such Subsidiary or any of its subsidiaries has an ownership interest (other than subsidiary) except to the extent that any such income has actually been received by such Subsidiary or a subsidiary of such Subsidiary in the form of cash dividends or similar cash distributions, (b) any gain or loss (net of any tax effect) resulting from the sale of any capital assets by such Subsidiary or a subsidiary of such Subsidiary other than in the ordinary course of business, (c) extraordinary, unusual or non-recurring gains or losses, (d) gains resulting from the write-up of assets, (e) any earnings of any subsidiary of such Subsidiary unavailable for payment to such Subsidiary and (f) proceeds of any life insurance policy.

"Notes" means the Revolving Credit Notes, the Swing Line Note and Fronted Offshore Currency Notes, and "Note" means any one of such promissory notes, in each case as the same may from time to time be amended, modified, extended, renewed, supplemented or restated.

"Notice of Revolving Credit Borrowing" has the meaning set forth in Section 2.04(a).

"Notice of Swing Line Borrowing" has the meaning set forth in Section 2.04(b).

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all Letter of Credit Obligations and all accrued and unpaid fees, expenses, reimbursements, indemnities and other obligations of the Borrower or any Borrowing Subsidiary to the Administrative Agent, the Swing Line Lender, the Offshore Currency Fronting Lender, the Letter of Credit Issuer, any one or more of the Lenders and/or any indemnified party evidenced by or arising under or in respect of any of the Loan Documents, including, without limitation, obligations under a Swap Contract between the Borrower and a Lender or an affiliate of a Lender relating to any of the Loans.

"Offshore Currency" means at any time, Euro, Pounds Sterling and, from and after the time of approval by each Lender in accordance with Section 2.06(e), any other currency requested by Company.

"Offshore Currency Loans" means Fronted Offshore Currency Loans made by the Offshore Currency Fronting Lender to the Borrowing Subsidiaries and Revolving Credit Loans made by the Lenders to Borrower in an Offshore Currency.

"Offshore Currency Addendum" means an addendum substantially in the form of Exhibit I hereto with such modifications thereto as shall be approved by the Offshore Currency Fronting Lender and Administrative Agent.

"Offshore Currency Fronting Lender" means Wells Fargo (or any Affiliate, branch or agency thereof) to the extent it is party to an Offshore Currency Addendum as the "Offshore Currency Fronting Lender" thereunder. If any agency, branch or Affiliate of Wells Fargo shall be a party to an Offshore Currency Addendum, such agency, branch or Affiliate shall, to the extent of any commitment extended and any Loans made by it, have all the rights of such Lender hereunder; provided, however, that Wells Fargo shall to the exclusion of such agency, branch or Affiliate, continue to have all the voting rights vested in it by the terms hereof.

"Offshore Currency Sublimit" means \$30,000,000.00.

"Parent" means, with respect to any Lender, any Person controlling such Lender.

"Participant" has the meaning set forth in Section 9.06(b).

"Payment Office" means the main office of the Administrative Agent located in Denver, Colorado.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Acquisition" shall mean any Acquisition by the Borrower or any Wholly-Owned Subsidiary so long as (a) the Acquired Business is in an Eligible Line of Business, (b) the Acquisition is not a Hostile Acquisition, (c) the Borrower has given the Administrative Agent at least ten (10) Business Days prior written notice of such Acquisition (or such lesser notice as the Required Lenders may agree to in writing) and has provided the Administrative Agent with such financial and other information concerning such Acquisition as the Administrative Agent or the Required Lenders may reasonably request (and the Administrative Agent hereby agrees to promptly forward such notices and such financial and other information to each of the Lenders), (d) if such Acquisition involves a merger or consolidation of the Borrower or any Subsidiary and another entity, the Borrower or such Subsidiary, as the case may be, is the surviving entity, (e) the total purchase price (including fees and expenses) for such Acquisition (whether payable at closing or at any time or times after closing of the applicable Acquisition, and if payable after closing and not determinable prior to closing, as reasonably estimated by the Borrower, and in any event including the amount of any indebtedness assumed by the Borrower or any Subsidiary as a part of such Acquisition) does not exceed the sum of \$65,000,000, (f) the total purchase price (including fees and expenses) for all Acquisitions consummated by the Borrower and/or any Subsidiary during the one (1) year period preceding the date of consummation of the Acquisition in question (including the Acquisition in question) (whether payable at closing or at any time or times after closing of the applicable Acquisition, and if payable after closing and not determinable prior to closing, as reasonably estimated by the Borrower, and in any event including the amount of any indebtedness assumed by Borrower or any Subsidiary as a part of the applicable Acquisition) does not exceed the sum of \$65,000,000, (g) both immediately before and immediately after giving effect to such Acquisition, the Borrower is in compliance with all of the terms, provisions, covenants and conditions contained in this Agreement and the other Loan Documents, (h) if such Acquisition had been consummated on the last day of the Fiscal Quarter immediately preceding the actual date of such Acquisition (the "Assumed Acquisition Date"), on a pro forma basis the Borrower would have been in compliance with all of the terms, provisions, covenants and conditions contained in this Agreement and the other Loan Documents at all times from and after the Assumed Acquisition Date, which pro forma compliance shall be demonstrated by the Borrower to the Administrative Agent and each Lender pursuant to such financial and other information concerning such Acquisition as the Administrative Agent or the Required Lenders may reasonably request, (i) after giving effect to such Acquisition, the Consolidated Leverage Ratio does not exceed 2.5 to 1.0, (j) the Acquired Business shall be owned directly by the Borrower or a Wholly-Owned Subsidiary, (k) if a new Material Subsidiary is formed or acquired as a result of or in connection with the Acquisition, the Borrower shall have complied with the requirements of Section 5.17 in connection therewith and (l) both immediately before and immediately after giving effect to such Acquisition, no Default or Event of Default shall exist.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (a) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (b) has at

any time within the preceding five (5) years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Prime Rate" means at any time the rate of interest per annum most recently announced within Wells Fargo at its principal office in San Francisco, California as its Prime Rate, with the understanding that Wells Fargo's Prime Rate is one of its base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto and is evidenced by the recording thereof after its announcement in such internal publication or publications as Wells Fargo may designate. Each change in the Prime Rate shall be effective on the day the change is announced within Wells Fargo.

"Register" has the meaning set forth in Section 9.06(f).

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

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time and any successor thereto or other regulation or official interpretation of said Board of Governors relating to the extension of credit by lenders for the purpose of purchasing or carrying margin stocks applicable to member lenders of the Federal Reserve System.

"Reimbursement Agreement" means each application and/or agreement for irrevocable standby letter of credit executed by Borrower in connection with any Letter of Credit, each as the same may be amended, modified, extended, renewed, supplemented or restated from time to time.

"Reimbursement Obligations" means, at any time, the aggregate (without duplication) of the Obligations of the Borrower to the Letter of Credit Issuer, the Administrative Agent and/or any Lender in respect of all unreimbursed payments or disbursements made by the Letter of Credit Issuer, the Administrative Agent and/or any Lender under or in respect of draws made under any Letter of Credit.

"Required Lenders" means at any time Lenders having at least 50% of the aggregate amount of the Revolving Credit Commitments or, if the Revolving Credit Commitments shall have been terminated, holding Revolving Credit Notes evidencing at least 50% of the aggregate unpaid principal amount of the Revolving Credit Loans.

"Reserve Requirement" means, with respect to an Interest Period, the maximum, aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on eurocurrency liabilities.

"Revolving Credit Commitment" means, with respect to any Lender, the principal amount set forth opposite the name of such Lender on Schedule 1.01 hereto or in any Assignment and Assumption Agreement under the caption "Amount of Revolving Credit

Commitment"; and "Revolving Credit Commitments" means such commitments collectively, which commitments equal \$100,000,000 in the aggregate as of the Effective Date, as such amount may be reduced from time to time pursuant to Section 2.11.

"Revolving Credit Commitment Percentage" means, with respect to each Lender, the percentage equal to a fraction the numerator of which is the amount of such Lender's Revolving Credit Commitment and the denominator of which is the aggregate amount of the Revolving Credit Commitments.

"Revolving Credit Loan" means a loan made by a Lender pursuant to Section 2.01, which may be a Base Rate Loan or a LIBOR Loan.

"Revolving Credit Notes" means revolving credit notes of the Borrower, substantially in the form of Exhibit C hereto, evidencing the obligation of the Borrower to repay the Revolving Credit Loans, and "Revolving Credit Note" means any one of such revolving credit notes issued hereunder, in each case as the same may from time to time be amended, modified, extended, renewed, supplemented or restated.

"Spot Rate" for a currency means the rate quoted by Wells Fargo as the spot rate for the purchase by Wells Fargo of such currency with another currency at approximately 11:00 a.m. at the relevant foreign currency trading office of Wells Fargo on the date two Business Days prior to the date as of which the foreign exchange computation is made.

"Subsidiary" of a Person means any corporation, association, partnership, limited liability company, joint venture or other business entity of which more than fifty percent (50%) of the voting capital stock, partnership interests, membership interests or other equity interests is owned or controlled directly or indirectly by such Person, or one or more of the Subsidiaries of the Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a "Subsidiary" refer to a Subsidiary of the Borrower or one of its other Subsidiaries.

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

"Swap Termination Value" shall mean, in respect of any Swap Contract, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contract,

(a) for any date on or after the date such Swap Contract has been closed out and a termination value determined in accordance therewith, such termination value and (b) for any date prior to the date referenced in clause (a), the amount determined as the mark-to-market value for such Swap Contract, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contract (which may include a Lender or any affiliate of a Lender).

"Swing Line Commitment" means the lesser of (a) \$7,500,000 and (b) the total Revolving Credit Commitments at such time.

"Swing Line Lender" means Wells Fargo.

"Swing Line Lender-Related Persons" means the Swing Line Lender (including any successor Swing Line Lender), together with its affiliates, and the officers, directors, employees, agents and attorneys-in-fact of such Persons and affiliates.

"Swing Line Loan" means a loan made by the Swing Line Lender pursuant to Section 2.02.

"Swing Line Note" means the swing line note of the Borrower, substantially in the form of Exhibit D hereto, evidencing the obligation of the Borrower to repay the Swing Line Loans, as the same may from time to time be amended, modified, extended, renewed, supplemented or restated.

"Synthetic Lease Obligation" of any Person means the obligation to pay rent or other payment amounts under a lease of (or other indebtedness arrangements conveying the right to use) real or personal property of such Person which may be classified and accounted for as an operating lease or off-balance sheet liability for accounting purposes but as a secured or unsecured loan for tax purposes under the Internal Revenue Code.

"Termination Date" means October , 2009.

"Total Outstandings" means, as of any date, the sum of (a) the aggregate principal amount of all Revolving Credit Loans outstanding as of such date, plus (b) the aggregate principal amount of all Swing Line Loans outstanding as of such date plus (c) the aggregate amount of all Fronted Offshore Currency Loans outstanding as of such date plus (d) the aggregate Letter of Credit Obligations outstanding as of such date.

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (a) the present value of all benefits under such Plan exceeds (b) the fair market value of all Plan assets allocable to such benefits (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"Upfront Fee Letter" means the letter agreement by and among the Borrower, the Administrative Agent and the Lenders, dated as of the date of this Agreement, relating to the

upfront fees payable to the Lenders, as amended, supplemented or otherwise modified from time to time.

"Voting Stock" means capital stock of any class or classes (however designated) having ordinary voting power for the election of directors of the Borrower, other than stock having such power only by reason of the happening of a contingency.

"Wells Fargo" means Wells Fargo Bank, National Association, in its individual capacity.

"Wholly-Owned Subsidiary" means, at any time, any Subsidiary one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Borrower and the Borrower's other Wholly-Owned Subsidiaries at such time.

Section 1.02 Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP as in effect from time to time (recognizing that unaudited interim financial statements may be subject to normal year-end adjustments and may not contain footnotes), applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its Subsidiaries delivered to the Lenders; provided that, if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article V to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend any covenant in Article V for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

Section 1.03 Types of Borrowings. The term "Borrowing" denotes the aggregation of Revolving Credit Loans of one or more Lenders to be made to the Borrower pursuant to Article II on a single date and, in the case of LIBOR Loans and Offshore Currency Loans, for a single Interest Period. Borrowings may be classified for purposes of this Agreement by reference to the pricing of Revolving Credit Loans comprising such Borrowing (e.g., a "Base Rate Borrowing" is a Borrowing comprised of Base Rate Loans, a "LIBOR Borrowing" is a Borrowing comprised of LIBOR Loans and an "Offshore Currency Borrowing" is a Borrowing comprised of Offshore Currency Loans).

ARTICLE II THE CREDITS

Section 2.01 Revolving Credit Commitments. During the Credit Availability Period, each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this Section 2.01 from time to time in Dollars and Offshore Currencies in amounts such that the aggregate outstanding principal amount of Revolving Credit Loans by such Lender shall not exceed the amount of its Revolving Credit Commitment less the sum of (i) such Lender's Revolving Credit Commitment Percentage of Letter of Credit

Obligations at such time plus (ii) such Lender's Revolving Credit Commitment Percentage of aggregate principal amount of Swing Line Loans outstanding at such time plus (iii) such Lender's Revolving Credit Commitment Percentage of the Dollar Equivalent of the aggregate principal amount of Fronted Offshore Currency Loans outstanding at such time. The Dollar Equivalent of all Revolving Credit Loans denominated in an Offshore Currency, when aggregated with the Dollar Equivalent of all Fronted Offshore Currency Loans plus the Dollar Equivalent of all Letter of Credit Obligations denominated in an Offshore Currency, shall not exceed the Offshore Currency Sublimit. Each Borrowing under this Section 2.01 which is a Base Rate Borrowing shall be in an aggregate principal amount of \$1,000,000 or any larger multiple of \$500,000. Each Borrowing under this Section 2.01 which is a LIBOR Borrowing or an Offshore Currency Borrowing shall be in an aggregate principal amount of \$2,000,000 or any larger multiple of \$500,000. Each Borrowing under this Section 2.01 shall be made from the several Lenders ratably in proportion to their respective Revolving Credit Commitments. Within the foregoing limits, the Borrower may borrow under this Section 2.01, repay, or to the extent permitted by Section 2.13, prepay Revolving Credit Loans and reborrow at any time during the Credit Availability Period under this Section 2.01.

Section 2.02 Swing Line Commitment.

(a) During the Credit Availability Period, the Swing Line Lender agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this Section 2.02 from time to time in amounts such that the aggregate outstanding principal amount of Swing Line Loans shall not exceed the lesser of (i) the amount of the Swing Line Commitment or (ii) the sum of (A) the total Revolving Credit Commitments at such time minus (B) the aggregate principal amount of Revolving Credit Loans outstanding at such time minus (C) the aggregate principal amount of Fronted Offshore Currency Loans outstanding at such time minus (D) the aggregate amount of Letter of Credit Obligations at such time. No Swing Line Loan may be outstanding for more than ten (10) Business Days. The Swing Line Lender shall not make any Swing Line Loan to refinance any outstanding Swing Line Loan. Immediately upon the making of a Swing Line Loan, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swing Line Lender a risk participation in such Swing Line Loan in an amount equal to the product of such Lender's Revolving Credit Commitment Percentage of the amount of such Swing Line Loan. Within the foregoing limits, the Borrower may borrow under this Section 2.02, repay or prepay Swing Line Loans and reborrow at any time during the Credit Availability Period under this Section 2.02.

(b) The Swing Line Lender may at any time in its sole and absolute discretion request, on behalf of the Borrower (which hereby irrevocably requests the Swing Line Lender to so request on its behalf), that each Lender make a Revolving Credit Loan which is a Base Rate Loan in an amount equal to such Lender's Revolving Credit Commitment Percentage of the amount of Swing Line Loans then outstanding. Such request shall be made in accordance with the requirements of Section 2.04 and shall be subject to the conditions set forth in Article III. The Swing Line Lender shall furnish the Borrower with a copy of the applicable Notice of Revolving Credit Borrowing promptly after delivering such notice to the Administrative Agent. Not later than 2:00 p.m. (Central Standard Time) on the date of such Revolving Credit Loan, each Lender shall make an amount equal to its Revolving Credit Commitment Percentage of the amount specified in such Notice of Revolving Credit Borrowing available, in Federal or other funds immediately available in Denver, Colorado, to the Administrative Agent at its Payment

Office. Unless the Administrative Agent determines that any applicable condition specified in Article III has not been satisfied, the Administrative Agent will make the funds so received from the Lenders available to the Swing Line Lender at the Administrative Agent's aforesaid address to pay the then outstanding Swing Line Loans, whereupon, subject to Section 2.02(c) below, each Lender that so makes funds available shall be deemed to have made a Revolving Credit Loan which is a Base Rate Loan to the Borrower in such amount.

(c) If for any reason any Revolving Credit Loan cannot be requested in accordance with Section 2.02(b) above or any Swing Line Loan cannot be refinanced by such a Revolving Credit Loan, the Notice of Revolving Credit Borrowing submitted by the Swing Line Lender shall be deemed to be a request by the Swing Line Lender that each of the Lender's fund its risk participation in the relevant Swing Line Loan and each Lender's payment to the Administrative Agent for the account of the Swing Line Lender pursuant to Section 2.02(b) above shall be deemed payment in respect of such participation.

(d) If any Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of Section 2.02(b) by the time specified in Section 2.02(b), the Swing Line Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the Federal Funds Effective Rate from time to time in effect. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under Section 2.02 shall be conclusive absent manifest error.

(e) Each Lender's obligation to make Revolving Loans or to purchase and fund risk participations in Swing Line Loans pursuant to this Section 2.02 shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or Event of Default or (iii) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Revolving Credit Loans pursuant to Section 2.02(b) is subject to the conditions set forth in Article III. Any such purchase of participations shall not relieve or otherwise impair the obligation of the Borrower to repay Swing Line Loans, together with interest as provided herein.

(f) At any time after any Lender has purchased and funded a participation in a Swing Line Loan, if the Swing Line Lender receives any payment on account of such Swing Line Loan, the Swing Line Lender will distribute to such Lender its pro rata share of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participation was outstanding and funded) in the same funds as those received by the Swing Line Lender and in accordance with the time frames set forth in Section 2.14.

(g) If any payment received by the Swing Line Lender in respect of principal or interest on any Swing Line Loan is required to be returned by the Swing Line Lender, each Lender shall pay to the Swing Line Lender its pro rata share thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand if such demand is made

by 2:00 p.m. (Central Standard Time) on such day or from the day after the date of such demand if such demand is made after 2:00 p.m. (Central Standard Time) on such day to the date such amount is returned if such return is made by 4:00 p.m. (Central Standard Time) on such day or to the day after the date of such return if such return is made after 4:00 p.m. (Central Standard Time) on such day, at a rate per annum equal to the Federal Funds Effective Rate. The Administrative Agent will make such demand upon the request of the Swing Line Lender.

(h) Until each Lender funds its Revolving Credit Loan or participation pursuant to this Section 2.02 to refinance such Lender's Revolving Credit Commitment Percentage of any Swing Line Loan, interest in respect of such pro rata share shall be solely for the account of the Swing Line Lender.

Section 2.03 Fronted Offshore Currency Loans.

(a) During the Credit Availability Period, the Offshore Currency Fronting Lender agrees, on the terms and conditions set forth in this Agreement and in the applicable Offshore Currency Addendum, to make Fronted Offshore Currency Loans under such Offshore Currency Addendum to the Borrowing Subsidiary party to such Offshore Currency Addendum from time to time in the applicable Offshore Currency, in amounts such that the aggregate outstanding principal amount of Fronted Offshore Currency Loans shall not exceed the lesser of (i) the amount of the Fronted Offshore Currency Commitment or (ii) the sum of (A) the total Revolving Credit Commitments at such time minus (B) the aggregate principal amount of Revolving Credit Loans outstanding at such time minus (C) the aggregate principal amount of Swing Line Loans outstanding at such time minus (D) the aggregate amount of Letter of Credit Obligations at such time; provided, that, at no time shall the Dollar Equivalent of the Fronted Offshore Currency Loans for any specific Alternate Currency exceed the maximum amount specified for such Alternate Currency in the applicable Offshore Currency Addendum; and, provided further, that, at no time shall the Dollar Equivalent of all Fronted Offshore Currency Loans, when aggregated with the Dollar Equivalent of all Revolving Credit Loans and Letter of Credit Obligations denominated in an Offshore Currency, exceed the Offshore Currency Sublimit. Within the foregoing limits, the applicable Borrowing Subsidiary may borrow under this Section 2.03, repay, or to the extent permitted by Section 2.13, prepay Fronted Offshore Currency Loans and reborrow at any time during the Credit Availability Period under this Section 2.03. All such Fronted Offshore Currency Loans shall be subject to an unlimited continuing guaranty of payment by the Borrower and by all Domestic Subsidiaries which are Material Subsidiaries.

(b) Except as otherwise required by applicable law, in no event shall the Offshore Currency Fronting Lender have the right to accelerate the Fronted Offshore Currency Loans outstanding under any Offshore Currency Addendum prior to the stated termination date in respect thereof, except that the Offshore Currency Fronting Lender shall have such rights upon an acceleration of the Loans and a termination of the Revolving Credit Commitments pursuant to Section 6.

(c) The Offshore Currency Fronting Lender shall furnish to Administrative Agent not less frequently than monthly, at the end of each calendar quarter, and at any other time upon the request of Administrative Agent, a statement setting forth the outstanding Fronted

Offshore Currency Loans made and repaid under each applicable Offshore Currency Addendum during the period since the last such report under such Offshore Currency Addendum.

(d) Immediately and automatically upon the occurrence of an Event of Default under Sections 6.01(a), (g) or (h), each Lender shall be deemed to have unconditionally and irrevocably purchased from the Offshore Currency Fronting Lender, without recourse or warranty, an undivided interest in and participation in each Fronted Offshore Currency Loan ratably in an amount equal to such Lender's Revolving Credit Commitment Percentage of the amount of such Loan, and immediately and automatically all Fronted Offshore Currency Loans shall be converted to and redenominated in Dollars equal to the Dollar Equivalent of each such Fronted Offshore Currency Loan determined as of the date of such conversion; provided, that to the extent such conversion shall occur other than at the end of an Interest Period, the applicable Borrowing Subsidiary shall pay to the Offshore Currency Fronting Lender all losses and breakage costs related thereto in accordance with Section 2.15. Each of the Lenders shall pay to the Offshore Currency Fronting Lender not later than two (2) Business Days following a request for payment from the Offshore Currency Fronting Lender, in Dollars, an amount equal to the undivided interest in and participation in the Fronted Offshore Currency Loan purchased by such Lender pursuant to this Section 2.03(d). In the event that any Lender fails to make payment to the applicable Offshore Currency Fronting Lender of any amount due under this Section 2.03(d), Administrative Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Lender hereunder until the Agent receives from such Lender an amount sufficient to discharge such Lender's payment obligation as prescribed in this Section 2.03(d) together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand by the Offshore Currency Fronting Lender and ending on the date such obligation is fully satisfied. Administrative Agent will promptly remit all payments received as provided above to the Offshore Currency Fronting Lender. In consideration of the risk participations described in this Section 2.03(d), each Lender shall receive, from the accrued interest paid for periods prior to the conversion of any Fronted Offshore Currency Loan as described above by the applicable Borrowing Subsidiary on each Fronted Offshore Currency Loan, a fee equal to such Lender's Revolving Credit Commitment Percentage of the Applicable LIBOR Margin component of the interest accrued on such Loan, as in effect from time to time during the period such interest accrued. Such portion of the interest paid by or on behalf of the applicable Borrowing Subsidiary on Fronted Offshore Currency Loans to the Offshore Currency Fronting Lender shall be paid as promptly as possible by the Offshore Currency Fronting Lender to Administrative Agent, and Administrative Agent shall as promptly as possible convert such amount into Dollars at the Spot Rate in accordance with its normal banking practices and apply such resulting amount ratably among the Lenders (including the Offshore Currency Fronting Lender) in proportion to their respective Revolving Credit Commitment Percentages.

(e) Whenever, at any time after a Lender has purchased a participating interest in a Fronted Offshore Currency Loan, the Offshore Currency Fronting Lender receives any payment on account thereof, the Offshore Currency Fronting Lender will distribute to Administrative Agent for delivery to each Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded); provided, however, that in the event that such payment received by the Offshore Currency Fronting Lender is required to be returned, such Lender will return to Administrative Agent for delivery to the Offshore

Currency Fronting Lender any portion thereof previously distributed by Administrative Agent or such Offshore Currency Fronting Lender to it.

(f) Each Lender's obligation to purchase the participating interests referred to in subsection 2.03(d) 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 or any Borrower may have against the Offshore Currency Fronting Lender, the Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default, (iii) any adverse change in the condition (financial or otherwise) of Borrower, any Borrowing Subsidiary or any Guarantor Subsidiary, (iv) any breach of this Agreement or any other Loan Document by Borrower, any Borrowing Subsidiary or any Guarantor Subsidiary or any other Lender, or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(g) Notwithstanding anything herein to the contrary, during the existence of an Event of Default, upon the request of the Required Lenders, all or any part of any outstanding Fronted Offshore Currency Loans shall be redenominated and converted into Base Rate Loans in Dollars assumed by Borrower with effect from the last day of the Interest Period with respect to any such Fronted Offshore Currency Loans. Administrative Agent will promptly notify the Borrowing Subsidiaries of any such redenomination and conversion request.

(h) On or after the Effective Date, with the consent of Administrative Agent, which consent shall not be unreasonably withheld, Borrower may designate any Foreign Subsidiary as a Borrowing Subsidiary by delivery to Administrative Agent of a Borrowing Subsidiary Supplement executed by such Foreign Subsidiary and Borrower, together with a Fronted Offshore Currency Note in favor of the Offshore Currency Fronting Lender and an Offshore Currency Addendum, and upon such delivery such Foreign Subsidiary shall for all purposes of this Agreement be a Borrowing Subsidiary and party to this Agreement; provided, however, that Borrower shall not request, and will not permit any of its Subsidiaries to request, and Offshore Currency Fronting Lender shall not enter into, any Offshore Currency Addendum, or amendment to an existing Offshore Currency Addendum, that would result in the sum of the Fronted Offshore Currency Commitments and the Dollar Equivalent of the outstanding Revolving Credit Loans and Letter of Credit Obligations denominated in an Offshore Currency exceeding the Offshore Currency Sublimit. For the avoidance of doubt, the parties agree that the Offshore Currency Fronting Lender shall be under no obligation to enter into any Offshore Currency Addendum. As soon as practicable upon receipt of a Borrowing Subsidiary Supplement, Administrative Agent will deliver a copy thereof to each Lender. So long as the principal of and interest on all Loans made to any Borrowing Subsidiaries under this Agreement shall have been paid in full and all other obligations of such Borrowing Subsidiaries shall have been fully performed, such Borrowing Subsidiary may, upon not less than five Business Days' prior written notice to Administrative Agent and the Offshore Currency Fronting Lender (which shall promptly notify the Lenders thereof), terminate its status as a Borrowing Subsidiary.

Section 2.04 Notice of Borrowings.

(a) Notice of Revolving Credit Borrowings. The Borrower shall give the Administrative Agent notice in the form of Exhibit A attached hereto (a "Notice of Revolving Credit Borrowing") not later than (x) 10:00 a.m. (Central Standard Time) on the Business Day

of each Base Rate Borrowing in Dollars, (y) 10:00 a.m. (Central Standard Time) on the third Business Day before each LIBOR Borrowing in Dollars, and (z) 10:00 a.m. (Central Standard Time) on the fourth Business Day before each Borrowing in an Offshore Currency specifying:

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

(ii) the aggregate amount of such Borrowing in Dollars or Offshore Currency,

(iii) if in Dollars, whether the Revolving Credit Loans comprising such Borrowing are to be Base Rate Loans or LIBOR Loans, and

(iv) in the case of a LIBOR Borrowing or an Offshore Currency Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

(b) Notice of Swing Line Borrowings. The Borrower shall give the Administrative Agent notice in the form of Exhibit B attached hereto (a "Notice of Swing Line Borrowing") not later than 12:00 noon (Central Standard Time) on the date of each Swing Line Loan, specifying:

(i) the date of such Swing Line Loan, which shall be a Business Day, and

(ii) the aggregate amount of such Swing Line Loan.

(c) Notice of Fronted Offshore Currency Borrowings. The applicable Borrowing Subsidiary shall give the Administrative Agent and the Offshore Currency Fronting Lender notice of each Fronted Offshore Currency Loan in the manner and the form provided for in the applicable Offshore Currency Addendum.

(d) Conversion and Continuation of Outstanding Advances. Base Rate Borrowings shall continue as Base Rate Borrowings unless and until such Base Rate Borrowings are converted into LIBOR Loans pursuant to this Section 2.04 or are repaid in accordance with this Article II. Each LIBOR Borrowing shall continue as a LIBOR Borrowing until the end of the then applicable Interest Period therefor, at which time such LIBOR Borrowing shall be automatically converted into a Base Rate Borrowing unless (x) such LIBOR Borrowing is or was repaid in accordance with this Article II or (y) the Borrower shall have given the Administrative Agent a Conversion/Continuation Notice (as defined below) at least three (3) Business Days prior to the expiration of the current Interest Period requesting that, at the end of such Interest Period, such LIBOR Borrowing continue as a LIBOR Borrowing for the same or another Interest Period. Each Offshore Currency Borrowing shall continue as an Offshore Currency Borrowing until the end of the then applicable Interest Period therefor, at which time such Offshore Currency Borrowing shall continue as an Offshore Currency Borrowing for an identical Interest Period unless (x) such Offshore Currency Borrowing is or was repaid in accordance with this Article II or (y) the Borrower shall have given the Administrative Agent notice not later than 10:00 a.m. (Central Standard Time) at least four (4) Business Days prior to the expiration of the current Interest Period requesting that at the end of such Interest Period, such Offshore Currency

Borrowing continue for a different Interest Period. The Borrower may elect from time to time to convert all or any part of a Base Rate Borrowing into a LIBOR Borrowing, provided that the resulting Borrowings shall be in a minimum amount of \$2,000,000 or any larger multiple of \$500,000. The Borrower shall give the Administrative Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of a Base Rate Borrowing into a LIBOR Borrowing or continuation of a LIBOR Borrowing not later than 10:00 a.m. (Central Standard Time) at least three (3) Business Days prior to the date of the requested conversion or continuation, specifying:

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

(ii) the aggregate amount of the Borrowing which is to be converted or continued and whether such Borrowing is a Base Rate Borrowing or a LIBOR Borrowing, and

(iii) the amount of such Borrowing which is to be converted into or continued as a LIBOR Borrowing and the duration of the Interest Period applicable thereto.

In no event shall Borrower be permitted more than ten (10) Interest Periods outstanding at any one time under this Agreement. Notwithstanding the foregoing, so long as any Default or Event of Default has occurred and is continuing, the Borrower shall not be permitted to continue any LIBOR Borrowing as a LIBOR Borrowing or to convert any Base Rate Borrowing into a LIBOR Borrowing.

Section 2.05 Notice to Lenders; Funding of Loans.

(a) Upon receipt of a Notice of Revolving Credit Borrowing, the Administrative Agent shall notify each Lender of the contents thereof by 12:00 noon (Central Standard Time) on the date of the Administrative Agent's receipt thereof if received by the Administrative Agent at or prior to 10:00 a.m. (Central Standard Time) on a Business Day or by 10:00 a.m. (Central Standard Time) on the first Business Day after the date of the Administrative Agent's receipt thereof if received by the Administrative Agent after 10:00 a.m. (Central Standard Time) on a Business Day or on a day which is not a Business Day, and of such Lender's share of such Borrowing and such Notice of Revolving Credit Borrowing shall not thereafter be revocable by the Borrower. If the Notice of Revolving Credit Borrowing is in an Offshore Currency, the Administrative Agent shall notify each Lender of the Dollar Equivalent thereof and the applicable Spot Rate used by Administrative Agent to determine the Dollar Equivalent amount.

(b) Upon receipt of a Notice of Swing Line Borrowing, the Administrative Agent shall promptly notify the Swing Line Lender of the contents thereof and such Notice of Swing Line Borrowing shall not thereafter be revocable by the Borrower.

(c) Upon receipt of a Notice of Fronted Offshore Currency Borrowing, the Administrative Agent shall promptly notify the Offshore Currency Fronting Lender of the contents thereof and such Notice of Fronted Offshore Currency Borrowing shall not thereafter be revocable by the Borrower.

(d) Not later than 2:00 p.m. (Central Standard Time) on the date of each Revolving Credit Loan, each Lender shall (except as provided in subsection (e) of this Section) make available its share of such Borrowing, in Federal or other funds immediately available in Denver, Colorado, to the Administrative Agent at its Payment Office. Unless the Administrative Agent has received written notice from Borrower or any Lender, or otherwise determines, that any applicable condition specified in Article III has not been satisfied, the Administrative Agent will make the funds so received from the Lenders available to the Borrower at the Administrative Agent's aforesaid address.

(e) Not later than 2:00 p.m. (Central Standard Time) on the date of each Swing Line Loan, the Swing Line Lender shall make available the principal amount of such Swing Line Loan, in Federal or other funds immediately available in Denver, Colorado, to the Administrative Agent at its Payment Office. Unless the Administrative Agent has received written notice from Borrower or any Lender, or otherwise determines, that any applicable condition specified in Article III has not been satisfied, the Administrative Agent will make the funds so received from the Swing Line Lender available to the Borrower at the Administrative Agent's aforesaid address.

(f) Subject to the terms of this Agreement and the applicable Offshore Currency Addendum, the Offshore Currency Fronting Lender shall make available the principal amount of each Fronted Offshore Currency Loan to the applicable Borrowing Subsidiary in accordance with the terms of the Offshore Currency Addendum.

(g) If new Revolving Credit Loans are to be made hereunder on a day on which the Borrower is to prepay or repay all or any part of outstanding Revolving Credit Loans, the Lenders shall apply the proceeds of the new Revolving Credit Loans to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the amount being prepaid or repaid shall be made available by the Lenders to the Administrative Agent as provided in subsection (c) above, or remitted by the Borrower to the Administrative Agent as provided in Section 2.13, as the case may be. In such case, the incurrence of such new Revolving Credit Loans and the prepayment or repayment of such outstanding Revolving Credit Loans shall be deemed to have occurred simultaneously.

(h) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsections (d) and (e) of this Section 2.05 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender ("Defaulting Lender") shall not have so made such share available to the Administrative Agent, such Defaulting Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, a rate per annum equal to the interest rate applicable thereto pursuant to Section 2.09 and (ii) in the case of such Defaulting Lender, the Federal Funds Effective Rate. If a Defaulting Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Defaulting Lender's

Revolving Credit Loan included in such Borrowing for purposes of this Agreement. In addition, until such amount is paid in full by the Defaulting Lender to the Administrative Agent, (a) the Defaulting Lender grants the Administrative Agent the unconditional and irrevocable right of setoff against any amounts (including, without limitation, payments of principal, interest and fees, as well as indemnity payments) received by the Administrative Agent under this Agreement for the benefit of such Defaulting Lender and (b) if such failure to pay shall continue for a period of fifteen (15) or more Business Days, the Defaulting Lender shall forfeit any right to vote on any matter that (i) the Required Lenders or (ii) all of the Lenders are permitted to vote for under this Agreement or any other Loan Document (and the calculation, and definition, of Required Lenders shall exclude such Defaulting Lender's interest in the Revolving Credit Commitments, the Revolving Credit Notes and the Revolving Credit Loans); provided, however, once such a failure is cured, then such Defaulting Lender shall, subsequent thereto, regain all of its voting rights under this Agreement and the other Loan Documents.

(i) Unless the Administrative Agent shall have received notice from the Swing Line Lender prior to the date of any Swing Line Loan that the Swing Line Lender will not make available to the Administrative Agent such Swing Line Loan, the Administrative Agent may assume that the Swing Line Lender has made such share available to the Administrative Agent on the date of such Swing Line Loan in accordance with subsection (d) of this Section 2.05 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that the Swing Line Lender shall not have so made such share available to the Administrative Agent, the Swing Line Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Effective Rate and the interest rate applicable thereto pursuant to Section 2.09 and (ii) in the case of the Swing Line Lender, the Federal Funds Effective Rate. If the Swing Line Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute a Swing Line Loan for purposes of this Agreement.

Section 2.06 Utilization of Commitments in Offshore Currencies.

(a) Administrative Agent will determine the Dollar Equivalent with respect to (i) any Borrowing comprised of Offshore Currency Loans (A) as of the requested date of Borrowing, (B) as of the last Business Day of each month and (C) as of any redenomination date pursuant to this Section 2.06 and (ii) any Letter of Credit denominated in an Offshore Currency (A) as of the date of issuance thereof and (B) as of the last Business Day of each week (each such date under clauses (i) and (ii) a "Computation Date"). Administrative Agent will provide Borrower with the amount determined pursuant to the foregoing clause (i) and (ii) promptly following the end of each month.

(b) In the case of a proposed Borrowing of Revolving Credit Loans comprised of Offshore Currency Loans, Lenders shall be under no obligation to make Offshore Currency Loans in the requested Offshore Currency as part of such Borrowing if Administrative Agent has received notice from any Lender by 3:00 p.m. (Central Standard Time) three Business Days prior to the day of such Borrowing that such Lender cannot provide Loans in the requested Offshore

Currency, in which event Administrative Agent will give notice to Borrower no later than 9:00 a.m. (Central Standard Time) on the third Business Day prior to the requested date of such Borrowing that the Borrowing in the requested Offshore Currency is not then available, no such Borrowing shall be made and any request for a Revolving Credit Loan in such Offshore Currency shall be deemed withdrawn and shall otherwise be without effect.

(c) In the case of a proposed continuation of Revolving Credit Loans comprised of Offshore Currency Loans for an additional Interest Period pursuant to Section 2.04, Lenders shall be under no obligation to continue such Offshore Currency Loans if Administrative Agent has received notice from any Lender by 4:00 p.m. (Central Standard Time) three Business Days prior to the day of such continuation that such Lender cannot continue to provide Loans in the Offshore Currency, in which event Administrative Agent will give notice to Borrower not later than 9:00 a.m. (Central Standard Time) on the second Business Day prior to the requested date of such continuation that the continuation of such Offshore Currency Loans in the Offshore Currency is not then available, and notice thereof also will be given promptly by Administrative Agent to Lenders. If Administrative Agent shall have so notified Borrower that any such continuation of Offshore Currency Loans is not then available, any Notice of Revolving Credit Borrowing with respect thereto shall be deemed withdrawn and such Offshore Currency Loans shall be redenominated into Base Rate Loans with effect from the last day of the Interest Period with respect to any such Offshore Currency Loans. Administrative Agent will promptly notify Borrower and Lenders of any such redenomination and, in such notice by Administrative Agent to each Lender, Administrative Agent will state the aggregate Dollar Equivalent of the redenominated Offshore Currency Loans as of the Computation Date with respect thereto and such Lender's pro rata share thereof.

(d) Notwithstanding anything herein to the contrary, during the existence of an Event of Default, upon the request of Required Lenders, all or any part of any outstanding Offshore Currency Loans shall be redenominated and converted into Base Rate Loans in Dollars assumed by Borrower with effect from the last day of the Interest Period with respect to any such Offshore Currency Loans. Administrative Agent will promptly notify the Borrower and the Borrowing Subsidiaries of any such redenomination and conversion request.

(e) Borrower shall be entitled to request that Revolving Credit Loans hereunder shall also be permitted to be made in any other lawful currency constituting a eurocurrency, in addition to the currencies specified in the definition of "Offshore Currency" herein, that in the opinion of each Lender is at such time freely traded in the offshore interbank foreign exchange markets and is freely transferable and freely convertible into Dollars (an "Agreed Alternative Currency"). Borrower shall deliver to Administrative Agent any request for designation of an Agreed Alternative Currency to be received by Administrative Agent not later than noon (Central Standard Time) at least ten Business Days in advance of the date of any Borrowing hereunder proposed to be made in such Agreed Alternative Currency. Upon receipt of any such request Administrative Agent will promptly notify Lenders thereof, and each Lender will use its best efforts to respond to such request within two Business Days of receipt thereof. Each Lender may grant or accept such request in its sole discretion. Administrative Agent will promptly notify Company of the acceptance or rejection of any such request.

Section 2.07 Notes.

(a) The Revolving Credit Loans of each Lender shall be evidenced by a single Revolving Credit Note substantially in the form of Exhibit D hereto payable to the order of such Lender for the account of its Applicable Lending Office in an amount equal to the amount of such Lender's Revolving Credit Commitment.

(b) The Swing Line Loans shall be evidenced by a single Swing Line Note substantially in the form of Exhibit E hereto payable to the order of the Swing Line Lender for the account of its Applicable Lending Office in an amount equal to the amount of the Swing Line Commitment.

(c) The Fronted Offshore Currency Loans shall be evidenced by the Fronted Offshore Currency Notes executed and delivered by the Borrowing Subsidiaries in accordance with the terms of the Offshore Currency Addenda.

(d) Upon receipt of each Lender's Revolving Credit Note pursuant to Section 3.01(b), the Administrative Agent shall deliver such Revolving Credit Note to such Lender. Each Lender shall record in its books and records the date, amount, type and Interest Period (if any) of each Revolving Credit Loan made by it and the date and amount of each payment of principal and/or interest made by the Borrower with respect thereto; provided that the obligation of the Borrower to repay each Revolving Credit Loan shall be absolute and unconditional, notwithstanding any failure of such Lender to make any such recordation or any mistake by such Lender in connection with any such recordation. The books and records of each Lender showing the account between such Lender and the Borrower shall be prima facie evidence of the items set forth therein in the absence of manifest error.

(e) Upon receipt of the Swing Line Note pursuant to Section 3.01(c), the Administrative Agent shall deliver such Swing Line Note to the Swing Line Lender. The Swing Line Lender shall record in its books and records the date and amount of each Swing Line Loan made by it and the date and amount of each payment of principal and/or interest made by the Borrower with respect thereto; provided that the obligation of the Borrower to repay each Swing Line Loan shall be absolute and unconditional, notwithstanding any failure of the Swing Line Lender to make any such recordation or any mistake by the Swing Line Lender in connection with any such recordation. The books and records of the Swing Line Lender showing the account between the Swing Line Lender and the Borrower shall be prima facie evidence of the items set forth therein in the absence of manifest error.

(f) Upon receipt of a Fronted Offshore Currency Note pursuant to Section 2.03(f), the Administrative Agent shall deliver such Fronted Offshore Currency Note to the Offshore Currency Fronting Lender. The Offshore Currency Fronting Lender shall record in its books and records the date and amount of each Fronted Offshore Currency Loan made by it and the date and amount of each payment of principal and/or interest made by the applicable Borrowing Subsidiary with respect thereto; provided that the obligation of the Borrowing Subsidiary to repay each Fronted Offshore Currency Loan shall be absolute and unconditional, notwithstanding any failure of the Offshore Currency Fronting Lender to make any such recordation or any mistake by the Offshore Currency Fronting Lender in connection with any such recordation. The books and records of the Offshore Currency Fronting Lender showing the account between the Offshore Currency Fronting Lender and the Borrowing Subsidiary shall be prima facie evidence of the items set forth therein in the absence of manifest error.

Section 2.08 Payment of Obligations.

(a) Each Revolving Credit Loan and each Fronted Offshore Currency Loan shall mature, and the principal amount thereof shall be due and payable, on the Termination Date.

(b) Each Swing Line Loan shall mature, and the principal amount thereof shall be due and payable, on the earlier of (i) the date which is ten (10) Business Days after the date of such Swing Line Loan or (ii) the Termination Date.

(c) If on any Computation Date, the Dollar Equivalent of the Total Outstandings exceeds the aggregate amount of the Revolving Credit Commitments, the Borrower shall pay an amount equal to such excess to Administrative Agent within three (3) Business Days following demand by the Administrative Agent. Each such payment shall be applied to prepay ratably the Revolving Credit Loans of the Lenders.

(d) If on any Computation Date, the Dollar Equivalent of the outstanding principal balance of Revolving Credit Loans denominated in an Offshore Currency and Letter of Credit Obligations denominated in an Offshore Currency plus the Dollar Equivalent of the outstanding principal balance of Fronted Offshore Currency Loans exceed the Offshore Currency Sublimit, the Borrower shall pay an amount equal to such excess to Administrative Agent within three (3) Business Days following demand by the Administrative Agent. Each such payment shall be applied to prepay ratably the Revolving Credit Loans of the Lenders.

(e) If on any Computation Date, the Dollar Equivalent of the outstanding principal balance of Fronted Offshore Currency Loans made pursuant to any Offshore Currency Addendum exceed the Fronted Offshore Currency Commitment set forth in such Offshore Currency Addendum, the applicable Borrowing Subsidiary shall pay an amount equal to such excess to Administrative Agent within three (3) Business Days following demand by the Administrative Agent. Each such payment shall be applied to prepay the applicable Fronted Offshore Currency Loans of the Offshore Currency Fronting Lender.

(f) All other Obligations, to the extent not theretofore paid, shall be paid in full on the Termination Date.

Section 2.09 Interest Rates.

(a) So long as no Event of Default has occurred and is continuing, each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Revolving Credit Loan is made until it becomes due, at a rate per annum equal to the Adjusted Base Rate for such day. So long as any Event of Default has occurred and is continuing, each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Base Rate Loan is made until it becomes due, at a rate per annum equal to the sum of 2% plus the Adjusted Base Rate for such day. Such interest shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter and at the maturity of the Revolving Credit Notes (whether by reason of acceleration or otherwise). Any overdue principal of or interest on any Base Rate Loan shall bear interest, due and payable on

demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus the Adjusted Base Rate for such day.

(b) So long as no Event of Default has occurred and is continuing, each LIBOR Loan shall bear interest on the outstanding principal amount thereof, for each Interest Period applicable thereto, at a rate per annum equal to the applicable LIBOR Rate. So long as any Event of Default has occurred and is continuing, each LIBOR Loan shall bear interest on the outstanding principal amount thereof, for each Interest Period applicable thereto, at a rate per annum equal to the sum of 2% plus the higher of (i) the Adjusted Base Rate for such day and (ii) the applicable LIBOR Rate. Such interest shall be due and payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three (3) months, at intervals of three (3) months after the first day thereof, and at the maturity of the Revolving Credit Notes (whether by reason of acceleration or otherwise). Any overdue principal of or interest on any LIBOR Loan shall bear interest, due and payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus the higher of (i) the Adjusted Base Rate for such day and (ii) the applicable LIBOR Rate.

(c) So long as no Event of Default has occurred and is continuing, each Revolving Credit Loan consisting of an Offshore Currency Loan denominated in Euro shall bear interest on the outstanding principal amount thereof, for each Interest Period applicable thereto, at a rate per annum equal to the applicable EURIBOR Rate. So long as any Event of Default has occurred and is continuing, each such Loan shall bear interest on the outstanding principal amount thereof, for each Interest Period applicable thereto, at a rate per annum equal to the sum of 2% plus the applicable EURIBOR Rate. Such interest shall be due and payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three (3) months, at intervals of three (3) months after the first day thereof, and at the maturity of the Revolving Credit Notes (whether by reason of acceleration or otherwise). Any overdue principal of or interest on any such Loan shall bear interest, due and payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus the applicable EURIBOR Rate;

(d) So long as no Event of Default has occurred and is continuing, each Revolving Credit Loan consisting of an Offshore Currency Loan denominated in a currency other than Euro shall bear interest on the outstanding principal amount thereof, for each Interest Period applicable thereto, at the rate per annum quoted by Administrative Agent for such Interest Period, which rate shall be based upon the rate at which deposits in the applicable Offshore Currency for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Offshore Currency Loan being made or continued and with a term equivalent to such Interest period would be offered by Wells Fargo's Grand Cayman Branch (or such other office as may be designated by Administrative Agent) to major banks in the relevant offshore interbank market at their request approximately 11:00 a.m. local time two Business Days prior to the first day of such Interest Period. So long as any Event of Default has occurred and is continuing, each such Loan shall bear interest on the outstanding principal amount thereof, for each Interest Period applicable thereto, at a rate per annum equal to the sum of 2% plus the rate otherwise applicable. Such interest shall be due and payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three (3) months, at intervals of three

(3) months after the first day thereof, and at the maturity of the Revolving Credit Notes (whether by reason of acceleration or otherwise). Any overdue principal of or interest on any such Loan shall bear interest, due and payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus the rate otherwise applicable.

(e) So long as no Event of Default has occurred and is continuing, each Swing Line Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Swing Line Loan is made until it becomes due, at a rate per annum equal to Adjusted Base Rate or such lower rate as the Swing Line Lender and the Borrower may from time to time mutually agree upon in writing. So long as any Event of Default has occurred and is continuing, each Swing Line Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Swing Line Loan is made until it becomes due, at a rate per annum equal to the sum of 2% plus the Adjusted Base Rate for such day. Such interest shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter and at the maturity of the Swing Line Note (whether by reason of acceleration or otherwise). Any overdue principal of or interest on any Swing Line Loan shall bear interest, due and payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus the Adjusted Base Rate for such day.

(f) Each Fronted Offshore Currency Loan shall bear interest as set forth in the applicable Offshore Currency Addendum.

(g) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower, the Lenders and the Swing Line Lender by e-mail or facsimile of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

Section 2.10 Loan Fees.

(a) Commitment Fee. From and including the Effective Date to but excluding the Termination Date, the Borrower shall pay to the Administrative Agent for the account of each Lender a nonrefundable commitment fee on the unused portion of the Revolving Credit Commitment of such Lender (determined for each Lender by subtracting such Lender's Revolving Credit Loans and such Lender's Revolving Credit Commitment Percentage of the Letter of Credit Outstandings from such Lender's Revolving Credit Commitment) at the Applicable Commitment Fee Rate. Said commitment fee shall be (i) calculated on a daily basis and (ii) due and payable quarterly in arrears on the last Business Day of each calendar quarter during the Credit Availability Period and on the Termination Date.

(b) Administrative Agent's Fees. The Borrower shall pay to the Administrative Agent, for its own account, as and when due the agent and other fees set forth in the Agent Fee Letter.

(c) Upfront Fees. The Borrower shall pay to the Administrative Agent, for the account of the Lenders, as and when due the upfront fees set forth in the Upfront Fee Letter.

Section 2.11 Optional Termination or Reduction of, or Increase in, the Revolving Credit Commitments.

(a) The Borrower may, upon at least five (5) Business Days' notice to the Administrative Agent, terminate the Revolving Credit Commitments at any time, if no Loans or Letter of Credit Obligations are outstanding at such time. Any such termination shall be permanent and shall also automatically terminate the Swing Line Commitment.

(b) The Borrower may, upon at least five (5) Business Days' notice to the Administrative Agent, ratably reduce from time to time by an aggregate amount of \$5,000,000 or any larger multiple of \$5,000,000, the aggregate amount of the Revolving Credit Commitments in excess of the aggregate outstanding principal amount of the Loans and Letter of Credit Obligations. Each such reduction shall be permanent.

(c) So long as no Default or Event of Default shall have occurred and be continuing, the Borrower shall have the right from time to time upon not less than thirty (30) days' prior written notice to the Administrative Agent to increase the Revolving Credit Commitments; provided that (i) no Lender shall have any obligation to increase its Revolving Credit Commitment, (ii) such requested increase shall be in a minimum principal amount of \$15,000,000 and a maximum principal amount of \$50,000,000, (iii) in no event shall the Revolving Credit Commitments be increased to an aggregate amount greater than \$150,000,000, (iv) each existing Lender shall have the right (but not the obligation) to participate in such increase in an amount up to its Revolving Credit Commitment Percentage of such increase, and (v) contemporaneously with requesting each such increase, the Borrower certifies to the Administrative Agent and each Lender in writing that immediately before and immediately after giving effect to such increase, (A) the Borrower is in compliance with all of the terms, provisions, covenants and conditions contained in this Agreement and the other Loan Documents and (B) no Default or Event of Default has occurred and is continuing; and provided further that:

(A) any increase in the Revolving Credit Commitments which is accomplished by increasing the Revolving Credit Commitment of any Lender or Lenders who are at the time of such increase party to this Agreement (which Lender or Lenders shall consent to such increase in their sole and absolute discretion) shall be accomplished as follows: (1) this Agreement will be amended by the Borrower, the Administrative Agent and those Lender(s) whose Revolving Credit Commitment(s) is or are being increased (but without any requirement that the consent of the Swing Line Lender, the Letter of Credit Issuer or any other Lenders be obtained) to reflect the revised Revolving Credit Commitments of each of the Lenders, (2) the Administrative Agent will deliver an updated Schedule 1.01 to the Borrower, the Swing Line Lender, the Letter of Credit Issuer and each of the Lenders reflecting the revised Revolving Credit Commitments and Revolving Credit Commitment Percentages of each of the Lenders, (3) the outstanding Revolving Credit Loans and Revolving Credit Commitment Percentages of Letter of Credit Obligations will be reallocated on the effective date of such increase among the Lenders in accordance with their revised Revolving Credit Commitment Percentages (and the Lenders agree to make all payments and adjustments necessary to effect the reallocation and the Borrower shall pay any and all costs required pursuant to Section 2.13 in connection with such reallocation as if such reallocation were a repayment) and (4) the Borrower will deliver new Revolving Credit Note(s) to the Lender or Lenders whose Revolving Credit Commitment(s) is or are being increased reflecting the revised Revolving Credit Commitments of such Lender(s);

(B) any increase in the Revolving Credit Commitments which is accomplished by addition of a new Lender under this Agreement shall be accomplished as follows: (1) such new Lender shall be subject to the consent of the Administrative Agent and the Borrower, which consent shall not be unreasonably withheld, (2) this Agreement will be amended by the Borrower, the Administrative Agent and such new Lender (but without any requirement that the consent of the Swing Line Lender, the Letter of Credit Issuer or any other Lenders be obtained) to reflect the addition of such new Lender as a Lender under this Agreement, (3) the Administrative Agent will deliver an updated Schedule 1.01 to the Borrower, the Swing Line Lender, the Letter of Credit Issuer and each of the Lenders reflecting the revised Revolving Credit Commitments and Revolving Credit Commitment Percentages of each of the Lenders, (4) the outstanding Revolving Credit Loans and Revolving Credit Commitment Percentages of Letter of Credit Obligations will be reallocated on the effective date of such increase among the Lenders in accordance with their revised Revolving Credit Commitment Percentages (and the Lenders agree to make all payments and adjustments necessary to effect the reallocation and the Borrower shall pay any and all costs required pursuant to Section 2.13 in connection with such reallocation as if such reallocation were a repayment) and (5) the Borrower will deliver a Revolving Credit Note to such new Lender; and

(C) notwithstanding anything to the contrary contained in this Agreement, upon any voluntary termination of the Revolving Credit Commitments pursuant to Section 2.09(a) or any voluntary reduction of the Revolving Credit Commitments pursuant to Section 2.09(b), the Borrower shall no longer have the option to request an increase in the Revolving Credit Commitments pursuant to this Section 2.09(c).

Section 2.12 Mandatory Termination of Commitments. The Revolving Credit Commitments, the Swing Line Commitment and the Fronted Offshore Currency Commitments shall terminate on the Termination Date, and any Loans then outstanding (together with accrued interest thereon) and all accrued and unpaid fees under this Agreement shall be due and payable on such date.

Section 2.13 Prepayments.

(a) The Borrower may at any time (i) upon notice to the Administrative Agent by 12:00 noon (Central Standard Time) on the same Business Day, prepay any Base Rate Borrowing in whole or in part by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment and (ii) upon at least three (3) Business Days' notice to the Administrative Agent, prepay, subject to Section 2.15, any LIBOR Borrowing or any Revolving Credit Loan consisting of an Offshore Currency Loan in whole or in part in amounts aggregating \$2,000,000 or any larger multiple of \$500,000 by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Revolving Credit Loans of the several Lenders included in such Borrowing. Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

(b) The Borrower may at any time prepay any Swing Line Loans in whole or in part by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment.

Section 2.14 General Provisions as to Payments.

(a) The Borrower and each Borrowing Subsidiary shall make each payment of principal of, and interest on, the Loans and of fees hereunder, not later than 1:00 p.m. (Central Standard Time) on the date when due, in Federal or other funds immediately available in Denver, Colorado, to the Administrative Agent at its Payment Office and without setoff or counterclaim and free and clear of and without deduction for any taxes, levies, impost, duties, charges, fees, deductions, withholding, compulsory loans, restrictions or conditions of any nature now or hereafter imposed or levied by any jurisdiction or any political subdivision thereof or taxing or other authority therein unless the Borrower or the Borrowing Subsidiary is required by law to make such deduction or withholding. The Administrative Agent will distribute to each Lender, the Offshore Currency Fronting Lender and the Swing Line Lender its ratable share (if any) of each such payment received by the Administrative Agent for the account of the Lenders, the Offshore Currency Fronting Lender and/or the Swing Line Lender by 2:00 p.m. (Central Standard Time) on the day of receipt of such payment by the Administrative Agent if such payment is received by the Administrative Agent from the Borrower or the Borrowing Subsidiary by 1:00 p.m. (Central Standard Time) on a Business Day or by 12:00 noon (Central Standard Time) on the next succeeding Business Day if such payment is received by the Administrative Agent from Borrower or the Borrowing Subsidiary after 1:00 p.m. (Central Standard Time) on a Business Day or on a day which is not a Business Day. Payments received by the Administrative Agent with respect to each Loan will be distributed to each Lender based upon such Lender's pro rata interest in such Loan. Any such payment owed by the Administrative Agent to any Lender, the Offshore Currency Fronting Lender or the Swing Line Lender which is not paid within the applicable time period shall bear interest (payable by the Administrative Agent) until paid at the Federal Funds Effective Rate. Whenever any payment of principal of, or interest on, the Base Rate Loans or the Swing Line Loans or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. Whenever any payment of principal of, or interest on, the LIBOR Loans or the Offshore Currency Loans shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Administrative Agent shall have received notice from the Borrower or a Borrowing Subsidiary prior to the date on which any payment is due to any of the Lenders, the Offshore Currency Fronting Lender and/or the Swing Line Lender hereunder that the Borrower or the Borrowing Subsidiary will not make such payment in full, the Administrative Agent may assume that the Borrower or the Borrowing Subsidiary has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender, the Offshore Currency Fronting Lender and the Swing Line Lender on such due date an amount equal to the amount then due such Lender, the Offshore Currency Fronting Lender or the Swing Line Lender, as the case may be. If and to the extent that the Borrower or the Borrowing Subsidiary shall not have

so made such payment, each Lender, the Offshore Currency Fronting Lender and/or the Swing Line Lender, as the case may be, shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender, the Offshore Currency Fronting Lender or the Swing Line Lender, as the case may be, together with interest thereon, for each day from the date such amount is distributed to such Lender, the Offshore Currency Fronting Lender or the Swing Line Lender, as the case may be, until the date such Lender, the Offshore Currency Fronting Lender or the Swing Line Lender, as the case may be, repays such amount to the Administrative Agent, at the Federal Funds Effective Rate.

(c) The specification of payment of Offshore Currency Loans in the related Offshore Currency at a specific place pursuant to this Agreement is of the essence. Such Offshore Currency shall, subject to Section 2.03, be the currency of account and payment of such Loans under this Agreement and the applicable Offshore Currency Addendum. The obligation of Borrower or the applicable Borrowing Subsidiary in respect of such Loans shall not be discharged by an amount paid in any other currency or at another place, whether pursuant to a judgment or otherwise, to the extent the amount so paid, on prompt conversion into the applicable Offshore Currency and transfer to such Lender under normal banking procedure, does not yield the amount of such Offshore Currency due under this Agreement or the applicable Offshore Currency Addendum. In the event that any payment, whether pursuant to a judgment or otherwise, upon conversion and transfer, does not result in payment of the amount of such Offshore Currency due under this Agreement or the applicable Offshore Currency Addendum, such Lender shall have an independent cause of action against each of the Borrower, the Borrowing Subsidiaries and the Guarantor Subsidiaries for the currency deficit. In the event that any payment, upon conversion and transfer, results in payment in excess of the amount of such Offshore Currency due under this Agreement or the Offshore Currency Addendum, such Lender shall refund such excess to the Borrower or the applicable Borrowing Subsidiary.

Section 2.15 Funding Losses. If the Borrower or any Borrowing Subsidiary makes any payment of principal with respect to any LIBOR Loan or any Offshore Currency Loan, or any LIBOR Loan is converted to a different type of Loan (pursuant to Article II, VI or VIII or otherwise) on any day other than the last day of the Interest Period applicable thereto, or if the Borrower or any Borrowing Subsidiary fails to borrow any LIBOR Loans or Offshore Currency Loan after notice has been given to any Lender, or fails to borrow, prepay, convert or continue any LIBOR Loan or any Offshore Currency Loan after notice has been given to any Lender in accordance with Section 2.03, 2.04(a) or 2.11(a), or Article VIII, the Borrower shall reimburse each Lender within fifteen (15) days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties and any loss of margin for the period after any such payment, conversion or failure to borrow; provided that such Lender shall have delivered to the Borrower a certificate explaining in reasonable detail the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.16 Computation of Interest and Fees. All interest and fees hereunder (other than interest on Base Rate Loans) shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day). All interest on Base Rate Loans hereunder shall be computed on the basis of a year of 365 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.17 Withholding Tax Exemption.

(a) At least five (5) Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Lender, each Lender that is not incorporated under the laws of the United States of America or a state thereof agrees that it will deliver to each of the Borrower and the Administrative Agent two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI (or successor forms), certifying in either case that such Lender is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes. Each Lender which so delivers a Form W-8BEN or W-8ECI (or successor forms) further undertakes to deliver to each of the Borrower and the Administrative Agent two additional copies of such forms (or successor forms) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrower or the Administrative Agent, in each case certifying that such Lender is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender advises the Borrower and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(b) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or properly completed, because such Lender failed to notify the Administrative Agent of a change in circumstances which rendered its exemption from withholding ineffective or for any other reason), such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax, withholding thereof, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Administrative Agent under this subsection, together with all costs and expenses related thereto (including attorneys fees and time charges of attorneys for the Administrative Agent, which attorneys may be employees of the Administrative Agent). The obligations of the Lenders under this Section 2.17(b) shall survive the payment of the Obligations and termination of this Agreement.

Section 2.18 Letters of Credit.

(a) Issuance of Letters of Credit. From and after the Effective Date to but excluding the Termination Date, the Letter of Credit Issuer agrees, upon the terms and conditions set forth in this Agreement, to issue at the request and upon the application of the Borrower and for the account of the Borrower or a Guarantor Subsidiary, one or more standby letters of credit ("Letters of Credit") in Dollars or an Offshore Currency; provided, however, that the Letter of Credit Issuer shall not be under any obligation to issue, and shall not issue, any Letter of Credit if: (i) any order, judgment or decree of any Governmental Authority with jurisdiction over the Letter of Credit Issuer shall purport by its terms to enjoin or restrain such Letter of Credit Issuer

from issuing such Letter of Credit, or any law or governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the Letter of Credit Issuer shall prohibit, or request that the Letter of Credit Issuer refrain from, the issuance of Letters of Credit in particular or shall impose upon the Letter of Credit Issuer with respect to any Letter of Credit any restriction or reserve or capital requirement (for which the Letter of Credit Issuer is not otherwise compensated) or any unreimbursed loss, cost or expense which was not applicable, in effect and known to the Letter of Credit Issuer as of the date of this Agreement and which the Letter of Credit Issuer in good faith deems material to it (the Letter of Credit Issuer shall promptly notify the Borrower of any event which, in the judgment of the Letter of Credit Issuer, would preclude the issuance of a Letter of Credit pursuant to this clause (i)); (ii) one or more of the conditions to such issuance contained in Section 3.04 is not then satisfied; (iii) after giving effect to such issuance, the aggregate outstanding amount of the Letter of Credit Obligations would exceed the Letter of Credit Sublimit; or (iv) with respect to a Letter of Credit requested to be denominated in an Offshore Currency, the Letter of Credit Issuer is unable to issue Letters of Credit in such Offshore Currency.

In no event shall:

(i) the aggregate amount of the Letter of Credit Obligations at any time exceed the Letter of Credit Sublimit at such time;

(ii) the Total Outstandings at any time exceed the aggregate amount of the Revolving Credit Commitments at such time;

(iii) the Dollar Equivalent of Letter of Credit Obligations denominated in an Offshore Currency, when aggregated with the Dollar Equivalent of Revolving Credit Loans denominated in an Offshore Currency and the Dollar Equivalent of Fronted Offshore Currency Loans, exceed the Offshore Currency Sublimit; or

(iv) the expiration date of any Letter of Credit, or the date for payment of any draft presented thereunder and accepted by the Letter of Credit Issuer, be later than the Letter of Credit Expiry Date, which in the case of a Letter of Credit with an automatic "evergreen" provision providing for renewal absent advance notice by the Borrower or the Letter of Credit Issuer, will permit automatic renewals for successive periods of up to eighteen (18) months provided the ultimate expiration date is not later than five (5) Business Days prior to the Termination Date.

(b) Participating Interests. Immediately upon the issuance by the Letter of Credit Issuer of a Letter of Credit in accordance with Section 2.18(d), each Lender shall be deemed to have irrevocably and unconditionally purchased and received from the Letter of Credit Issuer, without recourse, representation or warranty, an undivided participation interest equal to its Revolving Credit Commitment Percentage of the face amount of such Letter of Credit and each draw paid by the Letter of Credit Issuer thereunder. Each Lender's obligation to pay its proportionate share of all draws under the Letters of Credit, absent gross negligence or willful misconduct by the Letter of Credit Issuer in honoring any such draw, shall be absolute, unconditional and irrevocable and in each case shall be made without counterclaim or set-off by such Lender.

(c) Letter of Credit Reimbursement Obligations.

(i) The Borrower agrees to pay to the Letter of Credit Issuer (i) on each date that any amount is drawn under each Letter of Credit a sum in Dollars or the Dollar Equivalent with respect to Letters of Credit denominated in an Offshore Currency (and interest on such sum as provided in clause (ii) below) equal to the amount so drawn plus all other charges and expenses with respect thereto specified in Section 2.18(f) or in the applicable Reimbursement Agreement and (ii) interest on any and all amounts remaining unpaid under this Section 2.18(c) until payment in full at the Adjusted Base Rate plus 2.00% per annum. The Borrower agrees to pay to the Letter of Credit Issuer the amount of all Reimbursement Obligations owing in respect of any Letter of Credit immediately when due, under all circumstances, including, without limitation, any of the following circumstances: (A) any lack of validity or enforceability of this Agreement or any agreement, document or instrument executed pursuant hereto; (B) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), any Lender or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between the Borrower and the beneficiary named in any Letter of Credit); (C) the validity, sufficiency or genuineness of any document which the Letter of Credit Issuer has determined in good faith and in accordance with its customary business practices complies on its face with the terms of the applicable Letter of Credit, even if such document should later prove to have been forged, fraudulent, invalid or insufficient in any respect or any statement therein shall have been untrue or inaccurate in any respect; or (D) the surrender or material impairment of any security for the performance or observance of any of the terms hereof.

(ii) Notwithstanding any provisions to the contrary in any Reimbursement Agreement, the Borrower agrees to reimburse the Letter of Credit Issuer for amounts which the Letter of Credit Issuer pays under such Letter of Credit no later than the time specified in this Agreement. If the Borrower does not pay any such Reimbursement Obligations when due, the Borrower shall be deemed to have immediately requested that the Lenders make a Revolving Credit Loan which is Base Rate Loan under this Agreement in a principal amount equal to such unreimbursed Reimbursement Obligations in Dollars or Dollar Equivalent with respect to Letters of Credit denominated in an Offshore Currency. The Administrative Agent shall promptly notify the Lenders of such deemed request and, without the necessity of compliance with the requirements of Sections 2.03 or 2.04, each Lender shall make available to the Administrative Agent its Revolving Credit Loan in the manner prescribed for Revolving Credit Loans. The proceeds of such Revolving Credit Loans shall be paid over by the Administrative Agent to the Letter of Credit Issuer for the account of the Borrower in satisfaction of such unreimbursed Reimbursement Obligations, which shall thereupon be deemed satisfied by the proceeds of, and replaced by, such Revolving Credit Loan.

(iii) If the Letter of Credit Issuer makes a payment on account of any Letter of Credit and is not concurrently reimbursed therefore by the Borrower and if for any reason a Revolving Credit Loan may not be made pursuant to Section 2.18(c)(ii), then as promptly as practical during normal banking hours on the date of its receipt of such notice or, if not practicable on such date, not later than 2:00 p.m. (Central Standard Time) on the Business

Day immediately succeeding such date of notification, each Lender shall deliver to the Administrative Agent for the account of the Letter of Credit Issuer, in immediately available funds, the purchase price for such Lender's interest in such unreimbursed Reimbursement Obligations in Dollars or Dollar Equivalent with respect to Letters of Credit denominated in an Offshore Currency, which shall be an amount equal to such Lender's Revolving Credit Commitment Percentage of such payment. Each Lender shall, upon demand by the Letter of Credit Issuer, pay the Letter of Credit Issuer interest on such Lender's pro-rata share of such draw from the date of payment by the Letter of Credit Issuer on account of such Letter of Credit until the date of delivery of such funds to the Letter of Credit Issuer by such Lender at a rate per annum, computed for actual days elapsed based on a 360-day year, equal to the Federal Funds Effective Rate for day during such period; provided, that such payments shall be made by the Lenders only in the event and to the extent that the Letter of Credit Issuer is not reimbursed in full by the Borrower for interest on the amount of any draw on the Letters of Credit.

(iv) At any time after the Letter of Credit Issuer has made a payment on account of any Letter of Credit and has received from any other Lender such Lender's pro-rata share of such payment, such Letter of Credit Issuer shall, forthwith upon its receipt of any reimbursement (in whole or in part) by the Borrower for such payment, or of any other amount from the Borrower or any other Person in respect of such payment (including, without limitation, any payment of interest or fees and any payment under any collateral account agreement of the Borrower but excluding any transfer of funds from any other Lender pursuant to Sections 2.18(c)(ii) or 2.18(c)(iii), transfer to such other Lender such other Lender's ratable share of such reimbursement or other amount; provided, that interest shall accrue for the benefit of such Lender from the time such Letter of Credit Issuer has made a payment on account of any Letter of Credit; provided, further, that in the event that the receipt by the Letter of Credit Issuer of such reimbursement or other amount is found to have been a transfer in fraud of creditors or a preferential payment under the United States Bankruptcy Code or is otherwise required to be returned, such Lender shall promptly return to the Letter of Credit Issuer any portion thereof previously transferred by the Letter of Credit Issuer to such Lender, but without interest to the extent that interest is not payable by the Letter of Credit Issuer in connection therewith.

(d) Procedure for Issuance. Prior to the issuance of each Letter of Credit, and as a condition of such issuance, the Borrower shall deliver to the Letter of Credit Issuer (with a copy to the Administrative Agent) a Reimbursement Agreement signed by the Borrower, together with such other documents or items as may be required pursuant to the terms thereof, and the proposed form and content of such Letter of Credit shall be reasonably satisfactory to the Letter of Credit Issuer. Each Letter of Credit shall be issued no earlier than one (1) Business Day after delivery of the foregoing documents, which delivery may be by the Borrower to the Letter of Credit Issuer by facsimile transmission, telex or other electronic means followed by delivery of executed originals within five (5) days thereafter. The documents so delivered shall be in compliance with the requirements set forth in Section 2.18(a), and shall specify therein (i) the stated amount of the Letter of Credit requested, (ii) the effective date of issuance of such requested Letter of Credit, which shall be a Business Day, (iii) the date on which such requested Letter of Credit is to expire, (iv) the entity for whose benefit the requested Letter of Credit is to be issued, which shall be either Borrower or a Subsidiary and (v) the aggregate amount of Letter of Credit Obligations which are outstanding and which will be outstanding after giving effect to the requested Letter of Credit issuance. The delivery of the foregoing documents and information shall constitute an "Issuance Request" for purposes of this Agreement. Subject to

the terms and conditions of Section 2.18(a) and provided that the applicable conditions set forth in Section 3.04 hereof have been satisfied, the Letter of Credit Issuer shall, on the requested date, issue a Letter of Credit on behalf of the Borrower in accordance with the Letter of Credit Issuer's usual and customary business practices. In addition, any amendment of an existing Letter of Credit shall be deemed to be an issuance of a new Letter of Credit and shall be subject to the requirements set forth above. The Letter of Credit Issuer shall give the Administrative Agent prompt written notice of the issuance of any Letter of Credit.

(e) Nature of the Lenders' Obligations.

(i) Except as otherwise provided in the following sentence, as between the Borrower and the Lenders, the Borrower assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of the Letters of Credit. In furtherance and not in limitation of the foregoing, the Lenders shall not be responsible for (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of a Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (C) the failure of the beneficiary of a Letter of Credit to comply fully with conditions required to be satisfied by any Person other than the Letter of Credit Issuer in order to draw upon such Letter of Credit (other than a failure to satisfy documentary conditions to drawing where payment of the Letter of Credit despite such failure would constitute gross negligence or willful misconduct of the Letter of Credit Issuer); (D) errors, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, facsimile transmission, telex or otherwise; (E) the misapplication by the beneficiary of a Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (F) any consequences arising from causes beyond control of the Letter of Credit Issuer.

(ii) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth (including in Section 2.18(c)(i)), any action taken or omitted by the Letter of Credit Issuer under or in connection with the Letters of Credit or any related certificates, if taken or omitted in good faith, shall not put the Administrative Agent or any Lender under any resulting liability to the Borrower or relieve the Borrower of any of its obligations hereunder to the Letter of Credit Issuer or any such Person.

(f) Letter of Credit Fees. The Borrower hereby agrees to pay letter of credit fees with respect to each Letter of Credit from and including the date of issuance thereof until the date such Letter of Credit is fully drawn, canceled or expired, (i) for the account of the Letter of Credit Issuer, an issuance fee equal to 1/8 of 1% of the initial face amount of such Letter of Credit, payable on the date of issuance and on each anniversary date of the date of issuance and (ii) for the ratable account of the Lenders, a per annum percentage of the aggregate amount from time to time available to be drawn on such Letter of Credit equal to (A) so long as no Event of Default has occurred and is continuing, the Applicable LIBOR Margin from time to time in effect and (B) so long as any Event of Default has occurred and is continuing, 2% over and above the Applicable LIBOR Margin from time to time in effect, payable quarterly in arrears on the last Business Day of each calendar quarter during the term of such Letter of Credit and upon

the expiration, cancellation or utilization in full of such Letter of Credit. In addition to the foregoing, the Borrower agrees to pay the Letter of Credit Issuer any other administrative fees customarily charged by it in respect of Letters of Credit issued by it to the extent such administrative fees are previously disclosed to the Borrower by the Letter of Credit Issuer prior to the issuance of a Letter of Credit.

(g) Conflict with Reimbursement Agreement. In the event of any conflict between the terms of this Agreement and the terms of any Reimbursement Agreement, the terms of this Agreement shall govern and control.

ARTICLE III
CONDITIONS

Section 3.01 Effectiveness. This Agreement shall become effective on the date that each of the following conditions shall have been satisfied (or waived in accordance with Section 9.05):

(a) receipt by the Administrative Agent of counterparts of this Agreement signed in number sufficient for each party by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, telex or other written confirmation from such party of execution of a counterpart hereof by such party);

(b) receipt by the Administrative Agent for the account of each Lender of a duly executed Revolving Credit Note dated on or before the Effective Date complying with the provisions of Section 2.05;

(c) receipt by the Administrative Agent for the account of the Swing Line Lender of the duly executed Swing Line Note dated on or before the Effective Date complying with the provisions of Section 2.05;

(d) receipt by the Administrative Agent of the duly executed Guaranty (which must be in form and substance satisfactory to the Administrative Agent) dated on or before the Effective Date;

(e) receipt by the Administrative Agent of an opinion of Bryan Cave LLP, counsel for the Borrower and the Guarantor Subsidiaries, substantially in the form of Exhibit E hereto (or such other form as is acceptable to the Administrative Agent) and covering such additional matters relating to the transactions contemplated hereby as the Administrative Agent may reasonably request;

(f) receipt by the Administrative Agent of all fees payable on or prior to the Effective Date;

(g) receipt by the Administrative Agent of all documents it may reasonably request relating to the corporate, partnership or limited liability company, as the case may be, existence of the Borrower and each Guarantor Subsidiary and the corporate, partnership or

limited liability company, as the case may be, authority for and the validity of this Agreement, the Notes and the Guaranty, all in form and substance satisfactory to the Administrative Agent;

(h) receipt by the Administrative Agent of all documents it may reasonably request relating to the granting of a perfected security interest or lien for the ratable benefit of the Lenders with respect to 65% of Borrower's direct or indirect ownership interest in each Foreign Subsidiary which constitutes a Material Subsidiary;

(i) receipt by the Administrative Agent of all documents it may reasonably request relating to the payoff and termination of Borrower's existing credit facilities with Bank of America, N.A. and the other lenders constituting members of such lending syndicate;

(j) receipt by the Administrative Agent of evidence satisfactory to it that since September 30, 2003, there has been no change or event that has caused a Material Adverse Effect; and

(k) receipt by the Administrative Agent of such other documents and instruments consistent with the terms of this Agreement as the Administrative Agent may reasonably request;

provided that this Agreement shall not become effective or be binding on any party hereto unless all of the foregoing conditions are satisfied not later than September 30, 2004. The Administrative Agent shall promptly notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding on all parties hereto.

Section 3.02 Revolving Credit Loan. The obligation of any Lender to make a Revolving Credit Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) the fact that, immediately after giving effect to such Revolving Credit Loan, the Total Outstandings will not exceed the aggregate amount of the Revolving Credit Commitments;

(b) the fact that, immediately before and immediately after giving effect to such Revolving Credit Loan, no Default or Event of Default shall have occurred and be continuing;

(c) the fact that each of the representations and warranties made by the Borrower and/or Subsidiary in this Agreement and/or in any other Loan Document shall be true and correct in all material respects on and as of the date of such Borrowing, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects on and as of such earlier date. For purposes of this Section 3.02(c), the representations and warranties made by the Borrower in Section 4.04 of this Agreement shall be deemed to refer to the most recent financial statements of the Borrower delivered to the Administrative Agent and the Lenders pursuant to Section 5.01(a) or 5.01(b) of this Agreement, as applicable; and

(d) the fact that since September 30, 2003, there has been no change or event that has caused a Material Adverse Effect.

The acceptance of the proceeds of each Revolving Credit Loan hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Revolving Credit Loan as to the facts specified in clauses (a), (b), (c) and (d) of this Section 3.02.

Section 3.03 Swing Line Loans. The obligation of the Swing Line Lender to make a Swing Line Loan is subject to the satisfaction of the following conditions:

(a) the fact that, immediately after giving effect to such Swing Line Loan, (i) the Total Outstandings will not exceed the aggregate amount of the Revolving Credit Commitments and (ii) the aggregate principal amount of all outstanding Swing Line Loans will not exceed the amount of the Swing Line Commitment;

(b) the fact that, immediately before and immediately after giving effect to such Swing Line Loan, no Default or Event of Default shall have occurred and be continuing;

(c) the fact that each of the representations and warranties made by the Borrower and/or any Subsidiary in this Agreement and/or in any other Loan Document shall be true in all material respects on and as of the date of such Swing Line Loan, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects on and as of such earlier date. For purposes of this Section 3.03(c), the representations and warranties made by the Borrower in Section 4.04 of this Agreement shall be deemed to refer to the most recent financial statements of the Borrower delivered to the Administrative Agent and the Lenders pursuant to Section 5.01(a) or 5.01(b) of this Agreement, as applicable; and

(d) the fact that since September 30, 2003, there has been no change or event that has caused a Material Adverse Effect.

The acceptance of the proceeds of each Swing Line Loan hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Swing Line Loan as to the facts specified in clauses (a), (b), (c) and (d) of this Section 3.03.

Section 3.04 Fronted Offshore Currency Loans. The obligation of the Offshore Currency Fronting Lender to make a Fronted Offshore Currency Loan is subject to the satisfaction of the following conditions:

(a) the receipt by the Administrative Agent of counterparts of an Offshore Currency Addendum and a Borrowing Subsidiary Supplement signed by each party thereto in sufficient numbers for each party to this Agreement;

(b) the receipt by the Administrative Agent of a duly executed continuing unlimited guaranty of payment of such Fronted Offshore Currency Loan from the Borrower;

(c) receipt by the Administrative Agent for the account of the Offshore Currency Fronting Lender of a duly executed Fronted Offshore Currency Note in the maximum principal amount of such Fronted Offshore Currency Loans;

(d) receipt by the Administrative Agent of all documents is may reasonable request relating to the existence of the applicable Borrowing Subsidiary and the authority for and the validity of the Loan Documents to which such Borrowing Subsidiary is a party, all in form and substance satisfactory to the Administrative Agent and the Offshore Currency Fronting Lender;

(e) the fact that, immediately after giving effect to such Fronted Offshore Currency Loan, the Total Outstandings will not exceed the aggregate amount of the Revolving Credit Commitments;

(f) the fact that, immediately before and immediately after giving effect to such Fronted Offshore Currency Loan, no Default or Event of Default shall have occurred and be continuing;

(g) the fact that each of the representations and warranties made by the Borrower and/or any Subsidiary, including any Borrowing Subsidiary, in this Agreement and/or in any other Loan Document shall be true in all material respects on and as of the date of such Fronted Offshore Currency Loan, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects on and as of such earlier date. For purposes of this Section 3.04(f), the representations and warranties made by the Borrower in Section 4.04 of this Agreement shall be deemed to refer to the most recent financial statements of the Borrower delivered to the Administrative Agent and the Lenders pursuant to Section 5.01(a) or 5.01(b) of this Agreement, as applicable; and

(h) the fact that since September 30, 2003, there has been no change or event that has caused a Material Adverse Effect.

The acceptance of the proceeds of each Fronted Offshore Currency Loan hereunder shall be deemed to be a representation and warranty by the Borrower and each Borrowing Subsidiary on the date of such Fronted Offshore Currency Loan as to the facts specified in clauses (a) through (g) of this Section 3.04.

Section 3.05 Letters of Credit. The obligation of the Letter of Credit Issuer to issue, amend or extend a Letter of Credit is subject to the satisfaction of the following conditions:

(a) the fact that, immediately after giving effect to such Letter of Credit, (i) the Total Outstandings will not exceed the aggregate amount of the Revolving Credit Commitments and (ii) the Letter of Credit Outstandings will not exceed the amount of the Letter of Credit Sublimit;

(b) the fact that, immediately before and immediately after giving effect to such Letter of Credit, no Default or Event of Default shall have occurred and be continuing;

(c) the fact that each of the representations and warranties made by the Borrower and/or any Subsidiary in this Agreement and/or in any other Loan Document shall be true and correct in all material respects on and as of the date of the issuance of such Letter of Credit, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects on and as of such earlier date. For purposes of this Section 3.04(c), the representations and warranties made by the Borrower in Section 4.04 of this Agreement shall be deemed to refer to the most recent financial statements of the Borrower delivered to the Administrative Agent and the Lenders pursuant to Section 5.01(a) or 5.01(b) of this Agreement, as applicable; and

(d) the fact that since September 30, 2003, there has been no change or event that has caused a Material Adverse Effect.

The issuance of an Issuance Request by the Borrower shall be deemed to be a representation and warranty by the Borrower on the date of the issuance of the applicable Letter of Credit as to the facts specified in clauses (a), (b), (c) and (d) of this Section 3.05.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 4.01 Corporate Existence and Power. The Borrower, each Borrowing Subsidiary and each Guarantor Subsidiary (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, (ii) has all corporate powers required to carry on its business as now conducted and (iii) has all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where the failure to have such governmental licenses, authorizations, consents or approvals could not reasonably be expected to have a Material Adverse Effect.

Section 4.02 Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Borrower, each Borrowing Subsidiary and each Guarantor Subsidiary of the Loan Documents to which it is a party are within such Person's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official, and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles of incorporation or by-laws of such Person or of any judgment, injunction, order or decree, or of any agreement or other instrument binding upon such Person or result in the creation or imposition of any Lien on any asset of such Person.

Section 4.03 Binding Effect. This Agreement constitutes a valid and binding agreement of the Borrower, and the other Loan Documents, when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Borrower and such of its Subsidiaries as are party thereto, enforceable against such Persons in accordance with their respective terms.

Section 4.04 Financial Information.

(a) The audited consolidated balance sheets of the Borrower and its Subsidiaries as of September 30, 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the Fiscal Year then ended, copies of which have been delivered to the Administrative Agent and each of the Lenders, fairly present in all material respects, in conformity with GAAP and in a manner consistent with prior periods, the consolidated financial position of the Borrower and its Subsidiaries as of such date and their consolidated results of operations and cash flows for such Fiscal Year.

(b) The unaudited consolidated balance sheets of the Borrower and its Subsidiaries as of June 30, 2004 and the related consolidated statements of income, shareholders' equity and cash flows for the Fiscal Quarter then ended, copies of which have been delivered to the Administrative Agent and each of the Lenders, fairly present in all material respects, in conformity with GAAP and in a manner consistent with prior periods, the consolidated financial position of the Borrower and its Subsidiaries as of such date and their consolidated results of operations and cash flows for such Fiscal Quarter.

(c) Since September 30, 2003, there has been no material adverse change in the properties, assets, liabilities, business, prospects, operations, income or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole.

Section 4.05 Litigation. Except as described on Schedule 4.05 attached hereto, there is no action, suit or proceeding pending against, or to the knowledge of any officer of the Borrower threatened against or affecting, the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could have a Material Adverse Effect or which in any manner draws into question the validity of this Agreement or any of the other Loan Documents.

Section 4.06 Compliance with ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. Except as described on Schedule 4.06 attached hereto, no member of the ERISA Group has (a) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (b) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (c) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 4.07 Environmental Matters. In the ordinary course of its business, the Borrower conducts a review at such times as it deems prudent of the effect of Environmental Laws on the properties of the Borrower and its Subsidiaries, in the course of which it identifies and evaluates associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean-up or closure of properties presently or previously owned, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or

contract, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted thereat and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of this review, the Borrower has reasonably concluded that Environmental Laws are unlikely to have a Material Adverse Effect.

Section 4.08 Taxes. The Borrower and its Subsidiaries have filed all United States Federal income tax returns and all other material income tax returns which are required to be filed by them, taking into account any filing extensions for any such returns, and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any of its Subsidiaries except such taxes or assessments, if any, as are being contested in good faith by appropriate proceedings being diligently conducted for which adequate reserves have been established as required by GAAP. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate. Neither the Borrower nor any Subsidiary is a party to any tax sharing or tax allocation agreement.

Section 4.09 Subsidiaries. Schedule 4.09 attached hereto contains an accurate list of all of the Borrower's Subsidiaries, setting forth their respective jurisdictions of incorporation or organization and the percentage of their capital stock or other ownership interests owned by the Borrower or other Subsidiaries. Each of the Borrower's Subsidiaries is a corporation, partnership, limited liability company or other entity duly incorporated or organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, and has all corporate, partnership, limited liability company or other powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where the failure to have such governmental licenses, authorizations, consents and approvals could not reasonably be expected to have a Material Adverse Effect. The execution, delivery and performance by the Guarantor Subsidiaries of the Guaranty are within each Guarantor Subsidiary's corporate, partnership or limited liability company, as the case may be, powers, have been duly authorized by all necessary corporate, partnership or limited liability company, as the case may be, action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of any of the organizational documents of any Guarantor Subsidiary or of any judgment, injunction, order or decree, or of any agreement or other instrument binding upon any Guarantor Subsidiary or result in the creation or imposition of any Lien on any asset of any Guarantor Subsidiary.

Section 4.10 Full Disclosure. All information heretofore furnished in writing by the Borrower to the Administrative Agent or any Lender for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished in writing by the Borrower to the Administrative Agent or any Lender will be, true, correct and complete in all material respects on the date as of which such information is stated or certified. The Borrower has disclosed to the Administrative Agent and the Lenders in writing any and all facts which have or could reasonably be expected to have a Material Adverse Effect.

Section 4.11 Compliance With Laws. Neither the Borrower nor any Subsidiary is in violation of any applicable law, rule, regulation or ordinance of any Governmental Authority, a violation of which could reasonably be expected to have a Material Adverse Effect. The

Borrower and its Subsidiaries have and are in full compliance with and in good standing with respect to all governmental and/or regulatory permits, licenses, certificates, consents and franchises necessary to continue to conduct their respective businesses as previously conducted by them and to own or lease and operate their respective properties and assets as now owned or leased by them, the failure to have or noncompliance with which could reasonably be expected to have a Material Adverse Effect. No order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by, any governmental, regulatory, administrative or public body or authority, or any subdivision thereof, or any other Person is required to authorize, or is required in connection with, the execution, delivery or performance of, or the legality, validity, binding effect or enforceability of, any of the Loan Documents.

Section 4.12 Title to Property. Except as disclosed on Schedule 5.11 attached hereto, the Borrower and its Subsidiaries are the sole owners of, or have the legal right to use and occupy, all property and assets which they claim to own or which is necessary for them to conduct their respective businesses, and all of such property and assets are free and clear of all Liens other than Liens permitted by Section 5.11. The Borrower and its Subsidiaries enjoy peaceful and undisturbed possession in all material respects under all leases under which they are operating as a lessee.

Section 4.13 Regulation U. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of The Board of Governors of the Federal Reserve System, as amended) and no part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately (a) to purchase or carry margin stock or to extend credit to others for the purpose of purchasing or carrying margin stock, or to refund or repay indebtedness originally incurred for such purpose or (b) for any purpose which entails a violation of, or which is inconsistent with, the provisions of any of the Regulations of The Board of Governors of the Federal Reserve System, including, without limitation, Regulations U, T or X thereof, as amended. If requested by the Administrative Agent, the Borrower shall furnish to the Administrative Agent a statement in conformity with the requirements of Federal Reserve Form U-1 referred to in Regulation U.

Section 4.14 Investment Company Act of 1940; Public Utility Holding Company Act of 1935. The Borrower is not an "investment company" as that term is defined in, and is not otherwise subject to regulation under, the Investment Company Act of 1940, as amended. The Borrower is not a "holding company" as that term is defined in, and is not otherwise subject to regulation under, the Public Utility Holding Company Act of 1935, as amended.

Section 4.15 No Default. No Default or Event of Default under this Agreement has occurred and is continuing. There is no existing default or event of default under or with respect to any indenture, contract, agreement, lease or other instrument to which the Borrower or any Subsidiary is a party or by which any property or assets of the Borrower or any Subsidiary is bound or affected, a default under which could reasonably be expected to have a Material Adverse Effect.

Section 4.16 Licenses, Permits, etc. The Borrower and each Subsidiary possesses all necessary patents, patent rights, trademarks, trademark rights, trade names, trade name rights, copyrights, licenses and other intellectual property rights to conduct its business without conflict

with any patent, patent right, trademark, trademark right, trade name, copyright, license or other intellectual property rights of any other Person, except where the failure to possess such intellectual property rights or any such conflict with the intellectual property rights of any other Person could not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Borrower, (a) no product of the Borrower infringes in any material respect any patent, patent right, trademark, trademark right, trade name, trade name right, copyright, license and/or other intellectual property right of any other Person and (b) there is no material violation by any Person of any right of the Borrower or any Subsidiary with respect to any patent, patent right, trademark, trademark right, trade name, trade name right, copyright, license and/or other intellectual property right owned or used by the Borrower or any Subsidiary.

Section 4.17 Existing Debt. Schedule 4.17 attached hereto contains a true, correct and complete list of all of the Debt of the Borrower and its Subsidiaries as of the Effective Date.

ARTICLE V COVENANTS

The Borrower agrees that, so long as any Revolving Credit Commitment, Swing Line Commitment, Loan or Letter of Credit remains outstanding hereunder or any Obligation or other amount payable under any of the Loan Documents remains unpaid, unless the prior written consent of the Required Lenders is obtained:

Section 5.01 Information. The Borrower will deliver to the Administrative Agent and each of the Lenders:

(a) as soon as available and in any event within ninety (90) days after the end of each Fiscal Year, an audited consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of earnings, cash flows and shareholders' equity for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year (or in lieu thereof the Form 10-K of the Borrower filed with the Securities and Exchange Commission for such Fiscal Year), all reported on by independent public accountants of nationally recognized standing in a manner acceptable to the Securities and Exchange Commission;

(b) as soon as available and in any event within forty-five (45) days after the end of each Fiscal Quarter (other than the last Fiscal Quarter of each Fiscal Year), consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such Fiscal Quarter and the related consolidated statements of earnings, cash flows and shareholders' equity for such Fiscal Quarter and for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter and the corresponding portion of the previous Fiscal Year (or in lieu thereof the Form 10-Q of the Borrower filed with the Securities and Exchange Commission for such Fiscal Quarter), all certified (subject to normal year-end adjustments and without footnotes) as to fairness of presentation, GAAP and consistency by a Financial Officer of the Borrower;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate in the form of Exhibit G attached hereto ("Compliance Certificate") executed by a Financial Officer (i) setting forth in reasonable detail

the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 5.07, 5.08 and 5.09 on the date of such financial statements, (ii) stating whether any Default or Event of Default exists on the date of such certificate and, if any Default or Event of Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto and (iii) listing the Subsidiaries of the Borrower and specifying whether such Subsidiaries are Material Subsidiaries;

(d) as soon as available and in any event within ninety (90) days after the beginning of each fiscal year of Borrower, consolidated balance sheet, income statement and cash flow projections for Borrower and its Subsidiaries for such fiscal year, all in form and detail reasonably acceptable to the Administrative Agent;

(e) within three (3) Business Days after any officer of the Borrower obtains knowledge of any Default or Event of Default, a certificate of a Financial Officer setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(f) within three (3) Business Days after the creation, formation or acquisition thereof, written notice of the creation, formation or acquisition of any Subsidiary and specifying whether such Subsidiary is a Material Subsidiary;

(g) within three (3) Business Days after any officer of the Borrower obtains knowledge thereof, written notice of any Subsidiary which was not theretofore a Material Subsidiary becoming a Material Subsidiary;

(h) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed;

(i) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Borrower shall have filed with the Securities and Exchange Commission;

(j) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which would constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or

makes any amendment to any Plan which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the Financial Officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take;

(k) within three (3) Business Days after any officer of the Borrower obtains knowledge thereof, written notice of the institution of any litigation, arbitration proceeding or governmental or regulatory proceeding against or affecting Borrower or any Subsidiary, whether or not considered to be covered by insurance, in which the prayer or claim for relief seeks recovery of an amount in excess of \$5,000,000 (or, if no dollar amount is specified in the prayer or claim for relief, in which there is a reasonable likelihood of recovery of an amount in excess of \$5,000,000) or any form of equitable relief which, if granted, could reasonably be expected to have a Material Adverse Effect; and

(l) from time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries as the Administrative Agent, at the request of any Lender, may reasonably request.

Section 5.02 Inspections. The Borrower will, and will cause each of its Subsidiaries to, permit representatives of the Administrative Agent and each Lender: (a) if no Default or Event of Default has occurred and is then continuing, at the expense of the Administrative Agent or such Lender, as the case may be, and upon reasonable prior notice to the Borrower, to visit the principal executive office of the Borrower, to discuss the affairs, finances, prospects and accounts of the Borrower and its Subsidiaries with the officers of the Borrower and its Subsidiaries and (with the consent of the Borrower, which consent shall not be unreasonably withheld and in the presence of one or more officers of the Borrower) with the Borrower's independent certified public accountants and (with the consent of the Borrower, which consent shall not be unreasonably withheld) to visit the other offices and properties of the Borrower and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and (b) if any Default or Event of Default has occurred and is then continuing, at the expense of the Borrower, to visit and inspect any of the offices or properties of the Borrower or any Subsidiary, to examine all of their respective books of account, records, reports and other papers, to make copies and extracts therefrom and to discuss their respective affairs, finances, prospects and accounts with their respective officers and independent certified public accountants (and by this provision the Borrower authorizes said accountants to discuss the affairs, finances, prospects and accounts of the Borrower and its Subsidiaries), all at such times and as often as may be requested.

Section 5.03 Maintenance of Property; Insurance.

(a) The Borrower will cause all property used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order in all material respects and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Borrower from discontinuing the operation or maintenance of any of such properties if such discontinuance is, in the reasonable

judgment of the Borrower, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Lenders.

(b) The Borrower will, and will cause each of its Subsidiaries to, maintain (either in the name of the Borrower or in such Subsidiary's own name) insurance with financially sound and reputable insurers with respect to its respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or similar business and similarly situated.

Section 5.04 Conduct of Business and Maintenance of Existence. The Borrower will, and will cause each Subsidiary to, substantially continue to engage in the same lines of business as the Borrower and its Subsidiaries are engaged in on the date of this Agreement or businesses ancillary thereto, and will preserve, renew and keep in full force and effect, and will cause each Subsidiary to preserve, renew and keep in full force and effect their respective corporate, partnership, limited liability company or other entity existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business, provided, however, that the Borrower shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower and that the loss thereof is not disadvantageous in any material respect to the Lenders.

Section 5.05 Compliance with Laws. The Borrower will comply, and cause each Subsidiary to comply, with all applicable laws, ordinances, rules, regulations, and requirements of Governmental Authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder) except where the necessity of compliance therewith is contested in good faith by appropriate proceedings being diligently conducted and except where the failure to comply will not have a Material Adverse Effect.

Section 5.06 Payment of Taxes. The Borrower will, and it will cause each Subsidiary to, duly file all federal, state, local, foreign and other income tax returns and all other tax returns and reports of the Borrower or such Subsidiary, as the case may be, which are required to be filed and duly pay and discharge promptly all taxes, assessments and other governmental charges imposed upon it or any of its assets or revenues; provided, however, that neither the Borrower nor any Subsidiary shall be required to pay any such tax, assessment or other governmental charge if (a) the amount, applicability or validity thereof is being diligently contested by the Borrower or such Subsidiary on a timely basis in good faith and in appropriate proceedings and the Borrower or such Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Borrower or such Subsidiary or (b) the nonpayment of such taxes and assessments was not wilful and the nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 5.07 Maximum Consolidated Leverage Ratio. The Borrower will have a Consolidated Leverage Ratio of not more than 3.0 to 1.0 as of the last day of each Fiscal Quarter commencing with the Fiscal Quarter ending September 30, 2004.

Section 5.08 Minimum EBITDA. The Borrower will, as of the last day of each Fiscal Quarter commencing with the Fiscal Quarter ending September 30, 2004, have a Consolidated EBITDA for the four (4) consecutive fiscal quarter period of Borrower then ended of at least the sum of (a) \$30,000,000 plus (b) the lesser of (i) Fifty Percent (50%) of Acquired Cash Flow or (ii) \$10,000,000.

Section 5.09 Minimum Consolidated Net Worth. The Borrower will, as of the last day of each Fiscal Quarter commencing with the Fiscal Quarter ending September 30, 2004, have a Consolidated Net Worth of not less than the sum of (a) \$232,870,000 plus (B) Fifty Percent (50%) of Consolidated Net Income (with no deductions for losses) during each Fiscal Quarter of the Company ending on or after April 1, 2004 (such required increases to be cumulative for each such fiscal quarter) plus (C) Eighty Percent (80%) of the net proceeds received by the Borrower from the issuance of any capital stock or other equity interests of the Borrower on or after April 1, 2004, other than the net proceeds realized by the Borrower from the exercise of employee options to acquire capital stock of Borrower.

Section 5.10 Limitation on Debt. The Borrower will not, nor will it permit any of its Subsidiaries to, incur or at any time be liable upon or with respect to any Debt (whether as principal or as guarantor or other surety or otherwise) except:

(a) Debt outstanding on the Effective Date and listed on Schedule 4.17 attached hereto;

(b) Debt of the Borrower owed to a Wholly-Owned Subsidiary which is a Guarantor Subsidiary and Debt of a Wholly-Owned Subsidiary which is a Guarantor Subsidiary owed to the Borrower or another Wholly-Owned Subsidiary which is a Guarantor Subsidiary;

(c) Debt incurred by the Borrower after the Effective Date (other than Debt permitted by clause (b) above), provided that (i) after giving effect to the incurrence of such Debt (assuming such Debt was incurred on the last day of the most recently completed Fiscal Quarter), the Borrower would have been in compliance with Section 5.07 as of the last day of such Fiscal Quarter and (ii) both immediately before and immediately after giving effect to the incurrence of such Debt, no Default or Event of Default shall have occurred and be continuing;

(d) obligations (contingent or otherwise) of Borrower or any Subsidiary existing or arising under any Swap Contract, provided that (i) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person, and not for purposes of speculation or taking a "market view" and (ii) such Swap Contract does not contain any provision exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party; and

(e) Debt incurred by a Subsidiary after the Effective Date (other than debt permitted by clause (b) above), provided that (i) after giving effect to the incurrence of such Debt, the aggregate amount of outstanding Debt secured by Liens incurred pursuant to Section 5.11(f) plus the aggregate amount of outstanding Debt of Subsidiaries, other than Fronted Offshore Currency Loans, does not exceed 10% of Consolidated Total Capitalization as of the

Borrower's most recently completed Fiscal Quarter, (ii) after giving effect to the incurrence of such Debt (assuming such Debt was incurred on the last day of the most recently completed Fiscal Quarter), the Borrower would have been in compliance with Section 5.07 as of the last day of such Fiscal Quarter and (iii) both immediately before and immediately after giving effect to the incurrence of such Debt, no Default or Event of Default shall have occurred and be continuing.

Section 5.11 Negative Pledge. The Borrower will not, and will not permit any Subsidiary to, create or incur, or suffer to be incurred or to exist (upon the happening of a contingency or otherwise), any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Borrower or any Subsidiary, whether now owned or held or hereafter acquired, or upon any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Liens securing the Obligations in favor of the Administrative Agent for the ratable benefit of the Lenders:

(b) Liens for property taxes and assessments or governmental charges or levies, either not yet due and payable or to the extent that nonpayment thereof shall be permitted in accordance with Section 5.06 of this Agreement;

(c) without duplication, Liens, pledges or deposits for worker's compensation, unemployment insurance, old age benefits or social security obligations, statutory obligations or other similar charges, good faith deposits made in connection with tenders, contracts or leases to which the Borrower or any Subsidiary is a party or other deposits required to be made in the ordinary course of business provided in each case the obligation secured is not for borrowed money, customer advances, trade payables or obligations to agricultural producers and is not overdue or, if overdue, is being diligently contested in good faith by appropriate proceedings and adequate reserves have been provided therefor on the books of the Borrower or the applicable Subsidiary in accordance with GAAP;

(d) any attachment or judgment Lien, unless the judgment it secures shall not, within ninety (90) days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within ninety (90) days after the expiration of such stay;

(e) Liens incidental to the ownership of its property which are not incurred in connection with the incurrence of Debt or the borrowing of money and which do not in the aggregate materially impair the use of such property in the operation of the business of the Borrower and its Subsidiaries taken as a whole or the value and utility of such property generally;

(f) Liens existing as of the Effective Date and listed on Schedule 5.11 attached hereto; and

(g) Liens incurred after the Effective Date not permitted by the preceding clauses (a) through (e) above to secure Debt, provided that (i) after giving effect to the

incurrence of such Lien and the Debt secured thereby (A) the aggregate amount of outstanding Debt secured by Liens incurred pursuant to this Section 5.11(f) plus the aggregate amount of outstanding Debt of Subsidiaries permitted by Section 5.10(e) does not exceed 15% of Consolidated Total Capitalization as of the Borrower's most recently completed Fiscal Quarter and (B) the Debt secured by such Lien is permitted to be incurred in accordance with Sections 5.07 and 5.10 and (ii) both immediately before and immediately after giving effect to the incurrence of such Lien and the Debt secured thereby, no Default or Event of Default shall have occurred and be continuing.

Section 5.12 Consolidations, Mergers and Sales of Assets.

(a) Neither the Borrower nor any Subsidiary will consolidate or merge with or into any other Person unless (i) the Borrower is the corporation surviving such merger or, in the case of any Subsidiary consolidating or merging with a Person other than the Borrower, the surviving entity is a Wholly-Owned Subsidiary which is a Guarantor Subsidiary and (ii) both immediately before and immediately after giving effect to such merger, no Default or Event of Default shall have occurred and be continuing.

(b) Other than (i) sales of inventory and worn or obsolete equipment in the ordinary course of business and (ii) sales, leases and transfers to the Borrower or a Wholly-Owned Subsidiary which is a Guarantor Subsidiary, the Borrower will not, and will not permit any Subsidiary to, sell, lease (as lessor) or otherwise transfer or dispose of, directly or indirectly, any property, unless (A) the aggregate book value of such property as shown by the accounting books and records of the Borrower, together with the aggregate book value of all other property as shown by the accounting books and records of the Borrower sold, leased or otherwise transferred pursuant to this subsection (b) after the Effective Date, does not exceed 20% of Consolidated Net Worth determined as of the most recently-ended Fiscal Quarter and (B) both immediately before and immediately after giving effect to such sale, lease, transfer or other disposition, no Default or Event of Default shall have occurred and be continuing.

(c) The Borrower will not, and will not permit any Subsidiary to, sell, transfer or otherwise dispose of the capital stock, partnership interests, membership interests or other equity interests of any Subsidiary, unless (A) the aggregate book value of such capital stock, partnership interests, membership interests or other equity interests as shown by the accounting books and records of the Borrower, together with the aggregate book value of all other such interests as shown by the accounting books and records of the Borrower sold, transferred or otherwise disposed of pursuant to this subsection (c) after the Effective Date, does not exceed 20% of Consolidated Net Worth determined as of the most recently-ended Fiscal quarter and (B) both immediately before and immediately after giving effect to such sale, transfer or other disposition, no Default or Event of Default shall have occurred and be continuing. Upon the permitted sale of any Guarantor Subsidiary pursuant to clauses (A) and (B) of this subsection (c), such Subsidiary, without further act on the part of the Administrative Agent or the Lenders, shall be deemed to be released from its obligations under the Guaranty.

Section 5.13 Transactions with Affiliates. The Borrower will not, and will not permit any Subsidiary to, directly or indirectly, enter into any material transaction with any Affiliate (other than a transaction between the Borrower and any Wholly-Owned Subsidiary or a transaction between Wholly-Owned Subsidiaries) which transaction is not on terms and

conditions at least as favorable to the Borrower or such Subsidiary as the terms and conditions which would apply in a similar transaction with a Person not an Affiliate (an "Arm's-Length Transaction"). Any material transaction with any Affiliate shall be deemed to be an Arm's-Length Transaction if approved by (a) a majority of the Borrower's directors who are unaffiliated with such Affiliate or (b) a majority of the members of any committee of the Board of Directors of the Borrower who are unaffiliated with such Affiliate.

Section 5.14 Acquisitions. The Borrower will not, and it will not cause or permit any Subsidiary to, consummate any Acquisitions other than Permitted Acquisitions.

Section 5.15 Limitation on Certain Covenants and Restrictions. The Borrower will not, and it will not cause or permit any Subsidiary to, enter into, or permit to exist, any agreement with any Person which prohibits or limits the ability of the Borrower or such Subsidiary, as the case may be, to (a) pay dividends or make other distributions or prepay any Debt or other obligations owed to the Borrower and/or any Subsidiary, (b) make loans or advances to the Borrower and/or any Subsidiary, (c) transfer any of its assets to the Borrower and/or any Subsidiary or (d) create, incur, assume or suffer to exist any Lien upon any of its assets or revenues, whether now owned or hereafter acquired; provided that the foregoing shall not apply to restrictions contained in agreements governing Debt incurred after the date of this Agreement by the Guarantor or any Subsidiary in compliance with this Agreement so long as such restrictions are no more restrictive than those contained in this Agreement.

Section 5.16 Pari Passu Position; Covenant to Secure the Obligations Equally. The Borrower will cause all of the Obligations to at all times rank on a pari passu basis with all of the Borrower's other unsecured Debt. The Borrower will, if it or any Subsidiary shall create or assume any Lien upon any of its assets, whether now owned or hereinafter acquired, other than Liens permitted by Section 5.11 (unless prior written consent to the creation or assumption thereof shall have been obtained pursuant to Section 9.05 of this Agreement), make or cause to be made effective provision whereby all of the Obligations will be secured by such Lien equally and ratably with any and all other Debt and other obligations thereby secured so long as any such other Debt or other obligations shall be so secured as evidenced by documentation which is reasonably acceptable to the Administrative Agent. The Borrower acknowledges and agrees that compliance with this covenant will not cure a violation of Section 5.11 of this Agreement or any other covenant contained in this Agreement.

Section 5.17 New Material Subsidiaries. The Borrower will, within ten (10) Business Days after (a) the creation, formation or acquisition of any Domestic Subsidiary which is a Material Subsidiary or (b) any Domestic Subsidiary which was not theretofore a Material Subsidiary becoming a Material Subsidiary, cause such Material Subsidiary to guaranty the payment and performance of all of the Obligations pursuant to a Guarantee in substantially the form of the Guaranty. The Borrower will, within ten (10) Business Days after (a) the creation, formation or acquisition of any Foreign Subsidiary which is a Material Subsidiary or (b) any Foreign Subsidiary which was not theretofore a Material Subsidiary becoming a Material Subsidiary, execute, or cause to be executed, and deliver to Administrative Agent such documents as the Administrative Agent shall request in order to effect the granting and perfection of a security interest or lien as collateral for the Obligations in 65% of Borrower's direct or indirect ownership interest in such Foreign Subsidiary in favor of the Administrative Agent for the ratable benefit of the Lenders. Contemporaneously with the execution of such Guarantee or such documents, the

Borrower shall execute and/or obtain and deliver to the Administrative Agent such other documentation, including, without limitation, certified corporate, partnership or limited liability company, as the case may be, documents, resolutions and legal opinions, as the Administrative Agent may reasonably require in connection therewith, all of which must be in form and substance reasonably satisfactory to the Administrative Agent.

Section 5.18 Use of Proceeds. The proceeds of the Loans shall be used solely to refinance certain existing indebtedness of the Borrower or a Borrowing Subsidiary, to finance Permitted Acquisitions, to effect permitted repurchases of outstanding stock of the Borrower, to pay permitted dividends on Borrower's stock and for general corporate and working capital purposes. No part of the proceeds of any Loan will be used in violation of any applicable law, rule or regulation. With the exception of permitted repurchases by the Borrower of its outstanding stock, the Borrower and any Borrowing Subsidiary will not directly or indirectly use any of the proceeds of any Loan for the purpose of buying or carrying margin stock within the meaning of Regulation U of The Board of Governors of the Federal Reserve System, as amended. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the respective meanings ascribed to them in Regulation U of The Board of Governors of the Federal Reserve System, as amended.

ARTICLE VI DEFAULTS

Section 6.01 Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) the Borrower shall fail to pay when due any principal of any Loan or Letter of Credit Obligation, or shall fail to pay within three (3) Business Days of the due date thereof any interest on any Loan, any fees or any other Obligation or other amount payable under this Agreement or any other Loan Document; or

(b) the Borrower shall fail to observe or perform any covenant contained in Sections 5.02, 5.07, 5.08, 5.09, 5.10, 5.11, 5.12, 5.14, 5.15 or 5.16; or

(c) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement or any other Loan Document (other than those covered by clause (a) or (b) above) for thirty (30) days after the earlier of (i) a Financial Officer has actual knowledge thereof or (ii) written notice thereof has been given to the Borrower by the Administrative Agent at the request of any Lender; or

(d) any representation, warranty, certification or statement made by the Borrower or any Subsidiary in this Agreement or in any other Loan Document or in any certificate, financial statement or other written document delivered pursuant to this Agreement or any other Loan Document shall prove to have been untrue or incorrect in any material respect when made (or deemed made); or

(e) (i) the Borrower or any Subsidiary shall default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Material Debt beyond any period of grace provided with respect thereto, (ii)

the Borrower or any Subsidiary shall be in default in the performance of or compliance with any term or provision of any evidence of any Material Debt or of any indenture, mortgage or other agreement, document or instrument relating thereto or any other condition exists, and as a consequence of such default or condition such Material Debt has become, or has been declared (or one or more Persons are entitled to declare such Material Debt to be), due and payable before its stated maturity or before its regularly scheduled dates of payment or (iii) as a consequence or continuation of any event or condition (other than the passage of time or the right of the holder of Material Debt to convert such Material Debt into equity interests), (x) the Borrower or any Subsidiary has become obligated to purchase or repay any portion of any Material Debt before its regular maturity or before its regularly scheduled dates of payment or (y) one or more Persons have the right to require the Borrower or any Subsidiary to so purchase or repay such Material Debt; or

(f) there occurs under any Swap Contract an "Early Termination Date" (as defined in such Swap Contract) resulting from (a) any event of default under such Swap Contract as to which the Borrower or any Subsidiary is the "Defaulting Party" (as defined in such Swap Contract) or (B) any "Termination Event" (as defined in such Swap Contract) under such Swap Contract as to which Borrower or any Subsidiary is an "Affected Party" (as defined in such Swap Contract) and, in either event, the Swap Termination Value owed by Borrower or such Subsidiary as a result thereof is greater than \$10,000,000.00; or

(g) the Borrower or any Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall take any corporate action to authorize any of the foregoing; or

(h) an involuntary case or other proceeding shall be commenced against the Borrower or any Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) days; or an order for relief shall be entered against the Borrower or any Material Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of \$10,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default,

within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of \$10,000,000; or

(j) a judgment or order (i) for the payment of money in excess of \$10,000,000 or (ii) that would otherwise result in a Material Adverse Effect shall be rendered against the Borrower or any Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of sixty (60) days; or

(k) any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 30% or more in voting power of the outstanding Voting Stock of the Borrower; or, during any period of 24 consecutive calendar months, a majority of the board of directors of the Borrower does not consist of individuals who were (i) directors of the Borrower on the first day of such period, (ii) directors who were selected or whose nomination for election was approved by a vote of at least a majority of the directors then still in office referred to in clause (i) above, or (iii) directors who were selected or whose nomination for election was approved by a vote of at least a majority of the board consisting of directors still in office described in clauses (i) and (ii) above or this clause (iii); or

(l) the Borrower shall repudiate, or shall challenge the validity or enforceability of its obligations under the Loan Documents or for any reason any of the Loan Documents shall cease to be in full force and effect; or

(m) the Guaranty shall at any time for any reason cease to be in full force and effect or shall be declared to be null and void by a court of competent jurisdiction, or if the validity or enforceability of the Guaranty shall be contested or denied by any Guarantor Subsidiary, or if any Guarantor Subsidiary shall revoke, or deny that it has any further liability or obligation under, the Guaranty or if any Guarantor Subsidiary shall fail to comply with or observe any of the terms, provisions or conditions contained in the Guaranty;

then, and in every such event, the Administrative Agent shall (i) if requested by the Required Lenders, by notice to the Borrower terminate the Revolving Credit Commitments and the Swing Line Commitment and they shall thereupon terminate and (ii) if requested by the Required Lenders, by notice to the Borrower declare the Notes (together with accrued interest thereon) and the other Obligations (other than amounts owed by the Borrower under or in respect of any Swap Contract between the Borrower and a Lender or an affiliate of a Lender) to be, and the Notes and other Obligations shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided that in the case of any of the Events of Default specified in clause (g) or (h) above with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or the Lenders, the Revolving Credit Commitments and the Swing Line Commitment shall thereupon terminate and the Notes (together with accrued interest thereon) and the other Obligations (other than amounts owed by the Borrower under or in respect of any Swap Contract between the Borrower and a Lender or an affiliate of a Lender) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower. Upon the occurrence of any of the foregoing,

the Borrower shall immediately deposit with the Administrative Agent as cash collateral to secure all Letter of Credit Obligations an amount in immediately available funds equal to the undrawn portion of all Letters of Credit then outstanding.

Section 6.02 Notice of Default. The Administrative Agent shall give notice to the Borrower under Section 6.01(c) promptly upon being requested to do so by any Lender and shall thereupon notify all the Lenders thereof.

ARTICLE VII
THE ADMINISTRATIVE AGENT AND LETTER OF CREDIT ISSUER

Section 7.01 Appointment. The Lenders hereby appoint the Administrative Agent to act as specified herein and in the Loan Documents. Each Lender hereby irrevocably authorizes and each holder of any Note by the acceptance of such Note shall be deemed to irrevocably authorize the Administrative Agent to take such action on its behalf under the provisions hereof, the Loan Documents (including, without limitation, to give notices and take such actions on behalf of the Required Lenders as are consented to in writing by the Required Lenders) and any other instruments, documents and agreements referred to herein or therein and to exercise such powers hereunder and thereunder as are specifically delegated to the Administrative Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Administrative Agent may perform any of its duties hereunder and under the Loan Documents, by or through its officers, directors, agents, employees or affiliates.

Section 7.02 Nature of Duties. No Administrative Agent-Related Person shall have duties or responsibilities except those expressly set forth in this Agreement. The duties of the Administrative Agent shall be mechanical and administrative in nature. EACH LENDER HEREBY ACKNOWLEDGES AND AGREES THAT THE ADMINISTRATIVE AGENT SHALL NOT HAVE, BY REASON OF THIS AGREEMENT OR ANY LOAN DOCUMENTS, A FIDUCIARY RELATIONSHIP TO OR IN RESPECT OF ANY LENDER. Nothing in this Agreement or in any Loan Document, expressed or implied, is intended to or shall be so construed as to impose upon any Administrative Agent-Related Person any obligations in respect of the Agreement or any Loan Document except as expressly set forth herein or therein. Each Lender shall make its own independent investigation of the financial condition and affairs of the Borrower in connection with the making and the continuance of the Loans hereunder and shall make its own appraisal of the creditworthiness of the Borrower, and, except as expressly set forth herein, no Administrative Agent-Related Person shall have any duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before making of the Loans or at any time or times thereafter. The Administrative Agent will promptly notify each Lender at any time that the Required Lenders have instructed it to act or refrain from acting pursuant to Article VI. The Administrative Agent agrees, upon the written request of the Required Lenders, to take any action of the type specified in this Agreement or any of the other Loan Documents as being within the Administrative Agent's rights, duties, powers or discretion. Notwithstanding the foregoing, (a) the Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liabilities, losses, costs and expenses (including, without limitation, attorneys' fees and expenses) which may be incurred by it by reason of taking or continuing to take any such action, other than any liability

caused by the Administrative Agent's gross negligence or willful misconduct and (b) in no event shall the Administrative Agent be required to take any action which it in good faith believes would violate this Agreement or any other Loan Document or any applicable law, rule or regulation.

Section 7.03 Exculpation Rights, Etc. Neither the Administrative Agent nor any of its officers, directors, Administrative Agents, employees, affiliates or any Administrative Agent-Related Person shall be liable for any action taken or omitted by them hereunder or under any Loan Document or in connection herewith or therewith, unless caused by its or their gross negligence or willful misconduct. No Administrative Agent-Related Person shall be responsible to any Lender for any recitals, statements, representations or warranties herein or for the execution, effectiveness, genuineness, validity, enforceability, collectibility, or sufficiency of this Agreement or any Loan Document or any other document or the financial condition of the Borrower or any Subsidiary. No Administrative Agent-Related Person shall be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any Loan Document or any other document or the financial condition of the Borrower or any Subsidiary, or the existence or possible existence of any Default or Event of Default, unless requested to do so by the Required Lenders. The Administrative Agent may at any time request instructions from the Lenders with respect to any actions or approvals (including the failure to act or approve) which by the terms of this Agreement or the Loan Documents, the Administrative Agent is permitted to take or to grant, or as to any matters not expressly provided for by this Agreement and if such instructions are requested, the Administrative Agent shall be absolutely entitled to refrain from taking any action or to withhold any approval and shall not be under any liability whatsoever to any person for refraining from any action or withholding any approval under this Agreement or any Loan Document until it shall have received such instructions from the Required Lenders. Without limiting the foregoing, no Lender shall have any right of action whatsoever against any Administrative Agent-Related Person as a result of such Administrative Agent-Related Person acting, approving or refraining from acting or approving under any of the Loan Documents in accordance with the instructions of the Required Lenders or, to the extent required by Section 9.05, all of the Lenders.

Section 7.04 Reliance. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any notice, writing, resolution notice, statement, certificate, order or other document or any telephone, telex, teletype or telecopier message believed by it to be genuine and correct and to have been signed, sent or made by the proper Person, and, with respect to all matters pertaining herein or to any Loan Document and its duties hereunder to thereunder, upon advice of counsel selected by the Administrative Agent.

Section 7.05 Indemnification. To the extent any Administrative Agent-Related Person is not reimbursed and indemnified by the Borrower, the Lenders will reimburse and indemnify each Administrative Agent-Related Person for and against any and all liabilities, obligations, losses, damages, claims, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against any Administrative Agent-Related Person in any way relating to or arising out of this Agreement or any Loan Document or any action taken or omitted by any Administrative Agent-Related Person under this Agreement or any Loan Document, in proportion to each Lender's Revolving Credit Commitment Percentage; provided, however, that no Lender shall be liable to an Agent-Related

Person for any portion of such liabilities, obligations, losses, damages, claims, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent-Related Person's gross negligence or willful misconduct. The obligations of the Lenders under this Section 7.05 shall survive the payment in full of the Obligations and the termination of this Agreement.

Section 7.06 Administrative Agent In Its Individual Capacity. With respect to its Loans, its Revolving Credit Commitment and its Swing Line Commitment (and its Revolving Credit Commitment Percentage), the Administrative Agent shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and, to the extent set forth herein, for any other Lender or holder of obligations hereunder. The terms "Lenders", "holder of obligations" or "Required Lenders" or any similar term shall, unless the context clearly otherwise indicates, include the Administrative Agent in its individual capacity as a Lender, one of the Required Lenders or a holder of obligations hereunder. The Administrative Agent may accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Borrower or any Subsidiary or Affiliate of the Borrower as if it were not acting as the Administrative Agent hereunder or under the Loan Documents, including, without limitation, the acceptance of fees or other consideration for services without having to account for the same to any of the Lenders.

Section 7.07 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received written notice from a Lender or the Borrower referring to this Agreement describing such Default or Event of Default and stating that such notice is a "notice of default." In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders.

Section 7.08 Holders of Obligations. The Administrative Agent may deem and treat the payee of any obligation hereunder as reflected on the books and records of the Administrative Agent as the owner thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Administrative Agent pursuant to Section 9.06(c). Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is the holder of any obligation hereunder shall be conclusive and binding on any subsequent holder, transferee or assignee of such obligation or of any obligation or obligations granted in exchange therefor.

Section 7.09 Resignation by the Administrative Agent.

(a) The Administrative Agent may resign from the performance of all its functions and duties hereunder at any time by giving twenty (20) Business Days' prior written notice to the Borrower and the Lenders. Such resignation shall take effect upon the acceptance by a successor Administrative Agent of appointment pursuant to clauses (b) and (c) below or as otherwise provided below.

(b) Upon any such notice of resignation, the Required Lenders, with the consent of the Borrower if no Event of Default has occurred and is continuing (which consent shall not be unreasonably withheld) shall appoint a successor Administrative Agent who shall be reasonably satisfactory to the Borrower and shall be an incorporated lender or trust company with combined capital and surplus in excess of \$250,000,000.

(c) If a successor Administrative Agent shall not have been so appointed within said twenty (20) Business Day period, the Administrative Agent, with the consent of the Borrower (which consent shall not be unreasonably withheld), shall then appoint a successor Administrative Agent who shall serve as the Administrative Agent until such time, if any, as the Required Lenders, with the consent of the Borrower if no Event of Default has occurred and is continuing (which consent shall not be unreasonably withheld), appoint a successor Administrative Agent as provided above.

(d) If no successor Administrative Agent has been appointed pursuant to clause (b) or (c) by the twenty-fifth (25th) Business Day after the date such notice of resignation was given by Administrative Agent, Administrative Agent's resignation shall become effective and the Required Lenders shall thereafter perform all the duties of Administrative Agent hereunder until such time, if any, as the Required Lenders, with the consent of Borrower (which consent shall not be unreasonably withheld), appoint a successor Administrative Agent as provided above.

(e) Notwithstanding the foregoing, no consent of the Borrower to any successor Administrative Agent shall be required if any Event of Default has occurred and is continuing.

Section 7.10 Application of Article VII to Swing Line Lender and Letter of Credit Issuer. The provisions of this Article VII and the obligations of the Lenders thereunder shall be deemed equally to apply to, and be for the benefit of, the Swing Line Lender, the Swing Line Lender-Related Persons, the Letter of Credit Issuer and the Letter of Credit Issuer-Related Persons in connection with their administration of the Swing Line Loans, the Letters of Credit, the Letter of Credit Obligations and the terms and provisions of Sections 2.02 and 2.16, to the same extent that such provisions apply to the Administrative Agent, the Administrative Agent-Related Persons, the Loans and the Obligations, mutatis mutandis.

Section 7.11 Other Agents. Nothing in this Agreement shall impose on the Sole Lead Arranger, in such capacity, any duties or obligations.

ARTICLE VIII CHANGE IN CIRCUMSTANCES

Section 8.01 Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period for any LIBOR Borrowing:

(a) the Administrative Agent is advised by Wells Fargo that deposits in dollars (in the applicable amounts) are not being offered to Wells Fargo in the relevant market for such Interest Period, or

(b) the Required Lenders advise the Administrative Agent that the LIBOR Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Lenders of funding their LIBOR Loans for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Borrower and the Lenders, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Lenders to make LIBOR Loans shall be suspended. Unless the Borrower notifies the Administrative Agent at least two (2) Business Days before the date of any LIBOR Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, any such LIBOR Borrowing shall instead be made as a Base Rate Borrowing.

Section 8.02 Illegality. If on or after the Effective Date, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central lender or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its LIBOR Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central lender or comparable agency shall make it unlawful or impossible for any Lender (or its LIBOR Lending Office) to make, maintain or fund its LIBOR Loans and such Lender shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Borrower, whereupon until such Lender notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make LIBOR Loans shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Lender shall designate a different LIBOR Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be otherwise disadvantageous in any material respect to such Lender. If such Lender shall determine that it may not lawfully continue to maintain and fund any of its outstanding LIBOR Loans to maturity and shall so specify in such notice, the Borrower shall immediately prepay in full the then outstanding principal amount of each such LIBOR Loan, together with accrued interest thereon. Concurrently with prepaying each such LIBOR Loan, the Borrower shall borrow a Base Rate Loan in an equal principal amount from such Lender (on which interest and principal shall be payable contemporaneously with the related LIBOR Loans of the other Lenders), and such Lender shall make such a Base Rate Loan. Within forty-five (45) days following the giving of any such notice by a Lender, if requested by the Borrower, such Lender will assign to one or more lenders or other financial institutions selected by Borrower and acceptable to the Administrative Agent and which are capable of funding and maintaining LIBOR Loans, all of its right and obligations under this Agreement, the Notes and the Letter of Credit Obligations in accordance with the procedures set forth in Section 9.06(c) of this Agreement.

Section 8.03 Increased Cost and Reduced Return.

(a) If on or after the Effective Date, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central lender or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central lender or comparable agency:

(i) shall subject any Lender (or its Applicable Lending office) to any tax, duty or other charge with respect to its LIBOR Loans, its Note(s), its obligation to make LIBOR Loans or its Letter of Credit Obligations (collectively, its "Covered Credits"), or shall

change the basis of taxation of payments to any Lender (or its Applicable Lending Office) of the principal of or interest on its LIBOR Loans or any other amounts due under this Agreement in respect of its Covered Credits (except for changes in the rate of franchise taxes or tax on the overall net income of such Lender or its Applicable Lending Office imposed by the jurisdiction in which such Lender's principal executive office or Applicable Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any LIBOR Loan any such requirement included in an applicable Reserve Percentage), special deposit, insurance assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (or its Applicable Lending Office) or shall impose on any Lender (or its Applicable Lending Office) or on the United States market for the London interbank market any other condition affecting its Covered Credits;

and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making or maintaining any Covered Credits, or to reduce the amount of any sum received or receivable by such Lender (or its Applicable Lending Office) under this Agreement or under its Note(s) with respect thereto, by an amount deemed by such Lender to be material, then, within fifteen (15) days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction.

(b) If any Lender shall have determined that, after the Effective Date, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central lender or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central lender or comparable agency, has or would have the effect of reducing the rate of return on capital of such Lender (or its Parent) as a consequence of such Lender's obligations hereunder to a level below that which such Lender (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, within fifteen (15) days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender (or its Parent) for such reduction.

(c) Each Lender will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the Effective Date, which will entitle such Lender to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous in any material respect to such Lender. A certificate of any Lender claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

Section 8.04 Base Rate Loans Substituted for Affected LIBOR Loans. If (i) the obligation of any Lender to make LIBOR Loans has been suspended pursuant to Section 8.02 or (ii) any Lender has demanded compensation under Section 8.03(a), then, unless and until such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Revolving Credit Loans which would otherwise be made by such Lender as LIBOR Loans shall be made instead as Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related LIBOR Loans of the other Lenders), and

(b) after each of its LIBOR Loans has been repaid, all payments of principal which would otherwise be applied to repay such LIBOR Loans shall be applied to repay its Base Rate Loans instead.

ARTICLE IX
MISCELLANEOUS

Section 9.01 Notices. All notices, requests and other communications to any party hereunder shall be in writing (including lender wire, telex, facsimile transmission or similar writing) and shall be given to such party: (a) in the case of the Borrower or the Administrative Agent, at its address or telex number set forth on Schedule 9.01 hereto, (b) in the case of any Lender, at its address or telex number set forth in its Administrative Questionnaire or (c) in the case of any party, such other address or telex number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrower. Each such notice, request or other communication shall be affective (a) if given by telex or facsimile transmission, when such telex or facsimile transmission is transmitted to the telex or facsimile number specified in this Section and the appropriate answerback or receipt of transmission is received, (b) if given by mail, three (3) Business Days after such communication is deposited in the mail with first class postage prepaid, addressed as aforesaid or (c) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Administrative Agent under Article II or Article VIII shall not be effective until received.

Section 9.02 No Waivers. No failure or delay by the Administrative Agent or any Lender in exercising any right, power or privilege hereunder, under any Note or under any other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03 Expenses; Documentary Taxes; Indemnification.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses of the Administrative Agent, including fees and disbursements of counsel for the Administrative Agent, in connection with the negotiation, preparation, syndication and administration of this Agreement and the other Loan Documents, (ii) all reasonable out-of-pocket expenses of the Administrative Agent, including fees and disbursements of counsel to the Administrative Agent, in connection with any waiver or consent under this Agreement or any of the other Loan

Documents or any amendment, modification, extension, renewal, supplement or restatement of or to this Agreement or any other Loan Document or any Default or Event of Default or alleged Default or Event of Default under this Agreement and (iii) if an Event of Default occurs and is continuing, all out-of-pocket expenses incurred by the Administrative Agent and each Lender, including fees and disbursements of outside counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom. The Borrower shall indemnify each Lender against any transfer taxes, documentary taxes, assessments or charges made by any governmental authority by reason of the execution and delivery of this Agreement, the Notes or any of the other Loan Documents.

(b) The Borrower agrees to indemnify each Lender and hold each Lender harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by any Lender (or by the Administrative Agent in connection with its actions as Administrative Agent hereunder, by the Swing Line Lender in connection with its actions as Swing Line Lender hereunder or by the Letter of Credit Issuer in connection with its actions as Letter of Credit Issuer hereunder) in connection with any investigative, administrative or judicial proceeding (whether or not such Lender shall be designated a party thereto) relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder or any actual or proposed use of any Letter of Credit; provided that none of the Administrative Agent, the Swing Line Lender, the Letter of Credit Issuer or any Lender shall have the right to be indemnified hereunder for its own gross negligence or willful misconduct.

Section 9.04 Sharing Among Lenders. Each Lender agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it which is greater than the proportion received by any other Lender in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Lender, the Lender receiving such proportionate greater payment shall purchase such participations in the Notes held by the other Lenders, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes held by the Lenders shall be shared by the Lenders pro rata; provided that nothing in this Section shall impair the right of any Lender to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness under the Notes. The Lenders further agree among themselves that if any such excess payment to a Lender shall be rescinded or must otherwise be restored, the other Lender(s) which shall have shared the benefit of such payment shall, by repurchase of participation theretofore sold, or otherwise, return its share of that benefit to the Lender(s) whose payment shall have been rescinded or otherwise restored. The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

Section 9.05 Amendments and Waivers. Any provision of this Agreement, the Notes or the Guaranty may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Lenders (and, if the rights or duties of the Administrative Agent, the Swing Line Lender or the Letter of Credit Issuer are affected thereby,

by the Administrative Agent, the Swing Line Lender or the Letter of Credit Issuer, as the case may be); provided, however, that (a) any amendment to this Agreement which solely increases the total Revolving Credit Commitments to up to, but not in excess of, \$150,000,000 either through the addition of one or more new Lenders or an increase in the Revolving Credit Commitments of one or more of the existing Lenders and makes no other changes to this Agreement or any other Loan Document (other than the issuance of conforming Revolving Credit Notes), need only be signed by the Administrative Agent, the Borrower and the Lender(s) whose Revolving Credit Commitments are increased and (b) no such amendment or waiver shall, unless signed by each Lender (i) extend the Termination Date or increase the Revolving Credit Commitment of such Lender, (ii) decrease the Revolving Credit Commitment of any Lender (except for a ratable decrease in the Revolving Credit Commitments of all Lenders), (iii) increase the total Revolving Credit Commitments above \$150,000,000, (iv) reduce the principal of or rate of interest on any Loan, Letter of Credit Obligation or any fees hereunder, (v) postpone the date fixed for any payment of principal of or interest on any Loan, Letter of Credit Obligation or any fees hereunder or for any reduction or termination of any Revolving Credit Commitment or the Swing Line Commitment, (vi) change the definition of "Required Lenders", (vii) release any security interest or lien upon Borrower's ownership interest in any Foreign Subsidiary, (viii) voluntarily release any Guarantor Subsidiary from its obligations under the Guaranty unless such release is the result of a transaction permitted by Section 5.12(c), (ix) amend Section 9.04, (x) amend this Section 9.05 or (xi) change the percentage of the Revolving Credit Commitments or of the aggregate unpaid principal amount of the Revolving Credit Notes or the Letter of Credit Obligations, or the number of Lenders, which shall be required for the Lenders or any of them to take any action under this Section or any other provision of this Agreement.

Section 9.06 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all of the Lenders in their sole discretion.

(b) Any Lender may, with the prior written consent of the Borrower and the Administrative Agent, such consents not to be unreasonably withheld, provided, that if a Participant is an Affiliate of the granting Lender neither the Borrower's nor the Administrative Agent's consent shall be required and provided further that if an Event of Default has occurred and is continuing, the Borrower's consent shall not be required, at any time grant to one or more lenders or other financial institutions (each, a "Participant") participating interests in its Revolving Credit Commitment or any or all of its Loans and Letter of Credit Obligations. In the event of any such grant by a Lender of a participating interest to a Participant, such Lender shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement described in sub-clauses (i), (ii), (iii), (iv) or (v) of clause (b) of the proviso in Section 9.05 without the

consent of the Participant. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article VIII with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) (i) Any Lender may at any time assign to one or more lenders or other financial institutions (each, an "Assignee") all, or a proportionate part (such portion to be in an amount equal to or greater than \$5,000,000) of all, of its rights and obligations under this Agreement, the Notes and the Letter of Credit Obligations, and such Assignee shall assume such rights and obligations, pursuant to an assignment and assumption agreement in substantially the form of Exhibit F hereto (an "Assignment and Assumption Agreement") executed by such Assignee and such transferor Lender, with (and subject to) the subscribed consent of the Borrower and the Administrative Agent, such consents not to be unreasonably withheld; provided, that an Assignee not an Affiliate of such transferor Lender or another Lender must be a financial institution with combined capital and surplus in excess of \$250,000,000; provided further that if an Assignee is an Affiliate of such transferor Lender (including a trust established to administer loans sold by such Lender or its Affiliates to such trust, which trust is and shall continue to be administered by such Lender or an Affiliate thereof) neither the Borrower's nor the Administrative Agent's consent shall be required, provided that such transferor Lender shall remain fully obligated under this Agreement for all funding and payment obligations; and provided further that if an Event of Default has occurred and is continuing, the Borrower's consent shall not be required.

(ii) Upon (A) execution of an Assignment and Assumption Agreement and the payment of a nonrefundable assignment fee of \$3,500 in immediately available funds to the Administrative Agent at its Payment Office in connection with each such assignment, (B) written notice of such assignment by such transferor Lender to the Administrative Agent and (C) the recording by the Administrative Agent of such assignment in the Register and the resulting effect upon the Loans and Letter of Credit Obligations of the assigning Lender and the Assignee, the Assignee shall have, to the extent of such assignment, the same rights and benefits as it would have if it were a Lender hereunder and the holder of a Note and Letter of Credit Obligations (provided that the Borrower and the Administrative Agent shall be entitled to continue to deal solely and directly with the assignor Lender in connection with the interests so assigned to the Assignee until written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have been given to the Borrower and the Administrative Agent by the assignor Lender and the Assignee) and, if the Assignee has expressly assumed, for the benefit of the Borrower, some or all of the transferor Lender's obligations hereunder, such transferor Lender shall be relieved of its obligations hereunder to the extent of such assignment and assumption, and except as described above, no further consent or action by the Borrower, the Lenders or the Administrative Agent shall be required.

(iii) If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 2.15.

(iv) Each Assignee shall take such Loans, Letter of Credit Obligations and Revolving Credit Commitment subject to the provisions of this Agreement and to any request made, waiver or consent given or other action taken hereunder, prior to the receipt by the Administrative Agent and the Borrower of written notice of such transfer, by each previous holder of such Loans, Letter of Credit Obligations and Revolving Credit Commitment. Such Assignment and Assumption Agreement shall be deemed to amend this Agreement and Schedule 1.01 hereto, to the extent, and only to the extent, necessary to reflect the addition of such Assignee as a Lender and the resulting adjustment of all or a portion of the rights and obligations of such transferor Lender under this Agreement, the determination of its Revolving Credit Commitment Percentage (in each case, rounded to twelve decimal places), the Loans, the Letter of Credit Obligations and any new Notes to be issued, at the Borrower's expense, to such Assignee, and no further consent or action by the Borrower or the Lenders shall be required to effect such amendments.

(d) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time pledge or assign all or any portion of its rights under this Agreement and the other documents executed and delivered in connection herewith (including, without limitation, the Note held by it) to any Federal Reserve Lender in accordance with Regulation A of the Federal Reserve Board without notice to, or the consent of, the Borrower or the Administrative Agent and with the consent of the Borrower and the Administrative Agent, any Lender which is a fund may pledge all or any portion of its Notes or Loans to its trustee in support of its obligations to its trustee. No such pledge or assignment shall release the transferor Lender from its obligations hereunder.

(e) No Assignee, Participant or other transferee of any Lender's rights shall be entitled to receive any greater payment under Section 8.03 than such Lender would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrower's prior written consent or by reason of the provisions of Section 8.02 or 8.03 requiring such Lender to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

(f) The Borrower hereby designates the Administrative Agent to serve as the Borrower's Administrative Agent, solely for purposes of this Section 9.06 to maintain a register (the "Register") on which it will record the Loans made and Letter of Credit Obligations held by each of the Lenders and each repayment in respect of the principal amount of the Loans and Letter of Credit Obligations of each Lender. Failure to make any such recordation, or any error in such recordation shall not affect the Borrower's obligations in respect of such Loans or Letters of Credit. With respect to any Lender, the transfer of the rights to the principal of, and interest on, any Loan or Letter of Credit Obligation shall not be effective until the transfer is recorded on the Register maintained by the Administrative Agent with respect to ownership of such Loan or Letter of Credit Obligation and prior to such recordation all amounts owing to the transferor with respect to such Loan or Letter of Credit Obligation shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Loans or Letter of Credit Obligations shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement pursuant to Section 9.06(c). Coincident with the delivery of such an Assignment and Assumption Agreement to the Administrative Agent for acceptance and registration of

assignment or transfer of all or part of a Loan or Letter of Credit Obligation, or as soon thereafter as practicable, the assigning or transferor Lender shall surrender the Note evidencing such Loan or Letter of Credit Obligation, and thereupon one or more new Notes in the same aggregate principal amount then owing to such assignor or transferor Lender shall be issued to the assigning or transferor Lender and/or the new Lender. The Borrower agrees to indemnify the Administrative Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its duties under this Section 9.06(f); provided that the Administrative Agent shall not have the right to be indemnified under this Section 9.06(f) for its own gross negligence or willful misconduct.

Section 9.07 Collateral. Each of the Lenders represents to the Administrative Agent and each of the other Lenders that in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

Section 9.08 Governing Law. This Agreement and each Note shall be governed by and construed in accordance with the substantive laws of the state of Missouri, without giving effect to the application of choice of law principles.

Section 9.09 Counterparts. This Agreement may be signed in any number of counterparts (including facsimile counterparts), each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 9.10 NO ORAL AGREEMENTS; ENTIRE AGREEMENT. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT, INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT, ARE NOT ENFORCEABLE, REGARDLESS OF THE LEGAL THEORY UPON WHICH IT IS BASED THAT IS IN ANY WAY RELATED TO THE CREDIT AGREEMENT. TO PROTECT THE BORROWER, THE LENDERS, THE SWING LINE LENDER, THE LETTER OF CREDIT ISSUER AND THE ADMINISTRATIVE AGENT FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS REACHED BY THE BORROWER, THE LENDERS, THE SWING LINE LENDER, THE LETTER OF CREDIT ISSUER AND THE ADMINISTRATIVE AGENT COVERING SUCH MATTERS ARE CONTAINED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, WHICH AGREEMENT AND OTHER LOAN DOCUMENTS ARE A COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENTS AMONG THE BORROWER, THE LENDERS, THE SWING LINE LENDER, THE LETTER OF CREDIT ISSUER AND THE ADMINISTRATIVE AGENT, EXCEPT AS THE BORROWER, THE LENDERS, THE SWING LINE LENDER, THE LETTER OF CREDIT ISSUER AND THE ADMINISTRATIVE AGENT MAY LATER AGREE IN WRITING TO MODIFY THEM. This Agreement embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings (oral or written) relating to the subject matter hereof.

Section 9.11 Confidentiality. The Administrative Agent and each Lender represent that they will maintain the confidentiality of any written or oral information provided under this

Agreement by or on behalf of the Borrower (hereinafter collectively called "Confidential Information"), subject to the Administrative Agent's and each Lender's (a) obligation to disclose any such Confidential Information pursuant to a request or order under applicable laws and regulations or pursuant to a subpoena or other legal process, (b) right to disclose any such Confidential Information to its lender examiners, auditors, counsel and other professional advisors and to other Lenders, (c) right to disclose any such Confidential Information in connection with any litigation or dispute involving the Lenders and the Borrower or any of its Subsidiaries and Affiliates and (d) right to provide such information to Participants, prospective Participants to which sales of participating interests are permitted pursuant to Section 9.06(b) and prospective Assignees to which assignments of interests are permitted pursuant to Section 9.06(c) if such Participant, prospective Participant or prospective Assignee agrees in writing to maintain the confidentiality of such information on terms substantially similar to those of this Section as if it were a "Lender" party hereto. Notwithstanding the foregoing, any such information supplied to a Lender, Participant, prospective Participant or prospective Assignee under this Agreement shall cease to be Confidential Information if it is or becomes known to such Person by other than unauthorized disclosure, or if it becomes a matter of public knowledge.

Section 9.12 Consent to Jurisdiction; Waiver of Jury Trial. THE BORROWER IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY MISSOURI STATE COURT SITTING IN ST. LOUIS COUNTY, MISSOURI AND/OR ANY UNITED STATES OF AMERICA COURT SITTING IN THE EASTERN DISTRICT OF MISSOURI, EASTERN DIVISION, AS THE ADMINISTRATIVE AGENT MAY ELECT, IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT. THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT TO SUCH SUIT, ACTION OR PROCEEDING MAY BE HELD AND DETERMINED IN ANY OF SUCH COURTS. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH THE BORROWER MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT, AND THE BORROWER FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. THE BORROWER AUTHORIZES THE SERVICE OF PROCESS UPON BORROWER BY REGISTERED MAIL SENT TO BORROWER AT ITS ADDRESS DETERMINED PURSUANT TO SECTION 9.01. EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT, THE SWING LINE LENDER, THE LETTER OF CREDIT ISSUER AND EACH LENDER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 9.13 Independence of Covenants. All of the covenants contained in this Agreement and the other Loan Documents shall be given independent effect so that if a particular action, event or condition is prohibited by any one of such covenants, the fact that it would be permitted by an exception to, or otherwise be in compliance within the provisions of, another covenant shall not avoid the occurrence of a Default or Event of Default if such action is taken, such event occurs or such condition exists.

Section 9.14 Distribution of Material. The Borrower agrees that the Agent may make any material delivered by the Borrower to the Agent, as well as any amendments, waivers, consents, and other written information, documents, instruments and other materials relating to the Borrower, any of its Subsidiaries, or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the "Communications") available to the Lenders by posting such notices on an electronic delivery system (which may be provided by the Agent, an Affiliate of the Agent, or any Person that is not an Affiliate of the Agent), such as IntraLinks, or a substantially similar electronic system (the "Platform"). The Borrower acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Agent nor any of its Affiliates warrants the accuracy, completeness, timeliness, sufficiency, or sequencing of the Communications posted on the Platform. The Agent and its Affiliates expressly disclaim with respect to the Platform any liability for errors in transmission, incorrect or incomplete downloading, delays in posting or delivery, or problems accessing the Communications posted on the Platform and any liability for any losses, costs, expenses or liabilities that may be suffered or incurred in connection with the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent or any of its Affiliates in connection with the Platform.

Each Lender agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any Communication has been posted to the Platform shall for purposes of this Agreement constitute effective delivery to such Lender of such information, documents or other materials comprising such Communication. Each Lender agrees (i) to notify, on or before the date such Lender becomes a party to this Agreement, the Agent in writing of such Lender's e-mail address to which a Notice may be sent (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Lender) and (ii) that any Notice may be sent to such e-mail address.

[signature page follows]

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

ESCO TECHNOLOGIES INC.

By _____
Name: _____
Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION, in its individual capacity and as Swing Line Lender, Letter of Credit Issuer, Administrative Agent and Sole Lead Arranger

By _____
Name: _____
Title: _____

BANK OF AMERICA, N.A.

By _____
Name: _____
Title: _____

LASALLE BANK NATIONAL ASSOCIATION

By _____
Name: _____
Title: _____

BANK ONE, N.A.

By _____
Name: _____
Title: _____

COMMERCE BANK, N.A.

By _____
Name: _____
Title: _____

THE NORTHERN TRUST COMPANY

By _____
Name: _____
Title: _____

SCHEDULE 1.01

REVOLVING CREDIT COMMITMENTS

Lender -----	Revolving Credit Commitment -----
Wells Fargo Bank, National Association	\$ 25,000,000
Bank of America, N.A.	\$ 21,000,000
LaSalle Bank National Association	\$ 16,500,000
Bank One, N.A.	\$ 12,500,000
Commerce Bank, N.A.	\$ 12,500,000
The Northern Trust Company	\$ 12,500,000 -----
 TOTAL	 \$100,000,000

SCHEDULE 4.05

LITIGATION

None.

SCHEDULE 4.06

ERISA

None.

80

SCHEDULE 4.09

SUBSIDIARIES

Domestic Subsidiaries of Borrower: -----	Jurisdiction of Incorporation -----	Owned by -----	% of Ownership -----
ESCO Technologies Holding Inc.	DE	ESCO Technologies Inc.	100%
PTI Technologies Inc.	DE	ESCO Technologies Holding Inc.	100%
Filtertek Inc.	DE	ESCO Technologies Holding Inc.	100%
VACCO Industries	CA	ESCO Technologies Holding Inc.	100%
ETS-Lindgren, L.P.	TX	Rantec Holdings, Inc.	99%
		Rantec Commercial, Inc.	1%
Distribution Control Systems, Inc.	MO	ESCO Technologies Holding Inc.	100%
Rantec Holdings, Inc.	MO	ESCO Technologies Holding Inc.	100%
Rantec Commercial, Inc.	CA	Rantec Holdings, Inc.	100%
Comtrak Technologies, L.L.C.	MO	ESCO Technologies Holding Inc.	99%
Comtrak International Services, Inc.	MO	Comtrak Technologies, L.L.C.	100%
Hazeltine Europe, Inc.	DE	ESCO Technologies Holding Inc.	100%
Lindgren RF Enclosures, Inc.	IL	ESCO Technologies Holding Inc.	100%
Lindgren, Inc.	DE	ESCO Technologies Holding Inc.	100%
Filtertek de Puerto Rico Inc.	DE	Filtertek Inc.	100%
ESCO de Mexico Holding Inc.		ESCO Technologies Holding Inc.	100%
Lindgren PRC Holding Inc.	DE	Lindgren RF Enclosures, Inc.	100%
Foreign Subsidiaries of Borrower			
Filtertek SA	France	Filtertek Inc.	72%
		Filtertek BV	28%
Filtertek do Brazil Industria E Comercio Ltda.	Brazil	Filtertek Inc.	99.999%
		Filtertek de Puerto Rico Inc.	0.001%
Filtertek BV	Netherlands	Filtertek Inc.	100%
Filtertek GmbH	Germany	Filtertek Inc.	100%
Filtrotec, Inc.	Puerto Rico	Filtertek Inc.	100%
Distribution Control Systems Caribe, Inc.	Puerto Rico	Distribution Control Systems, Inc.	100%
Distribution Control Systems do Brazil Ltda.	Brazil	Distribution Control Systems, Inc.	100%
Nansen-DCSI Technologies S.A.	Brazil	Distribution Control Systems do Brazil Ltda.	51%
		Nansen S.A. Instruments de Precisa	49%
ESCO Electronics De Mexico S-A. de C.V.	Mexico	ESCO de Mexico Holding Inc.	99%
		ESCO Technologies Holding Inc.	1%
ETS-Lindgren Japan, Inc.	Japan	ESCO Technologies Holding Inc.	100%
Euroshield Oy	Finland	ESCO Technologies Holding Inc.	100%
Ray Proof Limited	England	Lindgren, Inc.	100%
Hazeltine Limited	England	Hazeltine Europe, Inc.	100%
ETS-Lindgren do Brasil Ltda.	Brazil	Lindgren RF Enclosures Inc.	100%
Beijing Lindgren Technology Service Co., Ltd.	China	Lindgren PRC Holding Inc.	100%
Beijing Lindgren ElectronMagnetic Technology Service Co., Ltd.	China	Lindgren PRC Holding Inc.	100%

SCHEDULE 4.17

EXISTING DEBT

1) Letters of Credit

Issuing Bank ----	LC # ----	Amount -----
Bank of America	3026661	200,000.00
Bank of America	3026660	2,050,000.00

SUBTOTAL		2,250,000.00
Commerce	SLC00001786	28,458.00
Commerce	SLC00001787	28,330.00
Commerce	SLC00001788	119,030.00
Commerce	SLC00001789	121,318.00
Commerce	SB96005711	270,000.00
Commerce	SLC00002197	229,000.00
Commerce	SLC00002305	121,260.00
Commerce	SLC00002092	32,000.00
Commerce	SLC00002091	12,838.00

SUBTOTAL		962,234.00
TOTAL		3,212,234.00 =====

2) Other Debt

Issuing Bank -----	Type of Debt -----	Amount -----
Nordea Bank Finland PLC	Loan	541,170.00

Note: Euroshield Oy (Finland) has a Guarantee facility of Euro's 1,345,000 (one million three hundred forty-five thousand) and a loan facility of Euro's 2,000,000 (two-million) with Nordea Bank Finland PLC. The Facilities are secured by a mortgage on the assets of Euroshield Oy. ESCO Technologies Inc. has provided and continues to provide a guaranty of the Facilities to Nordea Bank Finland PLC.

SCHEDULE 5.11

EXISTING LIENS

Euroshield Oy (Finland) has a Guarantee facility of Euro's 1,345,000 (one million three hundred forty-five thousand) and a loan facility of Euro's 2,000,000 (two-million) with Nordea Bank Finland PLC. The Facilities are secured by a mortgage on the assets of Euroshield Oy. ESCO Technologies Inc. has provided and continues to provide a guaranty of the Facilities to Nordea Bank Finland PLC.

SCHEDULE 9.01

NOTICE INFORMATION

ESCO Technologies Inc.
8888 Ladue Road
Suite 200
St. Louis, Missouri 63124
Attention: Matthew Mainer
Telephone: 314-213-7252
Facsimile: 314-213-7250

Wells Fargo Bank, National Association
120 South Central
MAC N2650-140
St. Louis, Missouri 63105
Attention: David Wilsdorf
Telephone: (314) 290-5074
Facsimile: (314) 726-3173

EXHIBIT A

[Date]

Wells Fargo Bank, National Association,
as Administrative Agent
1740 Broadway
MAC C7300-034
Denver, Colorado 80274
Attention: Agency Syndication Group - Kevin Rapp

Re: Notice of Revolving Credit Borrowing

Ladies and Gentlemen:

Reference is hereby made to that certain Credit Agreement dated as of October __, 2004, by and among ESCO Technologies Inc. (the "Borrower"), the Lenders from time to time party thereto, Wells Fargo Bank, National Association, as Administrative Agent for the Lenders and Wells Fargo Bank, National Association, as Sole Lead Arranger, as the same may be amended, modified, extended, renewed, supplemented or restated from time to time (the "Credit Agreement"). All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Credit Agreement.

The Borrower hereby requests that the Lenders make a Revolving Credit Loan in the aggregate principal amount of \$_____ to Borrower under the terms of the Credit Agreement on (which is a Business Day). Of the requested Revolving Credit Loan, \$_____ is to be a Base Rate Loan and \$ is to be a LIBOR Loan. The Interest Period for the portion of the requested Revolving Credit Loan that is a LIBOR Loan is _____.

The undersigned hereby certifies that all of the conditions precedent under Section 3.02 of the Credit Agreement have been satisfied.

Executed this _____ day of _____, 20____.

ESCO TECHNOLOGIES INC.

By _____
Name: _____
Title: _____

EXHIBIT B

[Date]

Wells Fargo Bank, National Association,
as Administrative Agent
1740 Broadway
MAC C7300-034
Denver, Colorado 80274
Attention: Agency Syndication Group - Kevin Rapp

Re: Notice of Swing Line Borrowing

Ladies and Gentlemen:

Reference is hereby made to that certain Credit Agreement dated as of October __, 2004, by and among ESCO Technologies Inc. (the "Borrower"), the Lenders from time to time party thereto, Wells Fargo Bank, National Association, as Administrative Agent for the Lenders and Wells Fargo Bank, National Association, as Sole Lead Arranger, as the same may be amended, modified, extended, renewed, supplemented or restated from time to time (the "Credit Agreement"). All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Credit Agreement.

The Borrower hereby requests that the Swing Line Lender make a Swing Line Loan in the aggregate principal amount of \$ to Borrower under the terms of the Credit Agreement on (which is a Business Day).

The undersigned hereby certifies that all of the conditions precedent under Section 3.03 of the Credit Agreement have been satisfied.

Executed this _____ day of _____, 20 ____.

ESCO TECHNOLOGIES INC.

By _____
Name: _____
Title: _____

EXHIBIT C

REVOLVING CREDIT NOTE

\$ _____, 20 _____

FOR VALUE RECEIVED, the undersigned, ESCO TECHNOLOGIES INC., a Missouri corporation (the "Borrower"), hereby promises to pay to the order of (the "Lender"), the principal sum of . Dollars (\$), or, if less, the aggregate unpaid principal amount of the Revolving Credit Loans (as defined in the Credit Agreement which is hereinafter defined; capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed thereto in the Credit Agreement) made by the Lender to the Borrower pursuant to the Credit Agreement, on the Termination Date, together with interest on any and all principal amounts remaining unpaid hereunder from time to time outstanding. The unpaid principal amount hereof shall bear interest at the rate or rates provided for in the Credit Agreement. Prior to maturity, whether by acceleration or otherwise, accrued interest shall be payable at such times as set forth in the Credit Agreement. After maturity, whether by acceleration or otherwise, accrued interest shall be payable upon demand. Interest shall be computed as provided in the Credit Agreement. Both principal and interest are payable in lawful money of the United States of America to the Administrative Agent at the Payment Office, in immediately available funds. Amounts advanced hereunder may be repaid and reborrowed from time to time as provided for in the Credit Agreement.

This Note is a Revolving Credit Note referred to in, and is entitled to the benefits of, the Credit Agreement, dated as of October __, 2004 (as the same may be amended, modified, extended, renewed, supplemented or restated from time to time, the "Credit Agreement") by and among the Borrower, the financial institutions signatory thereto (the "Lenders"), Wells Fargo Bank, National Association as Administrative Agent (the "Administrative Agent") for the Lenders and Wells Fargo Bank, National Association, as Sole Lead Arranger, the terms, covenants, conditions, provisions, stipulations and agreements of which are made a part hereof to the same extent and with the same effect as if fully set forth herein. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

THE BORROWER HEREBY WAIVES PRESENTMENT, DEMAND, PROTEST OR NOTICE OF ANY KIND IN CONNECTION WITH THIS NOTE.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF MISSOURI WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW.

IN WITNESS WHEREOF, the Borrower has duly executed and delivered this
Revolving Credit Note as of the date first written above.

ESCO TECHNOLOGIES INC.

By _____
Name: _____
Title: _____

EXHIBIT D

SWING LINE NOTE

\$7,500,000.00

October __, 2004

FOR VALUE RECEIVED, the undersigned, ESCO TECHNOLOGIES INC., a Missouri corporation (the "Borrower"), hereby promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION (the "Lender"), the principal sum of Seven Million Five Hundred Thousand Dollars (\$7,500,000.00), or, if less, the aggregate unpaid principal amount of the Swing Line Loans (as defined in the Credit Agreement which is hereinafter defined; capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed thereto in the Credit Agreement) made by the Lender to the Borrower pursuant to the Credit Agreement, on the due dates set forth in the Credit Agreement, together with interest on any and all principal amounts remaining unpaid hereunder from time to time outstanding. The unpaid principal amount hereof shall bear interest at the rate or rates provided for in the Credit Agreement. Prior to maturity, whether by acceleration or otherwise, accrued interest shall be payable at such times as set forth in the Credit Agreement. After maturity, whether by acceleration or otherwise, accrued interest shall be payable upon demand. Interest shall be computed as provided in the Credit Agreement. Both principal and interest are payable in lawful money of the United States of America to the Administrative Agent at the Payment Office, in immediately available funds. Amounts advanced hereunder may be repaid and reborrowed from time to time as provided for in the Credit Agreement.

This Note is the Swing Line Note referred to in, and is entitled to the benefits of, the Credit Agreement, dated as of October __, 2004 (as the same may be amended, modified, extended, renewed, supplemented or restated from time to time, the "Credit Agreement") by and among the Borrower, the financial institutions signatory thereto (the "Lenders"), Wells Fargo Bank, National Association as Administrative Agent (the "Administrative Agent") for the Lenders and Wells Fargo Bank, National Association, as Sole Lead Arranger, the terms, covenants, conditions, provisions, stipulations and agreements of which are made a part hereof to the same extent and with the same effect as if fully set forth herein. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

THE BORROWER HEREBY WAIVES PRESENTMENT, DEMAND, PROTEST OR NOTICE OF ANY KIND IN CONNECTION WITH THIS NOTE.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF MISSOURI WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW.

IN WITNESS WHEREOF, the Borrower has duly executed and delivered this
Swing Line Note as of the date first written above.

ESCO TECHNOLOGIES INC.

By _____
Name: _____
Title: _____

EXHIBIT E

October __, 2004

To the Lenders, the Administrative Agent,
and the Sole Lead Arranger
referred to below
c/o Wells Fargo Bank, National Association,
as Administrative Agent
120 South Central
MAC N2650-140
St. Louis, Missouri 63105

Re: Credit Agreement dated as of October __, 2004

Ladies and Gentlemen:

We have acted as counsel for ESCO Technologies Inc., a Missouri corporation (the "Borrower") and _____ (individually, a "Guarantor Subsidiary" and collectively, the "Guarantor Subsidiaries") (the Borrower and the Guarantor Subsidiaries are sometimes hereinafter individually referred to as an "Obligor" and collectively referred to as the "Obligors") in connection with that certain Credit Agreement (the "Credit Agreement") dated as of October __, 2004, by and among the Borrower, the financial institutions listed on the signature pages thereof (collectively, the "Lenders"), Wells Fargo Bank, National Association, as Administrative Agent for the Lenders and Wells Fargo Bank, National Association, as Sole Lead Arranger. All capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Credit Agreement. This opinion is being rendered to you at the request of our clients pursuant to Section 3.01(e) of the Credit Agreement.

As such counsel, we have examined:

1. The Certificate or Articles of Incorporation and all amendments thereto of each Obligor;
2. The By-Laws and all amendments thereto of each Obligor;
3. All relevant corporate minutes, resolutions and other proceedings of each Obligor;
4. The stock records of each Guarantor Subsidiary;
5. The Credit Agreement;
6. The Revolving Credit Note of the Borrower dated the date hereof and payable to the order of the Wells Fargo Bank, National Association in the principal amount of up to \$ _____;

7. The Revolving Credit Note of the Borrower dated the date hereof and payable to the order of _____ in the principal amount of up to \$ _____;

8. The Revolving Credit Note of the Borrower dated the date hereof and payable to the order of _____ in the principal amount of up to \$ _____;

9. The Swing Line Note of the Borrower dated the date hereof and payable to the order of Wells Fargo Bank, National Association in the principal amount of up to \$7,500,000.00; and

10. The Guaranty dated as of the date hereof and executed by the Guarantor Subsidiaries in favor of the Administrative Agent, the Swing Line Lender, the Offshore Currency Fronting Lender, the Letter of Credit Issuer and each Lender.

The documents listed in clauses (5) through (10) above are sometimes hereinafter collectively referred to as the "Loan Documents".

We have also examined (a) originals, or copies certified or otherwise identified to our satisfaction, of such agreements, documents, certificates, corporate and official records, affidavits and other instruments and (b) such laws and regulations as we deemed necessary or appropriate for purposes of this opinion. As to factual matters, we have, in certain instances, examined and relied upon certificates of corporate officials and certificates of public officials, copies of which certificates, if any, are attached hereto. In such examinations we have assumed the legal capacity of natural persons, the authenticity of all documents submitted to us as originals and the conformity with the originals of all documents submitted to us as copies.

Based upon such review and upon such inquiries and investigations of the Obligors as we deemed necessary or relevant, we are of the opinion that:

1. Each Obligor (a) is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation with perpetual corporate existence, (b) has the corporate power and authority to own its properties and to transact the business in which it is engaged or presently proposes to engage and (c) is duly qualified as a foreign corporation and is in good standing in all other states where the nature of its business or the ownership or use of property requires such qualification and where the failure to be so qualified or in good standing could reasonably be expected to have a Material Adverse Effect.

2. Each Guarantor Subsidiary is a Wholly-Owned Subsidiary of the Borrower.

3. Each Obligor has full corporate right, power and authority to execute, deliver and perform the terms and provisions of the Loan Documents to which it is a party and has duly taken or caused to be taken all necessary corporate actions (including, without limitation, the obtaining of any consent of shareholders required by law or by the Certificate or Articles of Incorporation or By-Laws of such Obligor) to authorize the execution, delivery and performance of the Loan Documents to which it is a party.

4. The execution, delivery and performance by the Obligors of the Loan Documents do not:

(a) violate any provision of any law, rule or regulation (including, without limitation, any usury law, rule or regulation);

(b) to the best of our knowledge after due inquiry, violate any order, writ, judgment, injunction, decree, determination or award presently in effect which affects or binds any Obligor or any property or assets of any Obligor;

(c) violate any provision of the Certificate or Articles of Incorporation or By-Laws of any Obligor; or

(e) to the best of our knowledge after due inquiry, conflict with, or result in the breach of, or constitute a default under, any other indenture, mortgage, deed of trust, lease, contract, agreement, document or instrument to which any Obligor is a party or by which any Obligor is bound, or result in the creation or imposition of any lien, charge or encumbrance upon any of the property of any Obligor thereunder.

5. Each of the Loan Documents has been duly authorized, executed and delivered by such of the Obligors as are parties thereto, constitutes the legal, valid and binding obligation of such of the Obligors as are parties thereto and is enforceable against such of the Obligors as are parties thereto in accordance with its terms (including, without limitation, the choice of law provisions contained therein), except as such enforceability may be limited by (a) applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

6. To the best of our knowledge after due inquiry, except as otherwise set forth in the Loan Documents, including, without limitation, any schedules or exhibits thereto, (a) no judgments are outstanding against the Borrower or any of its Subsidiaries, (b) there is not now pending nor threatened against the Borrower or any of its Subsidiaries any litigation, arbitration, contested claim or governmental or regulatory proceeding (i) which questions the validity of any of the Loan Documents or any of the transactions contemplated thereby or (b) in which there is a reasonable possibility of an adverse decision which could have a Material Adverse Effect and (c) no Obligor is in default with respect to any order, writ, injunction or decree of any court or under any law, order, regulation or demand of any governmental or regulatory body, instrumentality, authority, agency or official, a default under which could reasonably be expected to have a Material Adverse Effect.

7. No action, consent or approval of, or filing, recording or registration with, any governmental, regulatory or public body, instrumentality, authority, agency or official is required to authorize, or is otherwise required in connection with, the execution, delivery and/or performance of the Loan Documents.

8. No Obligor is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or, to our knowledge, "controlled" by an "investment company", as such terms are defined under the Investment Company Act of 1940, as amended.

9. No Obligor is a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Very truly yours,

EXHIBIT F

ASSIGNMENT AND ASSUMPTION AGREEMENT

Reference is made to that certain Credit Agreement dated as of October ____, 2004, by and among ESCO Technologies Inc., a Missouri corporation (the "Borrower"), the financial institutions parties thereto in their capacities as Lenders thereunder, Wells Fargo Bank, National Association, as Administrative Agent for the Lenders (the "Administrative Agent") and Wells Fargo Bank, National Association, as Sole Lead Arranger, as the same has heretofore been amended, modified, extended, renewed, supplemented or restated (the "Credit Agreement"). Capitalized terms used but not otherwise defined herein shall have the respective meanings assigned to them in the Credit Agreement.

NOW, THEREFORE, _____ (the "Transferor") and _____ (the "Transferee") hereby agree as follows:

1. The Transferor hereby transfers and assigns to the Transferee, except with respect to indemnities of the Borrower, if any, which have not been satisfied and which shall have arisen prior to the Effective Date (as defined in Section 11 hereof), that interest in and to all the Transferor's rights and obligations under the Credit Agreement as of the date hereof which represents the percentage interest specified in Item 2 of Schedule A to this Assignment and Assumption Agreement ("Assigned Portion") and the Transferee hereby accepts said assignment and, to the extent of its respective interests therein, assumes the commitments and obligations established under the Credit Agreement with respect to the Assigned Portion. The assignment affected hereby is without recourse against or warranty (except as provided in Section 4 below) by the Transferor.

2. In connection with the assignment affected hereby by the Transferor to the Transferee of the Assigned Portion with respect to the Credit Agreement:

(a) as of the Effective Date, the Transferee shall pay to the Transferor, in immediately available funds, an amount equal to the outstanding indebtedness owed to it by the Borrower under the Credit Agreement with respect to the Assigned Portion;

(b) from and after the Effective Date: (i) the Transferee shall (A) be a Lender party to the Credit Agreement for all purposes of the Credit Agreement and the other Loan Documents, (B) be subject to the terms and conditions thereof and (C) have all of the rights, interests, liabilities, duties and obligations of the Transferor under the Credit Agreement, the Revolving Credit Notes, the Letter of Credit Obligations and the Guaranty to the extent of the Assigned Portion; and (ii) the Transferor shall to the extent provided in this Assignment and Assumption Agreement relinquish such rights and interest and be released from such liabilities, duties and obligations under the Credit Agreement, the Revolving Credit Notes, the Letter of Credit Obligations and the Guaranty as shall have been assigned to the Transferee hereunder; and

(c) from and after the Effective Date, the Administrative Agent shall make all payments under the Credit Agreement in respect of the Assigned Portion (including, without limitation, all payments of principal, interest and fees, if applicable, with respect thereto) to the

Transferee. The Transferor and Transferee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Effective Date between themselves.

3. Each of the parties to this Assignment and Assumption Agreement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and perform such further acts as such other party may reasonably request in order to effect the purposes of this Assignment and Assumption Agreement, provided neither this Assignment and Assumption 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 Assignment and Assumption Agreement) against whom enforcement of such change, waiver, discharge or termination is sought.

4. By executing and delivering this Assignment and Assumption Agreement, the Transferor (a) represents and warrants that it is the legal and beneficial owner of the interest being assigned hereby free and clear of any adverse claim; (b) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any Revolving Credit Note, any Letter of Credit Obligation or the Guaranty, or any other instrument or document furnished pursuant thereto; (c) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any of its Subsidiaries, or the performance or observance by the Borrower or any of its Subsidiaries of any of its obligations under the Credit Agreement, any Revolving Credit Note, any Letter of Credit Obligation or the Guaranty or any other instrument or document furnished pursuant hereto.

5. By executing and delivering this Assignment and Assumption Agreement, the Transferee: (a) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption Agreement; (b) will independently and without reliance upon the Administrative Agent, the Letter of Credit Issuer, the Swing Line Lender, the Transferor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (c) appoints and authorizes the Administrative Agent to take such action as the Administrative Agent, the Letter of Credit Issuer to take such action as Letter of Credit Issuer and the Swing Line Lender to take such action as the Swing Line Lender, on its behalf and to exercise such powers under the Credit Agreement, the Revolving Credit Notes, the Letters of Credit and the Guaranty as are delegated to the Administrative Agent, the Letter of Credit Issuer and the Swing Line Lender by the terms thereof, together with such powers as are reasonably incidental thereto; and (d) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement, the Revolving Credit Notes, the Letter of Credit Obligations and the Guaranty are required to be performed by it as a Lender.

6. 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 facsimile or United States mail or courier service. For purposes hereof, the notice

address of each party hereto shall be as set forth on Schedule A hereto or, as to either party, such other address as shall be designated by such party in writing.

7. Each of the Transferor and the Transferee represents and warrants to the Borrower and the Administrative Agent that after giving effect to the assignment of the Assigned Portion affected hereby, each of the Transferor and the Transferee is in compliance with the provisions of Section 9.06 of the Credit Agreement.

8. This Assignment and Assumption Agreement may be executed in any number of counterparts (including facsimile counterparts) and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

9. THIS ASSIGNMENT AND ASSUMPTION AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF MISSOURI WITHOUT REFERENCE TO THE PROVISIONS THEREOF REGARDING CONFLICTS OF LAW.

10. No assignment effected pursuant to this Assignment and Assumption Agreement shall constitute a novation of the obligations of the Borrower being assigned.

11. This Assignment and Assumption Agreement shall become effective on the date (the "Effective Date") upon which all of the following conditions are satisfied: (i) the execution of a counterpart hereof by each of the Transferor and the Transferee; (ii) the execution of a counterpart hereof by the Borrower and the Administrative Agent as evidence of its consent hereto to the extent required under Section 9.06(c) of the Credit Agreement; (iii) the receipt by the Administrative Agent of the processing and recordation fee referred to in Section 9.06(c) of the Credit Agreement; (iv) in the event the Transferee is not a United States person, the delivery by the Transferee to the Administrative Agent of such forms, certificates or other evidence with respect to United States federal income tax withholding matters as Transferee may be required to deliver to the Administrative Agent pursuant to Sections 2.15 and/or 9.06(c) of the Credit Agreement; and (v) the receipt by the Administrative Agent of originals or facsimiles of the counterparts described above and authorization of delivery thereof; provided, however, that for all purposes under this Assignment and Assumption Agreement, the term "Settlement Date" shall mean the later of (a) the date specified in Item 3 of Schedule A hereto and (b) the Effective Date.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Assumption Agreement to be 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 Schedule A hereto.

SCHEDULE A
TO THE ASSIGNMENT AGREEMENT

1. NAME AND DATE OF CREDIT AGREEMENT: Credit Agreement, dated as of October ____, 2004, by and among the Borrower, the financial institutions parties thereto as Lenders, Wells Fargo Bank, National Association as Administrative Agent for the Lenders and Wells Fargo Bank, National Association, as Sole Lead Arranger, as the same may be amended, modified, extended, renewed, supplemented or restated from time to time.

2. Assigned Portions:

- (a) Aggregate Revolving Credit Commitments of all of the Lenders \$ _____
- (b) Assigned Share _____ %
- (c) Amount of Assigned Share \$ _____

3. Settlement Date: _____, 20 ____

4. Payment Instructions:

TRANSFEROR:	TRANSFeree:
Attn:	Attn:
Ref:	Ref:

5. Notice of Address:

TRANSFEROR:	TRANSFeree:
Attn:	Attn:
Ref:	Ref:

6. SIGNATURES:

[NAME OF TRANSFEROR]

By _____
Name: _____
Title: _____

[NAME OF TRANSFEREE]

By _____
Name: _____
Title: _____

Consented to in accordance
with Section 9.06(c) of the
Credit Agreement

ESCO TECHNOLOGIES INC.

By _____
Name: _____
Title: _____

Accepted in accordance with
Section 9.06(c) of the Credit
Agreement

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent

By _____
Name: _____
Title: _____

EXHIBIT G

Compliance Certificate

To: Wells Fargo Bank, National Association, as Administrative Agent
Date: _____, 20____
Subject: ESCO Technologies Inc.

Financial Statements

In accordance with our Credit Agreement dated as of October __, 2004, as amended, modified, extended, renewed, supplemented or restated (the "Credit Agreement"), attached are the financial statements of ESCO Technologies Inc. (the "Borrower") and its Subsidiaries of and for the [Fiscal Year] [Fiscal Quarter] ended _____, 20__ (the "Reporting Date") and the year-to-date period then ended (the "Current Financials"). All terms used in this certificate have the meanings given in the Credit Agreement.

The Borrower certifies that the Current Financials have been prepared in accordance with GAAP, [subject to year-end audit adjustments and absence of footnotes,] and fairly present in all material respects the consolidated financial condition of the Borrower and its Subsidiaries as of the date thereof and in a manner consistent with prior periods.

Events of Default. (Check one):

Except as previously reported in writing to the Administrative Agent, the Borrower does not have knowledge of the occurrence of any Default or Event of Default under the Credit Agreement.

The Borrower has knowledge of the occurrence of a Default or Event of Default under the Credit Agreement not previously reported in writing to the Administrative Agent and attached hereto is a statement of the facts with respect to thereto and the action which the Borrower is taking or purposes to take with respect thereto.

Subsidiaries. The Borrower further hereby certifies that as of the date hereof it has the following Subsidiaries:

Name of Subsidiary	Jurisdiction of Organization	Such Subsidiary is a Material Subsidiary (Y/N)
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----

Financial Covenants. The Borrower further hereby certifies as follows:

1. Maximum Consolidated Leverage Ratio. Pursuant to Section 5.07 of the Credit Agreement, as of the Reporting Date, the Borrower's Consolidated Leverage Ratio was _____ to 1.00 which satisfies does not satisfy the requirement that such ratio be no more than 2.75 to 1.00 on the Reporting Date.
2. Minimum EBITDA. Pursuant to Section 5.08 of the Credit Agreement, as of the Reporting Date, Borrower's EBITDA was \$_____ which satisfies does not satisfy the requirement that such EBITDA be at least \$_____.
3. Minimum Consolidated Net Worth. Pursuant to Section 5.09 of the Credit Agreement, as of the Reporting Date, the Borrower's Consolidated Net Worth was \$_____ which satisfies does not satisfy the requirement that such amount be not less than \$_____.

Attached hereto are all relevant facts in reasonable detail to evidence, and the computations of the financial covenants referred to above. These computations were made in accordance with GAAP.

ESCO TECHNOLOGIES INC.

By _____
Name: _____
Title: _____

EXHIBIT H

FORM OF BORROWING SUBSIDIARY SUPPLEMENT

_____ / _____
To the Administrative Agent and Lenders party to the
Credit Agreement referred
to below

Ladies and Gentlemen:

Reference is made to the Credit Agreement date as of October __, 2004 initially among ESCO Technologies Inc., the Lenders from time to time parties thereto, and Wells Fargo Bank, National Association, as Offshore Currency Fronting Lender, Letter of Credit Issuer, Swing Line Lender and as Administrative Agent for the Lenders (the "Credit Agreement"). Terms not otherwise defined herein are used as defined in the Credit Agreement.

The undersigned, _____, a _____ [corporation] (the "Subsidiary"), wishes to become a "Borrowing Subsidiary" under the Credit Agreement, and accordingly hereby agrees that from the date hereof it shall become a "Borrowing Subsidiary" under the Credit Agreement and agrees that from the date hereof and until the payment in full of the principal of and interest on all Loans made to it under the Credit Agreement and performance of all of its other obligations thereunder, and termination hereunder of its status as a "Borrowing Subsidiary" as provided below, it shall perform, comply with and be bound by each of the provisions of the Credit Agreement which are stated to apply to a "Borrower" or a "Borrowing Subsidiary." Without limiting the generality of the foregoing, the Subsidiary hereby affirms the jurisdictional and other provisions of Section 9.12 of the Credit Agreement and acknowledges that it has heretofore received a true and correct copy of the Credit Agreement (including any modifications thereof or supplements or waivers thereto) as in effect on the date hereof. In addition, the Subsidiary hereby authorizes the Borrower to act on its behalf in connection with the selection of types and Interest Periods for Loans and the conversion and continuation of Loans.

So long as the principal of and interest on all Loans made to the Subsidiary under the Credit Agreement shall have been paid in full and all other obligations of the Subsidiary under the Credit Agreement shall have been fully performed, the Borrower may by not less than five Business Days' prior notice to the Lenders terminate the Subsidiary's status as a "Borrowing Subsidiary."

The Subsidiary represents and warrants to the Administrative Agent and the Lenders that:

(a) Organization and Corporate Powers. Such Subsidiary (i) is a company duly formed and validly existing and in good standing under the laws of the state or country of its organization (such jurisdiction being hereinafter referred to as the "Home Country"); (ii) has the requisite power and authority to own its property and assets and to carry on its business substantially as now conducted except where the failure to have such

requisite authority would not have a material adverse effect on such Subsidiary; and (iii) has the requisite power and authority and legal right to execute and deliver any Offshore Currency Addendum to which it is a party and each other Loan Document to which it is a party and the performance by it of its obligations thereunder have been duly authorized by proper corporate proceedings.

(b) Binding Effect. Each Loan Document, including, without limitation, any Offshore Currency Addendum, executed by such Subsidiary is the legal, valid and binding obligations of such Subsidiary enforceable in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles.

(c) No Conflict; Government Consent. Neither the execution and delivery by such Subsidiary of the Loan Documents to which it is a party, nor the consummation by it of the transactions therein contemplated to be consummated by it, nor compliance by such Subsidiary with the provisions thereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on such Subsidiary or any of its Subsidiaries or such Subsidiary's or any of its Subsidiaries' memoranda or articles of association of the provisions of any indenture, instrument or agreement to which such Subsidiary or any of its Subsidiaries is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any lien in, of or on the property of such Subsidiary or any of its Subsidiaries pursuant to the terms of any such indenture, instrument or agreement in any such case which violation, conflict, default, creation or imposition could reasonably be expected to have a material adverse effect on such Subsidiary. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental agency is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, any of the Loan Documents.

(d) Filing. To ensure the enforceability or admissibility in evidence of this Agreement and each Loan Document to which such Subsidiary is a party (including without limitation, any Offshore Currency Addendum) in its Home Country, it is not necessary that this Agreement or any other Loan Document to which such Subsidiary is a party or any other document be filed or recorded with any court or other authority in its Home Country or that any stamp or similar tax be paid to or in respect of this Agreement or any other Loan Document of such Subsidiary. The qualification by any Lender or the Administrative Agent for admission to do business under the laws of such Subsidiary's Home Country does not constitute a condition to, and the failure to so qualify does not affect, the exercise by any Lender or the Administrative Agent of any right, privilege, or remedy afforded to any Lender or the Administrative Agent in connection with the Loan Documents to which such Subsidiary is a party or the enforcement of any such right, privilege, or remedy against such Subsidiary. The performance by any Lender or the Administrative Agent of any action required or permitted under the Loan Documents will not (i) violate any law or regulation of such Subsidiary's Home Country or any political subdivision thereof, (ii) result in any tax or other monetary liability to such party pursuant to the laws of such Subsidiary's Home Country or political subdivision or taxing authority thereof (provided that, should any such action result in any such tax or other

monetary liability to the Lender or the Administrative Agent, the Borrower and the Subsidiary hereby agree to indemnify such Lender or the Administrative Agent, as the case may be, against (x) any such tax or other monetary liability and (y) any increase in any tax or other monetary liability which results from such action by such Lender or the Administrative Agent and, to the extent the Borrower and the Subsidiary make such indemnification, the incurrence of such liability by the Administrative Agent or any Lender will not constitute a Default) or (iii) violate any rule or regulation of any federation or organization or similar entity of which the such Subsidiary's Home Country is a member.

(e) No Immunity. Neither such Subsidiary nor any of its assets is entitled to immunity from suit, execution, attachment or other legal process. Such Subsidiary's execution and delivery of the Loan Documents to which it is a party constitute, and the exercise of its rights and performance of and compliance with its obligations under such Loan Documents will constitute, private and commercial acts done and performed for private and commercial purposes.

By its execution of this Borrowing Subsidiary Supplement, the Borrower hereby absolutely and unconditionally guarantees to each Lender, the Offshore Currency Fronting Lender and the Administrative Agent the prompt and complete payment when due in accordance with their respective terms (whether by reason of demand, maturity, acceleration or otherwise) of any and all of the Obligations incurred by the Subsidiary (whether heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, absolute or contingent, liquidated or unliquidated, determined or undetermined, whether the Subsidiary may be liable individually or jointly with others and whether recovery upon such Obligations may be or hereafter becomes unenforceable). In addition, the Borrower shall and agrees to be liable to each Lender, the Offshore Currency Fronting Lender and the Administrative Agent for all costs and expenses incurred by such Person in attempting or effecting collection under this Guaranty (whether or not litigation shall be commenced in aid thereof) and in connection with representation of such Person in connection with bankruptcy or insolvency proceedings relating to or affecting this Guaranty, including, without limitation, reasonable attorneys' fees and expenses. This Guaranty is a continuing guaranty and all rights, powers and remedies hereunder shall apply to all past, present and future Obligations, including those arising under successive transactions which shall either continue the Obligations, increase or decrease them, or from time to time create new Obligations after all or any prior Obligations have been satisfied, and notwithstanding the dissolution, liquidation or bankruptcy of the Borrower or the Subsidiary or any other event or proceeding affecting the Borrower or the Subsidiary. The obligations of Borrower under this Guaranty shall be in addition to any obligations of Borrower under any other guaranties of any indebtedness, liabilities or obligations of the Subsidiary or any other Persons heretofore, now or hereafter given to any Lender, the Swing Line Lender, the Letter of Credit Issuer, the Offshore Currency Fronting Lender and/or the Administrative Agent unless said other guaranties are expressly modified or revoked in writing; and this Guaranty shall not affect or invalidate any such other guaranties. The liability of Borrower under this Guaranty shall be reinstated and revived and the rights of each Lender, the Offshore Currency Fronting Lender and the Administrative Agent shall continue if and to the extent for any reason any amount at any time paid on account of any of the Obligations is rescinded or must otherwise be restored by any Lender, the Offshore Currency Fronting Lender and/or the Administrative Agent, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as

though such amount had not been paid. The determination as to whether any amount so paid must be rescinded or restored shall be made by the applicable Lender, the Offshore Currency Fronting Lender and/or the Administrative Agent, as the case may be, in its sole discretion; provided however, that if the applicable Lender, the Offshore Currency Fronting Lender and/or the Administrative Agent, as the case may be, chooses to contest any such matter at the request of Borrower, the Borrower agrees to indemnify and hold such Lender, Offshore Currency Fronting Lender and/or the Administrative Agent, as the case may be, harmless from and against all costs and expenses, including reasonable attorneys' fees, expended or incurred by such Person in connection therewith, including without limitation, in any litigation with respect thereto. The Borrower authorizes each Lender, the Offshore Currency Fronting Lender and the Administrative Agent, without notice to or demand on Borrower, and without affecting Borrower's liability under this Guaranty, from time to time to: (a) alter, compromise, renew, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of the Obligations or any portion thereof, including increasing or decreasing of the rate of interest thereon; (b) take and hold security for the payment of this Guaranty or of the Obligations or any portion thereof, and exchange, enforce, waive, subordinate or release any such security; (c) apply such security and direct the order or manner of sale thereof, including without limitation, a non-judicial sale permitted by the terms of the controlling security agreement, mortgage or deed of trust, as such Person in its discretion may determine; (d) release or substitute any one or more of the endorsers or any other guarantors of the Obligations, or any portion thereof, or any other party thereto; and (e) apply payments received by such Person from the Borrower or the Subsidiary to the Obligations in such manner and order as it shall determine in its sole discretion, and the Borrower hereby waives any provision of law regarding application of payments which specifies otherwise. Each Lender, the Offshore Currency Fronting Lender and/or the Administrative Agent may without notice assign its rights, obligations and/or duties under this Guaranty in whole or in part. The Borrower waives to the fullest extent permitted by applicable law any right to require any Lender, the Offshore Currency Fronting Lender and/or the Administrative Agent to: (i) proceed against the Subsidiary or any other Person; (ii) marshal assets or proceed against or exhaust any security held from the Subsidiary or any other person; (iii) give notice of the terms, time and place of any public or private sale or other disposition of personal property security held from the Subsidiary or any other Person; (iv) take any action or pursue any other remedy in such Person's power; or (v) make any presentment or demand for performance, or give any notice of nonperformance, protest, notice of protest or notice of dishonor under this Guaranty or in connection with any obligations or evidences of indebtedness held by such Person as security for or which constitute in whole or in part the Obligations guaranteed hereunder, or in connection with the creation of new or additional Obligations. The Borrower waives to the fullest extent permitted by applicable law any defense to its obligations under this Guaranty based upon or arising by reason of: (i) any disability or other defense of the Subsidiary or any other Person; (ii) the cessation or limitation from any cause whatsoever, other than payment in full, of the Obligations; (iii) any lack of authority of any officer, director, partner, agent or any other Person acting or purporting to act on behalf of the Subsidiary, or any defect in the formation of the Subsidiary; (iv) the application by the Subsidiary of the proceeds of any of the Obligations for purposes other than the purposes represented by the Subsidiary to, or intended or understood by, any Lender, the Offshore Currency Fronting Lender, the Administrative Agent and/or the Borrower; (v) any act or omission by any Lender, the Offshore Currency Fronting Lender and/or the Administrative Agent which directly or indirectly results in or aids the discharge of the Subsidiary or all or any portion of the Obligations by operation of law or otherwise, or which in any way impairs or suspends any rights or remedies of any Lender,

the Offshore Currency Fronting Lender and/or the Administrative Agent against the Subsidiary; (vi) any impairment of the value of any interest in any security for the Obligations or any portion thereof, including without limitation, the failure to obtain or maintain perfection or recordation of any interest in any such security, the release of any such security without substitution and/or the failure to preserve the value of, or to comply with applicable law in disposing of, any such security; (vii) any modification of any or all of the Obligations, in any form whatsoever, including any modification made after revocation hereof to any Obligations incurred prior to such revocation, and including, without limitation, the renewal, extension, acceleration or other change in time for payment of, or other change in the terms of, the Obligations or any portion thereof, including increasing or decreasing the rate of interest thereon; or (viii) any requirement that any Lender, the Offshore Currency Fronting Lender and/or the Administrative Agent give any notice of acceptance of this Guaranty. The Borrower further waives all rights and defenses which the Borrower may have arising out of (i) any election of remedies by any Lender, the Offshore Currency Fronting Lender and/or the Administrative Agent, even though that election of remedies, such as a non-judicial foreclosure with respect to any security for any portion of the Obligations, destroys Borrower's rights of subrogation or Borrower's rights to proceed against Subsidiary for reimbursement or (ii) any loss of rights Borrower may suffer by reason of any rights, powers or remedies of the Subsidiary in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging the Obligations, whether by operation of law or otherwise, including any rights which the Borrower may have to a fair market value hearing to determine the size of a deficiency following any foreclosure sale or other disposition of any real property security for any portion of the Obligations. The Borrower hereby further waives any and all other suretyship defenses.

CHOICE OF LAW. THIS BORROWING SUBSIDIARY SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAW OF THE STATE OF MISSOURI (WITHOUT REGARD TO THE CONFLICTS OF LAW PROVISIONS THEREOF); PROVIDED THAT THE BORROWER, THE SUBSIDIARY, THE ADMINISTRATIVE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAWS.

[signature page follows]

IN WITNESS WHEREOF, the Subsidiary has duly executed and delivered this Borrowing Subsidiary Supplement as of the date and year first above written.

[Name of Subsidiary]

By _____
Title: _____

Address for Notices under the
Credit Agreement:

Consented to:

ESCO TECHNOLOGIES INC.

By _____
Title: _____

Accepted:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent

By _____
Title: _____

EXHIBIT I

FORM OF OFFSHORE CURRENCY ADDENDUM

[CURRENCY]

[CURRENCY] ADDENDUM (including the Schedules hereto, the "Addendum") dated as of _____, 20__ to the Credit Agreement (as defined below).

ARTICLE I
Definitions

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

"Fronted Offshore Currency Loan" shall mean any extension of credit, denominated in the Currency made to [applicable Borrower], a _____ organized and existing under the laws of _____, pursuant to Section 2.03 of the Credit Agreement and this Addendum. A Fronted Offshore Currency Loan shall bear interest at the rates specified in Schedule II.

["Associated Costs Rate" means for any Fronted Offshore Currency Loan denominated in [Currency] for any Interest Period, a percentage rate per annum, as determined in accordance with Annex I attached hereto on the first day of such Interest Period, determined by the Offshore Currency Fronting Lender as reflecting the cost, loss or difference in return which would be suffered or incurred by the Offshore Currency Fronting Lender as a result of: (a) funding (at the Offshore Rate and on a match funded basis) any special deposit or cash ratio deposit required to be placed with the [applicable central bank] (or any other authority which replaces all or any of its functions) and/or (b) any charge imposed by the [applicable Governmental Authority] (or any other authority which replaces it or any of its functions).]

"Credit Agreement" shall mean the Amended and Restated Credit Agreement dated as of October __, 2004 among ESCO Technologies Inc., a Missouri corporation (the "Borrower"), the Borrowing Subsidiaries from time to time party thereto, the financial institutions from time to time party thereto as Lenders, and Wells Fargo Bank, National Association, as agent for the Lenders (the "Agent"), as the same may be amended, waived, modified or restated from time to time.

"Currency" means [specify Alternate Currency].

SECTION 1.02 Terms Generally. Unless otherwise defined herein, terms defined in the Credit Agreement shall have the same meanings in this Addendum. Wherever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". All references herein to Sections and Schedules shall be deemed references to Sections and Schedules to this Addendum unless the context shall otherwise require.

ARTICLE II
The Credits

SECTION 2.01 Fronted Offshore Currency Loans. (a) This Addendum (as the same may be amended, waived, modified or restated from time to time) is an "Offshore Currency Addendum" as defined in the Credit Agreement and is, together with the borrowings made hereunder, subject in all respects to the terms and provisions of the Credit Agreement except to the extent that the terms and provisions of the Credit Agreement are modified by this Addendum. The Offshore Currency Fronting Lender party to this Addendum is set forth on Schedule I.

(b) Any modifications to the interest payment dates, Interest Periods, interest rates and any other special provisions applicable to Fronted Offshore Currency Loans under this Addendum are set forth on Schedule II. If Schedule II states "Same as Credit Agreement" with respect to any item listed thereon, then the corresponding provisions for the Credit Agreement, without modification (but treating Fronted Offshore Currency Loans as if they were Revolving Credit Loans), shall govern this Addendum and the Fronted Offshore Currency Loans made pursuant to this Addendum.

(c) Any special borrowing procedures or funding arrangements for Fronted Offshore Currency Loans under this Addendum, any provisions for the issuance of promissory notes to evidence the Fronted Offshore Currency Loans made hereunder and any additional information requirements applicable to Fronted Offshore Currency Loans under this Addendum are set forth on Schedule III. If no such special procedures, funding arrangements, provisions or additional requirements are set forth on Schedule III, then the corresponding procedures, funding arrangements, provisions and information requirements set forth in the Credit Agreement shall govern this Addendum as if expressly stated to be applicable hereto and to the borrowings hereunder.

SECTION 2.02 Maximum Borrowing Amounts. (a) The Fronted Offshore Currency Commitment is set forth on Schedule I.

(b) The Borrower or the applicable Borrowing Subsidiary may permanently reduce the Fronted Offshore Currency commitment under this Addendum in whole, or in part, in an aggregate minimum Dollar Equivalent equal to \$[1,000,000] (or any larger multiple of \$[1,000,000]) upon at least one (1) Business Day's prior written notice to the Offshore Currency Fronting Lender, which notice shall be given not later than 11:00 a.m. (local time) and shall specify the amount of such reductions; provided, however, that the amount of the Fronted Offshore Currency Commitment may not be reduced below the lesser of \$[10,000,000] and the aggregate principal amount of the outstanding Fronted Offshore Currency Loans with respect thereto.

ARTICLE III
Representations and Warranties

The Borrowing Subsidiary party hereto makes and confirms each representation and warranty applicable to the Borrowing Subsidiary contained in Article VI of the Credit Agreement. The Borrowing Subsidiary represents and warrants to the Offshore Currency Fronting Lender that no Default or Event of Default has occurred and is continuing, and no

Default or Event of Default shall arise as a result of the making of Fronted Offshore Currency Loans hereunder or any other transaction contemplated hereby.

ARTICLE IV
Miscellaneous Provision

SECTION 4.01 Effectiveness: Amendment; Termination. (a) This Addendum shall not become effective until executed by the parties hereto and acknowledged by the Agent.

(b) This Addendum may not be amended without the prior written consent of the Offshore Currency Fronting Lender.

(c) This Addendum may not be terminated without the prior written consent of the Offshore Currency Fronting Lender unless there are no Fronted Offshore Currency Loans outstanding hereunder, in which case no such consent shall be required; provided, however, that all obligations of the Offshore Currency Fronting Lender to lend hereunder shall automatically terminate on the Termination Date.

SECTION 4.02 Assignments. Section 9.06 of the Credit Agreement shall apply to assignments by the Offshore Currency Fronting Lender of obligations, commitments and Loans hereunder; provided, however, that the Offshore Currency Fronting Lender may not assign any obligations, commitments or rights hereunder to any Person who is not (and does not simultaneously become) a Lender under the Credit Agreement.

SECTION 4.03 Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrowing Subsidiary under this Addendum, at:

(b) if to the Offshore Currency Fronting Lender, to it at:

Wells Fargo Bank, National Association
120 South Central
MAC N2650-140
St. Louis, Missouri 63105
Attention: David Wilsdorf
Telecopier: (314) 726-3173

All notices and other communications given to any party hereto in accordance with the provisions of this Addendum shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy to such party as provided in this Section or in accordance with the latest unrevoked direction from such party given in accordance with this Section.

SECTION 4.04 Applicable Law. THIS ADDENDUM SHALL BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF MISSOURI. WITHOUT LIMITING THE FOREGOING, ANY DISPUTE

BETWEEN ANY BORROWING SUBSIDIARY AND ANY AGENT, ANY LENDER, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH, THIS ADDENDUM OR ANY OF THE OTHER LOAN DOCUMENTS, AND WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED IN ACCORDANCE WITH THE INTERNAL LAWS (WITHOUT REGARD TO THE CONFLICTS OF LAWS PROVISIONS) OF THE STATE OF MISSOURI.

[signature page follows]

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

[applicable Borrowing Subsidiary],
as the Borrowing Subsidiary under
this Addendum

By: _____
Name: _____
Title: _____

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as the Offshore
Currency Fronting Lender under
this Addendum

By: _____
Name: _____
Title: _____

Acknowledged this ____ day
of _____, 20__

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Administrative Agent

By: _____
Name: _____
Title: _____

SCHEDULE II
To Offshore Currency Addendum
For [Currency]

MODIFICATIONS

1. Business Day Definition:

"Business Day" shall mean a day (other than a Saturday or Sunday on which banks are open for business in _____).

2. Interest Payment Dates: [Same as Credit Agreement] [specify others]

3. Interest Periods: [Same as Credit Agreement] [specify others]

4. Interest Rates:

Fronted Offshore Currency Loans: Each Fronted Offshore Currency Loan denominated in the Currency and for which an Interest Period has been selected in accordance with the terms of Article II of the Credit Agreement and this Addendum shall bear interest from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at a rate per annum equal to the sum of (i) rate quoted by the Offshore Currency Loan Fronting Lender for such Fronted Offshore Currency Loan for such Interest Period plus (ii) the Associated Costs Rate for such Fronted Offshore Currency Loan for such Interest Period; provided, however, after the occurrence and during the continuance of a Default, each Fronted Offshore Currency Loan shall bear interest at the rate otherwise applicable plus two percent (2%).

5. Modifications to Interest Period Selection/Conversions:

Notice of selection of Interest Period or conversion/continuation shall be given by the Borrowing Subsidiary to the Offshore Currency Fronting Lender as follows:

Fronted Offshore Currency Loans: _____ a.m. (_____ time) _____ Business Day prior.

6. Other:

Additional Conditions Precedent: [None] [specify others]

Termination Date for Addendum: [Same as Credit Agreement] [specify earlier date]

Maximum Number of Interest Periods: [Unlimited (provided the Borrowing Subsidiary is in compliance with minimum borrowing amounts and increments).] [specify other]

Prepayment Notices: The applicable Borrowing Subsidiary shall be permitted to prepay the Fronted Offshore Currency Loans provided notice thereof is given to the Offshore Currency Fronting Lender not later than ____ a.m. (____ time) at least ____ (____) Business Day(s).

[Authorized Officer: In addition to the authorized officers set forth in the Credit Agreement, those individuals designated in writing by an authorized officer to borrow on behalf of Borrower shall also be authorized to borrow Fronted Offshore Currency Loans hereunder.]

SCHEDULE III

OTHER PROVISIONS

1. Borrowing Procedures:

Notice of Borrowing shall be given by the Borrowing Subsidiary to the Offshore Currency Fronting Lender as follows:

Fronted Offshore Currency Loans: ____:00 __.m. (____ time) [on the date of] [____ Business Days prior to] the proposed borrowing or such other time as the Offshore Currency Fronting Lender shall agree to.

2. Funding Arrangements:

Minimum amounts/increments for Fronted Offshore Currency Loans, repayments and prepayments: Currency equivalent (rounded as may be prescribed by the Offshore Currency Fronting Lender) of \$_____ or any increment of \$_____ in excess thereof.

3. Promissory Notes: [None required] [Note form to be as specified by the Offshore Currency Fronting Lender]

4. Payments: Payments to the Offshore Currency Fronting Lender shall be made by wire transfer of immediately available funds to its office at _____.

Proceeds of Fronted Offshore Currency Loans shall be made to the Borrowing Subsidiary by transfer to its account no. _____ at [Bank] or as otherwise directed by Borrowing Subsidiary in writing.

Management's Discussion and Analysis

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto. The years 2004, 2003 and 2002 represent the fiscal years ended September 30, 2004, 2003 and 2002, respectively, and are used throughout the document.

INTRODUCTION

ESCO Technologies Inc. and its wholly owned subsidiaries (ESCO, the Company) operate in three business segments: Filtration/Fluid Flow (Filtration), Communications, and RF Shielding and Test (Test). The Filtration segment develops, manufactures and markets a broad range of filtration products used in the purification and processing of liquids and gases. These engineered filtration products utilize membrane, precision screen and other technologies to protect critical processes and equipment from contaminants. Major applications include the removal of contaminants in fuel, lubrication and hydraulic systems, various health care applications, industrial processing, satellite propulsion systems, and oil production. The Communications segment provides a well-proven power line based communications system to the electric utility industry. The Two-Way Automatic Communications System, known as the TWACS[®] system, is currently used for automatic meter reading (AMR) and related advanced metering functions, as well as having load management capabilities. The Securvision[®] product line provides digital video surveillance and security functions for large commercial enterprises and alarm monitoring companies. The Test segment is an industry leader in providing its customers with the ability to identify, measure and contain magnetic, electromagnetic and acoustic energy. The Company's business segments are comprised of the following primary operating entities:

- Filtration/Fluid Flow: Filtertek Inc. (Filtertek), PTI Technologies Inc. (PTI), and VACCO Industries (Vacco),
- Communications: Distribution Control Systems, Inc. (DCSI) and Comtrak Technologies, L.L.C. (Comtrak),
- Test: EMC Group consisting of ETS-Lindgren L.P. (ETS) and Lindgren RF Enclosures, Inc. (Lindgren).

The divestiture of the Microfiltration and Separations businesses (MicroSep) was completed during the third quarter of fiscal 2004. The MicroSep businesses (previously included in the Filtration segment) included PTI Advanced Filtration Inc. (PTA), PTI Technologies Limited (PTL) and PTI S.p.A. (PTB). Rantec Power Systems Inc. (Rantec), formerly included in the "Other" segment, was divested in April 2003. The MicroSep businesses and Rantec are accounted for as "discontinued operations."

ESCO continues to operate with meaningful growth prospects in its primary served markets and with considerable financial flexibility. The Company continues to focus on new products that incorporate proprietary design and process technologies. Management is committed to delivering shareholder value through internal growth, ongoing performance improvement initiatives, and selective acquisitions.

HIGHLIGHTS OF 2004 CONTINUING OPERATIONS

- Net sales increased \$25.4 million, or 6.4%, to \$422.1 million from \$396.7 million in 2003.
- Net sales in the Filtration segment increased 6.0% to \$173.9 million from \$164.1 million in 2003.
- Net sales in the Test segment increased 22.2% to \$110.4 million from \$90.3 million in 2003.
- Net cash provided by operating activities was \$52.7 million.
- At September 30, 2004, cash on hand was \$72.3 million and total debt was \$0.5 million.
- Further expanded the Company's capabilities and presence in the Asian Test markets.
- Completed the MicroSep divestiture, which had been significantly dilutive to earnings.
- Completed the closure and consolidation of the Filtration operation in Puerto Rico and the corresponding move to existing manufacturing locations in Juarez, Mexico and Hebron, Illinois.
- Net earnings were \$35.7 million, or \$2.68 per share in 2004 compared to a net loss of \$(41.1) million, or \$(3.13) per share in 2003.

Management's Discussion and Analysis

DESCRIPTION OF GAINS AND CHARGES

The Company incurred several gains and charges that impacted the reported operating results in 2004 and 2003. The amounts noted below are included in the respective period net earnings of the Company as defined within accounting principles generally accepted in the United States of America (GAAP). These gains and charges are more fully described in Management's Discussion and Analysis and notes to consolidated financial statements.

Management believes this information will be useful in understanding the operating results of the Company for the periods presented. The following table provides a description of the gains and charges (dollars in millions).

Pretax Gains/(Charges):	2004	2003
(1) Patent litigation settlement gain	\$ —	2.1
(2) Rantec divestiture gain	—	1.6
(3) MicroSep divestiture gain/(charge)	0.4	(68.9)
(4) Puerto Rico facility closure charge	—	(4.3)
(5) Puerto Rico severance/move costs	(1.3)	(0.9)
(6) U.K. Test move/restructure costs	—	(0.5)
(7) Interest rate swap charge	—	(2.6)
(8) Cumulative effect of accounting change	—	(2.3)
(9) Management transition agreement (MTA)	—	(1.4)
(10) Manufacturing & supply agreement (MSA)	—	(0.2)

- (1) During the third quarter of 2003, the Company settled patent litigation related to certain revenue generating patents in the Company's Filtration business and received a \$7.3 million cash payment. The pretax gain was calculated as the gross proceeds received, less legal costs incurred to defend this patent. The gain was allocated to past and future licensing periods. The unrecognized gain is being recognized in pretax income on a straight-line basis over the remaining life of the patent through 2011.
- (2) During the third quarter of 2003, the Company sold Rantec and received \$6 million in cash. This gain is included in discontinued operations, along with the operating results of Rantec in 2003.
- (3) During the third quarter of 2004, the Company sold the MicroSep businesses for approximately \$23.3 million. The gain of \$0.4 million is included in discontinued operations, along with the operating results of the MicroSep businesses in 2004. In July 2003, the Company announced its decision to sell the MicroSep businesses, resulting in a pretax charge of \$68.9 million recorded in 2003. The after-tax charge was \$60.5 million in 2003. The amount of the charge was calculated as the difference between the MicroSep book value and the estimated proceeds to be received upon completion of the divestiture.
- (4) The Puerto Rico facility closure charge includes the write-down of the building and equipment from their respective carrying values to their estimated fair market value. This charge is related to Filtertek's operations and is included in the Filtration segment results of operations in 2003.
- (5) The Puerto Rico severance/move costs relate to severance agreements with personnel at the Puerto Rico facility and the actual costs of the physical move to Juarez, Mexico and Hebron, Illinois. These costs were recognized when incurred, and are included in the Filtration segment results of operations in the respective years. The move was completed in March 2004.
- (6) The U.K. Test move/restructure costs related to severance, write-offs of leasehold improvements and moving costs incurred as a result of consolidating a portion of the Company's Test segment operations in the U.K., were recorded in 2003.
- (7) Incident to the decision to divest the MicroSep businesses, the Company closed out the Interest rate swap related to the synthetic lease obligations. This charge was recognized in the fourth quarter 2003 results of operations.
- (8) As a result of Interpretation No. 46 issued by the FASB relating to the Company's synthetic lease obligations, during the fourth quarter of 2003 the Company recorded a pretax charge of \$2.3 million (\$1.4 million, after-tax) that is reported as a cumulative effect of a change in accounting principle.
- (9) The MTA charge relates to a formal transition agreement between the Company and its former Chairman who retired in April 2003. During 2002, the Company incurred \$0.7 million of costs related to the MTA.
- (10) The MSA relates to the termination of a manufacturing and supply agreement with Whatman Hemasure Inc. (Whatman). The Company recorded a \$0.2 million charge in 2003 related to this item.

RESULTS OF OPERATIONS

The following discussion refers to the Company's results from continuing operations, except where noted. Rantec and the MicroSep businesses are accounted for as discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, amounts in the financial statements and related notes for all periods presented reflect discontinued operations.

Net Sales

Net sales were \$422.1 million, \$396.7 million and \$316.6 million in 2004, 2003 and 2002, respectively. Net sales in 2004 increased \$25.4 million, or 6.4% from net sales of \$396.7 million in 2003. PPL Electric Utilities Corporation (PPL) sales represented \$21.6 million, \$63.9 million and \$31.5 million, or 5%, 16%, and 10% of the total net sales in 2004, 2003 and 2002, respectively. No other customer exceeded 10% of the net sales in the periods presented.

Filtration/Fluid Flow

Net sales of \$173.9 million in 2004 were \$9.8 million, or 6.0% higher than net sales of \$164.1 million in 2003. Net sales in 2004 increased primarily as a result of higher defense aerospace shipments at Vacco of \$6.1 million, a net sales increase at Filtrertek of \$2.7 million driven by favorable foreign currency exchange rates related to its European operations, and increased shipments of industrial products at PTI of \$1.0 million.

Net sales of \$164.1 million in 2003 were \$12.6 million, or 8.3% higher than net sales of \$151.5 million in 2002. Net sales in 2003 increased primarily as a result of higher defense aerospace shipments at Vacco of approximately \$7 million and increased deliveries of Filtrertek products of approximately \$6 million.

Communications

Net sales were \$137.8 million, \$142.3 million and \$94.6 million in 2004, 2003 and 2002, respectively. The decrease in net sales in 2004 as compared to the prior year is the result of a decline in shipments of AMR products to PPL as the contract was nearing completion, and reduced sales of Comtrak's SecurVision® products. Net sales to PPL were \$21.6 million in 2004, \$63.9 million in 2003 and \$31.5 million in 2002. The decrease in sales to PPL in fiscal 2004 was partially offset by significantly higher AMR product shipments to the electric utility cooperative (COOP) market and other customers including two new investor owned utilities (IOUs), Bangor Hydro-Electric Company and Idaho Power Company. DCSI's sales to COOPs and customers other than PPL were \$110.5 million, \$70.0 million and \$60.6 million in 2004, 2003 and 2002, respectively.

Net sales in 2003 were \$47.7 million, or 50.4% higher than the \$94.6 million of net sales in 2002. The increase in net sales in 2003 as compared to the prior year period is the result of significantly higher shipments of AMR equipment to PPL. In addition, sales to various COOPs in 2003 increased in both dollar amount and number of utility customers as compared to the prior year.

Sales of SecurVision products were \$5.6 million in 2004, \$8.4 million in 2003 and \$2.5 million in 2002. The decrease in sales in 2004 versus 2003 was due to a delay in deliveries as a result of a significant customer requesting Comtrak to modify its software operating system to provide enhanced "virus" protection within the product. Deliveries of SecurVision products resumed during the fourth quarter of fiscal 2004.

Test

Net sales were \$110.4 million, \$90.3 million and \$70.5 million in 2004, 2003 and 2002, respectively. Net sales in 2004 were \$20.1 million, or 22.2% higher than net sales in 2003. The sales increase in 2004 as compared to the prior year is mainly due to the following: higher European sales of approximately \$14 million driven primarily by two large test chamber projects (which contributed approximately \$9.5 million to the increase); an increase in sales of government and industrial shielding projects of approximately \$3 million and an increase in sales from the Company's Asian operations of \$3.3 million.

The \$19.8 million (28.1%) increase in 2003 net sales compared to 2002 is the result of additional test chamber installations, increased volume from the Company's Asian operations, and \$7.3 million in sales from the acoustics business acquired December 31, 2002.

Management's Discussion and Analysis

Orders and Backlog

New orders received in 2004 were \$408.2 million, resulting in an order backlog of \$249.1 million at September 30, 2004 as compared to ending backlog of \$263.0 million at September 30, 2003. Ending backlog decreased during 2004 in the Communications segment as a result of the PPL contract nearing completion. There were approximately \$22 million in shipments of AMR products to PPL in 2004.

In 2004, the Company recorded \$165.4 million of new orders related to Filtration products, \$126.8 million related to Test products, and \$116.0 million related to Communications products. In August 2004, the Test segment received a \$21 million order from The Boeing Company (Boeing) to provide an electromagnetic test center to the Agency for Defense Development of South Korea. The project is scheduled for completion in December 2007.

The Communications segment received \$106.3 million, \$93.7 million and \$192.4 million of new orders for its TWACS[®] systems and load control transponders in 2004, 2003 and 2002, respectively. In 2002, an order was received from PPL for \$112 million. The Communications segment customer base includes significant IOUs and municipal utilities including PPL, Puerto Rico Electric Power Authority (PREPA), Wisconsin Public Service Corporation (WPS), Florida Power & Light (FPL), as well as numerous COOPs throughout North America.

In 2003, the Company recorded \$180.4 million of new orders related to Filtration products, \$102.3 million related to Test products, and \$102.1 million related to Communications products.

Gross Profit

The Company computes gross profit as net sales less cost of sales less asset impairment charges. The gross profit margin is the gross profit divided by net sales, expressed as a percentage. The gross profit margin was 33.0%, 30.5% and 32.3% in 2004, 2003 and 2002, respectively. The gross profit margin in fiscal 2003 was negatively impacted by \$4.5 million of asset impairment charges, which represented 1.1% of net sales in 2003. The increase in gross profit margin in fiscal 2004 as compared to the prior year is mainly due to higher margins on shipments of AMR equipment in the Communications segment resulting from the favorable sales mix from additional sales to the COOP market versus IOU sales and product cost reductions. The gross profit margin decreased in 2003 versus 2002 due to changes in sales mix (IOUs versus COOPs) and additional program costs within the Communications segment, as well as the \$4.5 million of asset impairment charges recorded in 2003.

Asset Impairment - 2003

The \$4.5 million asset impairment charge in 2003 related to the closure of the Filtration operation in Puerto Rico and the consolidation of the Test business manufacturing facility in the U.K. The Puerto Rico charge (\$4.3 million) resulted from the write-down of the Puerto Rico building and equipment from their respective carrying value to their estimated fair market value. The U.K. Test charge (\$0.2 million) resulted from the write-off of abandoned leasehold improvements.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) were \$78.0 million, or 18.5% of net sales in 2004, \$73.2 million, or 18.5% of net sales in 2003, and \$65.1 million, or 20.6% of net sales in 2002.

SG&A in 2004 included \$0.5 million of severance costs related to the closure of the Puerto Rico facility. SG&A in 2003 included \$1.4 million of costs related to the MTA between the Company and its former Chairman, and \$0.6 million of severance costs related to the closure of the Puerto Rico facility and the consolidation of the U.K. Test facility. SG&A in 2002 included \$0.7 million related to the MTA.

The increase in SG&A expenses in 2004 as compared to the prior years is mainly due to higher personnel related costs across the Company and costs associated with product development, engineering and marketing within the Communications segment to further penetrate the IOU market.

Management's Discussion and Analysis

Other Costs and Expenses, Net

Other costs and expenses, net, were \$1.6 million, \$4.7 million and \$0.8 million in 2004, 2003 and 2002, respectively. Other costs and expenses, net, of \$1.6 million in 2004 consisted primarily of the following items: \$0.8 million of exit costs related to the Puerto Rico facility; \$1.0 million of amortization of identifiable intangible assets (primarily patents, licenses and software); a \$0.6 million gain from settlement of a claim related to a former defense subsidiary divested in 1999; partially offset by a \$0.4 million charge for settlement of a claim involving a former defense subsidiary divested in 1996.

Other costs and expenses, net, of \$4.7 million in 2003 consisted primarily of the following items (dollars in millions):

	2003
• Interest rate swap charge	\$ 2.6
• Amortization of identifiable intangible assets	2.4
• Gain on settlement of patent litigation	(2.1)
• Whatman MSA settlement, net	0.2
• Puerto Rico/U.K. consolidation costs	0.6
• Other	1.0
Total	<u>\$ 4.7</u>

The interest rate swap charge relates to the cancellation and repayment of the interest rate swap associated with the synthetic lease obligation that was repaid during the fiscal 2003 fourth quarter.

The amortization of identifiable intangibles includes patents, technology licenses and capitalized software.

The gain on settlement of patent litigation relates to the defense of certain revenue generating patents used in the Filtration business, which resulted in a cash settlement of \$7.3 million. The pretax gain was calculated as the gross cash proceeds, less the legal costs incurred to defend this patent. The net gain is allocated to past and future licensing periods, and the original unrecognized gain of \$3.7 million is being recognized on a straight-line basis into pretax income over the remaining life of the patent through 2011.

The Whatman MSA settlement involved a dispute with a customer related to the termination of a formal Manufacturing Supply Agreement. The Company recorded a \$0.2 million charge in 2003 related to this item.

The Puerto Rico and U.K. consolidation costs primarily relate to physical shutdown and move-related costs.

Other costs and expenses, net, of \$0.8 million in 2002 consisted primarily of the following items: \$1.6 million of amortization of identifiable intangible assets, primarily patents, licenses and software; \$0.3 million of exit costs related to the Company's joint venture in India (Filtration segment); and \$0.2 million of start-up costs for the Asian operations (Test segment). These costs were offset by a \$0.4 million gain from insurance proceeds related to a former subsidiary and a \$0.7 million gain from a customer funded refurbishment of production test equipment within the Filtration segment.

Earnings Before Interest and Taxes (EBIT)

The Company evaluates the performance of its operating segments based on EBIT, which the Company defines as earnings from continuing operations before interest and taxes.

EBIT was \$59.7 million (14.1% of net sales) in 2004, \$43.1 million (10.9% of net sales) in 2003, and \$36.4 million (11.5% of net sales) in 2002. Fiscal 2004 EBIT increased in both dollars and as a percent of net sales in all three operating segments as compared to the prior year. The Communications segment provided the largest contribution resulting from changes in sales mix and product cost reductions. During 2004, EBIT was negatively impacted by \$1.3 million of charges related to the closure of the Filtrertek Puerto Rico facility.

Management's Discussion and Analysis

During 2003, the following items negatively impacted EBIT by \$7.8 million: \$4.5 million of impairment charges related to the Puerto Rico and U.K. consolidation activities; \$2.0 million of MTA and severance charges recognized; a \$2.6 million interest rate swap charge; \$0.6 million of exit/move costs; a \$0.2 million MSA charge; partially offset by a \$2.1 million patent settlement gain. These items are described in their respective operating segments noted below.

During 2002, \$0.7 million of MTA charges negatively impacted EBIT.

EBIT is not a defined GAAP measure. However, the Company believes that EBIT provides investors and Management with a valuable and alternative method for assessing the Company's operating results. Management evaluates the performance of its operating segments based on EBIT and believes that EBIT is useful to investors to demonstrate the operational profitability of the Company's business segments by excluding interest and taxes, which are generally accounted for across the entire company on a consolidated basis. EBIT is also one of the measures Management uses to determine resource allocations and incentive compensation.

The reconciliation of EBIT to a GAAP financial measure is as follows (dollars in millions):

	2004	2003	2002
EBIT	\$ 59.7	43.1	36.4
Add: Interest income	(0.8)	(0.2)	(0.3)
Less: Income taxes	22.7	16.6	13.4
Net earnings from continuing operations	\$ 37.8	26.7	23.3
Net sales	\$422.1	396.7	316.6
EBIT as a percent of net sales	14.1%	10.9%	11.5%

See Note 14 of notes to consolidated financial statements for additional discussion.

Filtration/Fluid Flow

EBIT of \$21.8 million (12.5% of net sales) in 2004 increased \$3.0 million from EBIT of \$18.8 million (11.5% of net sales) in 2003. The 2004 results were negatively impacted by \$1.3 million of severance and exit costs related to the Filtrertek Puerto Rico facility. The closure and relocation of the Puerto Rico facility was completed in March 2004. EBIT increased in 2004 as compared to the prior year mainly due to a \$3.1 million increase at Vacco due to higher defense shipments, partially offset by a \$0.5 million decrease at PTI due to changes in sales mix related to the volume of commercial and military aerospace products and industrial products.

EBIT of \$18.8 million (11.5% of net sales) in 2003 decreased \$1.6 million from EBIT of \$20.4 million (13.5% of net sales) in 2002. The 2003 results were negatively impacted by \$3.3 million of charges which included: \$4.3 million of asset impairment charges related to the Puerto Rico facility and equipment; \$0.5 million of severance costs; \$0.2 million of Whatman MSA charges; \$0.4 million of exit/move costs; partially offset by the \$2.1 million patent settlement gain. During 2003, the Company continued to experience softness in its commercial aerospace products. The continued strength of the Vacco defense aerospace markets and European operations at Filtrertek partially offset this softness.

During the third quarter of fiscal 2004, the Company completed the divestiture of the MicroSep businesses. These businesses are accounted for as discontinued operations. See further discussion at Note 2 in notes to consolidated financial statements.

Management's Discussion and Analysis

Communications

EBIT was \$38.4 million (27.9% of net sales) in 2004, \$33.5 million (23.5% of net sales) in 2003 and \$23.3 million (24.6% of net sales) in 2002. The increase in EBIT dollars and percentage of net sales in 2004 as compared to the prior year periods is mainly due to the favorable sales mix resulting from additional sales to the COOP market versus IOU sales and product cost reductions. The Company continues to increase its engineering and new product development expenditures in the Communications segment in order to continue its growth in the AMR markets and to further differentiate its technology from the competition.

EBIT related to Comtrak decreased approximately \$1.3 million in 2004 as compared to the prior year due to the decreased sales as a result of the software modifications noted earlier.

The decrease in EBIT as a percent of net sales in 2003 as compared to 2002 is the result of the 2003 sales being more heavily weighted toward IOU sales versus COOP sales and due to additional marketing, engineering and customer support costs.

Test

EBIT was \$11.3 million (10.2% of net sales) in 2004, \$7.5 million (8.3% of net sales) in 2003 and \$5.4 million (7.7% of net sales) in 2002. The increase in EBIT in fiscal 2004 as compared to the prior year is mainly due to increases in sales volumes primarily driven by two large test chamber projects in Europe and an increase in sales of government and industrial shielding projects.

The 2003 results were negatively impacted by \$0.5 million of charges which included: \$0.2 million of asset impairment charges related to the U.K. consolidation; \$0.1 million of severance costs; and \$0.2 million of exit/move costs.

The increase in EBIT in 2003 as compared to 2002 is mainly due to increased sales of large EMC test chambers and significantly higher sales volume in 2003 versus 2002.

Corporate

Corporate costs included in consolidated EBIT were \$11.8 million, \$16.7 million and \$12.7 million in 2004, 2003, and 2002, respectively. The "Reconciliation to Consolidated Totals (Corporate)" represents Corporate office operating charges. Beginning in 2004, these Corporate office operating charges were no longer allocated to the operating units. The prior year periods have been adjusted to reflect the change in corporate office operating charges to be consistent with the 2004 presentation. EBIT in 2003 included the \$2.6 million interest rate swap charge and MTA charges of \$1.4 million.

Interest Income

Interest income was \$0.8 million in 2004, \$0.2 million in 2003 and \$0.3 million in 2002. The increase in interest income in 2004 as compared to the prior year was due to higher average cash balances on hand during the year and interest received in 2004 on the collection of a note receivable related to a property sale which occurred in December 1999.

Income Tax Expense

The effective tax rate for continuing operations in 2004 was 37.6% compared to 38.4% in 2003 and 36.5% in 2002. The decrease in the effective tax rate for continuing operations in 2004 as compared to the prior year was due to the closure and relocation of the Puerto Rico facility during 2004 which improved the Company's foreign tax rate differential. The increase in the effective tax rate for continuing operations in 2003 as compared to 2002 was impacted by the exit charges incurred related to the closure of the Puerto Rico facility that were recorded in 2003 as well as an accrual recorded in 2002 related to certain tax sharing agreements with the Company's former parent.

Management believes that, based on the Company's historical pretax income together with the projection of future taxable income, and after consideration of the valuation allowance, it is more likely than not that the Company will realize the benefits of the net deferred tax asset of \$37.9 million existing at September 30, 2004. In order to realize this net deferred tax asset, the Company will need to generate future taxable income of approximately \$108 million, of which \$75 million is required to be realized prior to the expiration of the net operating loss (NOL) carryforward, of which \$20 million will expire in 2010; \$4 million will expire in 2011; \$11 million will expire in 2018; and \$40 million will expire in 2019. The NOL carryforward may be used to reduce future Federal income tax cash payments.

Management's Discussion and Analysis

During 2003, the Company established a valuation allowance of \$3.5 million against certain deferred tax assets associated with the Company's stock holdings in PTI Technologies Limited and PTI S.p.A. The disposition of these assets in 2004 generated a capital loss which may not be realized in future periods. During 2004, an additional valuation allowance of \$3.9 million, net, was established against the capital loss for a total valuation allowance of \$7.4 million at September 30, 2004.

On October 22, 2004, the President of the United States signed into law the American Jobs Creation Act of 2004 (the "2004 Jobs Act"). The 2004 Jobs Act repeals the extraterritorial income exclusion and provides for (i) a new deduction for domestic manufacturing and production income, (ii) international tax reforms, (iii) a temporary incentive for U.S. multinational companies to reinvest foreign earnings in the U.S., and (iv) numerous other business tax relief provisions. The foreign earnings repatriation provision provides an 85% dividends received deduction for certain dividends received from controlled foreign corporations. Notwithstanding its intention to reinvest foreign earnings indefinitely, the Company will continue to analyze the potential tax impact should the Company elect to repatriate foreign earnings pursuant to the 2004 Jobs Act.

No deferred taxes have been provided on the accumulated unremitted earnings of the Company's foreign subsidiaries as of September 30, 2004. The Company's present intention is to reinvest these earnings indefinitely. In the event these foreign entities' earnings were distributed, it is estimated that U.S. taxes, net of available foreign tax credits, of approximately \$9.6 million would be due, which would correspondingly reduce net earnings and the Company's NOL, without consideration of the potential application of the 2004 Jobs Act described above.

CAPITAL RESOURCES AND LIQUIDITY

Working capital increased to \$165.2 million at September 30, 2004 from \$120.5 million at September 30, 2003. During 2004, cash and cash equivalents increased by \$41.0 million.

The increase in accounts receivable at September 30, 2004 of \$8.3 million is mainly due to a \$4.5 million increase in the Communications segment as a result of higher shipments of AMR products and SecurVision® products and a \$3.0 million increase in the Test segment of which \$2.0 million is related to one major contract. At September 30, 2004 and 2003, respectively, there were zero and \$0.8 million of accounts receivable which represented amounts due under long-term contracts related to retainage provisions, which are due after one year. The decrease in inventories at September 30, 2004 of \$4.1 million is mainly due to the PPL contract which is near completion.

Net cash provided by operating activities was \$52.7 million, \$38.0 million and \$35.0 million in 2004, 2003 and 2002, respectively. The increase in 2004 as compared to the prior year is the result of higher earnings and lower cash requirements related to MicroSep.

Capital expenditures for continuing operations were \$10.8 million, \$10.6 million and \$9.6 million in 2004, 2003 and 2002, respectively. Major expenditures in 2004 included manufacturing equipment and facility modifications used in the Filtration segment. Included in the 2003 capital expenditures for continuing operations were approximately \$2.4 million of leasehold improvements related to the new headquarters facility for DCSI in the Communications segment. The balance of the 2003 expenditures primarily included manufacturing equipment. There were no commitments outstanding that were considered material for capital expenditures at September 30, 2004.

The Company has approximately \$4 million of other commitments in the Communications segment to further differentiate its products and to further penetrate the investor owned utility market. This amount is expected to be spent throughout fiscal 2005.

At September 30, 2004, the Company had an available NOL carryforward for tax purposes of approximately \$75 million. This NOL will expire beginning in 2010 and ending in 2019, and will be available to reduce future Federal income tax cash payments.

The closure and relocation of the Filtratek Puerto Rico facility was completed in March 2004. The Puerto Rico facility is included in other current assets with a carrying value of \$3.6 million at September 30, 2004. The facility is being marketed for sale.

On February 18, 2004, the Company received \$2.1 million as final payment on the note receivable from the sale of the Riverhead, NY, property which was sold in 1999.

Management's Discussion and Analysis

Acquisitions

On July 1, 2004, the Company acquired certain intellectual property and physical assets of CIC Global LLC, of Brentwood, Tennessee (CIC) for approximately \$0.3 million in cash. CIC designs, manufactures and distributes prepayment systems for the electric utility market. The assets, liabilities and results of operations since the date of acquisition are included within the Communications segment.

On December 31, 2002, the Company acquired the assets and certain liabilities of Austin Acoustics Systems, Inc. (Austin Acoustics) for \$4 million in cash. Austin Acoustics, headquartered in Austin, TX, is a leading supplier of noise control chambers for the test, medical and broadcast/music industries. The assets, liabilities and results of operations since the date of acquisition are included within the Test segment.

In March 2002, pursuant to a license agreement, the Company acquired the exclusive rights to the patent portfolio and related intellectual property of North Carolina SRT, Inc. (SRT), a manufacturer of cross-flow filtration and separation modules and equipment for a purchase price of \$11.5 million. SRT is included in the discontinued operations of the MicroSep businesses as a part of PTI Advanced Filtration Inc., which was sold during 2004.

All of the Company's acquisitions have been accounted for using the purchase method of accounting, and accordingly, the respective purchase prices were allocated to the assets (including intangible assets) acquired and liabilities assumed based on estimated fair values at the date of acquisition. The financial results from these acquisitions have been included in the Company's financial statements from the date of acquisition.

Divestitures

Effective April 2, 2004, the Company completed the sale of PTI Advanced Filtration Inc. (Oxnard, California) and PTI Technologies Limited (Sheffield, England) to domnick hunter group plc for \$18 million in cash. On June 8, 2004, the Company completed the sale of PTI S.p.A. (Milan, Italy) to a group of investors comprised of the subsidiary's senior management for \$5.3 million. A pretax gain of \$0.4 million related to the sale of the MicroSep businesses is reflected in the Company's 2004 results in discontinued operations. The income tax benefit realized on the gain on sale of discontinued operations in 2004 of \$1.3 million is due to the reversal of a portion of the valuation allowance which was established in 2003 related to the tax benefits on the estimated loss that the Company believed was more likely than not to be realized from the sale of the MicroSep businesses. Upon completion of the sale of these businesses, the Company determined that a portion of the previously established valuation allowance was no longer required. These businesses are accounted for as a discontinued operation in accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", and accordingly, amounts in the financial statements and related notes for all periods shown, reflect discontinued operations presentation. The announcement of the planned sale resulted in a non-cash after-tax charge of approximately \$60 million in the fourth quarter of fiscal 2003, primarily related to goodwill and other intangible assets.

In April 2003, the Company completed the sale of Rantec Power Systems Inc. (Rantec) to an entity owned by a group of investors primarily comprised of the subsidiary's management. Rantec, a manufacturer of power supplies for commercial and military applications, was previously reported in the "Other" segment. The Company received \$6 million from the buyer at closing. The Company is also entitled to contingent consideration of up to \$6.4 million over the next ten years, based on the future operating results of Rantec, which will be recognized when earned. A pretax gain of \$1.6 million related to the sale is reflected in the Company's 2003 results in discontinued operations. Rantec is accounted for as a discontinued operation in accordance with SFAS 144.

Management's Discussion and Analysis

Bank Credit Facility

On October 6, 2004, the Company entered into a new \$100 million five-year revolving credit facility with a \$50 million increase option. This facility replaces the Company's \$60 million credit facility that would have otherwise matured in April 2005. The credit facility is available for direct borrowings and/or the issuance of letters of credit, and is provided by a group of six banks, led by Wells Fargo Bank as agent, with a maturity of October 6, 2009.

The new credit facility requires, as determined by certain financial ratios, a commitment fee ranging from 17.5-27.5 basis points per annum on the unused portion. The terms of the facility provide that interest on borrowings may be calculated at a spread over the LIBOR or based on the prime rate, at the Company's election. The credit facility is secured by the unlimited guaranty of the Company's material domestic subsidiaries and a 65% pledge of the material foreign subsidiaries' share equity. The financial covenants of the credit facility include limitations on leverage, minimum consolidated EBITDA and minimum net worth.

At September 30, 2004, the Company had approximately \$56.8 million available to borrow under its previous credit facility in addition to its \$72.3 million cash on hand. At September 30, 2004, the Company had no borrowings, and outstanding letters of credit of \$3.2 million against the previous credit facility. As of September 30, 2004, the Company was in compliance with all bank covenants.

Cash flow from operations and borrowings under the bank credit facility are expected to provide adequate resources to meet the Company's capital requirements and operational needs for the foreseeable future.

Contractual Obligations

The following table shows the Company's contractual obligations as of September 30, 2004 (dollars in millions):

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligation	\$ 0.5	0.2	0.3	—	—
Capital Lease Obligations	0.9	0.3	0.5	0.1	—
Operating Lease Obligations	20.5	5.4	8.5	3.9	2.7
Purchase Obligations (1)	4.0	4.0	—	—	—
Total	\$25.9	9.9	9.3	4.0	2.7

(1) A purchase obligation is defined as a legally binding and enforceable agreement to purchase goods and services that specifies all significant terms. Since the majority of our purchase orders can be cancelled, they are not included in the table above.

The Company has no off balance sheet arrangements outstanding at September 30, 2004.

Share Repurchase

In August 2004, the Company's Board of Directors approved the extension of the previously authorized (February 2001) open market repurchase program originally authorizing up to 1.3 million shares, which is subject to market conditions and other factors and covers the period through September 30, 2006. The Company repurchased 156,200, 42,881 and 127,100 shares in 2004, 2003, and 2002, respectively and has 911,519 shares remaining under this program at September 30, 2004.

Management's Discussion and Analysis

Pension Funding Requirements

The minimum cash funding requirements related to the Company's defined benefit pension plans are zero in 2005, zero in 2006 and approximately \$2 million in 2007.

Synthetic Lease Obligation - 2003

Effective July 1, 2003, the Company adopted FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46) which required it to consolidate its \$31.5 million synthetic lease obligation, previously accounted for as an operating lease, onto its balance sheet. This obligation was secured by three manufacturing facilities, two of which are located in Oxnard, CA, and the other in Cedar Park, TX, as well as a \$10.6 million letter of credit issued under the Company's previous credit facility. Upon consolidation, the Company recorded \$29.2 million of property, plant and equipment, \$31.5 million of long term debt and a non-cash after tax charge—reported as a cumulative effect of a change in accounting principle—of \$1.4 million. One of the manufacturing locations in Oxnard, CA was sold as part of the MicroSep businesses in 2004.

In September 2003, the Company repaid the \$31.5 million of debt related to the synthetic lease obligation and cancelled the \$10.6 million letter of credit. The synthetic lease facility was dissolved and there are no further obligations.

Patent Litigation Settlement - 2003

During 2003, the Company reached a settlement in the defense of a certain revenue-generating patent used in the Filtration business. Under the terms of the agreement, the Company received \$7.3 million in the fiscal third quarter of 2003, and the Company recorded a gain of \$2.1 million, after deducting \$1.4 million of professional fees related to the settlement. The unrecognized gain is being recognized on a straight-line basis in Other costs and expenses, net, over the remaining patent life, through 2011.

Termination and Settlement of Whatman Hemasure Inc. Manufacturing and Supply Agreement - 2003

On January 24, 2003, the Company's Filtratek Inc. subsidiary terminated its Manufacturing and Supply Agreement (MSA) with Whatman Hemasure Inc. (Whatman) based on Whatman's breach of its obligations under the MSA. The MSA related to the parties' responsibilities concerning the manufacture and supply of leukocyte filters. Under the terms of the MSA, Filtratek's termination based on Whatman's breach entitled Filtratek to recover its damages and certain specified costs, which included among other costs, payment for certain equipment used in the production of leukocyte filters. The Company recorded a \$0.2 million charge in 2003 related to this item.

Management Transition Agreement - 2002

On August 5, 2002, the Company entered into a Management Transition Agreement (MTA) with the Company's former Chairman, under which he received certain compensation in conjunction with his retirement in April 2003. Of the \$2.5 million total cost related to the MTA, \$1.4 million was expensed in SG&A during the first nine months of fiscal 2003, and \$0.7 million was recorded in the fourth quarter of fiscal 2002. The remaining cost of the MTA related to a consulting agreement that was expensed over the twelve-month period from April 2003 through March 2004, consistent with the period of service.

Other

Management believes that, for the periods presented, inflation has not had a material effect on the Company's results of operations.

The Company is currently involved in various stages of investigation and remediation relating to environmental matters. Based on current information available, Management does not believe the aggregate costs involved in the resolution of these matters will have a material adverse effect on the Company's operating results, capital expenditures or competitive position.

Management's Discussion and Analysis

MARKET RISK ANALYSIS

Market Risk Exposure

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates.

During 2004, in conjunction with the sale of PTI S.p.A., the Company repaid its \$8.0 million Euro denominated debt, and at the same time, the Company terminated its \$5.0 million interest rate swap obligation, resulting in a cash payment of \$0.1 million by the Company. At September 30, 2004, the Company had no further obligations related to interest rate swaps.

During 2003, the Company had interest rate exposure relating to its floating rate synthetic lease obligations and, accordingly, the Company previously entered into interest rate swaps of approximately \$31.5 million to mitigate this exposure. In conjunction with the repayment of the Company's synthetic lease obligation in the fourth quarter of fiscal 2003, the Company repaid and cancelled the related interest rate swap associated with this obligation. This resulted in a pretax charge of approximately \$2.6 million recorded in the fourth quarter of fiscal 2003 as well as an after-tax reduction in accumulated other comprehensive loss of \$1.8 million.

The Company is also subject to foreign currency exchange rate risk inherent in its sales commitments, anticipated sales, anticipated purchases and assets and liabilities denominated in currencies other than the U.S. dollar. The currency most significant to the Company's operations is the Euro. Net sales to customers outside of the United States were \$91.5 million, \$74.7 million, and \$63.7 million in 2004, 2003 and 2002, respectively. The Company hedges certain foreign currency commitments by purchasing foreign currency forward contracts. The estimated fair value of open forward contracts at September 30, 2004 was not material.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements. In preparing these financial statements, Management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The Company does not believe there is a great likelihood that materially different amounts would be reported under different conditions or using different assumptions related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The Company's senior Management discusses the critical accounting policies described below with the Audit and Finance Committee of the Company's Board of Directors on a periodic basis.

The following discussion of critical accounting policies is intended to bring to the attention of readers those accounting policies which Management believes are critical to the Consolidated Financial Statements and other financial disclosure. It is not intended to be a comprehensive list of all significant accounting policies that are more fully described in Note 1 of Notes to Consolidated Financial Statements.

Revenue Recognition

The majority of the Company's revenues are recognized when products are shipped to or when services are performed for unaffiliated customers. Other revenue recognition methods the Company uses include the following: revenue on production contracts is recorded when specific contract terms are fulfilled, which is when the product or service is delivered; revenue from cost reimbursement contracts is recorded as costs are incurred, plus fees earned; revenue under long-term contracts, for which delivery is an inappropriate measure of performance, is recognized on the percentage-of-completion method based upon incurred costs compared to total estimated costs under the contract; and revenue under engineering contracts is generally recognized as milestones are attained. The Company has certain revenue arrangements with multiple elements within the Test segment. For such arrangements, the Company determines the fair value of each element under the provisions of EITF 00-21, "Revenue Arrangements with Multiple Deliverables" and SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Revenue of each element is then recognized when the products and/or services are delivered. Revenue arrangements with software components are recognized under the provisions of SOP 97-2, "Software Revenue Recognition." Management believes that all relevant criteria and conditions are considered when recognizing revenue.

Management's Discussion and Analysis

Inventory

Inventories are valued at the lower of cost (first-in, first-out) or market value. Management regularly reviews inventories on hand compared to historical usage and estimated future usage and sales. Inventories under long-term contracts reflect accumulated production costs, factory overhead, initial tooling and other related costs less the portion of such costs charged to cost of sales and any unliquidated progress payments. In accordance with industry practice, costs incurred on contracts in progress include amounts relating to programs having production cycles longer than one year, and a portion thereof may not be realized within one year.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets may be reduced by a valuation allowance if it is more likely than not that some portion of all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance when Management believes it is more likely than not such assets will not be recovered, taking into consideration historical operating results, expectations of future earnings, tax planning strategies, and the expected timing of the reversals of existing temporary differences.

Goodwill and Other Long-Lived Assets

In accordance with SFAS 142, Management annually reviews goodwill and other long-lived assets with indefinite useful lives for impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If the Company determines that the carrying value of the long-lived asset may not be recoverable, a permanent impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. Fair value is measured based on a discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the Company's current business model. The estimates of cash flows and discount rate are subject to change due to the economic environment, including such factors as interest rates, expected market returns and volatility of markets served. Management believes that the estimates of future cash flows and fair value are reasonable; however, changes in estimates could result in an impairment charges. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 144.

Pension Plans and Other Postretirement Benefit Plans

The measurement of liabilities related to pension plans and other post-retirement benefit plans is based on Management's assumptions related to future events including interest rates, return on pension plan assets, rate of compensation increases, and health care cost trend rates. Actual pension plan asset performance will either decrease or increase unamortized pension losses that will affect net earnings in future years. Depending upon the performance of the equity and bond markets in 2005, the Company could be required to record a charge to equity. In addition, if the discount rate was decreased by 25 basis points from 6% to 5.75%, the accumulated benefit obligation for the defined benefit plan would increase by approximately \$1.6 million and result in an additional after-tax charge to shareholder's equity of approximately \$1.0 million.

OTHER MATTERS

Contingencies

As a normal incident of the businesses in which the Company is engaged, various claims, charges and litigation are asserted or commenced against the Company. In the opinion of Management, final judgments, if any, which might be rendered against the Company in current litigation are adequately reserved, covered by insurance, or would not have a material adverse effect on its financial statements.

Quantitative and Qualitative Disclosures about Market Risk

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates. During 2004, in conjunction with the sale of PTI S.p.A., the Company repaid its \$8.0 million Euro denominated debt and at the same time, the Company terminated its \$5.0 million interest rate swap obligation resulting in a cash payment of \$0.1 million by the Company. As September 30, 2004, the Company has no further obligations related to interest rate swaps. See further discussion in "Management Discussion and Analysis—Market Risk Analysis" regarding the Company's market risks.

Controls and Procedures

The Company carried out an evaluation under the supervision of and with the participation of Management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in company reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within time periods specified in the Securities and Exchange Commission's rules and forms. There have been no significant changes in the Company's internal controls or in other factors during the period covered by this report that have materially affected, or are reasonably likely to materially affect those controls and procedures.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2004, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 106-2 (FSP 106-2), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act ("the Act") of 2003 which supersedes FSP 106-1 of the same title. The Staff Position clarifies the accounting for the benefits attributable to new government subsidies for companies that provide prescription drug benefits to retirees. This FSP is effective for the first interim or annual periods beginning after June 15, 2004. The Company adopted the provisions of FSP 106-2 in the fourth quarter of fiscal 2004. The Company expects to be eligible for little, if any, subsidy based on the design of the retiree medical plan. Therefore, the effects of the Act will not have a material impact on the Company's estimated health care costs or participation rates.

On March 31, 2004, the FASB issued a proposed Statement, "Share-Based Payment," that addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by issuance of such equity instruments. The proposed Statement would eliminate the ability to account for share-based compensation transactions using APB Opinion No. 25, "Accounting for Stock Issued to Employees," and generally would require instead that such transactions be accounted for using a fair-value based method. The provisions of this Statement would be effective for any interim or annual period beginning after June 15, 2005.

On December 23, 2003, the FASB issued FASB Statement No. 132 (Revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." This standard increases the existing GAAP disclosure requirements by requiring more detailed information about pension plan assets, benefit obligations, cash flows, benefit costs and related information. Companies will be required to segregate plan assets by category, such as debt, equity and real estate, and to provide certain expected rates of return and other informational disclosures. The provisions of this standard are effective for interim periods beginning after December 15, 2003. The Company adopted the provisions of this standard in the second quarter of fiscal 2004.

FORWARD-LOOKING INFORMATION

Statements regarding future events and the Company's future results that are based on current expectations, estimates, forecasts and projections about the Company's performance and the industries in which the Company operates, statements regarding the Company's financial control systems' compliance with the Sarbanes-Oxley Act at the end of fiscal 2005, the Company's ability to utilize NOLs, reinvestment of foreign earnings, adequacy of future cash flows, the outcome of current litigation, claims and charges, share repurchases, investments, acquisitions, and the beliefs and assumptions of Management contained in the Letter to Our Shareholders (pages 1-2), the Report of the Chief Financial Officer (page 11), and Management's Discussion and Analysis and other statements contained herein which are not strictly historical are considered "forward-looking statements" within the meaning of the safe harbor provision, of the federal securities laws. Words such as expects, anticipates, targets, goals, projects, intends, plans, believes, estimates, variations of such words, and similar expressions are intended to identify such forward-looking statements. Investors are cautioned that such statements are only predictions, speak only as of the date of this report, and the Company undertakes no duty to update. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment including, but not limited to: the timing and execution of real estate sales; termination for convenience of customer contracts; timing and magnitude of future contract awards; weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; technical difficulties; the availability of selected acquisitions; the timing, pricing and availability of shares offered for sale; delivery delays or defaults by customers; performance issues with key suppliers and subcontractors; collective bargaining and labor disputes; changes in laws and regulations including changes in accounting standards and taxation requirements; changes in foreign or U.S. business conditions effecting the distribution of foreign earnings; costs relating to environmental matters; litigation uncertainty; and the Company's successful execution of internal operating plans.

Consolidated Statements of Operations

Years ended September 30,
(Dollars in thousands, except per share amounts)

	2004	2003	2002
Net sales	\$ 422,085	396,687	316,611
Costs and expenses:			
Cost of sales	282,766	271,164	214,325
Asset impairment	—	4,528	—
Selling, general and administrative expenses	78,023	73,185	65,099
Interest income, net	(844)	(217)	(351)
Other, net	1,576	4,664	803
Total costs and expenses	361,521	353,324	279,876
Earnings before income tax	60,564	43,363	36,735
Income tax expense	22,748	16,625	13,400
Net earnings from continuing operations	37,816	26,738	23,335
Loss from discontinued operations, net of tax (benefit): 2004, \$(1,295); 2003, \$(1,821); and 2002, \$(552)	(3,737)	(6,901)	(1,554)
Gain (loss) on sale of discontinued operations, net of tax: 2004, \$(1,186); 2003, \$(7,755)	1,592	(59,556)	—
Net loss from discontinued operations	(2,145)	(66,457)	(1,554)
Net earnings (loss) before accounting change	35,671	(39,719)	21,781
Cumulative effect of accounting change, net of tax of \$842	—	(1,419)	—
Net earnings (loss)	\$ 35,671	(41,138)	21,781
Earnings per share:			
Basic:			
Continuing operations	\$ 2.93	2.10	1.86
Discontinued operations	(0.17)	(5.24)	(0.12)
Cumulative effect of accounting change	—	(0.11)	—
Net earnings (loss)	\$ 2.76	(3.25)	1.74
Diluted:			
Continuing operations	\$ 2.84	2.04	1.79
Discontinued operations	(0.16)	(5.06)	(0.12)
Cumulative effect of accounting change	—	(0.11)	—
Net earnings (loss)	\$ 2.68	(3.13)	1.67
Average common shares outstanding (in thousands):			
Basic	12,901	12,675	12,511
Diluted	13,324	13,128	13,022

See accompanying notes to consolidated financial statements.

Consolidated Balance SheetsYears ended September 30,
(Dollars in thousands)

	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 72,281	31,285
Accounts receivable, less allowance for doubtful accounts of \$626 and \$734 in 2004 and 2003, respectively	77,729	69,379
Costs and estimated earnings on long-term contracts, less progress billings of \$2,210 and \$5,089 in 2004 and 2003, respectively	2,476	4,663
Inventories	44,287	48,432
Current portion of deferred tax assets	27,810	24,187
Other current assets	8,947	6,549
Current assets from discontinued operations	—	21,640
Total current assets	<u>233,530</u>	<u>206,135</u>
Property, plant and equipment:		
Land and land improvements	5,309	5,541
Buildings and leasehold improvements	42,026	41,708
Machinery and equipment	75,455	72,959
Construction in progress	1,022	2,583
	<u>123,812</u>	<u>122,791</u>
Less accumulated depreciation and amortization	54,709	51,622
Net property, plant and equipment	69,103	71,169
Goodwill	68,949	68,653
Deferred tax assets	10,055	16,618
Other assets	20,803	14,081
Other assets from discontinued operations, including goodwill	—	16,725
	<u>\$402,440</u>	<u>393,381</u>

See accompanying notes to consolidated financial statements.

Consolidated Balance SheetsYears ended September 30,
(Dollars in thousands, except per share amounts)

	2004	2003
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current maturities of long-term debt	\$ 151	10,143
Accounts payable	32,455	34,940
Advance payments on long-term contracts, less costs incurred of \$8,017 and \$1,728 in 2004 and 2003, respectively	4,305	1,144
Accrued salaries	11,896	9,663
Accrued taxes	4,454	4,167
Accrued other expenses	15,061	16,183
Current liabilities from discontinued operations	—	9,397
Total current liabilities	<u>68,322</u>	<u>85,637</u>
Deferred income	2,738	3,194
Pension obligations	13,899	12,291
Other liabilities	9,497	8,265
Long-term debt	368	490
Other liabilities from discontinued operations	—	8,115
Total liabilities	<u>94,824</u>	<u>117,992</u>
Shareholders' equity:		
Preferred stock, par value \$.01 per share, authorized 10,000,000 shares	—	—
Common stock, par value \$.01 per share, authorized 50,000,000 shares; Issued 14,148,902 and 13,933,193 shares in 2004 and 2003, respectively	142	139
Additional paid-in capital	221,711	216,506
Retained earnings	115,963	80,292
Accumulated other comprehensive loss	(3,698)	(4,982)
	<u>334,118</u>	<u>291,955</u>
Less treasury stock, at cost (1,257,352 and 1,105,052 common shares in 2004 and 2003, respectively)	(26,502)	(16,566)
Total shareholders' equity	<u>\$402,440</u>	<u>393,381</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended September 30, (In thousands)	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
Balance, September 30, 2001	13,410	\$134	206,282	99,649	(6,518)	(12,267)	287,280
Comprehensive income:							
Net earnings	—	—	—	21,781	—	—	21,781
Translation adjustments	—	—	—	—	782	—	782
Minimum pension liability, net of tax of \$1,478	—	—	—	—	(2,745)	—	(2,745)
Interest rate swap adjustment net of tax of \$534	—	—	—	—	(992)	—	(992)
Comprehensive income							18,826
Stock options and stock compensation plans, net of tax of \$1,022	191	2	3,120	—	—	521	3,643
Purchases into treasury	—	—	—	—	—	(3,438)	(3,438)
Balance, September 30, 2002	13,601	136	209,402	121,430	(9,473)	(15,184)	306,311
Comprehensive loss:							
Net loss	—	—	—	(41,138)	—	—	(41,138)
Translation adjustments	—	—	—	—	3,880	—	3,880
Minimum pension liability, net of tax of \$641	—	—	—	—	(1,190)	—	(1,190)
Interest rate swap adjustment net of tax of \$(970)	—	—	—	—	1,801	—	1,801
Comprehensive loss							(36,647)
Stock options and stock compensation plans, net of tax of \$911	332	3	7,104	—	—	56	7,163
Purchases into treasury	—	—	—	—	—	(1,438)	(1,438)
Balance, September 30, 2003	13,933	139	216,506	80,292	(4,982)	(16,566)	275,389
Comprehensive income:							
Net earnings	—	—	—	35,671	—	—	35,671
Translation adjustments	—	—	—	—	2,703	—	2,703
Minimum pension liability, net of tax of \$815	—	—	—	—	(1,514)	—	(1,514)
Interest rate swap adjustment, net of tax of \$(51)	—	—	—	—	95	—	95
Comprehensive income							36,955
Stock options and stock compensation plans, net of tax of \$(120)	216	3	5,205	—	—	45	5,253
Purchases into treasury	—	—	—	—	—	(9,981)	(9,981)
Balance, September 30, 2004	14,149	\$142	221,711	115,963	(3,698)	(26,502)	307,616

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

 Years ended September 30,
 (In thousands)

	2004	2003	2002
Cash flows from operating activities:			
Net earnings (loss)	\$ 35,671	(41,138)	21,781
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Loss from discontinued operations, net of tax	3,737	6,901	1,554
(Gain) loss on sale of discontinued operations, net of tax	(1,592)	59,556	—
Depreciation and amortization	11,888	13,451	10,398
Changes in operating working capital	(2,349)	(15,669)	(12,793)
Effect of deferred taxes on tax provision	3,584	10,137	8,226
Proceeds from settlement of patent litigation	—	7,300	—
Gain from settlement of patent litigation	—	(2,056)	—
Other	4,524	7,441	8,172
Net cash provided by operating activities – continuing operations	55,463	45,923	37,338
Net cash used by discontinued operations	(2,735)	(7,907)	(2,322)
Net cash provided by operating activities	<u>52,728</u>	<u>38,016</u>	<u>35,016</u>
Cash flows from investing activities:			
Acquisition of business -continuing operations	(294)	(4,000)	—
Acquisition of businesses and technology rights-discontinued operations	—	(1,364)	(9,546)
Proceeds from divestiture of businesses	23,275	6,000	—
Proceeds from note receivable	2,120	—	—
Capital expenditures – continuing operations	(10,823)	(10,599)	(9,591)
Capital expenditures – discontinued operations	(1,390)	(3,528)	(3,588)
Net cash provided (used) by investing activities	<u>12,888</u>	<u>(13,491)</u>	<u>(22,725)</u>
Cash flows from financing activities:			
Proceeds from long-term debt	378	—	453
Principal payments on long-term debt -continuing operations	(516)	(31,636)	(505)
Principal payments on long-term debt -discontinued operations	(9,024)	(621)	—
Net increase (decrease) in short-term borrowings	(10,000)	10,000	(12)
Purchases of common stock into treasury	(9,981)	(1,438)	(3,438)
Other, including exercise of stock options	4,523	5,525	1,635
Net cash used by financing activities	<u>(24,620)</u>	<u>(18,170)</u>	<u>(1,867)</u>
Net increase in cash and cash equivalents	40,996	6,355	10,424
Cash and cash equivalents at beginning of year	31,285	24,930	14,506
Cash and cash equivalents at end of year	<u>\$ 72,281</u>	<u>31,285</u>	<u>24,930</u>
Changes in operating working capital:			
Accounts receivable, net	\$ (8,350)	(12,149)	(8,173)
Costs and estimated earnings on long-term contracts, net	2,187	(1,712)	3,686
Inventories	4,145	(3,883)	(5,274)
Other current assets and current portion of deferred tax assets.	(2,405)	(2,692)	(8,426)
Accounts payable	(2,485)	839	3,739
Advance payments on long-term contracts, net	3,161	(1,562)	1,324
Accrued expenses	1,398	5,490	331
	<u>\$ (2,349)</u>	<u>(15,669)</u>	<u>(12,793)</u>
Supplemental cash flow information:			
Interest paid	\$ 402	805	521
Income taxes paid (including state, foreign & AMT)	<u>4,974</u>	<u>6,208</u>	<u>4,076</u>

See accompanying notes to consolidated financial statements.

1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of ESCO Technologies Inc. (ESCO) and its wholly owned subsidiaries (the Company). All significant intercompany transactions and accounts have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform with the 2004 presentation.

(b) Basis of Presentation

Fair values of the Company's financial instruments are estimated by reference to quoted prices from market sources and financial institutions, as well as other valuation techniques. The estimated fair value of each class of financial instruments approximated the related carrying value at September 30, 2004 and 2003.

(c) Nature of Operations

The Company is a leading supplier of engineered filtration products to the process, health care and transportation markets worldwide. These engineering filtration products utilize membrane, precision screen and other technologies to protect critical processes and equipment from contaminants. The balance of the Company's sales is derived primarily from special purpose communication systems including automatic meter reading, and from radio frequency (RF) shielding and EMC test products.

The Company operates in three industry segments: Filtration/Fluid Flow, Communications and Test.

Effective April 2, 2004, the Company completed the sale of PTI Advanced Filtration Inc. (Oxnard, California) and PTI Technologies Limited (Sheffield, England) to domnick hunter group plc for \$18 million in cash. On June 8, 2004, the Company completed the sale of PTI S.p.A. (Milan, Italy) to a group of investors comprised of the subsidiary's senior management for \$5.3 million. A pretax gain of \$0.4 million related to the sale of the MicroSep businesses is reflected in the Company's fiscal 2004 results in discontinued operations. The MicroSep businesses are accounted for as a discontinued operation. See Note 2, "Discontinued Operations".

Effective April 11, 2003, the Company completed the sale of Rantec Power Systems, Inc. (Rantec) to an entity owned by a group of investors primarily comprised of the subsidiary's management. Rantec is accounted for as a discontinued operation. See Note 2, "Discontinued Operations".

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions, including estimates of anticipated contract costs and revenues utilized in the earnings process, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Revenue Recognition

The majority of the Company's revenues are recognized when products are shipped to or when services are performed for unaffiliated customers. Other revenue recognition methods the Company uses include the following: revenue on production contracts is recorded when specific contract terms are fulfilled, which is when the product or service is delivered; revenue from cost reimbursement contracts is recorded as costs are incurred, plus fees earned; revenue under long-term contracts, for which delivery is an inappropriate measure of performance, is recognized on the percentage-of-completion method based upon incurred costs compared to total estimated costs under the contract; and revenue under engineering contracts is generally recognized as milestones are attained. The Company has certain revenue arrangements with multiple elements within the Test segment. For such arrangements, the Company determines the fair value of each element under the provisions of EITF 00-21, "Revenue Arrangements with Multiple Deliverables" and SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Revenue of each element is then recognized when the products and/or services are delivered. Revenue arrangements with software components are recognized under the provisions of SOP 97-2, "Software Revenue Recognition." Management believes that all relevant criteria and conditions are considered when recognizing revenue.

Notes to Consolidated Financial Statements

(f) Cash and Cash Equivalents

Cash equivalents include temporary investments that are readily convertible into cash, such as Euro dollars, commercial paper and treasury bills with original maturities of three months or less.

(g) Accounts Receivable

Accounts receivable have been reduced by an allowance for amounts that the Company estimates are uncollectible in the future. This estimated allowance is based on Management's evaluation of the financial condition of the customer and historical write-off experience.

(h) Costs and Estimated Earnings on Long-Term Contracts

Costs and estimated earnings on long-term contracts represent unbilled revenues, including accrued profits, accounted for under the percentage-of-completion method, net of progress billings.

(i) Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market value. Inventories under long-term contracts reflect accumulated production costs, factory overhead, initial tooling and other related costs less the portion of such costs charged to cost of sales and any unliquidated progress payments. In accordance with industry practice, costs incurred on contracts in progress include amounts relating to programs having production cycles longer than one year, and a portion thereof will not be realized within one year.

(j) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation and amortization are computed primarily on a straight-line basis over the estimated useful lives of the assets: buildings, 10-40 years; machinery and equipment, 5-10 years; and office furniture and equipment, 5-10 years. Leasehold improvements are amortized over the remaining term of the applicable lease or their estimated useful lives, whichever is shorter.

(k) Goodwill and Other Long-Lived Assets

Goodwill represents the excess of purchase costs over the fair value of net identifiable assets acquired in business acquisitions. The Company accounts for goodwill as required by Statement of Financial Accounting Standards (SFAS) 142, "Goodwill and Other Intangible Assets." Management annually reviews goodwill and other long-lived assets with indefinite useful lives for impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If the Company determines that the carrying value of the long-lived asset may not be recoverable, a permanent impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. Fair value is measured based on a discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the Company's current business model. Prior to fiscal 2002, goodwill was amortized over periods up to 30 years. Other intangible assets represent costs allocated to identifiable intangible assets, principally patents, technology rights and capitalized software. See Note 5 below regarding goodwill and other intangible assets activity.

(l) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed of

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to dispose.

Notes to Consolidated Financial Statements

(m) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets may be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance when Management believes it is more likely than not such assets will not be recovered, taking into consideration historical operating results, expectations of future earnings, tax planning strategies, and the expected timing of the reversals of existing temporary differences.

(n) Research and Development Costs

Company-sponsored research and development costs include research and development and bid and proposal efforts related to the Company's products and services. Company-sponsored product development costs are charged to expense when incurred. Customer-sponsored research and development costs incurred pursuant to contracts are accounted for similar to other program costs. Customer-sponsored research and development costs refer to certain situations whereby customers provide funding to support specific contractually defined research and development costs. As the Company incurs costs under these specific funding contracts, the costs are "inventoried" until billed to the customer for reimbursement, consistent with other program costs. Once billed/invoiced, these costs are transferred to accounts receivable until the cash is received from the customer. All research and development costs incurred in excess of the contractual funding amount, or costs incurred outside the scope of the contractual research and development project, are expensed as incurred.

(o) Foreign Currency Translation

The financial statements of the Company's foreign operations are translated into U.S. dollars in accordance with SFAS 52 "Foreign Currency Translation" (SFAS 52). The resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income.

(p) Earnings Per Share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the weighted average number of common shares outstanding during the period plus shares issuable upon the assumed exercise of dilutive common share options and vesting of performance-accelerated restricted shares using the treasury stock method.

The number of shares used in the calculation of earnings per share for each year presented is as follows:

(In thousands)	2004	2003	2002
Weighted Average Shares Outstanding — Basic	12,901	12,675	12,511
Dilutive Options and performance-accelerated restricted stock	423	453	511
Adjusted Shares — Diluted	13,324	13,128	13,022

Options to purchase 37,250 shares at prices ranging from \$49.51 - \$64.65 were outstanding during the year ended September 30, 2004, but were not included in the respective computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares. There were no options outstanding during the year ended September 30, 2003 where the options' exercise price was greater than the average market price of the common shares. Options to purchase 34,000 shares (at a per share price

Notes to Consolidated Financial Statements

of \$35.93) were outstanding during the year ended September 30, 2002, but were not included in the respective computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares. These options expire in various periods through 2013. Approximately 7,000, 50,000 and 91,000 restricted shares were outstanding but unearned at September 30, 2004, 2003 and 2002, respectively, and, therefore, were not included in the respective years' computations of diluted EPS.

(q) Stock-Based Compensation

The Company measures its compensation cost of equity instruments issued under employee compensation plans under the provisions of Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees," and related Interpretations. In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation Transition and Disclosure, an Amendment of SFAS 123," to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Under APB 25, no compensation cost was recognized for the Company's stock option plans. Had compensation cost for the Company's stock option plans and performance-accelerated restricted share plans been determined based on the fair value at the grant date for awards outstanding during 2004, 2003 and 2002 consistent with the provisions of this Statement, the Company's net earnings (loss) and net earnings (loss) per share would have been as shown in the table below:

Pro forma (Unaudited) (Dollars in thousands, except per share amounts)	2004	2003	2002
Net earnings (loss), as reported	\$35,671	(41,138)	21,781
Add: stock-based employee compensation expense included in reported net earnings (loss), net of tax	838	1,111	1,454
Less: total stock-based employee compensation expense determined under fair value based methods, net of tax	(1,882)	(3,053)	(3,930)
Pro forma net earnings (loss)	34,627	(43,080)	19,305
Net earnings (loss) per share:			
Basic — as reported	2.76	(3.25)	1.74
Basic — pro forma	2.68	(3.40)	1.54
Diluted — as reported	2.68	(3.13)	1.67
Diluted — pro forma	2.60	(3.28)	1.48

(r) Comprehensive Income (Loss)

SFAS 130, "Reporting Comprehensive Income" requires the Company to report separately the translation adjustments of SFAS 52 defined above, changes to the minimum pension liability, and changes in fair value of the Company's interest rate swaps designated as a cash flow hedge, as components of comprehensive income or loss. Management has chosen to disclose the requirements of this Statement within the Consolidated Statements of Shareholders' Equity.

Accumulated other comprehensive loss as shown on the consolidated balance sheet of \$(3.7) million and \$(5.0) million at September 30, 2004 and 2003, respectively, consisted of \$2.4 million and \$(0.3) million related to currency translation adjustments; \$(6.1) million and \$(4.6) million related to the minimum pension liability; and zero and \$(0.1) million related to the interest rate swap, respectively.

(s) Deferred Income

Deferred income represents the long-term portion of unearned income related to the fiscal 2003 patent litigation settlement. The amount is being amortized into income on a straight-line basis over the remaining patent life through 2011. The current portion of approximately \$0.5 million is classified in accrued expenses on the Consolidated Balance Sheet.

(t) New Accounting Standards

In May 2004, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 106-2 (FSP 106-2), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act ("the Act") of 2003 which supersedes FSP 106-1 of the same title. The Staff Position clarifies the accounting for the benefits attributable to new government subsidies for companies that provide prescription drug benefits to retirees. This FSP is effective for the first interim or annual periods beginning after June 15, 2004. The Company adopted the provisions of FSP 106-2 in the fourth quarter of fiscal 2004. The Company expects to be eligible for little, if any, subsidy based on the design of the retiree medical plan. Therefore, the effects of the Act will not have a material impact on the Company's estimated health care costs or participation rates.

On March 31, 2004, the FASB issued a proposed Statement, "Share-Based Payment," that addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by issuance of such equity instruments. The proposed Statement would eliminate the ability to account for share-based compensation transactions using APB Opinion No. 25, "Accounting for Stock Issued to Employees," and generally would require instead that such transactions be accounted for using a fair-value based method. The provisions of this Statement would be effective for any interim or annual period beginning after June 15, 2005.

On December 23, 2003, the FASB issued FASB Statement No. 132 (Revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." This standard increases the existing GAAP disclosure requirements by requiring more detailed information about pension plan assets, benefit obligations, cash flows, benefit costs and related information. Companies will be required to segregate plan assets by category, such as debt, equity and real estate, and to provide certain expected rates of return and other informational disclosures. The provisions of this standard are effective for interim periods beginning after December 15, 2003. The Company adopted the provisions of this standard in the second quarter of fiscal 2004.

2 • DISCONTINUED OPERATIONS

Microfiltration and Separations Businesses (MicroSep) —

The MicroSep businesses consisted of PTI Advanced Filtration Inc., PTI Technologies Limited, and PTI S.p.A. Effective April 2, 2004, the Company completed the sale of PTI Advanced Filtration Inc. (Oxnard, California) and PTI Technologies Limited (Sheffield, England) to domnick hunter group plc for \$18 million in cash. On June 8, 2004, the Company completed the sale of PTI S.p.A. (Milan, Italy) to a group of investors comprised of the subsidiary's senior management for \$5.3 million. A pretax gain of \$0.4 million related to the sale of the MicroSep businesses is reflected in the Company's 2004 results in discontinued operations.

During 2003, Management changed its strategic direction related to its MicroSep businesses based on an objective evaluation of the Company's market position and competitive landscape for these businesses. Historically, the Company had continued to make significant investments in the MicroSep businesses that were required to improve their market position. After a comprehensive review of the actions required to best position the Company to meet its long-term objectives, Management decided to sell the MicroSep businesses. These actions resulted in a 2003 pretax charge of \$68.9 million, including \$48.8 million related to the write-off of goodwill and other intangible assets. The charge was calculated based on the carrying value of the MicroSep net assets compared to Management's estimate of the net proceeds anticipated upon completion of the transaction. The estimate of net proceeds anticipated was based on a review of similar transactions and discussions with potential acquirers of these businesses. The MicroSep businesses are accounted for as a discontinued operation in accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144) and, accordingly, amounts in the financial statements and related notes for all periods shown, reflect discontinued operations presentation. The net sales from the MicroSep businesses were \$29.4 million, \$43.8 million and \$41.4 million for the years ended September 30, 2004, 2003 and 2002, respectively. The pre-tax loss from operations from the MicroSep businesses were \$(5.0) million, \$(8.9) million and \$(3.2) million for

Notes to Consolidated Financial Statements

the years ended September 30, 2004, 2003 and 2002, respectively. The major classes of discontinued assets and liabilities related to the MicroSep businesses included in the Consolidated Balance Sheet at September 30, 2003 are as follows (in thousands):

	September 30, 2003
Assets:	
Accounts receivable, net	\$10,728
Inventories	8,778
Current portion of deferred tax assets	1,379
Other current assets	755
Current assets	<u>21,640</u>
Net property, plant and equipment	9,096
Deferred tax assets	7,493
Other assets	136
Total assets of Discontinued Operations	<u>\$38,365</u>
Liabilities:	
Accounts payable	\$ 4,522
Accrued expenses and other current liabilities	4,875
Current liabilities	<u>9,397</u>
Other liabilities	8,115
Total liabilities of Discontinued Operations	<u>\$17,512</u>

Rantec —

Effective April 11, 2003, the Company completed the sale of Rantec Power Systems Inc. (Rantec) to an entity owned by a group of investors primarily comprised of the subsidiary's management. The Company received \$6.0 million from the buyer at closing. A pretax gain of \$1.6 million related to the sale is reflected in the Company's 2003 results in discontinued operations. Rantec, a manufacturer of power supplies for commercial and military applications, was previously reported in the "Other" segment. Rantec is accounted for as a discontinued operation in accordance with SFAS 144 and, accordingly, amounts in the financial statements and related notes for all periods shown, reflect discontinued operations presentation. The net sales from Rantec were \$5.7 million and \$11.4 million for the years ended September 30, 2003 and 2002, respectively. The pre-tax earnings from operations from Rantec were \$0.1 million and \$1.0 million for the years ended September 30, 2003 and 2002, respectively.

3 • ACQUISITIONS

On July 1, 2004, the Company acquired certain intellectual property and physical assets of CIC Global LLC, of Brentwood, Tennessee (CIC) for approximately \$0.3 million in cash. CIC designs, manufactures and distributes prepayment systems for the electric utility market. The assets, liabilities, and results of operations since the date of acquisition are included within the Communications segment.

On December 31, 2002, the Company acquired the assets and certain liabilities of Austin Acoustics Systems, Inc. (Austin Acoustics) for \$4.0 million in cash. Austin Acoustics, headquartered in Austin, TX, is a leading supplier of noise control chambers for the test, medical and broadcast/music industries. The assets, liabilities and results of operations since the date of acquisition are included within the Test segment.

In March 2002, pursuant to a license agreement, the Company acquired the exclusive rights to the patent portfolio and related

Notes to Consolidated Financial Statements

intellectual property of North Carolina SRT, Inc. (SRT), a manufacturer of cross-flow filtration and separation modules and equipment for a purchase price of \$11.5 million. In October 2003, the Company terminated its existing license with SRT. SRT is included in the discontinued operations of the MicroSep businesses as a part of PTI Advanced Filtration Inc., which was sold in 2004, as discussed in note 2, above.

All of the Company's acquisitions have been accounted for using the purchase method of accounting and accordingly, the respective purchase prices were allocated to the assets (including intangible assets) acquired and liabilities assumed based on estimated fair values at the date of acquisition. The financial results from these acquisitions have been included in the Company's financial statements from the date of acquisition.

4 • ASSET IMPAIRMENTS

In May 2003, the Company committed to plans to close the Filtertek manufacturing operation in Puerto Rico (Filtration/Fluid Flow segment) and move the manufacturing to existing facilities in Hebron, Illinois and Juarez, Mexico. This action resulted in a 2003 asset impairment charge of \$4.3 million consisting of a \$3.5 million write down of the Puerto Rico facility to its fair market value and a \$0.8 million write down of machinery and equipment to their fair market value. Severance charges of \$0.5 million are included within SG&A expense and move costs of \$0.4 million are included within Other costs and expenses, net, in the 2003 results of operations related to the closure. The closure of the Filtertek manufacturing operation in Puerto Rico was completed in 2004. The Puerto Rico facility is included in other current assets with a carrying value of \$3.6 million at September 30, 2004. The facility is being marketed for sale. Severance charges of \$0.5 million are included within SG&A expense and startup/move costs of \$0.8 million are included within Other costs and expenses, net, in the 2004 results of operations related to the closure.

In May 2003, the Company committed to plans to restructure its Test operations in the U.K. and centralize the management of the European Test operations. The European consolidation resulted in a 2003 asset impairment charge of \$0.2 million related to the write-off of leasehold improvements. The European consolidation was completed in 2004.

5 • GOODWILL AND OTHER INTANGIBLE ASSETS

Management adopted the provisions of SFAS 142, "Goodwill and Other Intangible Assets" effective October 1, 2001, the beginning of the Company's fiscal year 2002. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company is required to test the intangible asset for impairment in accordance with the provisions of SFAS 142.

Notes to Consolidated Financial Statements

Included on the Company's Consolidated Balance Sheet at September 30, 2004 and 2003 are the following intangible assets gross carrying amounts and accumulated amortization:

(Dollars in millions)	2004	2003
Goodwill:		
Gross carrying amount	\$77.8	77.6
Less: accumulated amortization	8.9	8.9
Net	<u>\$68.9</u>	<u>68.7</u>
Intangible assets with determinable lives: (included in Other Assets)		
Patents		
Gross carrying amount	\$17.4	16.7
Less: accumulated amortization	12.2	11.2
Net	<u>\$ 5.2</u>	<u>5.5</u>
Capitalized software		
Gross carrying amount	\$15.6	7.3
Less: accumulated amortization	6.0	4.9
Net	<u>\$ 9.6</u>	<u>2.4</u>
Other		
Gross carrying amount	\$ 0.8	1.1
Less: accumulated amortization	0.3	0.6
Net	<u>\$ 0.5</u>	<u>0.5</u>

The changes in the carrying amount of goodwill attributable to each business segment for the years ended September 30, 2004 and 2003 are as follows:

(Dollars in millions)	Filtration	Test
Balance as of October 1, 2002	\$38.8	27.8
Goodwill acquired during the year	—	1.3
Foreign currency translation	0.8	—
Balance as of September 30, 2003	39.6	29.1
Foreign currency translation	0.2	—
Balance as of September 30, 2004	<u>\$39.8</u>	<u>29.1</u>

Amortization expense related to intangible assets with determinable lives was \$2.4 million, \$2.4 million and \$1.6 million in 2004, 2003 and 2002, respectively. Patents are amortized over the life of the patents, generally 17 years. Capitalized software is amortized over the estimated useful life of the software, generally 3-7 years. Estimated intangible assets amortization for each of the subsequent five fiscal years is estimated at approximately \$3.5 million per year.

Notes to Consolidated Financial Statements

6 • ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30, 2004 and 2003:

(Dollars in thousands)	2004	2003
Commercial	\$72,711	65,247
U.S. Government and prime contractors	5,018	4,132
Total	<u>\$77,729</u>	<u>69,379</u>

7 • INVENTORIES

Inventories consist of the following at September 30, 2004 and 2003:

(Dollars in thousands)	2004	2003
Finished goods	\$11,444	12,449
Work in process - including long-term contracts	13,759	14,611
Raw materials	19,084	21,372
Total	<u>\$44,287</u>	<u>48,432</u>

8 • PROPERTY, PLANT AND EQUIPMENT

Depreciation expense from continuing operations of property, plant and equipment for the years ended September 30, 2004, 2003 and 2002 was \$9.5 million, \$11.1 million and \$9.3 million, respectively.

During 2003, the Company repaid a \$31.5 million obligation under a synthetic lease facility, which had been accounted for as an operating lease for GAAP purposes. This obligation was secured by three manufacturing facilities, two of which are located in Oxnard, CA, and the other in Cedar Park, TX, as well as a \$10.6 million letter of credit issued under the previous Company's credit facility. The net book value of the property, plant and equipment consolidated under the synthetic lease obligation was approximately \$29.3 million at September 30, 2003. Approximately \$11.5 million of the \$29.3 million was related to the MicroSep businesses which were sold in 2004.

The closure and relocation of the Filtertek Puerto Rico facility was completed in March 2004. The Puerto Rico facility is included in other current assets with a carrying value of \$3.6 million at September 30, 2004. The facility is being marketed for sale.

The Company leases certain real property, equipment and machinery under noncancelable operating leases. Rental expense under these operating leases for the years ended September 30, 2004, 2003 and 2002 was \$5.8 million, \$6.1 million and \$5.3 million, respectively. Future aggregate minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2004 are:

(Dollars in thousands) Years ending September 30:

2005	\$ 5,429
2006	4,601
2007	3,871
2008	2,410
2009 and thereafter	4,170
Total	<u>\$20,481</u>

Notes to Consolidated Financial Statements

9 • INCOME TAX EXPENSE

Total income tax expense for the years ended September 30, 2004, 2003 and 2002 was allocated as follows:

(Dollars in thousands)	2004	2003	2002
Income tax expense from continuing operations	\$22,748	16,625	13,400
Discontinued operations (including establishment of valuation allowance in 2003)	(2,481)	(9,576)	(552)
Tax impact of cumulative effect of accounting change	—	(842)	—
Total income tax expense	\$20,267	6,207	12,848

For the year ended September 30, 2004, pretax earnings related to United States (U.S.) and foreign tax jurisdictions were \$46.3 million and \$9.6 million, respectively. For the year ended September 30, 2003, pretax loss related to U.S. and foreign tax jurisdictions was \$22.2 million and \$12.7 million, respectively. For the year ended September 30, 2002, pretax earnings related to U.S. and foreign tax jurisdictions were \$27.2 million and \$7.4 million, respectively.

The principal components of income tax expense from continuing operations for the years ended September 30, 2004, 2003 and 2002 consist of:

(Dollars in thousands)	2004	2003	2002
Federal			
Current (including Alternative Minimum Tax)	\$14,153	3,407	1,366
Deferred	3,641	9,869	7,880
State and local:			
Current	3,259	1,982	2,433
Deferred	76	162	(150)
Foreign:			
Current	1,752	1,099	1,375
Deferred	(133)	106	496
Total	\$22,748	16,625	13,400

The actual income tax expense from continuing operations for the years ended September 30, 2004, 2003 and 2002 differs from the expected tax expense for those years (computed by applying the U.S. Federal corporate statutory rate) as follows:

	2004	2003	2002
Federal corporate statutory rate	35.0%	35.0%	35.0%
State and local, net of Federal benefits	3.5	3.1	3.1
Foreign	(3.1)	(0.8)	(3.6)
Other, net	2.2	1.1	2.0
Effective income tax rate	37.6%	38.4%	36.5%

Notes to Consolidated Financial Statements

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at September 30, 2004, and 2003 are presented below. Net deferred tax assets of zero and \$8.9 million are applicable to discontinued operations for September 30, 2004, and 2003, respectively.

(Dollars in thousands)	2004	2003
Deferred tax assets:		
Inventories, long-term contract accounting, contract cost reserves and others	\$ 3,851	4,841
Pension and other postretirement benefits	5,576	5,569
Net operating loss carryforward	26,421	29,293
Capital loss carryforward	7,378	—
Other compensation-related costs and other cost accruals	12,871	15,083
Total deferred tax assets	<u>56,097</u>	<u>54,786</u>
Deferred tax liabilities:		
Plant and equipment, depreciation methods, acquisition asset allocations, and other	(10,854)	(1,647)
Net deferred tax asset before valuation allowance	45,243	53,139
Less valuation allowance	(7,378)	(3,462)
Net deferred tax assets	37,865	49,677
Less deferred tax asset — discontinued operations	—	(8,872)
Net deferred tax assets excluding discontinued operations	<u>\$ 37,865</u>	<u>40,805</u>

Net deferred tax assets are classified in the Consolidated Balance Sheets as set forth below. The current portion of the net deferred tax assets associated with discontinued operations was zero and \$1.4 million in 2004 and 2003, respectively. The noncurrent portion of the net deferred tax assets (liabilities) associated with discontinued operations was zero and \$7.5 million for 2004 and 2003, respectively.

(Dollars in thousands)	2004	2003
Current portion of deferred tax assets	\$27,810	25,566
Deferred tax assets (non-current)	10,055	24,111
Net deferred tax assets	37,865	49,677
Less current deferred tax assets — discontinued operations	—	1,379
Less deferred tax assets — discontinued operations (non-current)	—	7,493
Net deferred tax assets excluding discontinued operations	<u>\$37,865</u>	<u>40,805</u>

Management believes that, based on the Company's historical pretax income together with the projection of future taxable income, and after consideration of the valuation allowance, it is more likely than not that the Company will realize the benefits of the net deferred tax assets existing at September 30, 2004. In order to realize this net deferred tax asset, the Company will need to generate future taxable income of approximately \$108 million, of which \$75 million is required to be realized prior to the expiration of the NOL carryforward, of which \$20 million will expire in 2010; \$4 million will expire in 2011; \$11 million will expire in 2018; and \$40 million will expire in 2019. The NOL carryforward may be used to reduce future Federal income tax cash payments.

During 2003, the Company established a valuation allowance of \$3.5 million against certain deferred tax assets associated with the Company's stock holdings in PTI Technologies Limited and PTI S.p.A. The disposition of these assets in 2004 generated a capital loss which may not be realized in future periods. During 2004, an additional valuation allowance of \$3.9 million, net, was established against the capital loss for a total valuation allowance of \$7.4 million at September 30, 2004.

Notes to Consolidated Financial Statements

On October 22, 2004, the President of the United States signed into law the American Jobs Creation Act of 2004 (the "2004 Jobs Act"). The 2004 Jobs Act repeals the extraterritorial income exclusion and provides for (i) a new deduction for domestic manufacturing and production income, (ii) international tax reforms, (iii) a temporary incentive for U.S. multinational companies to reinvest foreign earnings in the U.S., and (iv) numerous other business tax relief provisions. The foreign earnings repatriation provision provides an 85% dividends received deduction for certain dividends received from controlled foreign corporations. Notwithstanding its intention to reinvest foreign earnings indefinitely, the Company will continue to analyze the potential tax impact should the Company elect to repatriate foreign earnings pursuant to the 2004 Jobs Act.

No deferred taxes have been provided on the accumulated unremitted earnings of the Company's foreign subsidiaries as of September 30, 2004. The Company's intention is to reinvest these earnings indefinitely. In the event these foreign entities' earnings were distributed, it is estimated that U.S. taxes, net of available foreign tax credits, of approximately \$9.6 million would be due, which would correspondingly reduce the Company's net earnings and net operating loss carryforward, without consideration of the potential application of the 2004 Jobs Act described above.

10. DEBT

Long-term debt consists of the following at September 30, 2004 and 2003:

(Dollars in thousands)	2004	2003
Long-term borrowings under the revolving credit facility	\$ —	—
Other debt	519	633
Less current maturities of long-term debt	(151)	(143)
Long-term debt — continuing operations	368	490
Long-term debt under the revolving credit facility — discontinued operations	\$ —	8,018

Effective October 6, 2004, the Company entered into a new \$100 million revolving credit facility with a \$50 million increase option that has a final maturity and expiration of October 6, 2009. This facility replaces the Company's \$60 million credit facility that would have otherwise matured on April 11, 2005. The new credit facility is available for direct borrowings and/or the issuance of letters of credit, and is provided by a group of six banks, led by Wells Fargo Bank as agent.

At September 30, 2004, the Company had approximately \$56.8 million available to borrow under the previous credit facility in addition to its \$72.3 million cash on hand. At September 30, 2004, the Company had no borrowings, and outstanding letters of credit of \$3.2 million against the previous credit facility. As of September 30, 2004, the Company was in compliance with all bank covenants.

The new credit facility requires, as determined by certain financial ratios, a commitment fee ranging from 17.5-27.5 basis points per annum on the unused portion. The terms of the facility provide that interest on borrowings may be calculated at a spread over the London Interbank Offered Rate (LIBOR) or based on the prime rate, at the Company's election. The facility is secured by the unlimited guaranty of the Company's material domestic subsidiaries and a 65% pledge of the material foreign subsidiaries' share equity. The financial covenants of the credit facility include limitations on leverage, minimum consolidated EBITDA and minimum net worth.

Long-term borrowings under the previous revolving credit facility were zero and \$8.0 million at September 30, 2004, and 2003, respectively. Short-term borrowings under the credit facility were zero and \$10.0 million as of September 30, 2004 and 2003, respectively. During 2004 and 2003, the maximum aggregate short-term borrowings at any month-end were \$12.0 million and \$10.0 million, respectively; the average aggregate short-term borrowings outstanding based on month-end balances were \$2.7 million and \$0.8 million, respectively; and the weighted average interest rates were 1.87% in 2004, 1.78% in 2003 and 4.8% in 2002. The letters of credit issued and outstanding under the credit facility totaled \$3.2 million and \$3.3 million at September 30, 2004, and 2003, respectively.

Notes to Consolidated Financial Statements

11 • CAPITAL STOCK

The 14,148,902 and 13,933,193 common shares as presented in the accompanying Consolidated Balance Sheets at September 30, 2004 and 2003 represent the actual number of shares issued at the respective dates. The Company held 1,257,352 and 1,105,052 common shares in treasury at September 30, 2004 and 2003, respectively.

The Company has various stock option plans that permit the Company to grant key Management employees (1) options to purchase shares of the Company's common stock or (2) stock appreciation rights with respect to all or any part of the number of shares covered by the options. All outstanding options were granted at prices equal to fair market value at the date of grant.

Information regarding stock options awarded under the option plans is as follows:

	FY2004		FY2003		FY2002	
	Shares	Estimated Avg. Price	Shares	Estimated Avg. Price	Shares	Estimated Avg. Price
October 1	764,596	\$21.77	1,039,538	\$19.58	796,648	\$12.60
Granted	145,800	\$48.30	44,500	\$34.76	437,500	\$28.64
Exercised	(192,583)	\$20.25	(300,937)	\$15.93	(191,608)	\$11.20
Cancelled	(39,766)	\$32.51	(18,505)	\$26.31	(3,002)	\$22.89
September 30,	678,047	\$27.26	764,596	\$21.77	1,039,538	\$19.58
At September 30,						
Reserved for future grant	832,619		231,198		111,014	
Exercisable	409,412	\$19.42	431,225	\$17.19	366,406	\$11.89

The weighted-average fair value of stock options granted in 2004, 2003, and 2002 was \$13.67, \$14.01, and \$14.02, respectively. Summary information regarding stock options outstanding at September 30, 2004 is presented below:

Range of Exercise Prices	Options Outstanding		
	Number Outstanding at September 30, 2004	Weighted-Average Remaining Contractual Life	Weighted Average Exercise Price
\$6.17 - \$12.38	146,773	4.4 years	\$10.93
\$14.19 - - \$19.22	92,019	5.4 years	\$17.31
\$21.44 - \$27.28	116,940	7.0 years	\$24.95
\$29.04 - \$36.33	181,015	8.0 years	\$30.62
\$45.36 - \$64.65	141,300	4.2 years	\$48.31
	678,047	5.9 years	\$27.26

Range of Exercise Price	Exercisable Options Outstanding	
	Number Exercisable at September 30, 2004	Weighted Average Exercise Price
\$6.17 - \$12.38	146,773	\$10.93
\$14.19 - \$19.22	92,019	\$17.31
\$21.44 - \$27.28	73,503	\$24.76
\$29.04 - \$36.33	97,117	\$30.22
	409,412	\$19.42

Notes to Consolidated Financial Statements

The options granted prior to September 30, 2003 have a ten-year contractual life from date of issuance, expiring in various periods through 2013. Beginning in fiscal 2004, the options granted have a five-year contractual life from date of issuance, expiring in fiscal 2009.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2004, 2003 and 2002, respectively: expected dividend yield of 0% in all periods; expected volatility of 21.4%, 31.5% and 31.2%, risk-free interest rate of 4.2%, 3.9% and 3.6%, and expected life based on historical exercise periods of 4.25 years, 4.13 years and 4.25 years.

In August 2004, the Company's Board of Directors approved the extension of the previously authorized (February 2001) open market repurchase program originally authorizing up to 1.3 million shares of its common stock, which is subject to market conditions and other factors and covers the period through September 30, 2006. The Company repurchased 156,200, 42,881 and 127,100 shares in 2004, 2003, and 2002, respectively, and has 911,519 shares remaining under this program at September 30, 2004.

During 2004, the Board of Directors authorized and the shareholders approved, the 2004 Incentive Compensation Plan, which states, in part, that on February 5, 2004, there shall be added to the authorized shares allocated 1,000,000 shares for the grant of stock options, stock appreciation rights, performance-accelerated restricted stock, or other full value awards. Of these, shares up to 300,000 may be utilized for performance-accelerated restricted stock or other full value awards. In addition, the Company may, in its discretion, use shares held in the Treasury in lieu of authorized but unissued shares.

During 2001, the Board of Directors authorized and the shareholders approved, the 2001 Stock Incentive Plan, which states, in part, that on February 8, 2001, and on each October 1 thereafter, through October 1, 2004, there shall be added to the authorized shares allocated the lesser of (i) 1% of the total outstanding shares as of each such date, or (ii) 125,000 shares which may be used for the grant of stock options, stock appreciation rights, performance share awards or restricted stock. In addition, the Company may, in its discretion, use shares held in the Treasury in lieu of authorized but unissued shares.

At September 30, 2004, the maximum number of performance-accelerated restricted shares available for issue under the 2004 Incentive Compensation Plan and the 2001 Stock Incentive Plan was 300,000 and 607,814 shares, respectively. As of September 30, 2004, 436,083 shares have been awarded and 340,565 shares have been earned. Compensation expense related to these awards was \$1.4 million, \$1.9 million and \$2.4 million in 2004, 2003 and 2002, respectively. These shares vest over five years with accelerated vesting over three years if certain performance targets are achieved. The 2004, 2003 and 2002 performance-accelerated restricted share award grants were valued at the stock price on the date of grant.

See note 1(q) of notes to consolidated financial statements for a discussion of SFAS 148 and related disclosures.

12 • RETIREMENT AND OTHER BENEFIT PLANS

Substantially all employees are covered by defined benefit or defined contribution pension plans maintained by the Company for the benefit of its employees. Benefits are provided to employees under defined benefit pay-related and flat-dollar plans, which are noncontributory. The annual contributions to retirement plans equal or exceed the minimum funding requirements of the Employee Retirement Income Security Act or applicable local regulations. Effective December 31, 2003, the Company's defined benefit plan was frozen and no additional benefits will be accrued after that date. As a result, the accumulated benefit obligation and projected benefit obligation are equal.

In addition to providing retirement income benefits, the Company provides unfunded postretirement health and life insurance benefits to certain retirees. To qualify, an employee must retire at age 55 or later and the employee's age plus service must equal or exceed 75. Retiree contributions are defined as a percentage of medical premiums. Consequently, retiree contributions increase with increases in the medical premiums. The life insurance plans are noncontributory and provide coverage of a flat dollar amount for qualifying retired employees.

The Company uses a measurement date of September 30 for its pension and other postretirement benefit plans.

Notes to Consolidated Financial Statements

The following tables provide a reconciliation of the changes in both the pension and other postretirement plans benefit obligations and fair value of assets over the two-year period ended September 30, 2004, and a statement of the funded status as of September 30, 2004 and 2003:

(Dollars in millions)	Pension Benefits		Other Postretirement Benefits	
	2004	2003	2004	2003
Reconciliation of benefit obligation				
Net benefit obligation at beginning of year	\$41.0	42.9	\$ 0.5	1.3
Service cost	0.6	1.9	—	—
Interest cost	2.5	2.9	—	0.1
Actuarial (gain) loss	2.4	3.2	0.2	(0.1)
Curtailment	—	(8.6)	—	—
Settlements	—	—	—	(0.7)
Plan participant contributions	—	—	0.1	0.1
Gross benefits paid	(1.5)	(1.3)	(0.1)	(0.2)
Net benefit obligation at end of year	\$45.0	41.0	\$ 0.7	0.5
Reconciliation of fair value of plan assets				
Fair value of plan assets at beginning of year	\$28.7	26.9	\$ —	—
Actual return on plan assets	2.8	3.0	—	—
Employer contributions	1.1	0.1	—	0.1
Plan participant contributions	—	—	0.1	0.1
Gross benefits paid	(1.5)	(1.3)	(0.1)	(0.2)
Fair value of plan assets at end of year	\$31.1	28.7	\$ —	—

Employer contributions and benefits paid under the pension plans include \$0.2 million paid from employer assets in 2004.

(Dollars in millions)	Pension Benefits		Postretirement Benefits	
	2004	2003	2004	2003
Funded Status				
Funded status at end of year	\$(13.9)	(12.3)	\$(0.7)	(0.5)
Unrecognized prior service cost	—	—	—	—
Unrecognized net actuarial (gain) loss	9.4	7.0	(1.2)	(1.5)
Accrued benefit cost	(4.5)	(5.3)	(1.9)	(2.0)
Amounts recognized in the Balance Sheet consist of:				
Accrued benefit cost	(4.5)	(5.3)	(1.9)	(2.0)
Additional minimum liability	(9.4)	(7.0)	—	—
Accumulated other comprehensive income (before tax effect)	9.4	7.0	—	—
Accrued benefit liability	\$ (4.5)	(5.3)	\$ (1.9)	(2.0)

An additional \$2.4 million was included in other comprehensive income during the current year period arising from a change in the additional minimum liability during 2004.

Notes to Consolidated Financial Statements

The following table provides the components of net periodic benefit cost for the plans for the years ended September 30, 2004, 2003 and 2002:

(Dollars in millions)	Pension Benefits			Postretirement Benefits		
	2004	2003	2002	2004	2003	2002
Service cost	\$ 0.6	1.9	1.7	\$ —	—	—
Interest cost	2.5	2.9	2.7	—	0.1	0.1
Expected return on plan assets	(2.9)	(3.0)	(3.0)	—	—	—
Amortization of service costs	—	0.1	0.1	—	—	—
Net actuarial gain	0.1	0.2	(0.1)	—	—	—
Curtailement charge	—	0.4	—	—	—	—
Net amortization and deferral	—	—	—	(0.1)	(0.2)	(0.2)
Settlement charge	—	—	—	—	(2.2)	—
Net periodic benefit cost	0.3	2.5	1.4	(0.1)	(2.3)	(0.1)
Defined contribution plans	1.9	0.4	0.6	—	—	—
Total	\$ 2.2	2.9	2.0	\$ (0.1)	(2.3)	(0.1)

The Company recognized a curtailment charge and settlement charge in 2003 as a result of a change in plan benefits and the sale of Rantec in April 2003.

The following weighted-average assumptions were used to determine the net periodic benefit cost for pension and postretirement plans:

	Pension and Other Postretirement Benefits		
	2004	2003	2002
Discount rate	6.00%	6.75%	7.25%
Rate of increase in compensation levels (1)	4.00%	4.50%	4.50%
Expected long-term rate of return on assets (1)	8.25%	8.50%	8.50%

(1) Applies only to pension plans

The following weighted-average assumptions were used to determine the net periodic benefit obligations for pension and postretirement plans:

	Pension and Other Postretirement Benefits	
	2004	2003
Discount rate	6.00%	6.00%
Rate of increase in compensation levels (1)	—	4.00%

(1) Applies only to pension plans

The assumed rate of increase in compensation levels is not applicable in 2004 as the plan was frozen as of December 31, 2003.

Notes to Consolidated Financial Statements

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The September 30, 2004 net benefit obligation was based on a health care cost trend of 10% for 2004, decreasing 1% per year to 5% in 2010. The September 30, 2003 net benefit obligation was based on a health care cost trend of 9% for 2003, decreasing 1% per year to 5% in 2008. A one-percentage-point change in the assumed health care cost trend rates would have had less than a \$3,000 impact on the postretirement benefit obligation. The net periodic benefit cost was based on an assumed health care cost trend of 9% for 2004 decreasing 1% per year to 5% in 2008, 10% for 2003 decreasing 1% per year to 5% in 2008, and 11% for 2002 decreasing 1% per year to 5% in 2008. A one-percentage-point change in the assumed health care cost trend rates would have had less than a \$1,000 impact on total of service and interest cost

The asset allocation for the Company's pension plans at the end of 2004 and 2003, and the target allocation for 2005, by asset category, follows:

Asset Category	Target Allocation	Percentage of Plan Assets at Year-end	
	2005	2004	2003
Equity securities	60%	63%	59%
Fixed income	40%	34%	38%
Cash /cash equivalents	0%	3%	3%

The Company's pension plan assets are managed by outside investment managers and assets are rebalanced when the target ranges are exceeded. Pension plan assets consist principally of marketable securities including common stocks, bonds, and interest-bearing deposits. The Company's investment strategy with respect to pension assets is to achieve a total rate of return (income and capital appreciation) that is sufficient to accomplish the purpose of providing retirement benefits to all eligible and future retirees of the pension plans. The Company regularly monitors performance and compliance with investment guidelines.

Expected Cash Flows

Information about the expected cash flows for the pension and other postretirement benefit plans follows:

(Dollars in millions)	Pension Benefits	Other Benefits
Expected Employer Contributions - 2005	\$ 0.2	0.1
Expected Benefit Payments		
2005	1.8	0.1
2006	2.0	0.1
2007	2.1	0.1
2008	2.2	0.1
2009	2.3	0.1
2010-2014	\$12.9	0.5

Notes to Consolidated Financial Statements

13 • OTHER FINANCIAL DATA

Items charged to operations during the years ended September 30, 2004, 2003 and 2002 included the following:

(Dollars in thousands)	2004	2003	2002
Maintenance and repairs	\$ 4,326	3,895	3,703
Salaries and wages (including fringes)	93,536	88,968	79,764
Research and development (R&D) costs:			
Company-sponsored	\$12,201	10,978	11,876
Customer-sponsored	6,064	7,067	6,017
Total R&D	\$18,265	18,045	17,893
Other engineering costs	9,636	6,694	5,927
Total R&D and other engineering costs	\$27,901	24,739	23,820
As a % of net sales	6.6%	6.2%	7.5%

The increase in salaries and wages in 2004 compared to 2003 and 2002 is mainly due to the addition of personnel within the Communications and Test segments.

Customer-sponsored R&D is defined in note 1(n) of notes to consolidated financial statements.

14 • BUSINESS SEGMENT INFORMATION

The Company is organized based on the products and services that it offers. Under this organizational structure, the Company operates in three segments: Filtration/Fluid Flow, Communications and Test. Filtration/Fluid Flow continuing operations consist of: Filtertek Inc. (Filtertek), PTI Technologies Inc. (PTI) and VACCO Industries (Vacco). Filtertek develops and manufactures a broad range of high-volume, original equipment manufacturer (OEM) filtration products at its facilities in North America, South America and Europe. PTI and Vacco develop and manufacture a wide range of filtration products and are leading suppliers of filters to the commercial and defense aerospace, satellite and industrial markets. Communications operations consist of Distribution Control Systems, Inc. (DCSI) which is principally involved in providing two-way power line communication systems for the utility industry. These systems provide the electric utilities with a patented communication technology for demand-side management, distribution automation and automatic meter reading capabilities. Communications also includes the operations of Comtrak Technologies, L.L.C., a provider of digital video security systems. Test segment operations represent the EMC Group, consisting of EMC Test Systems, L.P. (ETS) and Lindgren RF Enclosures, Inc. (Lindgren). The EMC Group is principally involved in the design and manufacture of EMC test equipment, test chambers, and electromagnetic absorption materials. The EMC Group also manufactures radio frequency (RF) shielding products and components used by manufacturers of medical equipment, communications systems, electronic products, and shielded rooms for high security data processing and secure communication. Accounting policies of the segments are the same as those described in the summary of significant accounting policies in note 1 to the Consolidated Financial Statements.

In accordance with SFAS 131, the Company evaluates the performance of its operating segments based on EBIT, which is defined as: Earnings Before Interest and Taxes. Intersegment sales and transfers are not significant. Segment assets consist primarily of customer receivables, inventories and fixed assets directly associated with the production processes of the segment. Segment assets also include goodwill. Segment depreciation and amortization is based upon the direct assets listed above. Previously, corporate office operating charges were allocated to the operating segments based on 2.5% of the segment's net sales. Effective October 1, 2003, these corporate costs are no longer being allocated to the operating units. The prior year periods have been adjusted to reflect the change in corporate office operating charges.

Notes to Consolidated Financial Statements

Net Sales Year ended September 30, (Dollars in millions)

	2004	2003	2002
Filtration/Fluid Flow	\$173.9	164.1	151.5
Communications	137.8	142.3	94.6
Test	110.4	90.3	70.5
Consolidated totals	<u>\$422.1</u>	<u>396.7</u>	<u>316.6</u>

Sales to PPL Electric Utilities Corporation represented \$21.6 million, \$63.9 million and \$31.5 million or 5%, 16% and 10% of the total net sales in 2004, 2003 and 2002, respectively. No other customers exceeded 10% of net sales in the periods presented.

EBIT Year ended September 30, (Dollars in millions)

	2004	2003	2002
Filtration/Fluid Flow	\$ 21.8	18.8	20.4
Communications	38.4	33.5	23.3
Test	11.3	7.5	5.4
Reconciliation to consolidated totals (Corporate)	(11.8)	(16.7)	(12.7)
Consolidated EBIT	59.7	43.1	36.4
Add: interest income	0.8	0.2	0.3
Earnings before income tax	<u>\$ 60.5</u>	<u>43.4</u>	<u>36.7</u>

Identifiable Assets Year ended September 30, (Dollars in millions)

	2004	2003	2002
Filtration/Fluid Flow	\$154.5	155.5	141.8
Communications	51.3	42.4	31.2
Test	75.1	76.0	59.6
Reconciliation to consolidated totals (Corporate assets)	121.5	81.1	87.2
Reconciliation to consolidated totals (Discontinued operations)	—	38.4	87.9
Consolidated totals	<u>\$402.4</u>	<u>393.4</u>	<u>407.7</u>

Corporate assets consist primarily of deferred taxes and cash balances.

Capital Expenditures Year ended September 30, (Dollars in millions)

	2004	2003	2002
Filtration/Fluid Flow	\$ 8.4	6.8	7.9
Communications	1.5	3.0	0.8
Test	0.9	0.7	0.7
Reconciliation to consolidated totals (Corporate)	—	0.1	0.2
Consolidated totals	<u>\$10.8</u>	<u>10.6</u>	<u>9.6</u>

Notes to Consolidated Financial Statements

Depreciation and Amortization Year ended September 30, (Dollars in millions)

	2004	2003	2002
Filtration/Fluid Flow	\$ 8.4	8.2	8.0
Communications	1.7	1.5	1.3
Test	1.4	1.3	1.1
Reconciliation to consolidated totals (Corporate)	0.4	2.5	—
Consolidated totals	<u>\$11.9</u>	<u>13.5</u>	<u>10.4</u>

The 2003 Corporate amount includes the impact of accumulated depreciation recorded upon the consolidation of its synthetic lease obligation onto its balance sheet.

Geographic Information Net sales (Dollars in millions)

	2004	2003	2002
United States	\$330.6	322.0	252.9
Europe	58.3	42.4	38.7
Far East	18.8	16.6	11.9
Other	14.4	15.7	13.1
Consolidated totals	<u>\$422.1</u>	<u>396.7</u>	<u>316.6</u>

Long-lived Assets (Dollars in millions)

	2004	2003	2002
United States	\$53.5	59.3	43.7
Europe	11.6	10.4	9.3
Other	4.0	1.5	0.9
Consolidated totals	<u>\$69.1</u>	<u>71.2</u>	<u>53.9</u>

Net sales are attributed to countries based on location of customer. Long-lived assets are attributed to countries based on location of the asset.

15 • ACCOUNTING CHANGE - 2003

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," an interpretation of ARB No. 51, which addresses consolidation by business enterprises of variable interest entities. The Company adopted this Interpretation during the fiscal 2003 fourth quarter and consolidated the synthetic lease obligation, resulting in a \$1.4 million after-tax charge recorded as a cumulative effect of accounting change. Also, during the fiscal 2003 fourth quarter, the Company fully repaid the \$31.5 million synthetic lease obligation.

16 • COMMITMENTS AND CONTINGENCIES

At September 30, 2004, the Company had \$3.2 million in letters of credit outstanding as guarantees of contract performance.

As a normal incidence of the businesses in which the Company is engaged, various claims, charges and litigation are asserted or commenced against the Company. With respect to claims and litigation asserted or commenced against the Company, it is the opinion of Management, that final judgments, if any, which might be rendered against the Company in current litigation are adequately reserved, covered by insurance, or would not have a material adverse effect on its financial condition or results of operation.

Notes to Consolidated Financial Statements

17 • QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(Dollars in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
2004					
Net sales	\$96,396	102,171	107,911	115,608	422,085
Net earnings from continuing operations	6,588	7,565	11,216	12,447	37,816
Net earnings (loss) from discontinued operations	(437)	(2,200)	825	(333)	(2,145)
Net earnings	6,151	5,365	12,041	12,114	35,671
<i>Basic earnings (loss) per share:</i>					
Net earnings from continuing operations	.51	.59	.87	.96	2.93
Net earnings (loss) from discontinued operations	(.03)	(.17)	.06	(.02)	(.17)
Net earnings	.48	.42	.93	.94	2.76
<i>Diluted earnings (loss) per share:</i>					
Net earnings from continuing operations	.50	.57	.84	.93	2.84
Net earnings (loss) from discontinued operations	(.04)	(.17)	.06	(.02)	(.16)
Net earnings	\$.46	.40	.90	.91	2.68
2003					
Net sales	\$98,289	101,996	90,794	105,608	396,687
Net earnings from continuing operations	8,474	7,338	4,451	6,475	26,738
Net loss from discontinued operations	(1,922)	(1,707)	(296)	(62,532)	(66,457)
Cumulative effect of accounting change, net of tax	—	—	—	(1,419)	(1,419)
Net earnings (loss)	6,552	5,631	4,155	(57,476)	(41,138)
<i>Basic earnings (loss) per share:</i>					
Net earnings from continuing operations	.68	.58	.35	.50	2.10
Net loss from discontinued operations	(.15)	(.13)	(.02)	(4.88)	(5.24)
Cumulative effect of accounting change, net of tax	—	—	—	(.11)	(.11)
Net earnings (loss)	.53	.45	.33	(4.49)	(3.25)
<i>Diluted earnings (loss) per share:</i>					
Net earnings from continuing operations	.65	.56	.34	.49	2.04
Net loss from discontinued operations	(.15)	(.13)	(.02)	(4.71)	(5.06)
Cumulative effect of accounting change, net of tax	—	—	—	(.11)	(.11)
Net earnings (loss)	\$.50	.43	.32	(4.33)	(3.13)

The financial information presented above includes the results of the MicroSep businesses and Rantec as discontinued operations. The 2003 fourth quarter results reflect the pretax impact of the MicroSep divestiture charge of \$68.9 million, the interest rate swap charge of \$2.6 million, the \$1.3 million pretax gain related to the MSA settlement, and the \$1.4 million after-tax cumulative effect of the accounting change related to the adoption of FASB Interpretation No 46.

Management's Statement of Financial Responsibility

The Company's Management is responsible for the fair presentation of the Company's financial statements in accordance with accounting principles generally accepted in the United States of America, and for their integrity and accuracy. Management is confident that its financial and business processes provide accurate information on a timely basis.

Management, with the oversight of ESCO's Board of Directors, has established and maintains a strong ethical climate in which the Company's affairs are conducted. Management also has established an effective system of internal controls that provide reasonable assurance as to the integrity and accuracy of the financial statements, and responsibility for the Company's assets. KPMG LLP, the Company's independent accountants, reports directly to the Audit and Finance Committee of the Board of Directors. The Audit and Finance Committee has established policies consistent with newly enacted corporate reform laws for auditor independence. In accordance with corporate governance listing requirements of the New York Stock Exchange:

- A majority of Board members are independent of the Company and its Management
- All members of the key Board committees — the Audit and Finance, the Human Resources and Compensation and the Nominating and Corporate Governance Committees — are independent
- The independent members of the Board meet regularly without the presence of Management
- The Company has a clear code of ethics and conflict of interest policy to ensure that key corporate decisions are made by individuals who do not have a financial interest in the outcome separate from their interest as Company officials
- The charters of the Board committees clearly establish their respective roles and responsibilities
- The Company has an ethics officer and an ombudsman hot line available to all domestic employees and all foreign employees have local ethics officers and access to the Company's ombudsman

The Company has a strong financial team, from its executive leadership to each of its individual contributors. Management monitors compliance with its financial policies and practices over critical areas including internal controls, financial accounting and reporting, accountability, and safeguarding of its corporate assets. The internal audit control function maintains oversight over the key areas of the business and financial processes and controls, and reports directly to the Audit and Finance Committee. Additionally, all employees are required to adhere to the ESCO Code of Business Conduct and Ethics, which is monitored by the ethics officer.

Management is dedicated to ensuring that the standards of financial accounting and reporting that are established are maintained. The Company's culture demands integrity and a commitment to strong internal practices and policies.

The consolidated financial statements have been audited by KPMG LLP, whose report appears on the following page.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

ESCO Technologies Inc.:

We have audited the accompanying consolidated balance sheets of ESCO Technologies Inc. and subsidiaries as of September 30, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2004. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ESCO Technologies Inc. and subsidiaries as of September 30, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2004, in conformity with U.S. generally accepted accounting principles.

As discussed in note 15 of the notes to consolidated financial statements, on July 1, 2003, the Company adopted FASB Interpretation No. 46, "Consolidation of Variable Interest Entities."

KPMG LLP
St. Louis, Missouri
November 9, 2004

Five-Year Financial Summary

(Dollars in millions, except per share amounts)	2004 ⁽¹⁾	2003 ⁽²⁾	2002 ⁽³⁾	2001 ⁽⁴⁾	2000 ⁽⁵⁾
For years ended September 30:					
Net sales	\$422.1	396.7	316.6	298.3	253.9
Net earnings from continuing operations	37.8	26.7	23.3	31.1	16.6
Net earnings (loss) from discontinued operations	(2.1)	(66.5)	(1.6)	(1.0)	0.2
Net earnings (loss) before accounting change	35.7	(39.7)	21.8	30.1	16.8
Net earnings (loss)	35.7	(41.1)	21.8	30.1	16.8
Earnings (loss) per share:					
Basic:					
Continuing operations	2.93	2.10	1.86	2.51	1.35
Discontinued operations	(0.17)	(5.24)	(0.12)	(0.08)	0.02
Cumulative effect of accounting change, net of tax	—	(0.11)	—	—	—
Net earnings (loss)	2.76	(3.25)	1.74	2.43	1.37
Diluted:					
Continuing operations	2.84	2.04	1.79	2.43	1.31
Discontinued operations	(0.16)	(5.06)	(0.12)	(0.08)	0.02
Cumulative effect of accounting change, net of tax	—	(0.11)	—	—	—
Net earnings (loss)	2.68	(3.13)	1.67	2.35	1.33
As of September 30:					
Working capital	165.2	120.5	112.6	87.4	62.8
Total assets	402.4	393.4	407.7	375.6	331.1
Long-term debt	0.4	0.5	0.5	0.6	0.6
Shareholders' equity	307.6	275.4	306.3	287.3	259.4

- (1) Includes the divestiture of the MicroSep businesses (See note 2 of notes to consolidated financial statements).
- (2) Includes the acquisition of certain assets and liabilities of Austin Acoustics. (See note 3 of notes to consolidated financial statements).
- (3) Includes the acquisition of SRT, which is accounted for as a discontinued operation. (See notes 2 and 3 of notes to consolidated financial statements).
- (4) Includes the acquisition of Bea (PTI S.p.A.), which is accounted for as a discontinued operation. (See note 2 of notes to consolidated financial statements). Also, includes the elimination of the net deferred tax valuation allowance of approximately \$12.7 million or \$0.99 per share.
- (5) Includes the acquisitions of Lindgren, Holaday, and Eaton Space Products and the sale of the Rantec microwave antenna business. Also, includes the after-tax gain on the sale of the Riverhead, NY property of approximately \$2.2 million or \$0.18 per share and the after-tax gain on the sale of the Calabasas, CA property of approximately \$0.5 million or \$0.04 per share.

Common Stock Market Price

ESCO's common stock and associated preferred stock purchase rights (subsequently referred to as common stock) are listed on the New York Stock Exchange under the symbol "ESE." The following table summarizes the high and low prices of the common stock for each quarter of fiscal 2004 and 2003.

Quarter	2004		2003	
	High	Low	High	Low
First	\$48.82	39.92	\$37.20	30.06
Second	48.15	42.62	37.02	30.75
Third	53.57	45.64	45.91	32.95
Fourth	69.90	49.84	49.10	41.90

ESCO historically has not paid cash dividends on its common stock. Management continues to evaluate its cash dividend policy. There are no current plans to initiate a dividend.

Shareholders' Summary

Shareholders' Annual Meeting The Annual Meeting of the shareholders of ESCO Technologies Inc. will be held at 9:30 a.m. Thursday, February 3, 2005, at the Company's headquarters, 8888 Ladue Road, Suite 200, St. Louis County, Missouri 63124. Notice of the meeting and a proxy statement were sent to shareholders with this Annual Report.

10-K Report A copy of the Company's 2004 Annual Report on Form 10-K filed with the Securities and Exchange Commission is available to shareholders without charge. Direct your written request to the Investor Relations Department, ESCO Technologies Inc., 8888 Ladue Road, Suite 200, St. Louis, Missouri 63124. The Form 10-K is also available on the Company's web site at www.escotechnologies.com.

Investor Relations Additional investor-related information may be obtained by contacting the Director of Investor Relations at (314)213-7277 or toll free at (888) 622-3726. Information is also available through the Company's website at www.escotechnologies.com or by e-mail at pmoore@escotechnologies.com.

Transfer Agent and Registrar Shareholder inquiries concerning lost certificates, transfer of shares or address changes should be directed to:

Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016-3572
1 (800) 368-5948
E-mail: info@rtco.com

Capital Stock Information ESCO Technologies Inc. common stock shares (symbol ESE) are listed on the New York Stock Exchange. There were approximately 3,500 holders of record of shares of common stock at September 30, 2004.

Independent Registered Public Accounting Firm

KPMG LLP
10 South Broadway, Suite 900
St. Louis, Missouri 63102

Board of Directors

William S. Antle III 1, 2
Former Chairman, President &
Chief Executive Officer
Oak Industries, Inc.

Victor L. Richey
Chairman &
Chief Executive Officer

Donald C. Trauscht 1,3,4
(Lead Director)
Chairman
BW Capital Corp.

Charles J. Kretschmer
Presidents
Chief Operating Officer

Larry W. Soiley 3, 4
Retired
Executive Vice President
Emerson Electric Co.

James D. Woods 3
Retired
Chairman & Chief Executive Officer
Baker Hughes Inc.

James M. McConnell
Retired Presidents
Chief Executive Officer
Instron Corp.

James M. Stolze 2
Vice President &
Chief Financial Officer
Stereotaxis, Inc.

Committee Membership
1 Executive Committee
2 Audit and Finance Committee
3 Human Resources and Compensation Committee
4 Nominating and Corporate Governance Committee

SUBSIDIARIES OF
ESCO TECHNOLOGIES INC.

NAME -----	STATE OR JURISDICTION OF INCORPORATION OR ORGANIZATION -----	NAME UNDER WHICH IT DOES BUSINESS -----
Beijing Lindgren ElectronMagnetic Technology Co., Ltd.	People's Republic of China	Same
Comtrak Technologies, L.L.C.	Missouri	Same
Distribution Control Systems Caribe, Inc.	Puerto Rico	Same
Distribution Control Systems, Inc.	Missouri	Same
ETS-Lindgren, L.P.	Texas	Same and Acoustics Systems
ETS-Lindgren Japan, Inc.	Japan	Same
ESCO Electronica De Mexico, S.A. de C.V.	Mexico	Same
ESCO Technologies Holding Inc.	Delaware	Same
Euroshield OY	Finland	Same
Filtertek Inc.	Delaware	Same and Tek Packaging Division
Filtertek BV	Netherlands	Same
Filtertek do Brasil Industria E Comercio LTDA	Brazil	Same
Filtertek SA	France	Same
Filtertek GmbH	Germany	Same
Lindgren R.F. Enclosures, Inc.	Illinois	Same and ETS-Lindgren
PTI Technologies Inc.	Delaware	Same
Ray Proof Limited	England	Same
VACCO Industries	California	Same

Consent of Independent Registered Public Accounting Firm

The Board of Directors
ESCO Technologies Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 33-39737, 33-47916, 33-98112, 333-92945, 333-77887, 333-96309, 333-63930, 333-85268 and 333-117953) on Form S-8 of ESCO Technologies Inc. of our reports dated November 9, 2004, with respect to the consolidated balance sheets of ESCO Technologies Inc. and subsidiaries as of September 30, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2004, which report appears in the Annual Report to Stockholders for fiscal year ended September 30, 2004, and is incorporated by reference in the September 30, 2004 annual report on Form 10-K of ESCO Technologies Inc., and with respect to the related consolidated financial statement schedule, which report appears in the September 30, 2004 annual report on Form 10-K of ESCO Technologies Inc.

Our reports refer to a change in accounting for consolidation of variable interest entities.

/s/ KPMG LLP

St. Louis, Missouri
December 10, 2004

CERTIFICATION

I, V.L. Richey, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of ESCO Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit and finance committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 14, 2004

/s/ V.L. Richey, Jr.

V.L. Richey, Jr.
Chairman and Chief Executive Officer

CERTIFICATION

I, G.E. Muenster, certify that:

1. I have reviewed this annual report on Form 10-K of ESCO Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit and finance committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 14, 2004

/s/ G.E. Muenster

G.E. Muenster
Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of ESCO Technologies Inc. (the "Company") on Form 10-K for the period ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, V. L. Richey, Jr., Chairman and Chief Executive Officer of the Company, and G. E. Muenster, Vice President and Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 14, 2004

/s/ V.L. Richey, Jr.

V.L. Richey, Jr.
Chairman and Chief Executive Officer

/s/ G.E. Muenster

G.E. Muenster
Vice President and Chief Financial Officer