SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2002, or**

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to**

Commission File Number: 1-6948

SPX Corporation

(Exact name of registrant as specified in its charter)

Delaware	**38-1016240**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

13515 Ballantyne Corporate Place
Charlotte, NC 28277
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **704-752-4400**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common	**New York Stock Exchange**
	Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports 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 requirement 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 checkmark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2.) Yes ☒ No ☐

State the aggregate market value of the voting stock held by non-affiliates of the registrant.

$4,801,177,488 as of June 30, 2002

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

79,292,074 shares as of March 14, 2003

Documents incorporated by reference: Portions of the Registrant's Proxy Statement for its Annual Meeting to be held on April 23, 2003 are incorporated by reference into Part III.

PART I

ITEM 1. BUSINESS

(All dollar amounts are in millions, except per share data)

FORWARD-LOOKING INFORMATION

Some of the statements in this document and any documents incorporated by reference constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our businesses or our industries’ actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. Such statements include, in particular, statements about our plans, strategies, prospects, changes and trends in our business and the markets in which we operate under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of those terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially because of market conditions in our industries or other factors. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed in this document under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Factors That May Affect Future Results” and any documents incorporated by reference that describe risks and factors that could cause results to differ materially from those projected in these forward-looking statements.

We caution you that these risk factors may not be exhaustive. We operate in a continually changing business environment and frequently enter into new businesses and product lines. We cannot predict these new risk factors, and we cannot assess the impact, if any, of these new risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, you should not rely on forward-looking statements as a prediction of actual results. In addition, our estimates of future operating results are based on our current complement of businesses, which is constantly subject to change as we implement our “fix, sell or grow” strategy.

BUSINESS

We are a global multi-industry company that is focused on profitably growing a number of platform businesses that have scale and growth potential. We operate in over 20 countries and have approximately 24,200 employees worldwide. Our strategy is to create market advantages through technology, service and product leadership, by expanding our market focus to offer full customer solutions and by building critical mass through strategic “bolt-on” acquisitions.

Our business strategy is focused on an integrated leadership process that aligns performance measurement, decision support, compensation and communications. This process includes:

- a demanding set of leadership standards to drive achievement of results with integrity;
- expanding our technological leadership and service offerings with a market focus on providing complete customer solutions;
- growing through internal development and acquisitions;
- globalization;
- continuously reviewing our businesses to determine whether a business should be fixed, grown or sold when more value can be created with another company;

- right-sizing our businesses to market and economic conditions to protect against economic downturns and take advantage of strong economic cycles; and
- focusing on continuous improvements to drive results.

As part of our business strategy, we regularly review and negotiate potential acquisitions and divestitures in the ordinary course of business, some of which are or may be material. Over the last several years, we have completed numerous acquisitions and divestitures. We use “bolt-on” acquisitions to create scale, expand our market focus, globalize our businesses and provide for technological expansion. Since the beginning of 1998, we have acquired “bolt-on” businesses with aggregate purchase prices of approximately $1,085.4 and have received gross cash proceeds from divestitures of approximately $552.1. Further, we have implemented restructuring initiatives to consolidate facilities, outsource manufacturing, reduce headcount and properly size and structure businesses for the markets they serve. For a more detailed discussion of our acquisition and divestiture history and our business restructurings, see the Notes to our Consolidated Financial Statements included in Item 8 of this report.

SEGMENTS

Technical Products and Systems

The Technical Products and Systems segment had revenues of $1,337.4 for the twelve months ended December 31, 2002. This segment focuses on solving customer problems with complete technology-based systems and services. Our emphasis is on growth through investment in new technology, new product introductions, alliances and acquisitions. This segment includes operating units that design, manufacture and market:

- laboratory and life science products;
- security and integrated building life-safety systems;
- broadcast and communication systems and services;
- networking and switching products; and
- electrical test and measurement solutions.

Laboratory and life science products (“Life science solutions”) — Our laboratory and life science products business includes Kendro, Lunaire and Lindberg. These units design and manufacture a wide range of lab application products including centrifuges, incubators, freezers, refrigerators, heat treat ovens and repository products and services. This business is well positioned to participate in the changing life science and laboratory applications markets, which continue to move through significant change with the aging global population, the need to maintain or reduce health care costs and scientific breakthroughs including human genome technology. The strategy of this platform is to provide end to end solutions in sample preparation, processing and storage as well as providing repository and aftermarket services. Kendro, the largest unit in the laboratory and life-science solutions platform, generates approximately 45% of its revenues from markets outside the United States and is positioned to provide a wide range of sample preparation, processing, storage and lab application products and services. Brand names include Revco, Harris, Puffer Hubbard, Queue, Jewett, Heraeus, Carr, Lunaire, Tenney, Blue M and Sorval. Competitors include Beckman Coulter, Eppendorf and NuAir.

Security and integrated building life-safety systems (“Security and building systems”) — Our security and building systems businesses provide a wide range of technology for the security, access and control for non-residential facility construction, corporate and personal security, business investigations and intelligence services. Edwards Systems Technology, or EST, a provider of fire detection and building life-safety systems, primarily participates in the non-residential facility construction industry. The strategy of EST is to provide a broad array of integrated products and technology to non-residential facilities including access control, monitoring, fire

detection, energy management and communication systems. Consistent with this strategy, EST acquired IDenticard Systems, Inc. which provides card access systems to the markets that EST serves. The acquired company had revenues of approximately $32.7 in the twelve months prior to the date of acquisition. The technology for EST fire detection products is driven by its worldwide license for occluded optical technology, the demand for its integrated fire and security systems and the demand generated by updated building codes in developing countries. EST's systems take advantage of mandated fire protection standards, and the unit has launched new products to integrate additional building control systems and bring security and access control up to fire system standards. Edwards' new products eliminate the need for separate installations for fire protection, access control and closed circuit TV systems. EST's main competitors include Simplex, Pittway and Cerberus. Our Security and Investigations, or S&I, business provides corporate, criminal and civil security services, business intelligence, due diligence inquiries and security audits. In October 2002, we acquired Vance International, Inc. of Oakton, Virginia, a leading provider of executive protection, uniformed security and asset protection services. S&I's main competitors include Kroll, Pinkerton, CRG and Barton.

Broadcast and communication systems and services ("Communication solutions") — Dielectric, our communication solutions business, is a leading supplier of analog and digital TV and FM antennas, HF and MF antennas, transmission lines, towers and radio frequency filter systems for the TV market, and cable dehydrator systems for communications infrastructure. Its strategy is to provide turnkey systems and services to the markets we serve. Consistent with this strategy, Dielectric acquired Flash Technology in 2003, a leading provider of lighting products for towers, and Brookstone Telecom, a field tower construction and service business. The acquired companies had revenues of approximately $66.3 in the twelve months prior to their respective dates of acquisition. Dielectric is a leading supplier in the United States of broadcast antenna systems, including an array of new products designed for the emerging digital transmission technology, which is commonly known as High Definition Television, or HDTV. Dielectric also is a leading supplier of antennas to FM radio stations. One of the growth drivers for this business is the emergence of HDTV in the United States. It is expected that the FCC will require commercial TV broadcasters to transmit digital signals, which are required by HDTV, by the end of 2003. Since the usage of digital TV in the United States is just beginning to emerge, TV broadcasters are required to continue to transmit analog signals simultaneously with digital signals. Key competitors include ERI, Myat and Andrew.

Networking and switching products ("Networking solutions") — Our subsidiary, Inrange Technologies Corporation, designs, manufactures, markets and services switching and networking products for storage and data networks, including Fibre Channel directors for storage area networks. Inrange products provide fast and reliable connections among networks of computers and related devices, allowing customers to manage and expand large, complex storage networks efficiently, without geographic limitations. Inrange serves Fortune 1000 businesses and other large enterprises that operate large-scale systems where reliability and continuous availability are critical. Inrange's "core-to-edge-to-anywhere" solutions solve the growing data storage challenges facing IT organizations, while providing investment protection and a proven foundation for future growth. The products are distributed and supported through a combination of direct sales and service operations and indirect channels. Inrange's principal competitors in the Fibre Channel switch market are Brocade Communications Systems and McData Corporation.

In September 2000, Inrange issued its class B common stock for cash in an initial public offering. As of December 31, 2002, we owned approximately 92.1%, of the total number of outstanding shares of Inrange common stock. We own 100% of Inrange's outstanding class A common stock, which represents approximately 98.3% of the combined voting power of all classes of Inrange voting stock. The Inrange IPO resulted in net cash proceeds to Inrange of $128.2 and a gain of $98.0 recorded in our consolidated financial statements in the third quarter of 2000.

Electrical test and measurement solutions ("Test and measurement") — The test and measurement business includes Radiodetection, Ling Dynamic Systems, or LDS, and GFI Genfare. Radiodetection manufactures and sells portable cable and pipe locators, line management systems for locating and identifying metallic sheathed fiber optic cable, horizontal boring guidance systems and inspection cameras. This unit serves a wide customer base, including utility and construction companies, municipalities, and telecommunication companies.

The unit's revenues generally follow the industry cycles of the markets it serves. LDS engineers and sells equipment and chambers for vibration and acoustic data machines, analysis and testing. LDS predominately serves the transportation and electronics end market. Competitors include IMV and Unholtz Dickie. GFI Genfare manufactures and sells automated fare collection systems for bus and rail transit systems including, the Odyssey fare box, as well as for postal vending. We believe GFI Genfare is the leader in bus fare collection systems in North America. While GFI Genfare is a market leader in the bus market, it is a relatively small player in the rail business in which Cubic Corporation is the market leader.

Industrial Products and Services

The Industrial Products and Services segment had revenues of $1,603.2 for the twelve month period ended December 31, 2002. The strategy of this segment is to provide "Productivity Solutions for Industry." This segment emphasizes introducing new related services and products, as well as focusing on the replacement parts and service elements of the segment. This segment includes operating units that design, manufacture, and market:

- power systems;
- compaction equipment; and
- specialty engineered products.

Power systems — We believe Waukesha Electric Systems is the domestic leader in medium power transformers and also one of the nation's foremost producers of modular substations. Our strategy is to expand our engineering and service offerings. The acquisition of High Voltage Supply in October 2000, Power Systems Development in the fourth quarter of 2001 and Roberts Transformer in the first quarter of 2002 has expanded the replacement parts, substation maintenance, and turnkey substation offerings of this business.

These products and services are sold under the Waukesha Electric Systems, High Voltage Supply, and Power Systems Development brand names to electrical utilities and heavy industries such as paper, steel, mining, chemical and petrochemical. Key transformer competitors include Kuhlman, ABB and GE-Prolec.

Compaction equipment — Based in Boppard, Germany, BOMAG's strategy is to focus on technological leadership and provide solutions to customers by lowering total cost of ownership, including maintenance costs. BOMAG provides compactors, stabilizers, tampers and rollers to the infrastructure and road construction markets. BOMAG continues to grow global market share due to its strong technology, its reputation for exceptional quality and service and its broad product offerings. BOMAG's competitors include Caterpillar, Ingersoll-Rand and Dynapac for heavy compaction equipment, and Wacker and Multiquip for light compaction products.

Specialty engineered products — Our specialty engineered products businesses provide engineered components and subsystems, material handling equipment and systems and heat and ventilation products.

Engineered components and subsystems — Our engineered components and subsystems businesses include Contech, a provider of high quality, precision aluminum and magnesium die-cast parts for automotive steering and suspension systems, Filtran, a leading producer of automatic transmission filters and kits, Fenn, a supplier of precision machined components for the aerospace industry and our compact hydraulic power units and controlled force tools business. The Contech and Filtran units primarily participate in the car and light truck vehicle component industry, although Filtran also provides filters for certain industrial applications. Filtran competes primarily with Filtertek in its transmission filters line, and competes with a wide array of other suppliers in its aftermarket kits and components line, most notably Transtec and Borg Warner. Contech primarily competes with Intermet, J.L. French, and Gibbs. Our compact hydraulic power units and controlled force tools business mainly competes with Enerpac in its controlled force tools line, and with Monarch and Haldex Barnes on compact hydraulic power units. Fenn's main competitors in the aerospace market are numerous small manufacturers that specialize in machined parts for the defense industry.

Material handling equipment and systems — Our material handling equipment and systems businesses include Dock Products, a manufacturer of a broad range of material handling and other equipment for loading dock applications, and Stock Equipment, a manufacturer of coal conveyor and handling systems. The market for Dock Products is primarily driven by construction of warehouse and distribution centers, manufacturing facilities, and large footprint retail stores and the aftermarket for parts and services business. The unit manufactures dock levelers and trailer restraints, and markets them under the Serco and Kelley brand names. It also produces dock seals and shelters under the Kelley Tufseal brand, and specialty engineered dock doors under the TKO Door label. Principal competitors for Dock Products include Rite-Hite, McGuire, Overhead Door, and Poweramp.

Heat and ventilation products — Marley Engineered Products produces heating and ventilation products including: baseboard, wall unit, and portable heaters; commercial cabinet and infrared heaters; thermostats and controls; air curtains; and circulating fans. Customer buying habits are largely driven from seasonal weather patterns for the respective heating and ventilation products. Marley Engineered Products markets its products under the Berko, Qmark, Farenheat, Aztec, Patton, and Leading Edge brand names. Principal competitors include TPI, Quellet and Dimplex for heating products, and Lenexa, TPI and Air Master for ventilation products. Marley Engineered Products also manufactures and distributes a limited line of builder products such as bath fans. Its principal competitor in this line is Braun NuTone.

Flow Technology

The Flow Technology segment had revenues of $1,385.7 for the twelve month period ended December 31, 2002. This segment designs, manufactures, and markets solutions and products that are used to process or transport fluids and in heat transfer applications. Our flow technology businesses focus on innovative, highly engineered new product introductions and expansion from products to systems and services to create total customer solutions. This segment includes operating units that engineer, manufacture and market the following:

- cooling technologies and services; and
- fluid systems.

Cooling technologies and services — Marley Cooling Technologies, or Marley, provides a diversified product and service offering of cooling towers for power generation, refrigeration, HVAC and industrial uses. Marley is engaged in an aggressive restructuring plan focused on the following five actions: (1) rationalizing global manufacturing capacity, (2) discontinuing or disposing of non-performing product lines and businesses, (3) progressive new product introductions, including the factory assembled Modulus™ tower and the Primus™ tower, which both reduce lead times and unit costs, (4) productivity improvements in operational and administrative functions and (5) expanding its dry cooling manufacturing capacity in China. In the third quarter of 2002, Marley completed the acquisition of certain assets and subsidiaries of the Balcke Cooling Products Group, or Balcke, from Babcock Borsig AG for a net purchase price of approximately $44.3, which includes debt assumed. Based in Oberhausen, Germany, Balcke is a leader in the design, manufacture and marketing of dry and wet cooling system products in the global power, chemical, petro chemical and process industries. Balcke had revenues of approximately $226.0 in the twelve months prior to the date of acquisition and is being integrated with Marley. Competitors include Baltimore Aircoil, Evapco, GEA, and Hamon.

Fluid systems — Our fluid systems businesses consist of process and fluid handling equipment and systems including valves, backflow prevention devices, mixers, agitators, pumps, metering systems, compressed air, dehydration products, broilers and hydronic products.

Process and fluid handling equipment — We are a leading producer of industrial valves for gases, liquids and slurries. We provide products primarily to water supply and wastewater treatment plants, pulp and paper manufacturing and chemical processing industries under the DeZurik, Raven, FEBCO, K-Flow, Mueller Steam, and Copes-Vulcan brand names. The acquisition of Daniel Valve in the second quarter of

2002 added complementary products and expanded our presence in the petroleum market. We compete with Fisher, Mueller, Haywood and others in this fragmented market. Under the Lightnin, Bran & Luebbe and Waukesha Cherry Burrell brand names, we manufacture and sell industrial fluid mixers, agitators, handling equipment, pumps, and metering systems, which we sell to the water, waste water treatment, chemical processing, minerals processing and sanitary industries. These units compete with Chemineer, EKATO, Milton Roy and Lewa for mixers, agitators and metering systems and with Fristam, Sudmo, Tuchenhagen and Tri-Clover for sanitary products.

Our air treatment unit manufactures filtration and dehydration products and provides services for compressed air and process gas systems. We primarily participate in the petrochemical, power generation, electronics, and light manufacturing industries as well as after-market parts and services to these industries. Our products have short lead times and therefore the revenues of this business closely follow the markets in which they participate. This unit competes with Donaldson, Domnick Hunter, American Air, PECO and NAFCO.

In February 2003, as part of our plan to form a strategic platform in compressed air dehydration and filter products and services, we purchased certain assets and subsidiaries of Hankison International from Hansen, Inc. Hankison International is a leading manufacturer of compressed air dehydration and filtration products. The acquired company had revenues of approximately $64.2 for the twelve months prior to the date of acquisition.

Boilers and hydronic products — Weil-McLain, a provider of residential and commercial hydronics products, offers a complete line of boilers and ancillary equipment which we believe has strong brand name recognition and is the leading domestic manufacturer of gas and oil fired cast iron boilers for space heating in residential and commercial applications.

Service Solutions

The Service Solutions segment had revenues of $719.5 for the twelve month period ended December 31, 2002. The strategy of this segment is to focus on the design, manufacture and marketing of a wide range of specialty service tools, hand-held diagnostic systems and service equipment, inspection gauging systems, and technical and training information, primarily for the franchised vehicle dealer industry in North America and Europe. Major customers are franchised dealers of motor vehicle manufacturers, aftermarket vehicle service facilities, and independent distributors.

The Service Solutions segment consists of three primary units: diagnostic systems and service equipment, specialty tools and technical information and services. The diagnostic systems and service equipment unit, the largest portion of the Service Solutions segment, designs, manufactures and markets hand-held diagnostic systems and service equipment for OEMs, national accounts and independent repair facilities. Diagnostic systems are sold under the OTC, Tecnotest and Robinair brand names. The products compete with brands such as Snap-on and ESP. We intend to grow this business by developing new service capabilities and strengthening alliances in hand-held diagnostics. We believe the specialty tools unit is the world leader in the design, manufacture, and marketing of specialty service tools for motor vehicle manufacturers' dealership networks. Sales of specialty service tools essential to dealerships tend to vary with changes in vehicle systems design and the number of dealerships, and are not directly correlated to the volume of vehicles produced by the motor vehicle manufacturers. The technical information and services unit provides customers with integrated service, technical and training information for vehicle OEMs, such as Ford and BMW. This unit also administers dealer equipment programs for OEMs, including General Motors, Daimler Chrysler, Nissan Motor and Hyundai.

JOINT VENTURES

We have two primary joint ventures, EGS Electrical Group LLC and Assa Abloy Group, LLC.

EGS Electrical Group, LLC

The EGS Electrical Group is a joint venture with Emerson Electric Co. in which we hold a 44.5% interest. EGS operates primarily in the United States, Canada and Mexico and is engaged in the manufacture of electrical fittings, hazardous location lighting, and power conditioning products. We account for our investment under the equity method of accounting, on a three-month lag basis. We typically receive the majority of our share of this joint venture's earnings in cash dividends.

Assa Abloy Door Group, LLC

The Assa Abloy Door Group is a joint venture with Assa Abloy in which we hold a 20% interest. The joint venture is engaged in the manufacture, sale and distribution of door products. At the formation of the joint venture on May 31, 2001 we received $96.0 in cash. We account for our investment under the equity method of accounting and we typically receive the majority of our share of this joint venture's earnings in cash dividends.

INTERNATIONAL OPERATIONS

We are a multinational corporation with operations in over 20 countries. Our international operations are subject to the risk of possible currency devaluation and blockage, nationalization or restrictive legislation regulating foreign investments and other risks attendant to the countries in which they are located.

Our total export sales from the United States to both affiliated and unaffiliated customers were as follows:

	2002	2001	2000
Export sales:			
To unaffiliated customers	$ 337.5	$ 351.4	$ 242.8
To affiliated customers	92.6	77.1	81.7
Total	$ 430.1	$ 428.5	$ 324.5

See Note 5 to our Consolidated Financial Statements for more information on our business segments and geographic areas.

RESEARCH AND DEVELOPMENT

We are actively engaged in research and development programs designed to improve existing products and manufacturing methods and to develop new products. These efforts encompass all of our products with divisional engineering teams coordinating their resources. We place particular emphasis on the development of new products that are compatible with, and build upon, our manufacturing and marketing capabilities.

We spent approximately $118.6 on research activities relating to the development and improvement of our products in 2002, $109.1 in 2001 and $74.5 in 2000.

PATENTS/TRADEMARKS

We own over 900 domestic patents, including approximately 70 domestic patents that were issued in 2002, and over 600 foreign patents covering a variety of our products and manufacturing methods. We also own a number of registered trademarks. Although in the aggregate our patents and trademarks are of considerable importance in the operation of our businesses, we do not consider any single patent or trademark to be of such material importance that its absence would adversely affect our ability to conduct business as presently constituted to a significant extent. We are both a licensor and licensee of patents. For more information, please refer to "Factors That May Affect Future Results" in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

In October 2002, one of our subsidiaries filed a patent infringement lawsuit against Microsoft Corporation, in the United States District Court for the Eastern District of Virginia, Richmond Division District. We believe that we should ultimately prevail on this pending patent infringement claim. Trial is presently set for July 28, 2003. The amount of the damages cannot be fully quantified until the legal discovery process proceeds further and no assurances can be made as to the final timing and outcome of any litigation.

RAW MATERIALS

We manufacture many of the components used in our products. We also purchase a variety of basic materials and component parts. We believe that we generally will be able to obtain adequate supplies of major items or reasonable substitutes at reasonable costs. Our strategy includes increasing the amount of components and sub assemblies that we outsource to other companies.

COMPETITION

Although our businesses are in highly competitive markets, our competitive position cannot be determined accurately in the aggregate or by segment since our competitors do not offer all of the same product lines or serve all of the same markets. In addition, specific reliable comparative figures are not available for many of our competitors. In most product groups, competition comes from numerous concerns, both large and small. The principal methods of competition are price, service, product performance and technical innovation. These methods vary with the type of product sold. We believe that we can compete effectively on the basis of each of these factors as they apply to the various products offered. See "Segments" above for a discussion of competitors by business.

ENVIRONMENTAL MATTERS

See "Litigation and Environmental Matters" and "Factors That May Affect Future Results" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15, Commitments and Contingent Liabilities, of our Consolidated Financial Statements for information regarding environmental matters.

EMPLOYMENT

At December 31, 2002, we had approximately 24,200 employees. Approximately 4,000 employees are represented by seventeen domestic, collective bargaining units and various foreign collective labor arrangements. We generally have experienced satisfactory labor relations at our various locations, however on July 8, 2002, a labor contract involving hourly employees at our manufacturer of aerospace components expired without resolution, resulting in an employee strike. The labor contract dispute affected 117 employees. In 2002, we recorded $4.2 of incremental security and consulting costs associated with the labor contract dispute. On March 8, 2003, the union employees voted to ratify a new contract, which brings closure to this labor dispute.

OTHER MATTERS

No customer or group of customers under common control accounted for more than 10% of our consolidated sales.

Our businesses maintain sufficient levels of working capital to support customer requirements, particularly inventory. Our businesses' sales and payment terms are generally similar to our competitors.

Many of our businesses closely follow changes in the industries and end-markets they serve. In addition, certain businesses have seasonal fluctuations. Our Technical Products and Systems and Flow Technology segments tend to be strong during the third and fourth quarters due to the purchasing patterns of customers of these businesses. The Industrial Products and Services segment is usually strongest in the second quarter primarily due to the seasonal demand for products of the compaction equipment division reported in this segment. The Service Solutions segment revenues primarily follow program launch timing for diagnostic systems and service equipment, the largest unit in this segment. See "Business" for a discussion of the industries that influence our businesses.

Our website address is *www.spx.com*. Information on our website is not incorporated by reference herein. Copies of our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports, are available on our website as soon as reasonably practicable after we file the reports with the Securities and Exchange Commission.

ITEM 2. PROPERTIES

The following is a list of our principal properties, as of December 31, 2002, classified by segment:

	Location	No. of Facilities	Approximate Square Footage Owned (in millions)	Approximate Square Footage Leased (in millions)
Technical Products and Systems	14 states and 12 foreign countries	50	1.3	0.9
Industrial Products and Services	15 states and 11 foreign countries	54	3.8	1.4
Flow Technology	16 states and 18 foreign countries	91	4.1	2.9
Service Solutions	5 states and 6 foreign countries	30	0.7	0.6
Total		225	9.9	5.8

In addition to manufacturing plants, we lease our executive office in Charlotte, North Carolina, and various sales and service locations throughout the world. We consider these properties, as well as the related machinery and equipment, to be well maintained and suitable and adequate for their intended purposes. Our senior credit facility is secured by substantially all of our and our domestic subsidiaries' assets (excluding, however, the assets of Inrange Technologies Corporation and our interest in our EGS and Door joint ventures) including our owned facilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Debt" and Note 13 to our Consolidated Financial Statements for further discussion of our debt agreements.

ITEM 3. LEGAL PROCEEDINGS

On May 6, 2002, the Bay Area Air Quality Management District, or BAAQMD, issued a notice of violation to our facility in Milpitas, California relating to the facility's failure to maintain records required by our air permit. The notice of violation proposed a civil penalty of approximately $0.5. We have requested a settlement conference with the BAAQMD to resolve this matter.

On September 19, 2002, a pH meter malfunction at our facility in Stockton, California resulted in the release of caustic into the Stockton Diverting Canal and adverse impacts on local fish. To date, no notice of violation has been issued in connection with this incident and no monetary sanction has been proposed. However, based on discussions with the California Regional Water Quality Control Board, we do not believe that any fine for this incident would be material.

See "Litigation and Environmental Matters" and "Factors That May Affect Future Results" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15, Commitments and Contingencies, to our Consolidated Financial Statements for further discussion of legal proceedings.

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

None

ADDITIONAL ITEM — EXECUTIVE OFFICERS OF REGISTRANT

John B. Blystone, 49, was elected Chairman, President and Chief Executive Officer of SPX in November 1995. Prior to joining SPX, Mr. Blystone held various management positions with General Electric Company.

Jay Caraviello, 42, was elected an officer of the company in February 2003. He serves as President of SPX's Cooling Technologies and Services businesses. Mr. Caraviello joined SPX Corporation in 1997 as Vice President of U.S. Sales and Service in the Aftermarket Tool and Equipment division. From January 1998 until August 1999, he served as Vice President and General Manager of Automotive Diagnostics. In August 1999, he was named President of Lightnin. He added the additional responsibilities for Bran&Luebbe in May 2001, before being named President in March 2002.

Fredrick J. Florjancic Jr., 56, was elected an officer of the company in June 2001. In May 2001, he joined SPX as President, Specialty Engineered Products. Prior to joining SPX, Mr. Florjancic served as President and CEO of Office Innovations, Inc. From 1995 to 2000 he was Group President and CEO of Brunswick Indoor Recreation Group and was a corporate vice president.

Robert B. Foreman, 45, was appointed Vice President, Human Resources in May 1999. Prior to joining SPX, Mr. Foreman served as Vice President, Human Resources at PepsiCo International, based in Asia Pacific where he worked for both the Pepsi and Frito-Lay International businesses from 1992 through April 1999.

William C. Griffiths, 51, was elected an officer of the company in February 2003. Mr. Griffiths served as President of SPX's Fluid Systems businesses since joining the company in May 2001. From September 1998 to May 2001 he was President of the Fluid Systems Division of United Dominion Industries. He joined United Dominion Industries in July 1994 as President of Waukesha Cherry-Burrell.

Christopher J. Kearney, 47, was appointed Vice President, Secretary and General Counsel in February 1997. Mr. Kearney served as Senior Vice President and General Counsel of Grimes Aerospace Company from April 1995 until January 1997.

Lewis M. Kling, 57, was elected an officer of the company in December 1999. In December 1998, Mr. Kling was appointed President, Communications and Technology Systems. From June 1997 through October 1998, he served as President, Dielectric Communications.

Patrick J. O'Leary, 45, was appointed Vice President Finance, Treasurer, and Chief Financial Officer in October 1996. From 1994 through September 1996, he served as Chief Financial Officer and a director at Carlisle Plastics, Inc.

Thomas J. Riordan, 46, was appointed President, Service Solutions effective October 1997. From February 1996 through September 1997, he served as President of the OE Tool & Equipment division of the company.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

(Share and dollar amounts are in millions)

Our common stock is traded on the New York Stock Exchange and Pacific Stock Exchange under the symbol "SPW." The information contained in this report reflects the two-for-one stock split of our common stock on October 24, 2002.

Set forth below are the high and low sales prices for SPX common stock as reported on the New York Stock Exchange composite transaction reporting system for each quarterly period during the years 2002 and 2001.

	High	Low
2002		
4th Quarter	$ 55.74	$ 35.90
3rd Quarter	59.22	43.75
2nd Quarter	74.60	54.55
1st Quarter	75.73	51.33
2001		
4th Quarter	$ 68.99	$ 38.65
3rd Quarter	64.34	37.50
2nd Quarter	65.03	42.50
1st Quarter	59.38	44.00

We have not paid cash dividends in 2002 or 2001, and we currently have no plans to pay cash dividends on our common stock. We have determined that for the foreseeable future any distribution of earnings will be in the form of open stock market purchases when deemed appropriate by management and the Board of Directors. In 2002, we repurchased 3.6 shares of our common stock on the open market, for a total cash consideration of $172.9. Since December 31, 2002, and as of March 14, 2003, we have repurchased 1.5 shares of our common stock on the open market, for a total cash consideration of $48.8. Under the new $250.0 repurchase program approved by our Board of Directors on January 9, 2003, $201.2 was available for additional repurchases as of March 14, 2003.

Our publicly held subsidiary, Inrange Technologies Corporation, has been authorized by its Board of Directors to repurchase up to $20.0 of its common stock. As of December 31, 2002, Inrange has repurchased $12.6 of common stock under this program. These share repurchases are reflected as other financing activities in our Consolidated Statement of Cash Flows.

The approximate number of shareholders of record of our common stock as of December 31, 2002 was 5,358.

We are subject to a number of restrictive covenants under various debt agreements. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" and Note 13 to our Consolidated Financial Statements for further discussion.

ITEM 6. SELECTED FINANCIAL DATA

	As of and for the year ended December 31,				
	2002	2001	2000	1999	1998
	(In millions, except per share amounts)				
Summary of Operations(1)					
Revenues	$ 5,045.8	$ 4,114.3	$ 2,678.9	$ 2,712.3	$ 1,825.4
Operating income (loss) (2)	586.6	420.3	276.1	313.4	(39.5)
Gain on issuance of Inrange stock (3)	—	—	98.0	—	—
Other income (expense), net (4)	(0.3)	(7.6)	22.2	64.3	(0.5)
Equity earnings in joint ventures	36.6	35.0	34.3	34.7	40.2
Interest expense, net (5)	(169.7)	(133.7)	(110.0)	(127.6)	(45.1)
Income (loss) before income taxes	453.2	314.0	320.6	284.8	(44.9)
Income tax (expense) benefit	(177.2)	(141.0)	(131.1)	(183.3)	3.2
Income (loss) before a change in accounting principle	276.0	173.0	189.5	101.5	(41.7)
Change in accounting principle (6)	(148.6)	—	—	—	—
Net income (loss)	$ 127.4	$ 173.0	$ 189.5	$ 101.5	$ (41.7)
Income (loss) per share:					
Basic	$ 1.56	$ 2.38	$ 3.08	$ 1.65	$ (0.97)
Diluted	1.54	2.33	2.98	1.63	(0.97)
Weighted average number of common shares outstanding:					
Basic	81.4	72.6	61.6	61.5	43.1
Diluted	82.9	74.1	63.5	62.1	43.1
Dividends paid (7)	—	—	—	—	820.7
Other Financial Data:					
Total assets	$ 7,091.5	$ 7,080.1	$ 3,164.6	$ 2,846.0	$ 2,968.3
Total debt	2,694.9	2,612.4	1,295.6	1,114.7	1,515.6
Other long-term obligations	1,352.7	1,356.2	595.5	521.8	431.9
Shareholders' equity	1,692.4	1,715.3	608.2	552.3	390.5
Capital expenditures	94.1	150.0	123.3	102.0	69.2
Depreciation and amortization	139.1	174.9	110.9	105.4	69.4

(1) On May 24, 2001, we completed the acquisition of UDI in an all-stock acquisition. On October 6, 1998, we completed the merger of SPX and General Signal Corporation (GSX), which was accounted for as a reverse acquisition of SPX by GSX. See Note 4 to our Consolidated Financial Statements for further discussion on our acquisitions.

(2) In 2002, we recorded $111.6 of special and other charges, of which $12.6 is recorded in cost of products sold, primarily associated with the restructuring initiatives to consolidate manufacturing facilities, rationalize certain product lines and asset impairments.

In 2001, we recorded $101.4 of special and other charges, of which $13.5 is recorded in cost of products sold, primarily associated with the restructuring initiatives to consolidate manufacturing facilities, rationalize certain product lines and asset impairments, as well as costs associated with the relocation of our corporate offices to Charlotte, North Carolina.

In 2001, we recorded a $15.6 net gain primarily related to an arbitration award from Snap-on Incorporated. See Note 15 to our Consolidated Financial Statements for further discussion.

In 2000, we recorded special and other charges of $103.2, of which $12.3 is recorded in cost of products sold, primarily associated with restructuring initiatives to consolidate manufacturing facilities, rationalize certain product lines and asset impairments.

In 1999, we recorded special and other charges of $38.4 associated with restructuring actions initiated throughout the businesses.

In 1998, we recorded special and other charges of $101.7, which included $69.3 of costs associated with closing the former GSX corporate office and $32.4 of restructuring costs related to GSX operations. Additionally, we recorded $102.7 of other one-time charges related to the General Signal merger and other restructuring.

(3) In 2000, our Inrange subsidiary issued 8.855 shares of its class B common stock for cash in an initial public offering. Accordingly, we recorded a $98.0 pretax gain. See Note 7 to our Consolidated Financial Statements for further discussion.

(4) In 2002, we recorded a loss of $10.3 related to the sale of substantially all of the assets and liabilities of a non-strategic machinery equipment product line and a material handling product line, which was partially offset by a gain on the settlement of a contract dispute.

In 2001, we recorded an $11.8 loss on the sale of our electric motor product line.

In 2000, we recorded a $23.2 gain on the settlement of a patent infringement suit against American Power Conversion Corporation. See Note 15 to our Consolidated Financial Statements for further discussion.

In 1999, we recorded net gains of $23.8 associated with the divestiture of Best Power and $29.0 associated with the divestiture of Dual-Lite and an investment in a Japanese joint venture. We also recorded a gain of $13.9 on the sale of marketable securities.

(5) In April 2002, the FASB issued Statement of Accounting Standards, or SFAS No. 145 “Rescission of Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.” Among other things, this Statement rescinds SFAS No. 4, “Reporting Gains and Losses from Extinguishment of Debt.” Effective July 1, 2002, we early adopted the provisions of SFAS No. 145. In accordance with the provisions regarding the gains and losses from the extinguishment of debt, we recorded an $8.2 charge to interest expense in 2002 as a result of our July 25, 2002 and December 27, 2002, credit facility refinancing. In addition, this statement requires that gains and losses classified as extraordinary items in prior periods that do not meet the criteria for classification as extraordinary items as a result of adopting SFAS No. 145, shall be reclassified. In 2000 and 1999, we had previously recorded extraordinary items related to losses from early extinguishments of debt of $8.8 ($15.0 pre-tax) and $6.0 ($10.0 pre-tax), respectively. In accordance with the transition provisions of SFAS No. 145, we have in this presentation reclassified the pre-tax losses, related to the early extinguishment of debt, of $15.0 for 2000 and $10.0 for 1999 to interest expense. Additionally, the related income tax benefit of $6.2 for 2000 and $4.0 for 1999 has been reclassified to income tax expense.

(6) In 2002, we recorded a charge of $148.6 for a change in accounting principle as a result of adopting the provisions of SFAS No. 142. See Note 10 to our Consolidated Financial Statements for further discussion of this charge.

(7) In connection with the GSX merger in 1998, we made a special dividend payment of $784.2, which was distributed to GSX shareholders.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

The following should be read in conjunction with our Consolidated Financial Statements and the related Notes. All dollar and share amounts are in millions, except per share and per LYON data.

Forward Looking Information

Some of the statements in this document and any documents incorporated by reference constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our businesses or our industries' actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. Such statements include, in particular, statements about our plans, strategies, prospects, changes and trends in our business and the markets in which we operate under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." In some cases, you can identify forward-looking statements by terminology such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential" or "continue" or the negative of those terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially because of market conditions in our industries or other factors. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed in this document under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors That May Affect Future Results" and any documents incorporated by reference that describe risks and factors that could cause results to differ materially from those projected in these forward-looking statements.

We caution you that these risk factors may not be exhaustive. We operate in a continually changing business environment and frequently enter into new businesses and product lines. We cannot predict these new risk factors, and we cannot assess the impact, if any, of these new risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, you should not rely on forward-looking statements as a prediction of actual results. In addition, our estimates of future operating results are based on our current complement of businesses, which is constantly subject to change as we implement our "fix, sell or grow" strategy.

Overview

We are a global multi-industry company that is focused on profitably growing a number of platform businesses that have scale and growth potential. We are a multinational corporation with operations in over 20 countries and approximately 24,200 employees worldwide. Our strategy is to create market advantages through technology, service and product leadership by expanding our market focus to offer full customer solutions and by building critical mass through strategic acquisitions. Our business strategy is focused on an integrated leadership process that aligns performance measurement, decision support, compensation and communication.

We are a global provider of technical products and systems, industrial products and services, flow technology and service solutions. Our products are used by a broad array of customers in various industries, including chemical processing, pharmaceuticals, infrastructure, mineral processing, petrochemical, telecommunications, financial services, transportation and power generation.

Below is a summary of certain highlights included in the accompanying consolidated financial statements.

Acquisitions

All business acquisitions have been accounted for using the purchase method of accounting and, accordingly, the statements of consolidated income include the results of each acquired business since the date of acquisition. The assets acquired and liabilities assumed are recorded at preliminary estimates of fair values as determined by management based on information available. Final purchase price allocations are based on independent appraisals and management estimates. We finalize the allocation of purchase price to the fair value of the assets acquired and liabilities assumed when we obtain information sufficient to complete the allocation, but in any case, within one year after acquisition.

As a result of acquisitions, we incur integration expenses for the incremental costs to exit and consolidate activities at the acquired companies' locations, to involuntarily terminate employees, and other costs to integrate operating locations and other activities of the acquired companies with us. United States generally accepted accounting principles, or GAAP, requires us to reflect these acquisition integration expenses, to the extent that they are not associated with the generation of future revenues and have no future economic benefit, as assumed liabilities in the allocation of the purchase price to the net assets acquired. On the other hand, these same principles require us to record acquisition integration expenses associated with integrating our existing operations into acquired company locations as period expenses. These expenses are recorded as "Special and Other Charges" and are discussed later in this section.

Acquisition integration liabilities are based on our integration plans, which generally focus on three key areas of integration: (1) manufacturing process and supply chain rationalization, including plant closings; (2) elimination of redundant administrative overhead and support activities; and (3) restructuring and repositioning sales and marketing organizations to eliminate redundancies. We expect that the termination of employees and consolidation of facilities will be substantially complete within one year of the date of acquisition.

Revenue Recognition

We recognize revenues from product sales upon shipment to the customer, except for revenues from service contracts and long-term maintenance arrangements, which are deferred and recognized on a straight line basis over the agreement period, and revenues from certain construction and installation contracts, which are recognized using the percentage-of-completion method of accounting. Under the percentage-of-completion method, revenue is recognized based on effort or costs incurred to date as compared to total estimated effort or cost of the total contract. Certain sales to distributors made with return rights and/or price protection features are recognized upon shipment to the customer. Expected returns under these contracts are approximately 0.1% of total revenues, can be reasonably estimated and are accrued for at the time of sale, and either a restocking charge is assessed on a return (up to 25% of sales price), or the customer must issue a replacement order before the return is authorized. Amounts billed for shipping and handling are included in revenue. In addition, costs incurred for shipping and handling are recorded in cost of products sold and not netted against amounts billed.

Special and Other Charges

As part of our Value Improvement Process®, we right-size and consolidate operations to drive results. From time to time we alter our business model to better serve customer demand, fix or discontinue lower-margin product lines and rationalize and consolidate manufacturing capacity to maximize operating results. As an outcome of this process, we may incur special and other charges primarily associated with restructuring initiatives to consolidate manufacturing and sales facilities, rationalize certain product lines and asset impairments.

The components of the charges are computed based on actual cash payouts, our estimate of the realizable value of the affected tangible and intangible assets and estimated exit costs including severance and other

employee benefits based on existing severance policies and local laws. The purpose of restructuring initiatives is to improve profitability, streamline operations, reduce costs, and improve efficiency.

We estimate that we will achieve operating cost reductions in 2003 and beyond through reduced employee and manufacturing costs and other facility overhead. The estimated period in which we realize savings on our restructuring actions is on average approximately twelve months from the date of completion. For restructuring actions announced in 2002, we estimate that costs savings in the twelve months following the date of completion will be approximately $75.0 per year. Estimated costs savings will be realized in cost of products sold and selling, general, and administrative expenses.

Emerging Issues Task Force No. 94-3 “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)” provides specific requirements as to the appropriate recognition of costs associated with employee termination benefits and other exit costs. Employee termination costs are recognized when management, having the appropriate level of authority to involuntarily terminate employees, approves and commits us to the plan of termination, establishes the benefits that current employees will receive upon termination, and prior to the date of the financial statements, the benefit arrangement is communicated to employees. The communication of the benefit arrangement includes sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are terminated. All restructuring actions taken by the company are expected to be completed within one year from the time of announcement.

Other exit costs are costs resulting from an exit plan that are not associated with or that do not benefit activities that will be continued. We record those costs when they are not associated with or are not incurred to generate revenues after the exit plan’s commitment date, and they meet either of the following criteria: (1) the costs are incremental to other costs that we incur in the conduct of our activities prior to the commitment date and will be incurred as a direct result of the exit plan; or (2) the costs represent amounts that we will incur under a contractual obligation that existed prior to the commitment date and will either continue after the exit plan is completed with no economic benefit to us or be a penalty incurred by us to cancel the contractual obligation.

In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing or other exit or disposal activities. SFAS No. 146 replaces EITF 94-3 and is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. We frequently engage in strategic restructuring and integration initiatives that include exit and disposal activities. Accordingly, we expect that SFAS No. 146 could impact the way in which we account for certain restructuring costs. In particular, SFAS No. 146 may impact the timing and amount of recorded restructuring costs as certain costs previously accrued at the date a restructuring action is initiated must now be expensed as incurred.

We continually review whether events and circumstances subsequent to the acquisition of any long-lived assets, goodwill and intangible assets have occurred that indicate the remaining estimated useful lives of those assets may warrant revision or that the remaining balance of those assets may not be recoverable.

If events and circumstances indicate that the long-lived assets, including intangible assets subject to amortization, should be reviewed for possible impairment, we use projections to assess whether future cash flows or operating income (before amortization) on a non-discounted basis related to the tested assets are likely to exceed the recorded carrying amount of those assets to determine if a write-down is appropriate. If impairment is identified, a loss is recorded to the extent that the carrying value of the impaired assets exceeds their fair values as determined by applying the provisions of SFAS No. 144 “Accounting for the Impairment and Disposal of Long-Lived Assets,” or SFAS No. 144, in 2002. See “— New Accounting Pronouncements” in this section for further discussion.

These charges can vary significantly from period to period and as a result, we may experience fluctuations in our reported net income and earnings per share due to the timing of restructuring actions. See Note 6 to our Consolidated Financial Statements for further discussion on our special and other charges.

Litigation and Environmental Matters

Numerous claims, complaints and proceedings arising in the ordinary course of business, including but not limited to those relating to environmental matters, competitive issues, contract issues, intellectual property matters, personal injury and product liability claims, and workers' compensation have been filed or are pending against us and certain of our subsidiaries. Additionally, we may become subject to significant claims of which we are unaware currently or the claims that we are aware of may result in our incurring a significantly greater liability than we anticipate. This may also be true in connection with past or future acquisitions. While we maintain property, cargo, auto, product, general liability, and directors' and officers' liability insurance and have acquired rights under similar policies in connection with our acquisitions which we believe cover a portion of these claims, this insurance may be insufficient or unavailable to protect us against potential loss exposures. In addition, we have been increasing our self-insurance limits over the past several years. While we believe we are entitled to indemnification from third parties for some of these claims, these rights may be insufficient or unavailable to protect us against potential loss exposures.

In our opinion, these matters are either without merit or are of a kind that should not have a material adverse effect individually or in the aggregate on our financial position, results of operations, or cash flows. However, we cannot assure you that recoveries from insurance or indemnification claims will be available or that any of these claims or other matters will not have a material adverse effect on our financial position, results of operations or cash flows.

It is our policy to comply fully with applicable environmental requirements. We are currently involved in various investigatory and remedial actions at our facilities and at third-party waste disposal sites. An estimate of loss, including expenses, from legal actions or claims is accrued when events exist that make the loss or expenses probable and we can reasonably estimate them. Our environmental accruals cover anticipated costs, including investigation, remediation, and operation and maintenance of clean-up sites. Our estimates are primarily based on investigations and remediation plans established by independent consultants, potentially responsible third parties, and regulatory agencies at third party offsite disposal locations. Accordingly, our estimates may change based on future developments including new or changes in environmental laws or policies, a difference in costs required to complete anticipated actions from estimates provided, future findings of investigation or remediation actions, or alteration to the expected remediation plans. It is our policy to realize a change in estimates once it becomes probable and can be reasonably estimated. In determining our accruals, we do not discount environmental or other legal accruals and do not reduce them by anticipated insurance recoveries. We do take into account third-party indemnification from financially viable parties in determining our accruals where there is no dispute regarding the right to indemnification. While we believe that our accruals related to environmental, litigation, and claims are sufficient and that these items and our rights to available insurance and indemnity will be resolved without material adverse effect on our financial position, results of operations and liquidity, individually or in the aggregate, we cannot assure you that our accruals and right to indemnity and insurance will be sufficient or that these items will be resolved without a material adverse effect on our financial position, results of operations and liquidity, individually or in the aggregate.

Use of Estimates

The preparation of our Consolidated Financial Statements in conformity with GAAP requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of our Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reporting period. We evaluate these estimates and judgments on an ongoing basis and base our estimates on experience, current and expected future conditions, third party evaluations and various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results may differ from the estimates and assumptions used in our Consolidated Financial Statements and related Notes.

Listed below are the significant estimates and assumptions used in the preparation of our financial statements. Certain other estimates and assumptions are further explained in our Notes to Consolidated Financial Statements. The following should be read in conjunction with our Consolidated Financial Statements and the related Notes.

Allowance for Doubtful Accounts—We estimate loses for uncollectable accounts based on the aging of the accounts receivable and the evaluation of the likelihood of success in collecting the receivable.

Impairment of Long-Lived Assets and Intangibles Subject to Amortization—We continually review whether events and circumstances subsequent to the acquisition of any long-lived assets, or intangible assets subject to amortization, have occurred that indicate the remaining estimated useful lives of those assets may warrant revision or that the remaining balance of those assets may not be recoverable. If events and circumstances indicate that the long-lived assets should be reviewed for possible impairment, we use projections to assess whether future cash flows on a non-discounted basis related to the tested assets are likely to exceed the recorded carrying amount of those assets, to determine if a write-down is appropriate. Should impairment be identified, a loss would be reported to the extent that the carrying value of the impaired assets exceeds their fair values as determined by valuation techniques appropriate in the circumstances that could include the use of similar projections on a discounted basis.

In determining the estimated useful lives of definite lived intangibles, we consider the nature, competitive position, life cycle position, and historical and expected future operating cash flows of each acquired asset, as well as our commitment to support these assets through continued investment and legal infringement protection.

Goodwill and Indefinite Lived Intangible Assets—Goodwill and indefinite lived intangible assets are tested for impairment at least annually to determine whether the carrying value of goodwill and indefinite lived intangible assets exceed their implied fair value. The fair value of reporting units is based on discounted projected cash flow but we also consider factors such as market capitalization and comparable industry price multiples. We employ cash flow projections that are believed to be reasonable under current and forecasted circumstances, the results of which form the basis for making judgments about the carrying values of the reported net assets of our reporting units. Many of our businesses closely follow changes in the industries and end-markets that they serve. Accordingly, estimates and judgments that effect the future cash flow projections including principal methods of competition including volume, price, service, product performance and technical innovations are considered. Actual results may differ from these estimates under different assumptions or conditions. See Note 10 to our Consolidated Financial Statements for more information.

Accrued Liabilities—We make estimates and judgments in establishing accruals as required under GAAP, including the following:

- Legal—It is our policy to accrue for estimated losses from legal actions or claims, including legal expenses, when events exist that make the realization of the loss or expenses probable and they can be reasonably estimated. In 2002, we settled approximately $26.7 of legal claims and related fees previously accrued for in connection with product disputes, patent litigation, supplier disputes and other commercial claims.

- Environmental Remediation Costs—Costs incurred to investigate and remediate environmental issues are expensed unless they extend the economic useful life of related assets. Liabilities are recorded and expenses are reported when it is probable that an obligation has been incurred and the amounts can be reasonably estimated. Our environmental accruals cover anticipated costs, including investigation, remediation, and operation and maintenance of clean-up sites. Our estimates are primarily based on investigations and remediation plans established by independent consultants, regulatory agencies and potentially responsible third-parties. Environmental obligations are not discounted and are not reduced by anticipated insurance recoveries. In 2002, we paid approximately $4.5 associated with environmental remediation and received approval from the State of Connecticut for a favorable remedial action plan to address a soil contamination site, which reduced our remediation obligation by $11.3.

- Self-Insurance—We are primarily self-insured for workers' compensation, automobile, product, and general liability costs and we believe that we maintain adequate reserves to cover our retained liability. Our accrual for self-insurance liability is determined actuarially, based on claims filed and an estimate of claims incurred but not yet reported. We maintain third party stop-loss insurance policies to cover all liability costs in excess of predetermined amounts.

- Warranty—In the normal course of business we issue product warranties for specific product lines and provide for the estimated future warranty cost in the period in which the sale is recorded. We provide for the estimate of warranty cost based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Because warranty estimates are forecasts that are based on the best available information, claims costs may differ from amounts provided. Adjustments to initial obligations for warranties are made as changes in the obligations become reasonably estimable.

Financial Instruments

We use interest rate swaps to manage our exposures to fluctuating interest rate risk on our variable rate debt portfolio. We use interest rate swaps as a cash flow hedge to reduce the risk of fluctuating interest rates by fixing a known cash flow that will be expended at future dates for the payment of interest. We do not enter into financial instruments for speculative or trading purposes.

On January 1, 2001, we adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138. These rules require that derivative instruments be reported in the consolidated financial statements at fair value. Changes in the fair value of derivatives are to be recorded each period in earnings or other comprehensive income, depending on whether the derivative is designated and effective as part of a hedged transaction and on the type of hedge transaction. Gains or losses on derivative instruments reported in other comprehensive income must be reclassified as earnings in the period in which earnings are affected by the underlying hedged item, and the ineffective portion of all hedges must be recognized in earnings in the current period. These standards can result in additional volatility in reported earnings, other comprehensive income and accumulated other comprehensive income. See Note 14 to our Consolidated Financial Statements for further discussion of the impact of these standards.

Initially, upon adoption of the derivative accounting requirements, and prospectively, on the date a derivative contract is entered into, SFAS No. 133 requires that a qualifying derivative be designated as either (1) a hedge of a recognized asset or liability or an unrecognized firm commitment (a fair value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (a cash flow hedge), or (3) a hedge of a net investment in a foreign operation (a net investment hedge).

We formally document our hedge relationships, including identification of the hedging instruments and the hedged items, as well as our risk management objectives and strategies for undertaking the hedge transaction. Derivatives are recorded in the balance sheets at fair value in other assets or other liabilities. We also formally assess, both at inception and quarterly thereafter, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged item.

The effective portion of the changes in the fair value of our interest rate swaps, which are designated as cash flow hedges, is recorded in accumulated other comprehensive loss, net of tax. Ineffectiveness is recorded as a component of interest expense. Changes in fair value are assessed quarterly based on dealer quotes.

Stock Based Compensation

We have a stock based compensation plan, including stock option and restricted stock awards. We account for our stock-based employee compensation under Accounting Principles Board ("APB") Opinion No. 25,

“Accounting for Stock Issued to Employees,” and, accordingly, no stock option expense is recognized. We have adopted the disclosure only provisions of Statement of Financial Accounting Standards (“SFAS”) No. 148, “Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123.” Refer to Note 16 of our Consolidated Financial Statements for the disclosure information required under SFAS No. 148.

Business Segment Information

We are a global multi-industry company that is focused on profitably growing our businesses that have scale and growth potential. Our strategy is to create market advantages through technology, service and product leadership, by expanding our market focus to offer full customer solutions and by building critical mass through strategic acquisitions. We aggregate certain operating segments in accordance with the criteria defined in SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information.” The primary aggregation factors considered in determining the segments were the nature of products sold, production processes and types of customers for these products. In determining our segments, we apply the threshold criteria of SFAS No. 131 to operating income or loss of each segment before considering special and other charges, including those recorded in cost of products sold. This is consistent with the way our chief operating decision maker evaluates the results of each segment. Our results of operations are reported in four segments: Technical Products and Systems, Industrial Products and Services, Flow Technology and Service Solutions.

Technical Products and Systems

The Technical Products and Systems segment focuses on solving customer problems with complete technology-based systems and services. Our emphasis is on growth through investment in new technology, new product introductions, alliances, and acquisitions. This segment includes operating units that design, manufacture and market laboratory and life science products and services, security and integrated building life-safety systems and services, broadcast and communications systems, network and switching products and services and electrical test and measurement solutions.

Industrial Products and Services

The strategy of the Industrial Products and Services segment is to provide “Productivity Solutions for Industry.” This segment emphasizes introducing new related services and products, as well as focusing on the replacement parts and service elements of the segment. This segment includes operating units that design, manufacture and market power systems, compaction equipment, engineered components and subsystems, material handling equipment and systems and heat and ventilation products.

Flow Technology

The Flow Technology segment designs, manufactures and markets solutions and products that are used to process or transport fluids and heat transfer applications. This segment includes operating units that design and manufacture cooling technology products and services, process and fluid handling equipment and boilers and hyrdronic products.

Service Solutions

The Service Solutions segment consists of three primary units: diagnostic systems and service equipment, specialty tools and technical information and services. The strategy of this segment is to focus on the design, manufacture and marketing of a wide range of specialty service tools, hand-held diagnostic systems and service equipment, inspection gauging systems, and technical and training information, primarily for the franchised vehicle dealer industry in North America and Europe. Major customers are franchised dealers of motor vehicle manufacturers, aftermarket vehicle service facilities, and independent distributors.

Seasonality, Competition and Trends

Many of our businesses closely follow changes in the industries and end-markets that they serve. In addition, certain businesses have seasonal fluctuations. Our Technical Products and Systems and Flow Technology segments tend to be stronger during the third and fourth quarters due to the purchasing patterns of customers at these businesses. The Industrial Products and Services segment is usually strongest in the second quarter primarily due to the seasonal demand for products of the compaction equipment division reported in this segment. The Service Solutions segment revenues primarily follow program launch timing for diagnostic systems and service equipment, the largest unit in this segment. In aggregate, our businesses generally tend to be stronger in the second half of the year, particularly in the fourth quarter. As described in the following section, we expect 2003 operating profits derived from the power generation markets to be $40.0 to $45.0 lower than 2002 which will predominately impact the first half of 2003. Accordingly, we expect reported net income in the second half of 2003 to be stronger than the first half on a relative basis compared with prior years.

Although our businesses operate in highly competitive markets, our competitive position cannot be determined accurately in the aggregate or by segment since our competitors do not offer all of the same product lines or serve all of the same markets. In addition, specific reliable comparative figures are not available for many of our competitors. In most product groups, competition comes from numerous concerns, both large and small. The principal methods of competition are price, service, product performance and technical innovations. These methods vary with the type of product sold. We believe we can compete effectively on the basis of each of these factors as they apply to the various products we offer. See Item 1. Business for discussion of competitors by business.

In 2002, we reported revenues of $5,045.8 compared to $4,114.3 in 2001. Organic revenues, which are revenues excluding acquisitions or dispositions, declined approximately 3.0% in 2002 compared to 2001. The decline in organic revenues was a result of many factors including, but not limited to, global economic conditions, particularly conditions in U.S. industrial markets, and the negative impact of volume and pricing dynamics at our power systems and networking solutions businesses.

We define forecasted trends as follows: ‘Soften’ — Future organic revenues are expected to have an unfavorable trend in 2003 compared to the prior year; ‘Continue’ — Future trends are expected to be similar in 2003 compared to the prior year; ‘Strengthen’ — Future organic revenues are expected to have a favorable trend in 2003 compared to the prior year.

Primary platforms that experienced organic revenue growth for the year are summarized below. Also summarized is the annual forecasted trend based on information available on the date of this report.

Segment	Platform	Annual Forecasted Trend	Comments
Technical Products and Systems	Security and integrated building life-safety systems	Continue	Despite continued softness in U.S. non-residential building construction, the unit is expected to continue realizing single digit organic revenue growth from continued demand for security, compliance and litigation services, as well as high-end fire detection products.
	Broadcast and communication systems and services	Continue	Supported by the High-Definition TV, or HDTV, rollout in the U.S. and the ability to provide turn-key systems to customers, this unit is expected to realize single digit organic revenue growth.
Industrial Products and Services	Compaction equipment	Continue	This unit experienced gains in market share in 2002 resulting in organic revenue growth for the year. The road construction markets are expected to remain soft and without continued market share gains, organic revenues in this business will be flat. Growth is expected in the Asian market with the opening of a new manufacturing facility near Shanghai, China in 2002. This unit is highly cyclical by quarter, with the second quarter traditionally the highest revenue period in the year.
	Engineered components and subsystems	Continue	This unit experienced low single digit organic revenue growth in 2002. The unit is expected to perform at similar levels due to continued demand for aerospace defense components and high integrity die-cast parts. The demand for car and light truck vehicles in the U.S. strongly influences the demand for filtration and die-cast products included in this unit and accordingly, the actual organic revenues for this unit.
Flow Technology	Cooling technologies and services	Soften	Low single digit organic revenue growth was experienced in 2002. Revenue performance is expected to soften in 2003 due to the impact of revenue declines in the U.S. power market offsetting the global demand for cooling technology products and services.

Primary platforms that experienced organic revenue declines for the year are summarized below. Also summarized is the annual forecasted trend based on information available on the date of this report.

Segment	Platform	Annual Forecasted Trend	Comments
Technical Products and Systems	Laboratory and life science products	Strengthen	Organic revenues were down slightly in 2002, with future organic revenue growth expected for this unit. Capital spending in the laboratory and life science markets is expected to be supplemented with new repository business as well as continued demand for bio-preparation, processing and storage equipment.
	Networking and switching products	Continue	Demand and pricing behavior of storage networking customers is expected to continue.
	Electrical test and measurement solutions	Continue	Demand for telecommunication line management systems is expected to remain below prior year levels. In addition, demand for automated fare collection systems is highly correlated to contract timing on large municipal contracts, which causes fluctuations from quarter to quarter.
Industrial Products and Services	Power systems	Soften	Power generation end markets continue to experience reduced demand and pricing pressures. Accordingly, our power systems unit experienced a sharp decline in revenues in the second half of 2002. This trend is expected to continue with revenues expected to decline in this business by over 30% in 2003 compared to 2002. In 2003, operating profits derived from the power generation markets are expected to decline $40.0 to $45.0, which includes the negative effect that the power market is expected to have at our cooling technologies platform.
Flow Technology	Fluid systems	Continue	Cyclical demand for short-cycle products in power, chemical and mineral processing and industrial markets is expected to remain soft.
Service Solutions	Specialty tools and technical information and services	Strengthen	The primary demand for products in this segment is driven from new vehicle launches, new vehicle technology, such as integrated electronics, and regulatory changes. While the outlook for domestic OEM dealer and aftermarket tools is consistent with the prior year, slightly higher organic revenues are expected due to regulatory changes and new vehicle launches in Europe.

Joint Ventures

We have two primary joint ventures EGS Electrical Group, LLC and Assa Abloy Door Group, LLC.

EGS Electrical Group, LLC

The EGS Electrical Group is a joint venture with Emerson Electric Co. in which we hold a 44.5% interest. EGS operates primarily in the United States, Canada and Mexico and is engaged in the manufacture of electrical fittings, hazardous location lighting, and power conditioning products. We account for our investment under the equity method of accounting, on a three-month lag basis. We typically receive the majority of our share of this joint venture's earnings in cash dividends.

Assa Abloy Door Group, LLC

The Assa Abloy Door Group is a joint venture with Assa Abloy in which we hold a 20% interest. The joint venture is engaged in the manufacture, sale and distribution of door products. At the formation of the joint venture on May 31, 2001 we received $96.0 in cash. We account for our investment under the equity method of accounting and we typically receive the majority of our share of this joint venture's earnings in cash dividends. The joint venture agreement includes a put and call arrangement that allows for the sale of our 20% interest in the joint venture to Assa Abloy in June 2003 for a minimum price of $74.0 in cash. If we put or Assa Abloy calls our 20% ownership interest, no loss will be recorded and as specified in the put and call agreement, the final settlement price for our 20% interest will be calculated based upon a pre-determined formula, which may result in a sales price greater than $74.0. Any sales price in excess of $74.0 would result in a corresponding gain. We intend to exercise our put right.

Results of Operations

On May 24, 2001, we completed the acquisition of United Dominion Industries Limited ("UDI"). UDI manufactured proprietary engineered and flow technology products primarily for industrial and commercial markets worldwide. UDI, which had sales of $2,366.2 for the twelve months ended December 31, 2000, is included in our financial statements beginning May 25, 2001. Accordingly, the acquisition of UDI significantly impacts the results of operations in 2002, which include the results of UDI for the entire period, including cost reductions associated with the integration of the UDI businesses, whereas 2001 includes the results of UDI from May 25, 2001. In the second quarter 2002, we completed our review and determination of the fair values of the assets acquired and liabilities assumed with the UDI acquisition and finalized our accounting for this acquisition.

In addition to the acquisition of UDI, during 2001 we completed fifteen acquisitions for an aggregate purchase price of $494.2, net of cash acquired. In the aggregate, the acquired companies had revenues of $302.6, $70.1 and $56.8 in the twelve months prior to the respective dates of acquisition in the Technical Products and Systems, Industrial Products and Services and Flow Technology segments, respectively. During 2002, we completed thirteen acquisitions for an aggregate purchase price of $263.7, net of cash acquired. In the aggregate, based on information provided by the sellers, the companies had revenues of $161.2, $9.6, $315.5 and $4.8 in the twelve months prior to the respective dates of acquisition in the Technical Products and Systems, Industrial Products and Services, Flow Technology and Service Solutions segments, respectively. These acquisitions are not material individually or in the aggregate. For further discussion on acquisitions and divestitures, see Note 4 to our Consolidated Financial Statements.

The requirements of Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations", and the amortization provisions of SFAS No. 142, "Goodwill and Other Intangible Assets", were effective for any business combination initiated after July 1, 2001. We have not amortized goodwill and

indefinite-lived intangibles for acquisitions completed after this date. With respect to goodwill and intangible assets acquired prior to July 1, 2001, we adopted the remaining provisions of SFAS No. 142 effective January 1, 2002. Upon adoption of this standard, we ceased amortization of all remaining goodwill and intangible assets deemed to have indefinite useful lives. In connection with the transition provisions of SFAS No. 142, we have recorded a change in accounting principle, which resulted in a non-cash charge to earnings of $148.6 in the first quarter of 2002.

Pro Forma Performance Results

Consolidated Pro Forma Results

Regulation S-X of the Securities and Exchange Commission stipulates that the MD&A shall cover the three year period covered by the financial statements and shall use year-to-year comparisons or other formats that in the registrant's judgment enhance a reader's understanding. Further, it is stipulated that where the consolidated financial statements reveal material changes from year-to-year in one or more line items, the causes for the changes shall be described to the extent necessary to an understanding of the registrant's business as a whole; provided, however, that if the causes for a change in one line items also related to other line items, no repetition is required and a line-by-line analysis of the financial statements as a whole is not required or generally appropriate. With revenues for the twelve months ended December 31, 2000 of $2,678.9 and $2,366.2 for SPX and UDI, respectively, UDI increased our revenues by approximately 88%. Accordingly, we believe that the following pro forma results of operations will facilitate a more meaningful analysis of our results of operations.

Unaudited pro forma results of operations for the years ended December 31, 2002, 2001 and 2000 are presented below as if the acquisition of UDI, which was acquired on May 24, 2001, took place on January 1, 2000. On January 1, 2002, we adopted Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill and indefinite lived intangible assets no longer be amortized, accordingly we discontinued amortization of these assets on the date of adoption. The following 2001 and 2000 pro forma results assume that the cessation of goodwill and indefinite lived intangible assets had occurred on January 1, 2000. We believe that the following pro forma results of operations will facilitate more meaningful analysis of our results of operations.

The pro forma results include estimates and assumptions that management believes are reasonable. However, pro forma results do not include any anticipated cost savings or expenses of the integration of UDI and SPX, and are not necessarily indicative of the results that would have occurred if the business combination had been in effect on the dates indicated, or that may result in the future. Consolidated interest expense has been computed assuming the refinancing of UDI debt occurred entirely under the Credit Agreement, in place as of the merger, and not through the issuance of publicly traded or privately placed notes. Interest income was not changed from historical amounts and debt issuance costs are amortized over five years. The pro forma results assume the fair values and lives of definite lived intangible assets as determined by independent appraisals. The pro forma consolidated effective income tax rate for the combined companies includes the impact of special and other charges, including those recorded in cost of products sold, and unusual items as well as increases in foreign income tax rates due to the acquisition.

	2002	2001	2000
Revenues	$ 5,045.8	$ 5,008.7	$ 5,045.1
Gross margin (1)	1,649.6	1,593.6	1,615.6
% of revenues	32.7%	31.8%	32.0%
Selling, general and administrative expense (2)	955.8	981.1	983.5
% of revenues	18.9%	19.6%	19.5%
Intangible amortization	8.2	5.8	6.3
Special and other charges	99.0	87.9	134.7
Operating income	586.6	518.8	491.1
Gain on issuance of Inrange stock	—	—	98.0
Other income (expense), net	(0.3)	(7.3)	12.3
Equity earnings in joint ventures	36.6	35.0	34.3
Interest expense, net	(169.7)	(156.3)	(171.1)
Income before income taxes	453.2	390.2	464.6
Provision for income taxes	(177.2)	(156.3)	(196.9)
Income before change in accounting principle	$ 276.0	$ 233.9	$ 267.7
Capital expenditures	$ 94.1	$ 177.2	$ 177.1
Depreciation and amortization	139.1	136.1	135.6

(1) Includes $12.6, $13.5 and $15.4 of charges to cost of products sold, in 2002, 2001 and 2000, respectively, associated with discontinued product lines and other product changes associated with restructuring initiatives.

(2) 2001 includes a $15.6 net gain associated with the Snap-on patent arbitration award and other legal matters.

Consolidated Pro Forma Results: 2002 Compared To 2001

Revenues — In 2002, revenues increased by 0.7% compared to 2001 primarily due to an increase in the Technical Products and Systems and Flow Technology segments, which increased 11.3% and 6.6%, respectively. Revenues in the Industrial Products and Services segment decreased by 10.1% compared to the prior year, while the Service Solutions segment declined by 0.8%. Revenues in the Technical Products and Systems segment increased primarily due to acquisitions completed in 2001 and 2002 and organic revenue growth in the security and building systems and communication solutions platforms. The increase in revenues in Flow Technology was primarily due to the acquisition of Balcke Cooling Products Group (“Balcke”) from Babcock Borsig AG in the third quarter of 2002 and the acquisition of Daniel Valve Company, in the second quarter of 2002. Revenue growth from these acquisitions and organic growth in the cooling technologies and services platform offset organic revenue decline in process and fluid handling equipment. Revenues in the Industrial Products and Services segment were lower primarily due to the decline in demand and an increase in pricing pressures at our power systems unit in the second half of 2002, the sale of the door products business on May 31, 2001 into a joint venture with Assa Abloy and the sale of certain non-core assets in 2001 and 2002.

Gross margin — In 2002, gross profit margins increased from the prior year. We recorded charges to cost of products sold of $12.6 and $13.5 in 2002 and 2001, respectively, for discontinued products associated with restructuring and other product changes. Excluding these charges recorded in cost of products sold, each segment experienced improved gross margins other than the Service Solutions segment, which recorded gross margins of 12.0% in 2002 compared to 12.4% in 2001. The improvement in consolidated gross margins was primarily a result of progressive cost reduction actions across the company, including manufacturing process and supply chain rationalization, plant closings, discontinuance of non-performing product lines and progressive material savings through the use of a reverse auction procurement model.

Selling, general and administrative expense (SG&A) — In 2002, SG&A expense was $955.8, or 18.9% of revenues, compared to $981.1, or 19.6% of revenues in 2001. The reduction in SG&A expense was primarily due

to the elimination of redundant administrative overhead and support activities and the restructuring and repositioning of sales and marketing organizations to eliminate redundancies in these activities. On December 27, 2001, we received a favorable arbitration award associated with the patent infringement claim against Snap-on. In addition, we realized expenses associated with certain commercial legal matters, including the VSI contract litigation. It is our policy to recognize gains when realized and accrue for estimated losses from legal actions or claims, including legal expenses, when events exist that make the realization of the loss or expenses probable and they can be reasonably estimated. Accordingly, in total we recognized a $15.6 net gain that was recorded as a reduction in selling, general and administrative expense in the fourth quarter of 2001.

Intangible amortization — In 2002, intangible amortization was $8.2 compared to $5.8 in 2001. The increase was due to bolt-on acquisitions completed in 2001 and 2002.

Special and other charges — We recorded special charges of $99.0 in 2002 and $87.9 in 2001. These special charges were primarily associated with restructuring initiatives to consolidate manufacturing and sales facilities, rationalize certain product lines and asset impairments. In addition, we recorded charges to cost of products sold of $12.6 and $13.5 in 2002 and 2001, respectively, for discontinued product lines and other product changes associated with restructuring initiatives.

	2002(1)	2001(2)
Employee termination costs	$ 50.3	$ 23.8
Facility consolidation costs	15.1	13.9
Other cash costs	9.3	15.2
Non cash asset write-downs	36.9	46.9
In-process technology	—	1.6
Total	$ 111.6	$ 101.4

(1) $12.6 of non cash inventory write-downs is recorded as a component of cost of products sold.

(2) $13.5 of non cash inventory write-downs is recorded as a component of cost of products sold.

Other expense, net — In 2002, other expense of $0.3 is primarily related to a loss of $10.3 on the sale of substantially all of the assets and liabilities of a non-strategic machinery equipment product line and a material handling product line, which was mainly offset by a gain on the settlement of a contract dispute. In 2001, other expense of $7.3 primarily is comprised of an $11.8 loss on the sale of our electric motor product line recognized in the second quarter.

Interest expense, net — In 2002, interest expense was $169.7 compared to $156.3 in 2001. Interest expense in 2002 includes a $8.2 early extinguishment of debt charge as well as $14.8 for interest rate swaps terminated in connection with our Restated Credit Agreement.

Income taxes — The effective income tax rates in 2002 and 2001 were 39.1% and 40.1%, respectively. The expected effective income tax rate for 2003 is approximately 37.0%. The tax rate may vary from year to year due to the mix of domestic and foreign income, impact of special charges and eligibility of certain tax credits.

Consolidated Pro Forma Results: 2001 Compared To 2000

Revenues — In 2001, revenues decreased by 0.7% compared to 2000 primarily due to a decline in the Service Solutions and Industrial Products and Services segments which declined 12.1% and 7.6%, respectively. Revenues in the Technical Products and Systems segment increased by 25.5% compared to the prior year while the Flow Technology segment declined by 2.7%. Revenues in the Service Solutions segment declined primarily due to a decline in automobile industry production, timing of new product launches of specialty tool programs, and the decision to exit the emissions business. Revenues in the Industrial Products and Services segment were lower primarily due to the sale of the door products business on May 31, 2001 into a joint venture with Assa

Abloy and the sale of GS Electric on May 18, 2001. Technical Products and Systems revenues were stronger primarily due to bolt-on acquisitions including Kendro, completed in 2001, and increased demand for broadcast and communications systems and security and building systems in 2001.

Gross margin — In 2001, gross profit margins were down slightly from the prior year. We recorded charges to cost of products sold of $13.5 and $15.4 in 2001 and 2000, respectively, for discontinued products associated with restructuring and other product changes. Excluding $4.9 of special charges recorded in cost of products sold in 2001, the Technical Products and Systems segment gross profit margins were lower than the prior year by 1.7%, primarily due to pricing pressures, unfavorable product mix and lower volumes than expected at our networking solutions unit. Excluding $1.8 and $2.5 of special charges recorded in cost of products sold in 2001 and 2000, respectively, gross margins in the Industrial Products and Services segment were 2.4% lower than the previous year, primarily due to lower volumes and integration and facility launch costs at both our precision die-cast operation in Wales, England and our hydraulic power units and controlled force tools business. Excluding $6.8 and $11.7 of special charges recorded in cost of products sold in 2001 and 2000, respectively, the Service Solutions segment 2001 gross profit margins were flat on a comparable basis. Excluding $1.2 of special charges recorded in cost of products sold in 2000, the Flow Technology segment experienced gross profit margins of 0.9% above the prior year primarily due to cost saving initiatives achieved in the period with the integration of UDI and improved performance at our valve businesses.

Selling, general and administrative expense (SG&A) — In 2001, SG&A expense was $981.1, or 19.6% of revenues, compared to $983.5, or 19.5% of revenues in 2000. On December 27, 2001, we received a favorable arbitration award associated with the patent infringement claim against Snap-on. In addition, we realized expense associated with certain commercial legal matters, including the VSI contract litigation. It is our policy to recognize gains when realized and accrue for estimated losses from legal action or claim, including legal expenses, when events exist that make the realization of the loss or expense probable and they can be reasonably estimated. Accordingly, in total we recognized a $15.6 net gain that was recorded as a reduction in selling, general and administrative expenses in the fourth quarter of 2001. Excluding this gain, SG&A expense was $996.7, an increase of 1.3% compared to 2000.

Intangible amortization — In 2001, intangible amortization was $5.8 compared to $6.3 in 2000.

Special and other charges — We recorded special charges of $87.9 in 2001 and $134.7 in 2000. These special and other charges were primarily associated with restructuring initiatives to consolidate manufacturing and sales facilities, rationalize certain product lines and asset impairments. In addition, we recorded charges to cost of products sold of $13.5 and $15.4 in 2001 and 2000, respectively, for discontinued product lines and other product changes associated with restructuring initiatives.

	2001(1)	2000(2)
Employee termination costs	$ 23.8	$ 36.0
Facility consolidation costs	13.9	26.4
Other cash costs	15.2	11.4
Non cash asset write-downs	46.9	66.3
In-process technology	1.6	10.0
Total	$ 101.4	$ 150.1

(1) $13.5 of non cash inventory write-downs is recorded as a component of cost of products sold.

(2) $15.4 of non cash inventory write-downs is recorded as a component of cost of products sold.

Gain on issuance of Inrange stock — In September 2000, Inrange Technologies, one of our subsidiaries in the Technical Products and Systems segment, issued 8.855 shares of its class B common stock for cash in an

initial public offering. We own 75.633 shares of Inrange class A common stock. Holders of class B common stock generally have identical rights as class A common stock except for voting and conversion rights. The holders of class A common stock are entitled to five votes per share and the holders of class B common stock are entitled to one vote per share. Holders of class B common stock have no conversion rights. As of December 31, 2002, we owned approximately 92.1% of the total number of outstanding shares of Inrange common stock and approximately 98.3% of the combined voting power of all classes of Inrange voting stock. Proceeds from the offering, based on the offering price of $16.00 per share, net of expenses, were $128.0. We accounted for the proceeds of the offering in accordance with Staff Accounting Bulletin No. 51, "Accounting by the Parent in Consolidation for Sale of Stock in Subsidiary." In accordance with the selected accounting policy, we recorded a gain of $98.0 in the third quarter of 2000.

Other income (expense), net — In 2001, other expense of $7.3 primarily is comprised of the loss on the sale of our electric motor product line recognized in the second quarter. In 2000, other income of $12.3 is primarily comprised of the settlement of a patent infringement suit against American Power Conversion Corporation. We received gross proceeds of $48.0 and recognized a gain of $23.2, net of legal costs and other related expenses. The infringement award related to a previously divested business, accordingly, it was recorded as other income in the second quarter of 2000.

Interest expense, net — In 2001, interest expense was $14.8 lower than the comparable period in 2000 primarily due to lower average interest rates.

Income taxes — The effective income tax rates in 2001 and 2000 were 40.1% and 42.4%, respectively.

Segment Pro Forma Results

	2002	2001	2000
Revenues:			
Technical Products and Systems	$ 1,337.4	$ 1,201.5	$ 957.3
Industrial Products and Services	1,603.2	1,782.4	1,928.0
Flow Technology	1,385.7	1,299.4	1,335.0
Service Solutions	719.5	725.4	824.8
Total	$ 5,045.8	$ 5,008.7	$ 5,045.1
Segment income:			
Technical Products and Systems	$ 216.9	$ 192.1	$ 178.2
Industrial Products and Services	233.0	237.5	284.6
Flow Technology	219.3	158.9	142.2
Service Solutions	86.5	89.9	96.7
Total Segment Income	755.7	678.4	701.7
General Corporate	(57.5)	(58.2)	(60.5)
Special and Other Charges	(111.6)	(101.4)	(150.1)
Total Consolidated Operating Income	$ 586.6	$ 518.8	$ 491.1

Segment Pro Forma Results 2002 Compared To 2001

Technical Products and Systems

Revenues — In 2002, revenues increased by 11.3% compared to 2001 primarily due to bolt-on acquisitions completed in 2001 and 2002, the most significant of which was Kendro, and increased demand for broadcast and communications systems and security and building systems. Demand and pricing behavior of storage networking customers and the decision to exit certain telecommunications products in 2001 caused a decline in revenues at our Inrange subsidiary in 2002 compared to 2001.

Segment Income — In 2002, segment income was $216.9 compared to $192.1 in 2001. The impact from higher revenues and cost reduction actions was partially offset by lower segment income at our networking solutions unit. This unit, Inrange, experienced lower income primarily due to pricing pressures resulting from reduced industry demand.

Industrial Products and Services

Revenues — In 2002, revenues decreased by 10.1% compared to the prior year primarily due to the contribution of the door products business on May 31, 2001 into a joint venture with Assa Abloy, the sale of our electric motor product line on May 18, 2001, and a reduction in demand and pricing at our power transformer business. Partially offsetting these declines were improved organic revenues at our compaction equipment and engineered components and subsystems units.

Segment Income — In 2002, operating income decreased by $4.5 compared to the same period last year due to lower sales volumes.

Flow Technology

Revenues — In 2002, revenues increased by 6.6% compared to 2001 primarily due to bolt-on acquisitions completed in 2002, which included the acquisitions of Balcke and Daniel Valve. Organic revenue growth at our cooling technologies and services platform was slightly offset by lower organic revenues at our process equipment and fluid handling unit.

Segment Income — In 2002, segment income increased by $60.4, or 38%, compared to 2001 primarily due to higher revenues in 2002 and cost reductions associated with the UDI businesses and improved performance at our process and fluid handling equipment and cooling technologies and services businesses.

Service Solutions

Revenues — In 2002, revenues decreased by 0.8%, or $5.9, compared to 2001.

Segment Income — In 2002, segment income decreased by $3.4 compared to 2001 primarily due to the lower revenues realized in this segment.

General Corporate Expenses

General corporate expenses were $57.5 in 2002 compared to $58.2 in 2001.

Segment Pro Forma Results 2001 Compared To 2000

Technical Products and Systems

Revenues — In 2001, revenues increased by 25.5% compared to 2000 primarily due to increased demand for broadcast and communications systems and services and security and building systems in 2001 as well as acquisitions completed in 2001.

Segment Income — In 2001, segment income was $192.1 compared to $178.2 in 2000. The impact from higher revenues was partially offset by lower segment income at our networking solutions unit. This unit, Inrange, experienced lower segment income primarily due to pricing pressures and an increase in selling, general and administrative costs to support acquisitions and expected new business programs.

Industrial Products and Services

Revenues — In 2001, revenues decreased by 7.6% compared to the same period last year primarily due to the contribution of the door products business on May 31, 2001 into a joint venture with Assa Abloy, the sale of our electric motor product line on May 18, 2001 and a soft U.S. market at our compaction equipment business. Lower revenues were partially offset by the continued strong sales of power systems and precision die-castings units.

Segment Income — In 2001, segment income decreased by $47.1 compared to the same period last year primarily due to lower volumes. Unfavorable product mix in certain businesses and the impact of integration and facility launch costs at both our precision die-cast facility in Wales, England and the hydraulic power units and controlled force tools business in Rockford, Illinois also impacted segment income in 2001.

Flow Technology

Revenues — In 2001, revenues decreased by 2.7% compared to 2000 primarily due to the sale of our Marley Pump business. The Marley Pump business was sold in two parts; one product line was sold in April 2001, and substantially all other remaining assets and liabilities were sold in August 2001. Excluding the impact of the sale of Marley Pump, revenues, in the aggregate, were approximately unchanged from 2000.

Segment Income — In 2001, segment income increased by $16.7 compared to 2000 primarily due to cost reductions associated with the UDI businesses and improved performance at our process and fluid handling equipment and cooling technologies and services businesses.

Service Solutions

Revenues — In 2001, revenues decreased by 12.1% compared to 2000 primarily due to a decline in industry production, the decision to exit the emissions business and the timing of new product launches of specialty tool programs in 2000.

Segment Income — In 2001, segment income decreased by $6.8 compared to 2000 due to the lower revenues realized in this segment.

General Corporate Expenses

General corporate expenses were $58.2 in 2001 compared to $60.5 in 2000. The reduction was primarily due to the reduction in UDI corporate expenses after the completion of the acquisition on May 24, 2001.

Reported Performance Results

Consolidated Reported Results

	2002	2001	2000
Revenues	$ 5,045.8	$ 4,114.3	$ 2,678.9
Gross margin (1)	1,649.6	1,352.7	902.2
% of revenues	32.7%	32.9%	33.7%
Selling, general and administrative expense (2)	955.8	775.1	495.2
% of revenues	18.9%	18.8%	18.5%
Goodwill and intangible amortization	8.2	69.4	40.0
Special charges	99.0	87.9	90.9
Operating income	586.6	420.3	276.1
Gain on issuance of Inrange stock	—	—	98.0
Other income (expense), net	(0.3)	(7.6)	22.2
Equity earnings in joint ventures	36.6	35.0	34.3
Interest expense, net	(169.7)	(133.7)	(110.0)
Income before income taxes	453.2	314.0	320.6
Provision for income taxes	(177.2)	(141.0)	(131.1)
Income before change in accounting principle	276.0	173.0	189.5
Change in accounting principle	(148.6)	—	—
Net income	$ 172.4	$ 173.0	$ 189.5
Capital expenditures	$ 94.1	$ 150.0	$ 123.3
Depreciation and amortization	139.1	174.9	110.9

(1) Includes $12.6, $13.5 and $12.3 of charges to cost of products sold in 2002, 2001 and 2000 respectively, associated with discontinued product lines and other product changes associated with restructuring initiatives.

(2) Includes a $15.6 net gain in 2001 associated with the Snap-on patent arbitration award and other legal matters.

Segment Reported Results

	2002	2001	2000
Revenues:			
Technical Products and Systems	$ 1,337.4	$ 1,137.9	$ 796.8
Industrial Products and Services	1,603.2	1,391.4	893.3
Flow Technology	1,385.7	912.5	286.8
Service Solutions	719.5	672.5	702.0
Total	$ 5,045.8	$ 4,114.3	$ 2,678.9
Segment income:			
Technical Products and Systems	$ 216.9	$ 178.6	$ 155.2
Industrial Products and Services	233.0	186.5	156.7
Flow Technology	219.3	136.0	35.2
Service Solutions	86.5	68.5	69.0
Total Segment Income	755.7	569.6	416.1
General Corporate	(57.5)	(47.9)	(36.8)
Special and Other Charges	(111.6)	(101.4)	(103.2)
Total Consolidated Operating Income	$ 586.6	$ 420.3	$ 276.1

Reported Performance Results: 2002 Compared To 2001

Revenues — Revenues of $5,045.8 in 2002 increased by $931.5, or 22.6%, from $4,114.3 in 2001. By segment, revenues increased by 17.5% in the Technical Products and Systems segment, 15.2% in the Industrial Products and Services segment, 51.9% in the Flow Technology segment and 7.0% in the Service Solutions segment. The increase in revenues was primarily due to the acquisition of UDI on May 24, 2001 and bolt-on acquisitions completed in 2001 and 2002. Revenues in 2001 included seven months of the UDI businesses. Excluding the impact of all acquisitions or divestitures, the primary units that experienced growth in the period included our security and building systems and broadcast and communications systems and solutions business in our Technical Products and Systems segment, our cooling technologies and services business in our Flow Technology segment and our compaction equipment business in our Industrial Products and Services segment. A decline in revenue, excluding the impact of any acquisitions or divestitures, resulted from a decline in sales at our power systems business which affected the Industrial Products and Services segment, reduced demand for process and fluid handling equipment in the Flow Technology segment, a decline in demand for networking and switching products in our Technical Products and Systems segment, and lower volumes in our Service Solutions segment.

Operating Income — Operating income in 2002 was $586.6 compared to $420.3 in 2001. The increase in operating income is primarily due to the acquisition of UDI on May 24, 2001, cost reduction actions across the company and the cessation of the amortization of goodwill and indefinite lived intangible assets with the adoption of SFAS No. 142.

Other expense, net — In 2002, we recorded a loss of $10.3 related to the sale of substantially all of the assets and liabilities of a non-strategic machinery equipment product line and a material handling product line, which was mainly offset by a gain on the settlement of a contract dispute. In 2001, other expense of $7.6 primarily is comprised of an $11.8 loss on the sale of our electric motor product line recognized in the second quarter.

Interest expense, net — In 2002, interest expense was $169.7 compared to $133.7 in 2001. The higher interest expense is due to the acquisition of UDI on May 24, 2001 and the refinancings in 2002, which resulted in a $8.2 early extinguishment of debt charge as well as $14.8 for interest rate swaps terminated in connection with our Restated Credit Agreement.

Income taxes — The effective income tax rate in 2002 was 39.1% compared to 44.9% in 2001. The effective income tax rate is higher in 2001 primarily due to the amortization of nondeductible goodwill. On January 1, 2002, we adopted Statement of Financial Accounting Standards (“SFAS”) No. 141, “Business Combinations,” and SFAS No. 142, “Goodwill and Other Intangible Assets.” SFAS No. 142 requires that goodwill and indefinite lived intangible assets are no longer amortized and accordingly, we discontinued amortization of these assets on the date of adoption.

Change in Accounting Principle — On July 20, 2001, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 141, “Business Combinations” and SFAS No. 142, “Goodwill and Other Intangible Assets.” These pronouncements change the accounting for business combinations, goodwill and intangible assets. The requirements of SFAS No. 141 are effective for any business combination accounted for by the purchase method that is completed after June 30, 2001 and the amortization provisions of SFAS No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, we adopted the provisions of SFAS No. 142, as required, on January 1, 2002. In connection with adopting the provisions of SFAS No. 142, our transition impairment testing resulted in a $148.6 impairment of recorded goodwill associated with our automotive filtration systems business and hydraulic systems business. Accordingly, this amount was written-off as a transition impairment charge and recorded as a change in accounting principle. The impaired goodwill was not deductible for income tax purposes. See Note 10 to our Consolidated Financial Statements for further discussion on the impact of adopting SFAS No. 141 and SFAS No. 142.

Reported Performance Results: 2001 Compared To 2000

Revenues — Revenues of $4,114.3 in 2001 increased by $1,435.4, or 53.6%, from $2,678.9 in 2000. By segment, revenues increased by 42.8% in the Technical Products and Systems segment, 55.8% in the Industrial Products and Services segment, and 218.2% in the Flow Technology segment. The increase in revenues in each segment is primarily due to the acquisition of UDI on May 24, 2001 and bolt-on acquisitions completed in 2001 and 2000. Revenues in 2001 included seven months of the UDI businesses. The Service Solutions segment revenues declined by 4.2% primarily due to the decision to exit the emissions business and the timing of new product launches of specialty tool programs in 2000. Excluding the impact of all acquisitions or divestitures, the primary units that experienced growth in the period included our security and building systems and broadcast and communications systems and services platforms in our Technical Products and Systems segment, strong demand for power systems and precision die-castings in our Industrial Products and Services segment. Other than the decline in revenue at our Service Solutions segment, a decline in revenue, excluding the impact of any acquisitions or divestitures, was experienced at our hydraulic and filtration units in our Industrial Products and Services segment.

Operating Income — Operating income in 2001 was $420.3 compared to $276.1 in 2000. The increase in operating income is primarily due to the acquisition of UDI on May 24, 2001, the increase in revenues at certain units in our Technical Products and Systems, Industrial Products and Services and Flow Technology segments in addition to cost reduction actions across the company.

Other income (expense), net — In 2001, other expense of $7.6 primarily is comprised of the loss on the sale of our electric motor product line recognized in the second quarter. In 2000, other income of $22.2 is primarily comprised of the settlement of a patent infringement suit against American Power Conversion Corporation. We received gross proceeds of $48.0 and recognized a gain of $23.2, net of legal costs and other related expenses. The infringement award related to a previously divested business, accordingly, it was recorded as other income in the second quarter of 2000.

Interest expense, net — In 2001, interest expense was $133.7 compared to $110.0 in 2000. The higher interest expense in 2001 is due to the acquisition of UDI on May 24, 2001. Interest expense in 2000 included $15.0 associated with a debt refinancing in the first quarter.

Income taxes — The effective income tax rate in 2001 was 44.9% compared to 40.9% in 2000. The effective income tax rate is higher in both years than the U.S. statutory income tax rate primarily due to the amortization of nondeductible goodwill and the effect of state income taxes. The 2001 effective income tax rate was also impacted by the acquisition of UDI on May 24, 2001, which led to higher non-deductible goodwill in the period.

Research and Development

Internal research and development costs are expensed to selling, general, and administrative expense, as incurred. Costs incurred in the research and development of new software included in products are charged to expense as incurred until technological feasibility is established. After technological feasibility is established, additional costs are capitalized in accordance with SFAS No. 86, “Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed” until the product is available for general release. Such costs are amortized over the lesser of three years or the economic life of the related products and the amortization is included in cost of products sold. We expensed as a component of selling, general, and administrative expense, approximately $118.6 of research and development costs in 2002, $109.1 in 2001 and $74.6 in 2000.

Pension Plans

We recorded net pension income of $25.5 in 2002, $37.0 in 2001, and $44.5 in 2000. The calculation of pension benefit income uses an expected rate of return on plan assets. The difference between the estimated return and the actual return is treated as an unrecognized gain or loss and this amount is amortized into the calculation of pension results in future periods. As of December 31, 2002, the aggregate unrecognized loss position of our pension plans was $443.1. The majority of this unrecognized loss stems from the unexpected recent decline in the performance of U.S. financial markets coupled with historic lows in interest rates. Future net pension income or expense is dependent upon many factors including level of employee participation in the plans, plan amendments, discount rates and the changes in market value of the plans’ assets, which, in turn depends on a variety of economic conditions. Accordingly, there can be no assurance that future periods will include similar amounts of net pension income. Based on an assumed expected long-term rate of return on assets of 8.50% in 2003 and the change in our unrecognized loss position during 2002, we expect net pension income to decrease by approximately $20.0 in 2003.

The funded status of our pension plans is dependent upon many factors, including returns on invested assets and the level of market interest rates. The recent dramatic declines in the performance of the U.S. financial markets coupled with historic lows in long-term interest rates have resulted in a $220.0 underfunded status for our pension plans compared to a $86.1 funded status at December 31, 2001. Our German pension plans account for $46.6 of the underfunded status at December 31, 2002, as plans in Germany are typically not funded in accordance with local regulations. We made no cash contributions to our primary domestic pension plans in 2002. The underfunded status of our primary domestic pension plans did not have any impact on required cash contributions in 2002 and we do not expect to make any material cash contributions in 2003.

In accordance with accounting rules, when the accumulated benefit obligation of a pension plan exceeds the plan assets, a minimum pension liability must be recognized. As a result of the decline in the funded status of our pension plans for reasons described above, we were required to record an adjustment to increase our minimum pension liability at December 31, 2002. This adjustment also required the elimination of the pension asset previously recorded as a result of the historical over-funded position of our pension plans. We recorded this non-cash, non-income statement adjustment, net of tax, as a component of accumulated other comprehensive loss in the Consolidated Statement of Shareholders’ Equity. The total pension adjustment amount recorded to the accumulated other comprehensive loss account at December 31, 2002 was $226.8.

Weighted-average pension assumptions at December 31, 2002 and December 31, 2001 include the following:

	December 31,	
	2002	2001
Weighted average actuarial assumptions used were:		
Discount rate	6.67%	7.17%
Rate of increase in compensation levels	4.42%	4.46%
Expected long-term rate of return on assets	9.44%	9.84%

The discount rate and rate of increase in compensation levels for 2002 were used to value our benefit obligation and funded status as of December 31, 2002. The expected long-term rate of return on assets was used to calculate the pension benefit income for 2002. A one-percentage point increase or decrease to the 2002 assumed expected long-term rate of return of our primary domestic pension plans would have a $12.0 relative effect on 2002 net pension income. The expected long-term rate of return assumption for the 2003 pension benefit income calculation is expected to be approximately 8.50%. It is our policy to review the pension assumptions annually. Pension benefit income is determined using assumptions as of the beginning of the year, while the funded status is determined using assumptions as of the end of the year. The assumptions are established at the respective balance sheet date based on consultation with independent actuaries using the

following principles: (1) The expected long-term rate of return on plan assets is established based upon historical actual asset returns and the expectations of asset returns over the expected period to fund participant benefits based on the current investment mix of our plans; (2) The discount rate is set based on the yield of high quality fixed income investments, commonly defined as fixed income investments with at least a Moody's AA credit rating; and (3) The rate of increase in compensation levels is established based on management's expectations of current and foreseeable future increases in compensation. In addition, a benchmark study completed by our independent actuaries has shown that our choice of assumptions is comparable to other organizations with a plan measurement date of December 31, 2002.

Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We periodically assess the realizability of deferred tax assets and the adequacy of deferred tax liabilities including the results of local, state, federal or foreign statutory tax audits or estimates and judgments used. Realization of deferred tax assets associated with the net operating loss and credit carryforwards is dependent upon generating sufficient taxable income prior to their expiration. We believe that there is a risk that certain of these net operating loss and credit carryforwards may expire unused and, accordingly, have established a valuation allowance against them. Although realization is not assured for the remaining deferred tax assets, we believe it is more likely than not that the deferred tax assets will be realized through future taxable earnings or alternative tax strategies. However, deferred tax assets could be reduced in the near term if our estimates of taxable income during the carryforward period are significantly reduced or alternative tax strategies are no longer viable. The valuation allowance increased by $38.5 in 2002, and $24.7 in 2001.

The amount of income tax that we pay annually is dependent on various factors, including the timing of certain deductions. These deductions can vary from year to year and consequently, the amount of income taxes paid in future years may be greater than amounts paid in 2002 and 2001.

Undistributed earnings of our foreign subsidiaries amounted to approximately $460.9 at December 31, 2002. A deferred tax estimate of $40.0 has been provided for the foreign earnings of certain subsidiaries. With the exception of these subsidiaries, the remaining foreign earnings are considered indefinitely reinvested. Accordingly, no provision for U.S. federal and state income taxes or foreign withholding taxes has been made. If these earnings were distributed, we would be subject to U.S. income taxes (subject to a reduction for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable; however, unrecognized foreign tax credit carryovers would be available to reduce some portion of the U.S. liability. Withholding taxes of approximately $21.0 would be payable upon remittance of all previously unremitted earnings at December 31, 2002.

Liquidity and Financial Condition

Listed below are the cash flows from (used in) operating, investing and financing activities and the net change in cash and cash equivalents for the twelve months ended 2002, 2001 and 2000.

	2002	2001	2000
Cash flows from operating activities	$ 439.1	$ 492.2	$ 171.2
Cash flows used in investing activities	(239.1)	(517.7)	(354.3)
Cash flows from (used in) financing activities	(104.1)	411.8	178.0
Net increase (decrease) in cash and equivalents	$ 95.9	$ 386.3	$ (5.1)

In 2002, cash flows from operating activities were $439.1 compared to cash flows from operating activities of $492.2 in 2001. The decrease in operating cash flow was primarily due to $99.5 cash spending on restructuring

activities compared to $55.0 in 2001, the discontinuance of a vendor financing program at our compaction equipment business which resulted in a cash outflow of $21.5, and a net increase in working capital outflows. The increase in restructuring spending as compared to 2001, was primarily due to the completion of UDI integration actions as well as the completion of previously initiated restructuring actions. At December 31, 2002, a total of $54.7 of restructuring liabilities remained on the consolidated balance sheet as disclosed in Note 6 of our Consolidated Financial Statements. With the exception of certain multi-year operating lease and other contractual obligations, we anticipate that the liabilities related to restructuring actions will be paid within one year from the period in which the action was initiated. In addition, we expect to take charges against earnings in 2003 in connection with implementing additional cost reduction actions at certain of our businesses. We have estimated these charges to be between $80.0 and $100.0, but they could be higher or lower than this range. Where we cannot fully quantify the amount of cash and non-cash portion of the charges in 2003, we expect that the operating cash outflow associated with these actions will also be in the range of $80.0 to $100.0.

The primary driver of the working capital outflows in 2002 was the timing of certain payments, which were partially offset with working capital improvements, measured as a percent of revenue, at our Service Solutions segment, our Flow Technology segment, and our compaction equipment business, as well as cash received from a legal award.

In 2002, cash flows used in investing activities were $239.1, a decrease of $278.6 compared to cash flows used in investing activities of $517.7 in 2001. The decrease was primarily due to the following:

- Proceeds from asset sales in 2002 were $100.9 compared to $182.9 in 2001. Cash proceeds from asset sales in 2002 were primarily composed of the divestures of a non-strategic machinery and material handling product line, as well as sales of non-core plant and equipment. Cash proceeds from asset sales in 2001 were generated from the disposition of seven product lines as well as $96.0 received from the sale of our door products business into a joint venture with Assa Abloy whereby we also received a 20% ownership in the joint venture.
- Cash used for business acquisitions was $289.7, or 54.9%, greater in 2001 as compared to 2002. In 2001, acquisition spending included cash used for the UDI acquisition as well as $320.0 for the acquisition of Kendro, our largest bolt-on acquisition in history in terms of purchase price. Excluding the cash spent in 2001 for Kendro and UDI, cash used for acquisitions increased $79.9, or 50.4%, as compared to 2001 as we completed thirteen bolt-on acquisitions in 2002.
- Cash used for capital expenditures was $94.1 in 2002 compared to $150.0 in 2001. The decrease in capital expenditures was primarily due to the fact that 2001 results included incremental spending on various plant expansion projects as well as new capital deployed at the recently acquired UDI businesses. In addition, 2002 was positively impacted by a disciplined cost containment program to reduce capital spending in businesses that are experiencing cyclical end market demand changes.
- A measure of cash flow performance used by analysts and investors that follow multi-industrial companies is free cash flow which is defined as cash flows from operating activities less capital expenditures. Cash flows from operating activities of $439.1, $492.2, $171.2 in 2002, 2001 and 2000, respectively, less respective capital expenditures of $94.1, $150.0 and $123.3 resulted in free cash flow in 2002, 2001 and 2000 of $345.0, $342.2 and $47.9, respectively.

In 2002, cash used in financing activities was $104.1 compared to cash from financing activities of $411.8 in 2001. The change resulted from the following:

- Net borrowings of $23.6 in 2002 compared to $366.9 in 2001. In 2002, we amended and restated our senior credit facility, which resulted in a $387.7 net reduction of our variable rate debt portfolio, and we paid down $58.0 of other indebtedness. These payments were offset by the issuance of $500.0 in senior notes in December 2002. Net borrowings in 2001 were higher than 2002 primarily due to the 2001 issuance of the February LYONs and the refinancing of debt acquired from UDI.

- In 2002, we repurchased 3.6 shares of our common stock for $172.9 in cash. We did not repurchase any common stock in 2001.
- In 2002, we received $24.2 from the exercise of stock warrants. This was offset by $28.1 of cash paid for other financing activities including the termination of four interest rate swaps.

In 2001, cash flows from operating activities were $492.2 compared to cash flows from operating activities of $171.2 in 2000. Excluding $98.0 cash received from the Inrange IPO and the $69.0 in taxes paid in 2000 on the sale of Best Power, operating cash flow increased $154.0. The increase in operating cash flow was primarily due to increased cash net income and improvements in working capital. Non-cash charges to net income for depreciation and amortization of goodwill and intangibles increased by $64.0 from the prior year due to the acquisition of UDI. Improvements in working capital were realized largely due to implementation of our Value Improvement Process at the former UDI units, which reinforces appropriate use of capital. The changes in working capital were primarily from improvements in inventory turns and accounts payable days outstanding. Included in operating activities, were cash outflows of $55.0 and $28.8 in 2001 and 2000, respectively, associated with restructuring activities. The $26.2 increase in restructuring spending as compared to 2000 was primarily related to $29.0 spent in 2001 on UDI integration actions.

In 2001, cash flows used in investing activities were $517.7, an increase of $163.4 compared to cash flow used in investing activities of $354.3 in 2000. The increase was primarily due to the following:

- Cash used for business acquisitions increased by $307.3, or 139%, compared to 2000. The increase was primarily driven by the acquisition of Kendro for $320.0, net of cash received, the largest bolt-on acquisition in our history, offset by decreased spending on other bolt-on acquisitions. In total, cash used for acquisitions excluding Kendro and UDI was $158.5 in 2001 compared to $220.8 in 2000.
- Cash used for capital expenditures was $150.0 in 2001 compared to $123.3 in 2000. The increase in capital expenditures was primarily due to incremental spending on various plant expansion projects as well as new capital deployed at the UDI businesses acquired in May 2001.
- Offsetting a portion of the cash uses in 2001 was $182.9 of proceeds from the sale of assets. Included in assets sales were seven divested product lines. These sales included our electric motor product line, a petroleum pump product line acquired with UDI, and five others obtained in the UDI acquisition. In addition, on May 31, 2001, we sold our door products business into a joint venture with Assa Abloy and received $96.0 in cash and a 20% ownership interest in the joint venture. There were no product line or business divestitures in 2000.

In 2001, cash flows from financing activities were $411.8, an increase of $233.8 compared to cash flows used in financing activities of $178.0 in 2000. The increase was the result of:

- Net borrowings of $413.5 in 2001 compared to $180.9 in 2000. The increase was primarily driven by the issuance of the February LYONs and the refinancing of debt acquired from UDI. The acquired debt of UDI was refinanced primarily by restating our credit facility on May 24, 2001 and cash proceeds from the May LYONs.

Debt

The following summarizes the debt outstanding and unused credit availability, as of December 31, 2002:

	Total Commitment	Amount Outstanding	Unused Credit Availability
Revolving loan	$ 500.0	$ 0.0	$ 416.8(1)
Tranche A term loan	225.0	225.0	—
Tranche B term loan	410.3	410.3	—
Tranche C term loan	683.7	683.7	—
LYONs, net of unamortized discount of $551.6	858.2	858.2	—
7.5% senior notes	500.0	500.0	—
Other borrowings	17.7	17.7	—
Total	$ 3,194.9	$ 2,694.9(2)	$ 416.8

(1) The unused credit availability is reduced by $83.2 of letters of credit outstanding as of December 31, 2002.

(2) Short-term debt and current maturities of long-term debt were $280.3 as of December 31, 2002.

Under our Restated Credit Agreement, aggregate maturities of the senior credit facility are $34.5 in 2004, $45.8 in 2005, $57.0 in 2006, $62.6 in 2007 and $172.6 in 2008. Although no amounts are borrowed under our revolving credit loans at December 31, 2002, any future borrowings under these loans would mature in 2008, when the facility expires, but could be repaid at any time before 2008. Other borrowings are primarily revolving lines of credit at foreign locations that are refinanced as they come due and therefore are classified as long-term.

Restated Credit Agreement

On July 25, 2002, we refinanced our existing Tranche B and Tranche C term loans and amended and restated our Credit Agreement. The primary purpose of the July refinancing and amendment of our Credit Agreement was to modify certain covenant provisions to provide for enhanced overall flexibility, as well as increased flexibility for international growth and to extend the maturity of our Tranche B and Tranche C term loans. The refinancing did not impact the terms or applicable rates on our Tranche A term loans or our revolver. We received proceeds of $450.0 from our new Tranche B term loans and $750.0 from our new Tranche C term loans and we used $96.4 of cash on hand to complete the transaction. This transaction resulted in a net $96.4 reduction in our debt obligations under these loans.

On December 27, 2002, we refinanced our existing Tranche A term loan and revolving loans and amended and restated our Credit Agreement (“Restated Credit Agreement”). The purpose of this refinancing was to extend the maturity of our Tranche A term loan and revolving loans, reduce the available borrowing capacity of the revolving loans by $100.0, and reduce the applicable rates on our Tranche A term loan. We received proceeds of $225.0 from our new Tranche A term loan. These cash proceeds as well as proceeds from our $500.0 senior note issuance were used to pay off our existing Tranche A term loan and reduce Tranche B and C term loans.

As of December 31, 2002, we had outstanding under our Restated Credit Agreement:

(a) $225.0 of aggregate principal amount of Tranche A term loans,

(b) $410.3 of aggregate principal amount of Tranche B term loans, and

(c) $683.7 of aggregate principal amount of Tranche C term loans.

In addition, the Restated Credit Agreement provides for a commitment to provide revolving credit loans of up to $500.0. As of December 31, 2002, the revolving credit loans were unused; however, the aggregate available borrowing capacity was reduced by $83.2 of letters of credit outstanding as of December 31, 2002.

Under the Restated Credit Agreement, the term loans bear interest, at our option, at LIBOR plus the Applicable Rate or the ABR plus the Applicable Rate. During 2002, interest on the term loans was calculated using LIBOR and we intend to select LIBOR as the borrowing rate in the future. The Applicable Rate for the revolving loan and Tranche A term loan is based upon the Consolidated Leverage Ratio as defined in the Restated Credit Agreement. The Applicable Rate is as follows:

	LIBOR based borrowings	ABR based borrowings
Tranche A term loans and revolving loans	Between 1.75% and 2.25%	Between 0.75% and 1.25%
Tranche B term loans	2.25%	1.25%
Tranche C term loans	2.50%	1.50%

Our $500.0 of revolving loans available under the Restated Credit Agreement are also subject to annual commitment fees between 0.25% and 0.5% on the unused portion of the loans. At December 31, 2002, no amounts were borrowed against the $500.0 revolving loans.

The Restated Credit Agreement is secured by a pledge of 100% of the stock of substantially all of our domestic subsidiaries and 66% of the stock in our foreign subsidiaries and a security interest in substantially all of our assets and all of the assets of our wholly owned domestic subsidiaries (excluding, however the assets of Inrange Technologies Corporation and our interest in our EGS and Door joint ventures).

The Restated Credit Agreement contains covenants, the most restrictive of which are two financial condition covenants. The first financial condition covenant does not permit the Consolidated Leverage Ratio (as defined in the Restated Credit Agreement) on the last day of any period of four consecutive fiscal quarters to exceed 3.5 to 1.00 for the period ending June 30, 2002 and 3.25 to 1.00 thereafter. The second financial condition covenant does not permit the Consolidated Interest Coverage Ratio (as defined in the Restated Credit Agreement) for any period of four consecutive fiscal quarters to be less than 3.50 to 1.00. For the year ending December 31, 2002, our Consolidated Leverage Ratio was 2.43 to 1.00 and our Consolidated Interest Coverage Ratio was 7.39 to 1.00.

The Restated Credit Agreement also includes covenant provisions regarding, among other things, indebtedness, liens, investments, guarantees, acquisitions, dispositions, sales and leaseback transactions, restricted payments, and transactions with affiliates. We have not paid cash dividends in 2002 or 2001, and we currently have no plans to pay cash dividends on our common stock. Under the Restated Credit Agreement covenants, our ability to pay cash dividends in a fiscal year is limited to the lesser of $20.0 or 25% of our consolidated net income in the immediate preceding fiscal year, if our consolidated leverage ratio, pro forma for a cash dividend, is greater than 2.5 to 1.0. If this ratio is less than 2.5 to 1.0, we have the ability to pay cash dividends in a fiscal year in an amount up to 25% of our consolidated net income in the immediate preceding fiscal year, which in 2001 was $43.3. Based on available information, we do not expect these covenants to restrict our liquidity, financial condition or access to capital resources in the foreseeable future.

We are permitted to prepay the Tranche A, Tranche B and the Tranche C term loans in whole or in part at any time without penalty or premium. We are not allowed to reborrow any amounts that we repay on the Tranche A, Tranche B or Tranche C term loans.

The final maturity for each loan is as follows:

	Date of Final Maturity
Revolving loans	March 31, 2008
Tranche A term loans	March 31, 2008
Tranche B term loans	September 30, 2009
Tranche C term loans	March 31, 2010

The Restated Credit Agreement also requires scheduled principal payments of the term loans and mandatory prepayments from net proceeds arising in connection with certain asset sales or dispositions and issuances of subordinated debt under certain circumstances.

The revolving loans may be borrowed, prepaid and reborrowed. Letters of credit and swing line loans are also available under the revolving credit facility. On the date of the closing of the Restated Credit Agreement, no revolving loans were outstanding. The facility provides for the issuance of letters of credit in U.S. Dollars, Euros, and Pounds Sterling at any time during the revolving availability period, in an aggregate amount not exceeding $250.0. Letters of credit issued under this facility reduce the aggregate amount available under the revolving loan commitment.

Early Extinguishment of Debt

During 2002, we recorded an $8.2 charge for the write-off of financing fees associated with the early extinguishment of debt as a result of the July and December refinancing described above. This charge was recorded as a component of interest expense.

In the first quarter of 2000, we paid down our existing Tranche B debt of $412.5 and revolver of $50.0, and replaced the existing credit facility with a new $1,487.5 credit facility. We recorded a $15.0 charge associated with the early extinguishment of debt as a result of this refinancing. This charge was recorded as a component of interest expense.

These charges were accounted for in accordance with EITF 96-19, "Debtor's Accounting for a Modification or Exchange of Debt Instruments" as well as SFAS No. 145.

7.5% Senior Notes

On December 27, 2002, we issued $500.0 of 7.5% senior notes pursuant to our universal shelf registration statement which allows for the issuance of an additional $500.0 of securites after consideration of these notes. These notes mature on January 1, 2013. The net proceeds of $486.0 were used to refinance the Tranche A term loan of our senior credit facility, reduce the Tranche B and Tranche C term loans of our senior credit facility and for general corporate purposes, including the possible repayment of debt. These notes are unsecured and rank equally with all of our existing and future unsecured senior indebtedness, but are effectively junior to our senior secured debt and obligations of our subsidiaries.

The indenture governing the notes contains a number of covenants that limit our ability and the ability of our subsidiaries, other than Inrange and any other unrestricted subsidiary under the indenture, to incur additional debt, pay dividends and repurchase stock, make other restricted payments, including, without limitation, investments, create liens, enter into sale leaseback transactions, enter into agreements that restrict dividends from subsidiaries, sell or otherwise dispose of assets, including capital stock of subsidiaries, enter into transactions with our affiliates, and enter into mergers or consolidations. As of December 31, 2002, our capacity to make restricted payments, which include paying cash dividends, purchasing subordinated debt prior to maturity and making restricted investments, was limited to $238.4. The covenants contained in the indenture are subject to a number of qualifications and limitations. Under the indenture, none of our subsidiaries are prohibited from paying dividends to us.

Liquid Yield Option Notes

On February 6, 2001, we issued Liquid Yield Option(TM) Notes ("February LYONs") at an original price of $579.12 per $1,000 principal amount at maturity, which represents an aggregate initial issue price of $576.1 and an aggregate principal amount of $994.8 due at maturity on February 6, 2021. On May 9, 2001, we issued Liquid Yield Option(TM) Notes ("May LYONs") at an original price of $579.12 per $1,000 principal amount at maturity, which represents an aggregate initial issue price including the over allotment exercised by the original purchaser of $240.3 and an aggregate principal amount $415.0 due at maturity on May 9, 2021.

The LYONs have a yield to maturity of 2.75% per year, computed on a semi-annual bond equivalent basis, calculated from the date of issuance. We will not pay cash interest on the LYONs prior to maturity unless

contingent interest becomes payable. The LYONs are unsecured and unsubordinated obligations and are debt instruments subject to United States federal income tax contingent payment debt regulations. Even if we do not pay any cash interest on the LYONs, bondholders are required to include interest in their gross income for United States federal income tax purposes. This imputed interest, also referred to as tax original issue discount, accrues at a rate equal to 9.625% on the February LYONs and 8.75% on the May LYONs. The rate at which the tax original issue discount accrues for United States federal income tax purposes exceeds the stated yield of 2.75% for the accrued original issue discount. In the event that either the February or May LYONs are put to the company or redeemed by the company, the respective imputed interest deduction less the original issue discount of 2.75% would be recaptured at the time of the put or redemption. The amount of the recapture calculated on the first put date is approximately $11.8 and $48.3 on May 9, 2003 and February 6, 2004, respectively.

The LYONs are subject to conversion to SPX common shares only if certain contingencies are met. These contingencies include:

(1) Our average stock price exceeding predetermined accretive values of SPX's stock price each quarter (see below);

(2) During any period in which the credit rating assigned to the LYONs by either Moody's or Standard & Poor's is at or below a specified level;

(3) Upon the occurrence of certain corporate transactions, including a change in control.

In addition, a holder may surrender for conversion, at the accreted value, a LYON for redemption even if it is not otherwise convertible at such time.

The conversion rights based on predetermined accretive values of SPX's stock include, but are not limited to, the following provisions:

	February LYONs	May LYONS
Initial Conversion Rate (shares of common stock per LYON)	9.6232	8.8588
Initial Stock Price	$ 50.15	$ 55.40
Initial Accretion Percentage	135%	120%
Accretion Percentage Decline Per Quarter	0.3125%	0.125%
Conversion Trigger Prices — For the Next Twelve Months:		
2003 First Quarter	$ 84.19	$ 81.54
2003 Second Quarter	$ 84.57	$ 82.01
2003 Third Quarter	$ 84.95	$ 82.49
2003 Fourth Quarter	$ 85.33	$ 82.97

Holders may surrender LYONs for conversion into shares of common stock in any calendar quarter, if, as of the last day of the preceding calendar quarter, the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of such preceding calendar quarter is more than the specified percentage beginning at 135% and declining 0.3125% per quarter thereafter for the February LYONs, beginning at 120% and declining 0.125% per quarter thereafter for the May LYONs of the accreted conversion price per share of common stock on the last trading day of such preceding calendar quarter. The accreted conversion price per share as of any day will equal the issue price of a LYON plus the accrued original issue discount to that day, divided by the number of shares of common stock issuable upon conversion of a LYON on that day.

We may redeem all or a portion of the February LYONs for cash at any time on or after February 6, 2006 at predetermined redemption prices. February LYONs holders may require us to purchase all or a portion of their LYONs on February 6, 2004 for $628.57 per LYON, February 6, 2006 for $663.86 per LYON, or February 6, 2011 for $761.00 per LYON. We may redeem all or a portion of the May LYONs for cash at any time on or after May 9, 2005. May LYONs holders may require us to purchase all or a portion of their LYONs on May 9, 2003 for $611.63 per LYON, May 9, 2005 for $645.97 per LYON or May 9, 2009 for $720.55 per LYON. For either

the February LYONs or May LYONs, we may choose to pay the purchase price in cash, shares of common stock or a combination of cash and common stock.

There are various factors that a LYON holder would use in deciding to exercise their put option. These factors include the price and volatility of our common stock, the interest yield on the LYONs above the risk free interest rate and other quantitative and qualitative factors. Based upon these factors, at the time of the filing of this Form 10-K, we believe that it is probable, but cannot determine with certainty, that the holders of the May LYONs will exercise their put right and require us to repurchase the majority or all of their LYONs on May 9, 2003. If all the May LYONs were settled in cash on May 9, 2003, we would be required to pay the holders approximately $253.8. Accordingly $251.4, the accreted value of the May LYONs at December 31, 2002, has been classified as current in our Consolidated Balance Sheet at December 31, 2002.

Under GAAP, the LYONs are not included in the diluted income per share of common stock calculation unless a LYON is expected to be converted for stock or one of the three contingent conversion tests summarized above are met. If the LYONs were to be put, we expect to settle them for cash and none of the contingent conversion tests have been met, accordingly, they are not included in the diluted income per share of common stock calculation. If converted, the February LYONs and May LYONs would be exchanged for a total of 13.2 shares of our common stock. If the LYONs had been converted as of January 1, 2002, the diluted income per share of common stock from continuing operations would have been $3.08 per share for the period ended December 31, 2002.

Other Financing Agreements

Our compaction equipment business, part of the Industrial Products and Services segment, utilizes an accounts receivable securitization facility pursuant to which the unit has an agreement to sell, on a revolving basis without recourse, certain qualified receivables, of which $31.3 had been sold under the agreement at December 31, 2002. The agreement allows for the sale of up to $36.5 of certain qualified receivables to an unaffiliated third party entity and continues on an evergreen revolving basis unless we provide a three-month notice under the agreement to discontinue the facility. We expect to utilize the agreement in the foreseeable future. If we did not renew the contract, the impact on our financial condition or cash flows would not be material. Previously, our compaction equipment business also utilized a vendor financing program that was discontinued during the second quarter of 2002.

As of December 31, 2002, except for the following items, we do not have any other material guarantees, off-balance sheet arrangements or purchase commitments: (1) $167.6 of certain standby letters of credit outstanding, of which $83.2 reduce the available borrowing capacity on our revolving loans and (2) approximately $135.9 of surety bonds. Of the total letters of credit and surety bonds outstanding at December 31, 2002, $193.4 is commercial bid, performance or warranty arrangements related to sales contracts with customers of which the fees are reimbursed by the customer.

Financial Instruments

We have entered into interest rate protection agreements ("swaps") to hedge the potential impact of increases in interest rates on our variable rate debt portfolio. Our swaps are accounted for as cash flow hedges and as of December 31, 2002, we had outstanding swaps with maturities to November 2009 that effectively convert $1,300.0 of our variable rate debt to a fixed rate of approximately 6.9%. As a result of the Restated Credit Agreement, we extended the maturities of our variable rate Tranche A term loans to March 2008, Tranche

B term loans to September 2009 and Tranche C terms loans to March 2010. Associated with these extended maturities, we entered into additional variable to fixed rate interest rate swap agreements beginning in 2004 and maturing in 2009.

As of December 31, 2002, the pre-tax accumulated derivative loss recorded in accumulated other comprehensive loss was $81.8 and a long-term liability of $81.1 has been recorded to recognize the fair value of these swaps. The ineffective portion of these swaps in 2002 and 2001 has been recognized in earnings as a component of interest expense and is not material. We do not enter into financial instruments for speculative or trading purposes.

In 2002, in connection with the Restated Credit Agreement, we terminated four interest rate swaps with an aggregate notional amount $400.0 at a cash cost of $15.5. These interest rate swaps were included in the portfolio of interest rate swaps designated as a cash flow hedge of our variable rate debt portfolio. Because a portion of the future interest payments hedged by these swaps was no longer probable of occurring, we recognized $14.8 in interest expense to reclassify into earnings, from accumulated other comprehensive loss, the fair value of the portion of the swap portfolio that no longer is probable of occuring.

Current Liquidity and Principal Payments

We use operating leases to finance certain asset purchases when economically supported by our internal evaluation model. These leases are primarily used to fund capital equipment programs to match payment terms with the expected production use of the equipment, although the expected useful or economic life of the asset is greater. At December 31, 2002, we had $216.3 of future minimum rental payments under leases with remaining non-cancelable terms in excess of one year. The following is a summary of our primary contractual obligations:

Contractual Obligations:	Total	Due within 1 year	Due within 2-3 years	Due within 4-5 years	Due after 5 years
Accounts Receivable Securitization (1)	$ 31.3	$ 31.3	$ —	$ —	$ —
Short-Term Debt (2)	251.4	251.4	—	—	—
Long-Term Debt	2,443.5	28.9	80.3	119.6	2,214.7
Future Minimum Lease Payments (3)	216.3	47.8	66.4	45.2	56.9
Total Contractual Cash Obligations (4)	$2,942.5	$ 359.4	$ 146.7	$ 164.8	$ 2,271.6

(1) Our compaction equipment business, part of the Industrial Products and Services segment, utilizes an accounts receivable securitization facility pursuant to which the unit has an agreement to sell, on a revolving basis without recourse, certain qualified receivables. See the “Debt” section of this MD&A for more information on this financing arrangement.

(2) Represents the accreted value of the May LYONs as of December 31, 2002.

(3) Represents rental payments under leases with remaining non-cancelable terms in excess of one year.

(4) We do not expect to make any material cash contributions to our primary domestic pension plans in the near future. In 2002, we made cash contributions of $19.2 pursuant to our postretirement benefit plan obligations and we expect to make a similar level of contributions to these plans in 2003.

At December 31, 2002, we had $555.9 of cash available for use and an unused $500.0 revolver under our restated credit facility. When adjusted by the $83.2 of letters of credit outstanding at January 31, 2003, $416.8 of the revolver was available for use.

We believe that current cash and equivalents, cash flows from operations and our unused revolving credit facility will be sufficient to fund working capital needs, planned capital expenditures, other operational cash requirements, and required debt service obligations. In addition, we have the ability and may elect to refinance the LYONs, if put, with other debt.

We have a shelf registration statement for 8.4 shares of common stock that may be issued for acquisitions and we have filed a shelf registration statement enabling us to sell up to $1,000.0 of securities of which $500.0 has been used for the offering of our 7.5% senior notes in December 2002. The remaining availability under this shelf registration statement may be used in connection with an offering of debt securities and/or common stock for general corporate purposes or for the refinancing of existing debt. In addition, other financing instruments may be used from time to time including but not limited to private placement instruments, operating leases, capital leases, and securitizations. We expect that we will continue to access these markets as appropriate to maintain liquidity and to provide sources of funds for general corporate purposes or to refinance existing debt. In the first quarter of 2003 we entered into an agreement to securitize and sell, on a continuous basis, up to $130.0 of accounts receivable. It is expected that in mid-2003 we will utilize all or a portion of the amount available amount under this agreement.

We were in compliance with all covenants included in our capital financing instruments as of December 31, 2002 and at December 27, 2002, the date of the most recent refinancing. We have not paid cash dividends in 2002, 2001 or 2000, and we have no current plans to pay cash dividends on our common stock.

Financial instruments that potentially subject us to significant concentrations of credit risk consist of cash and temporary investments, trade accounts receivable and interest rate protection agreements.

Cash and temporary investments and our interest rate protection agreements are placed with various high-quality financial institutions throughout the world, and exposure is limited at any one institution. We periodically evaluate the credit standing of these financial institutions.

We are exposed to credit losses in the event of nonperformance by counter parties to our interest rate protection agreements, but have no other off-balance-sheet credit risk of accounting loss. We anticipate, however, that counter parties will be able to fully satisfy their obligations under the contracts. We do not obtain collateral or other security to support financial instruments subject to credit risk, but we do monitor the credit standing of counter parties.

Concentrations of credit risk arising from trade accounts receivable are due to selling to a large number of customers in a particular industry. We perform ongoing credit evaluations of our customers' financial conditions and obtain collateral or other security when appropriate. No one customer accounts for more than 10% of our revenues.

We continually review each of our businesses pursuant to our "fix, sell or grow" strategy. These reviews could result in selected acquisitions to expand an existing business or result in the disposition of an existing business. Additionally, we have stated that we would consider a larger acquisition, more than $1,000.0 in revenues, if certain criteria are met. There can be no assurances that these acquisitions will not have an impact on our capital financing requirements, will be integrated successfully, or that they may not have a negative effect on our operations. In addition "Factors That May Affect Future Results" that follows, "Business Segment Information" included in the MD&A on page 21 of this Form 10-K and "Item. 1 Business" included on page 1 of this Form 10-K should be read for an understanding of the risks, uncertainties, and trends facing our businesses.

New Accounting Pronouncements

The following is a summary of new accounting pronouncements that apply or may apply to our business.

On July 20, 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." These pronouncements change the accounting for business combinations, goodwill and intangible assets. The requirements of SFAS No. 141 are effective for any business combination accounted for by the purchase method that is completed after June 30, 2001 and the amortization provisions of SFAS No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, we adopted the provisions of SFAS No. 142, as required, on January 1,

2002. See Note 10 to the Consolidated Financial Statements for further discussion on the impact of adopting SFAS No. 141 and SFAS No. 142.

In June 2001, the FASB issued SFAS No. 143, “Accounting for Asset Retirement Obligations.” The provisions of SFAS No. 143 require that asset retirement obligations that are identifiable upon acquisition and construction, and during the operating life of a long-lived asset be recorded as a liability using the present value of the estimated cash flows. A corresponding amount would be capitalized as part of the asset’s carrying amount and amortized to expense over the asset’s useful life. We will adopt the provisions of SFAS No. 143 effective January 1, 2003. We do not expect the adoption of this statement to have a material impact on our financial position, results of operations or cash flows.

In August 2001, the FASB issued SFAS No. 144, “Accounting for the Impairment and Disposal of Long-Lived Assets.” SFAS No. 144 supersedes SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of” and also supersedes the provisions of APB Opinion No. 30, “Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions.” SFAS No. 144 retains the requirements of SFAS No. 121 to (a) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flow and (b) measure an impairment loss as the difference between the carrying amount and the fair value of the asset. SFAS No. 144 establishes a single model for accounting for long-lived assets to be disposed of by sale. As required, we have adopted the provisions of SFAS No. 144 effective January 1, 2002, and the effect of adoption was not material to our financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, “Rescission of Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.” This Statement rescinds SFAS No. 4, “Reporting Gains and Losses from Extinguishment of Debt,” and an amendment of that Statement, SFAS No. 64, “Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements.” This Statement also rescinds SFAS No. 44, “Accounting for Intangible Assets of Motor Carriers.” This Statement amends SFAS No. 13, “Accounting for Leases,” to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. Effective July 1, 2002, we early adopted the provisions of SFAS No. 145. In accordance with the provisions regarding the gains and losses from the extinguishment of debt, we recorded a charge, to interest expense, as a result of our July and December 2002 refinancings. In addition, in 2000, we had previously recorded a $8.8 ($15.0 pre-tax) loss on early extinguishment of debt as an extraordinary item. In accordance with the adoption of SFAS No. 145, we have, in this presentation of 2000 results, reclassified the $15.0 pre-tax loss to interest expense and the related tax benefit of $6.2 to income tax expense. See Note 13 to our Consolidated Financial Statements for further discussion of the loss on early extinguishment of debt recorded in 2002.

In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing or other exit or disposal activities. Previous accounting guidance was provided by EITF Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).” SFAS No. 146 replaces EITF 94-3 and is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. We frequently engage in strategic restructuring and integration initiatives that include exit and disposal activities. Accordingly, we expect that SFAS No. 146 will impact the timing of recognition of certain restructuring costs, but will not have a material impact on our financial position and results of operations.

In November 2002, the FASB issued Financial Interpretation No. 45 (“FIN 45”), “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” FIN 45

requires that a guarantor must recognize, at the inception of a guarantee, a liability for the fair value of the obligation that it has undertaken in issuing a guarantee. FIN 45 also addresses the disclosure requirements that a guarantor must include in its financial statements for guarantees issued, including matters such as commercial product warranties. The disclosure requirements in this interpretation are effective for financial statements ending after December 15, 2002. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. We have not completed our evaluation of FIN 45 and we have not assessed the impact the adoption may have on our financial position or results of operations. Refer to Note 2 of the Consolidated Financial Statements for the additional disclosure information as required by FIN 45.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation-Transition and Disclosure- an amendment of FASB Statement No. 123." This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and requires 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. As of December 31, 2002, we have adopted the disclosure-only provisions of SFAS 148 and will continue to account for stock-based compensation under APB Opinion No. 25, "Accounting for Stock Issued to Employees." The adoption of SFAS No. 148 had no impact on our financial position or results of operations.

In January 2003, the FASB issued Financial Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities," an interpretation of Accounting Research Bulletin 51, "Consolidated Financial Statements". FIN 46 requires that unconsolidated variable interest entities be consolidated by their primary beneficiaries and applies immediately to variable interest entities created after January 31, 2003 and to existing entities in the periods beginning after June 15, 2003. Currently, FIN 46 will not have an impact on our financial position or results of operations; however, we will adopt the provisions of FIN 46, at such time as they become applicable to our business.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Our indebtedness may affect our business and may restrict our operating flexibility.

At December 31, 2002, we had approximately $2,694.9 in total indebtedness. On that same date, we had $416.8 of available borrowing capacity under our revolving senior credit facility after giving effect to $83.2 reserved for letters of credit outstanding, which reduce the availability under our revolving senior credit facility. In addition, at December 31, 2002, our cash balance was $555.9. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 13 to our Consolidated Financial Statements for further discussion. Subject to certain restrictions set forth in the senior credit facility and the indenture, we may incur additional indebtedness in the future, including indebtedness incurred to finance, or which is assumed in connection with, acquisitions. We may in the future renegotiate or refinance our senior credit facility with agreements that have different or more stringent terms or split our senior credit facility into two or more facilities with different terms. The level of our indebtedness could:

- limit cash flow available for general corporate purposes, such as acquisitions and capital expenditures, due to the ongoing cash flow requirements for debt service;
- limit our ability to obtain, or obtain on favorable terms, additional debt financing in the future for working capital, capital expenditures or acquisitions;
- limit our flexibility in reacting to competitive and other changes in the industry and economic conditions generally;
- expose us to a risk that a substantial decrease in net operating cash flows due to economic developments or adverse developments in our business could make it difficult to meet debt service requirements; and
- expose us to risks inherent in interest rate fluctuations because the existing borrowings are, and any new borrowings may be at variable rates of interest, which could result in higher interest expense in the event of increases in interest rates.

Our ability to make scheduled payments of principal of, to pay interest on, or to refinance our indebtedness and to satisfy our other debt obligations, including our obligations to repurchase the Liquid Yield Option Notes (LYONs) if the holders of the LYONs require us to repurchase their securities beginning in May 2003 for the May LYONs and February 2004 for the February LYONs will depend upon our future operating performance, which may be affected by general economic, financial, competitive, legislative, regulatory, business and other factors beyond our control. We will not be able to control many of these factors, such as the economic conditions in the markets in which we operate and initiatives taken by our competitors. In addition, there can be no assurance that future borrowings or equity financing will be available for the payment or refinancing of our indebtedness. If we are unable to service our indebtedness, whether in the ordinary course of business or upon acceleration of such indebtedness, we may be forced to pursue one or more alternative strategies, such as restructuring or refinancing our indebtedness, selling assets, reducing or delaying capital expenditures, revising implementation of or delaying strategic plans or seeking additional equity capital. If we are required to take any of these actions, it could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we would be able to take any of these actions, that these actions would enable us continue to satisfy our capital requirements or that these actions would be permitted under the terms of our various debt agreements.

We may not be able to finance future needs or adapt our business plan to changes in economic or business conditions because of restrictions placed on us by our senior credit facility, the indenture governing our senior notes and any existing or future instruments governing our other indebtedness.

Our senior credit facility, the indenture governing our notes and other agreements governing our other indebtedness contain, or may contain, a number of significant restrictions and covenants that limit our ability to make distributions or other payments to our investors and creditors unless certain financial tests or other criteria are satisfied. We also must comply with certain specified financial ratios and tests. In some cases, our subsidiaries are subject to similar restrictions that may restrict their ability to make distributions to us. In addition, our senior credit facility and these other agreements contain or may contain additional affirmative and negative covenants as described under “Management’s Discussion and Analysis.” All of these restrictions could affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities, such as acquisitions, as they arise.

If we do not comply with these or other covenants and restrictions contained in our senior credit facility, the indenture governing our senior notes and other agreements governing our indebtedness, we could be in default under those agreements, and the debt, together with accrued interest, could then be declared immediately due and payable. If we default under our senior credit facility, the lenders could cause all of our outstanding debt obligations under our senior credit facility to become due and payable, require us to apply all of our cash to repay the indebtedness or prevent us from making debt service payments on any subordinated indebtedness we owe. If our debt is accelerated, we may not be able to repay our debt or refinance it. Even if we are able to obtain new financing, we may not be able to repay our debt or borrow sufficient funds to refinance it. In addition, any default under our senior credit facility or agreements governing our other indebtedness could lead to an acceleration of debt under other debt instruments that contain cross-acceleration or cross-default provisions. If the indebtedness under our senior credit facility and the indenture governing our senior notes is accelerated, we may not have sufficient assets to repay amounts due under our senior credit facility, our senior notes, or the LYONs that we have issued, or under other debt securities then outstanding. Our ability to comply with these provisions of our senior credit facility, the indenture and other agreements governing our other indebtedness may be affected by changes in the economic or business conditions or other events beyond our control. In addition, complying with our covenants may also cause us to take actions that are not favorable to us and may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

Our failure to successfully integrate recent acquisitions, as well as any future acquisitions, could have a negative effect on our operations; our acquisitions could cause unexpected financial difficulties.

As part of our business strategy, we evaluate potential acquisitions in the ordinary course, some of which could be material. We made thirteen acquisitions in 2002 for an aggregate purchase price of $263.7. Our acquisitions involve a number of risks and present financial, managerial and operational challenges, including:

- adverse effects on our reported operating results due to charges to earnings, including impairment charges associated with goodwill and indefinite lived intangibles;
- diversion of management attention from running our existing businesses;
- difficulty with integration of personnel and financial and other systems;
- increased expenses, including compensation expenses resulting from newly-hired employees;
- increased foreign operations that may be difficult to assimilate;
- assumption of known and unknown liabilities and increased litigation; and
- potential disputes with the sellers of acquired businesses, technology, services or products.

We may not be able to integrate successfully the technology, operations and personnel of any acquired business. Our integration activities may place substantial demand on our management, operational resources and financial and internal control systems. Customer dissatisfaction or performance problems with an acquired business, technology, service or product could also have a material adverse effect on our reputation and business. In addition, any acquired business, technology, service or product could underperform relative to our expectations. We also could experience financial or other setbacks if any of the businesses that we have acquired or may acquire in the future have problems or liabilities of which we are not aware or that are substantially greater than we anticipate. In addition, as a result of future acquisitions, we may further increase our debt level, or if we issue equity securities to pay for acquisitions, significantly dilute our existing shareholders.

We may not achieve the expected cost savings and other benefits of our acquisitions.

As a result of our acquisitions, we incur integration expenses for the incremental costs to exit and consolidate activities, to involuntarily terminate employees, and for other costs to integrate operating locations and other activities of these companies with us. A significant portion of these expenses are cash expenses. Generally accepted accounting principles require that these acquisition integration expenses, which are not associated with the generation of future revenues and have no future economic benefit, be reflected as assumed liabilities in the allocation of the purchase price to the net assets acquired. On the other hand, these same principles require that acquisition integration expenses associated with integrating our operations into locations of the acquired company must be recorded as expense. Accordingly, these expenses are not included in the allocation of the purchase price of the company acquired. Over the past five years, we have recorded several special charges to our results of operations associated with cost reductions, integrating acquisitions and achieving operating efficiencies. We believe that our actions have been required to improve our operations and, as described above, we will, if necessary, record future charges, which may be material, as appropriate to address costs and operational efficiencies.

Our plan is to achieve cost savings associated with integrating our acquisitions. This plan is sometimes a consideration in the price we are willing to pay for acquisitions. Our current integration strategy for acquisitions focuses on three key areas of cost savings: (1) manufacturing process and supply chain rationalization, including plant closings; (2) elimination of redundant administrative overhead and support activities; and (3) restructuring and repositioning sales and marketing organizations to eliminate redundancies in these activities. While we anticipate that we will achieve cost savings associated with integrating our acquisitions, cost savings expectations are inherently estimates that are difficult to predict and are necessarily speculative in nature. In addition, we cannot assure you that unforeseen factors will not offset the estimated cost savings or other benefits from our

acquisitions. As a result, our actual cost savings, if any, and other anticipated benefits could differ or be delayed, compared to our estimates and the other information contained in this report.

We may not be able to consummate acquisitions at our prior rate, which could negatively impact us.

We may not be able to consummate acquisitions at similar rates to our past acquisition rates, which could materially impact our growth rate, results of operations, cash flows and stock price. Our ability to continue to achieve our goals may depend upon our ability to identify and successfully acquire companies, businesses and product lines, to effectively integrate them and to achieve cost effectiveness. We also may need to raise additional funds to consummate these acquisitions. In addition, changes in our stock price may adversely affect our ability to consummate acquisitions. Competition for acquisitions in our business areas could also result in higher prices for these businesses, which may also impact our acquisition rate or the success rate of our acquisitions.

The loss of key personnel and any inability to attract and retain qualified employees could materially adversely impact our operations.

We are dependent on the continued services of our management team, including our Chairman of the Board, President and Chief Executive Officer. The loss of these personnel without adequate replacement could have a material adverse effect. Additionally, we need qualified managers and skilled employees with technical and manufacturing industry experience in order to operate our business successfully. From time to time, there may be a shortage of skilled labor, which may make it more difficult and expensive for us to attract and retain qualified employees. If we are unable to attract and retain qualified individuals or our costs to do so increase significantly, our operations would be materially adversely affected.

Many of the industries in which we operate are cyclical, and, accordingly, our business is subject to changes in the economy; pressure from original equipment manufacturers to reduce costs could adversely affect our business.

Many of the business areas in which we operate are subject to specific industry and general economic cycles. Certain businesses are subject to industry cycles, including, but not limited to, the automotive industries, which influence our Service Solutions and Industrial Products and Services segments, the electric power and infrastructure markets, which influence our Industrial Products and Services and Flow Technology segments, process equipment, chemical and petrochemical markets, which influence our Flow Technology segment, the non-residential facility construction markets which influence our Technical Products and Systems and Industrial Products and Services segments and the laboratory and life science markets and the storage and data networking markets which influence our Technical Products and Systems segment. Accordingly, any downturn or competitive pricing pressures in those or other markets in which we participate could adversely affect us. The recent difficulties at Enron, Dynegy, NRG and other independent power producers has led to a change in the buying habits of some customers in the power generation markets. Demand and price levels for transformers dropped in 2002 and the demand for cooling towers in this market softened in the second half of 2002. Accordingly, we expect that in 2003, operating profit from these products will be lower by approximately $40.0 to $45.0 with a majority of the impact occurring in the first half of 2003. A decline in automotive sales and production may not only affect our sales of components, tools and services to vehicle manufacturers and their dealerships, but also sales of components, tools and services to aftermarket customers, and could result in a decline in our results of operations or a deterioration in our financial condition. Similar cyclical changes could also affect aftermarket sales of products in our other segments. There is also substantial and continuing pressure from the major original equipment manufacturers, particularly in the automotive industry, to reduce costs, including the cost of products and services purchased from outside suppliers such as us. If in the future we were unable to generate sufficient cost savings to offset price reductions, our gross margins could be materially adversely affected. If demand changes and we fail to respond accordingly, our results of operations could be

materially adversely affected in any given quarter or period. The downturns in the business cycles of our different operations may occur at the same time, which could exacerbate any material adverse effects to our business. See “Management’s Discussion and Analysis of Results of Operations and Financial Condition — Business Segment Information.” In addition, certain of our businesses have seasonal fluctuations. In aggregate, our businesses generally tend to be stronger in the second half of the year, particularly in the fourth quarter. As described above, we expect 2003 operating profits derived from the power generation markets will predominately impact the first half of 2003. Accordingly, we expect reported net income in the second half of 2003 to be significantly stronger than the first half on a relative basis compared with prior years.

Consistent with most multi-industry, capital goods companies, our businesses have been impacted in 2002 by the soft economic conditions. There can be no assurance that the economic downturn will not worsen or that we will be able to sustain existing or create additional cost reductions to offset economic conditions, and the unpredictability and changes in the industrial markets in the current environment could continue and may adversely impact our results. Cost reduction actions often result in charges against earnings. We expect to take charges against earnings in 2003 in connection with implementing additional cost reduction actions at certain of our businesses. We have estimated these charges to be between $80.0 and $100.0, but they could be higher or lower than this range. These charges can vary significantly from period to period and as a result, we may experience fluctuations in our reported net income and earnings per share due to the timing of restructuring actions, which in turn can cause fluctuations in our stock price.

Further, the preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. We evaluate these estimates and judgments on an ongoing basis and base our estimates on experience, current and expected further conditions, third party evaluations and various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Certain estimates and judgments that affect the future cash flow projections including principal methods of competition including volume, price, service, product performance and technical innovations are considered. Actual results may differ from the estimates and assumptions used in the financial statements and related notes.

If future cash flows are insufficient to recover the carrying value of our goodwill and indefinite lived intangibles, a material non-cash charge to earnings could result.

At December 31, 2002, we had goodwill and intangible assets of approximately $3,233.5 and shareholders’ equity of approximately $1,692.4. Effective January 1, 2002, we adopted Statement of Financial Accounting Standard No. 142 “Goodwill and Other Intangible Assets” (“SFAS No. 142”). SFAS No. 142 states that goodwill and indefinite lived intangible assets are no longer amortized but are reviewed for impairment annually (or more frequently if impairment indicators arise). In accordance with the transition provisions of SFAS No. 142, we recorded a non-cash impairment charge of $148.6 during the first quarter of 2002. As a policy, we will conduct annual impairment testing to determine if we will be able to recover all or a portion of the carrying value of goodwill and indefinite lived intangibles. If future cash flows are insufficient to recover the carrying value of our goodwill and indefinite lived intangibles, we may be required to write off a portion of the balance. Many of our businesses closely follow changes in the industries and end-markets that they serve. Accordingly, estimates and judgments that effect the future cash flow projections including principal methods of competition including volume, price, service, product performance and technical innovations are considered. Actual results may differ from these estimates under different assumptions or conditions. Based on the results of the impairment testing

performed, no impairment of goodwill or indefinite-lived intangibles exists as of December 31, 2002. We continue to monitor impairment indicators in the industries and markets with cyclical demand and pricing behavior including storage networking, telecommunications, power systems and industrial hydraulic power units and controlled force tools.

A portion of our revenues are generated through long-term fixed price contracts which could expose us to various risks including the risks of cost overruns, inflation and credit risks associated with certain customers.

A portion of our revenues (estimated at less than 5%) and earnings are generated through long-term fixed price contracts. We recognize revenues from certain of these contracts using the percentage-of-completion method of accounting whereby revenue and expenses, and thereby profit, in a given period are determined based on our estimates as to the project status and the costs remaining to complete a particular project. To the extent that we underestimate the remaining cost to complete a project, we may overstate the revenues and profit in a particular period. Further, certain of these contracts and our other contracts provide for penalties for failure to timely perform our obligations under a contract, or require that we, at our expense, correct and remedy to the satisfaction of the other party, certain defects. We may enter into additional long-term fixed price contracts of this type or other performance obligations in the future and there is no assurance that expenses relating to these provisions will not have a material adverse effect on our revenues and earnings.

We are subject to environmental and similar laws and potential liability relating to certain claims, complaints and proceedings, including those relating to environmental and other matters, arising in the ordinary course of business.

We are subject to various environmental laws, ordinances, regulations, and other requirements of government authorities in the United States and other nations. These requirements may include, for example, those governing discharges from and materials handled as part of our operations, the remediation of soil and groundwater contaminated by petroleum products or hazardous substances or wastes, and the health and safety of our employees. Under certain of these laws, ordinances or regulations, a current or previous owner or operator of property may be liable for the costs of investigation, removal or remediation of certain hazardous substances or petroleum products on, under, or in its property, without regard to whether the owner or operator knew of, or caused, the presence of the contaminants, and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. The presence of, or failure to remediate properly, these substances may have adverse effects, including, for example, substantial investigative or remedial obligations and limitations on the ability to sell or rent that property or to borrow funds using that property as collateral. Under certain of these laws, ordinances or regulations, a party that disposes of hazardous substances or wastes at a third party disposal facility may also become a responsible party required to share in the costs of site investigation and environmental remediation. In connection with our acquisitions and divestitures, we may assume or retain significant environmental liabilities. Although we perform extensive due diligence with respect to acquisitions, divestitures and continuing operations, there may be environmental liabilities of which we are not aware. Future developments related to new or existing environmental matters or changes in environmental laws or policies could lead to material costs for environmental compliance or cleanup. There can be no assurance that these liabilities and costs will not have a material adverse effect on our results of operations or financial position in the future. See Note 15 to our Consolidated Financial Statements for further discussion.

Numerous claims, complaints and proceedings arising in the ordinary course of business, including but not limited to those relating to environmental matters, competitive issues, contract issues, intellectual property matters, personal injury and product liability claims, and workers' compensation have been filed or are pending against us and certain of our subsidiaries. Additionally, we may become subject to significant claims of which we are currently unaware or the claims that we are unaware of may result in our incurring a significantly greater liability than we anticipate. This may also be true in connection with past or future acquisitions. While we maintain property, cargo, auto, product, general liability, and directors' and officers' liability insurance and have acquired rights under similar policies in connection with these acquisitions which we believe cover a portion of these claims, this insurance may be insufficient or unavailable to protect us against potential loss exposures. In addition, we have been increasing our self-insurance limits over the past several years. While we believe we are

entitled to indemnification from third parties for some of these claims, these rights may be insufficient or unavailable to protect us against potential loss exposures.

In our opinion, these matters are either without merit or are of a kind that should not have a material adverse effect individually and in the aggregate on our financial position, results of operations, or cash flows. However, we cannot assure you that recoveries from insurance or indemnification claims will be available or that any of these claims or other matters will not have a material adverse effect on our financial position, results of operations or cash flows. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

It is our policy to comply fully with applicable environmental requirements. We are currently involved in various investigatory and remedial actions at our facilities and at third party waste disposal sites. An estimate of loss, including expenses, from legal actions or claims is accrued when events exist that make the loss or expenses probable and we can reasonably estimate them. Our environmental accruals cover anticipated costs, including investigation, remediation, and operation and maintenance of clean-up sites. Our estimates are primarily based on investigations and remediation plans developed by independent consultants, regulatory agencies and potentially responsible third parties. Accordingly, our estimates may change based on future developments including new or changes in environmental laws or policies, a difference in costs required to complete anticipated actions from estimates provided, future findings of investigation or remediation actions, or alteration to the expected remediation plans. It is our policy to realize a change in estimates once it becomes probable and can be reasonably estimated. In determining our accruals, we do not discount environmental or other legal accruals and do not reduce them by anticipated insurance recoveries. We do take into account third-party indemnification from financially viable parties in determining our accruals where there is no dispute regarding the right to indemnification. While we believe that our accruals related to environmental, litigation and claims are sufficient and that these items and our rights to available insurance and indemnity will be resolved without material adverse effect on our financial position, results of operations and liquidity, individually or in the aggregate, we cannot assure you that our accruals and right to indemnity and insurance will be sufficient or that these items will be resolved without a material adverse effect on our financial position, results of operations and liquidity, individually or in the aggregate.

Our Inrange subsidiary is subject to various risks and any material adverse effect on Inrange could materially adversely affect our financial results.

At December 31, 2002, we owned approximately 92.1% of the total number of outstanding shares of common stock of Inrange Technologies Corporation. Based on the closing price of Inrange's Class B common stock on December 31, 2002, Inrange's market capitalization was approximately $193.0, which is a significant decline from its market high. Our investment in Inrange may be subject to significant future volatility. Inrange is a high technology company that designs, manufactures, markets and services switching and networking products for storage and data networks, and is subject to additional and different risks than we are. Inrange's public equity trades similarly to that of other technology companies. The economic downturn in 2001 and 2002 has adversely affected the market in which Inrange sells its products and has caused industry pricing pressures. Any adverse effect on Inrange may adversely affect us.

In addition to the risks described in this report for our business as a whole, Inrange is subject to the following risks:

- Inrange's business will suffer if it fails to develop, successfully introduce and sell new and enhanced high quality, technologically advanced cost-effective products that meet the changing needs of its customers on a timely basis. Inrange's competitors may develop new and more advanced products.
- Inrange relies on sole sources of supply for some key components in its products and relies on indirect channels to sell one of its key products. Any disruption in these supply or distribution relationships could affect Inrange's revenues and earnings significantly.

- The price for Inrange's products may decrease in response to competitive pricing pressures, maturing life cycles, new product introductions and other factors. Accordingly, Inrange's profitability may decline unless it can reduce its production and sales costs or develop new higher margin products.
- Competition in network markets may lead to reduced sales of Inrange's products, reduced profits and reduced market share. Inrange's primary competitors in the Fibre Channel switch market are Brocade Communications and McDATA, both of which currently sell more Fibre Channel switches than Inrange does. The perception by some that these companies are early leaders in the storage area network market may materially adversely affect Inrange's ability to develop new customer relationships. Other companies including Cisco are providing or will be introducing Fibre Channel switches and other products in Inrange's markets, and their products could become more widely accepted than Inrange's.

The foregoing is a summary of the risk factors applicable to Inrange. For a more complete description of those risks, please see "Factors that May Affect Future Results" in Inrange's annual report of Form 10-K for the fiscal year ended December 31, 2002, which is hereby incorporated by reference in this report. Inrange is also an unrestricted subsidiary under our senior notes and not subject to covenants under the indenture governing our senior notes.

We are subject to work stoppages, union negotiations, labor disputes and other matters associated with our labor force, which may adversely impact our profitability and cause us to incur incremental costs.

As of December 31, 2002, we had approximately 24,200 employees. Approximately 4,000 of our employees are represented by over seventeen domestic, collective bargaining units and various foreign collective labor arrangements. While we generally have experienced satisfactory relations at our various locations, we are subject to work stoppages, local, regional and national union negotiations and potential labor disputes. Further, we may be subject to work stoppages, which are beyond our control at our suppliers or customers.

On July 8, 2002, a labor contract involving hourly employees at our manufacturer of aerospace components expired without resolution, resulting in an employee strike. The labor contract dispute affected 117 employees. In 2002, we recorded $4.2 of incremental security and consulting costs associated with the labor contract dispute. On March 8, 2003, the union employees voted to ratify a new contract, which brings closure to this labor dispute.

Difficulties presented by international economic, political, legal, accounting and business factors could negatively affect our interests and business effort.

In 2002, approximately 32.6% of our sales were international, including export sales. In addition, in 2002, approximately 40.0% of Inrange's sales were international, including export sales. We are seeking to increase our sales outside the United States. Our international operations require us to comply with the legal requirements of foreign jurisdictions and expose us to the political consequences of operating in foreign jurisdictions. Our foreign business operations also are subject to the following risks:

- difficulty in managing, operating and marketing our international operations because of distance, as well as language and cultural differences;
- increased strength of the U.S. dollar will increase the effective price of our products sold in U.S. dollars, which may have a material adverse effect on sales or require us to lower our prices and also decrease our reported revenues or margins in respect of sales conducted in foreign currencies to the extent we are unable or determine not to increase local currency prices; likewise, decreased strength of the U.S. dollar could have a material adverse effect on the cost of materials and products purchased overseas;
- difficulty entering new international markets due to greater regulatory barriers than the United States and differing political systems;

- increased costs due to domestic and foreign customs and tariffs, potentially adverse tax consequences, including imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries, and transportation and shipping expenses;
- credit risk or financial condition of local customers and distributors;
- potential difficulties in staffing and labor disputes;
- risk of nationalization of private enterprises;
- government embargos or foreign trade restrictions such as anti-dumping duties;
- increased costs of transportation or shipping;
- environmental laws and regulations;
- ability to obtain supplies from foreign vendors and ship products internationally during times of crisis or otherwise;
- potential difficulties in protecting intellectual property;
- increased worldwide hostilities including, but not limited to, possible military action in Iraq;
- potential imposition of restrictions on investments; and
- local political, economic and social conditions, including the possibility of hyperinflationary conditions and political instability in certain countries.

As we continue to expand our international operations, these and other risks associated with international operations are likely to increase. In addition, as we enter new geographic markets, we may encounter significant competition from the primary participants in those markets who may have significantly greater market knowledge and substantially greater resources than we do.

Arthur Andersen LLP, the independent public accountant that audited our 2001 and 2000 annual consolidated financial statements, has not consented to our use or incorporation by reference of its audit opinion and has been convicted of obstruction of justice, which may adversely affect the ability of Arthur Andersen LLP to satisfy any claims that may arise out of its audits of our consolidated financial statements.

Arthur Andersen LLP is the independent public accountant that audited our consolidated financial statements through December 31, 2001 and for each of the three years in the period ended December 31, 2001. Arthur Andersen LLP was convicted in June 2002 of obstruction of justice in connection with the U.S. government's investigation of Enron Corp. Events arising out of this conviction most likely will adversely affect the ability of Arthur Andersen LLP to satisfy any claims that may arise out of Arthur Andersen LLP's audits of our Consolidated Financial Statements. Additionally, because the personnel responsible for the audits of our Consolidated Financial Statements are no longer employed by Arthur Andersen LLP, we have not received Arthur Andersen LLP's consent with respect to the use of those Consolidated Financial Statements and the related audit report; accordingly, if those Consolidated Financial Statements are inaccurate, your ability to make a claim against Arthur Andersen LLP may be limited or prohibited.

Until our consolidated audited financial statements for the fiscal year ending December 31, 2004 become available in the first quarter of 2005, the SEC's current rules require us to present or incorporate by reference our audited financial statements for the periods that these financial statements were audited by Arthur Andersen LLP. While the SEC has indicated that in the interim it will continue to accept financial statements audited by Arthur Andersen LLP, there is no assurance that the SEC will continue to do so in the future. If the SEC declines to accept financial statements audited by Arthur Andersen LLP prior to the filing of our Form 10-K for the year ending December 31, 2004, it could impede our access to the capital markets unless Deloitte & Touche LLP, our

current independent auditor, is able to audit the consolidated financial statements originally audited by Arthur Andersen LLP. Additionally, if our financial statements for the two years ended December 31, 2001 are subject to a material modification or change for any reason, the SEC would likely require these periods to be re-audited by our current independent auditor.

Future increases in the number of shares of our outstanding common stock could adversely affect our common stock price or dilute our earnings per share.

Sales of a substantial number of shares of common stock into the public market, or the perception that these sales could occur, could have a material adverse effect on our stock price. If certain conditions are met, the LYONs could be converted into shares of our common stock. The shares are covered by the February LYONs and the May LYONs have been registered under the Securities Act. Subject to adjustment, the LYONs could be converted into an aggregate of 13.2 shares of common stock. In addition, as of December 31, 2002, approximately 18.4 shares of our common stock are issuable upon exercise of outstanding stock options by employees and non-employee directors. Additionally, we may issue a significant number of additional shares in connection with our acquisitions. We also have a shelf registration statements for 8.4 shares of common stock that may be issued in acquisitions and we also have filed a shelf registration statement for a total of $1,000.0, of which $500.0 has been used for the offering of our senior notes and the remainder of which may be used in connection with an offering of debt securities and/or common stock for general corporate purposes. Any such additional shares also could have a dilutive effect on our earnings per share.

Provisions in our corporate documents and Delaware law may delay or prevent a change in control of our company, and, accordingly, we may not consummate a transaction that our stockholders consider favorable.

Provisions of our Certificate of Incorporation and By-laws may inhibit changes in our control not approved by our Board. These provisions include, for example, a staggered board of directors; a prohibition on stockholder action by written consent; a requirement that special stockholder meetings be called only by our Chairman, President and Chief Executive Officer or our board; advance notice requirements for stockholder proposals and nominations; limitations on stockholders’ ability to amend, alter or repeal the By-laws; enhanced voting requirements for certain business combinations involving substantial stockholders; the authority of our board to issue, without stockholder approval, preferred stock with terms determined in its discretion; and limitations on stockholders’ ability to remove directors. We also have a shareholder rights plan designed to make it more costly and thus more difficult to gain control of us without the consent of our Board. In addition, we are afforded the protections of Section 203 of the Delaware General Corporation Law, which could have similar effects. In general, Section 203 prohibits us from engaging in a “business combination” with an “interested stockholder” (each as defined in Section 203) for at least three years after the time the person became an interested stockholder unless certain conditions are met.

Our technology is important to our success.

Because many of our products rely on proprietary technology, we believe that the development and protection of our intellectual property rights is critical to the success of our business. In order to maintain our market positions, we need to continually develop and introduce high quality, technologically advanced and cost effective products on a timely basis. The failure to do so could result in a significant competitive disadvantage.

Additionally, despite our efforts to protect our proprietary rights, unauthorized parties or competitors may copy or otherwise obtain and use our products or technology. The steps we have taken may not prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk related to changes in interest rates and foreign currency exchange rates, and we selectively use financial instruments to manage these risks. We do not enter into financial instruments for speculative or trading purposes. We have interest rate protection agreements with financial institutions to limit exposure to interest rate volatility. Our currency exposures vary, but are primarily concentrated in the Euro, Canadian dollar, and British pound. Translation exposures generally are not specifically hedged.

The following table provides information, as of December 31, 2002, about our outstanding debt obligations and presents principal cash flows, weighted average interest rates by expected maturity dates and fair values. The weighted-average interest of our variable rate obligations is 3.77% at December 31, 2002.

	Expected Maturity Date							
	2003	2004	2005	2006	2007	After	Total	Fair Value
Fixed rate debt	—	—	—	—	—	$ 517.7	$ 517.7	$ 517.7
Average interest rate	—	—	—	—	—	7.0%	7.0%	
LYONs, fully accreted (1)	$ 251.4	—	—	—	—	$ 1,158.4	$ 1,409.8	$ 871.9
Average interest rate	—	—	—	—	—	2.75%	2.75%	
7.5% senior notes	—	—	—	—	—	$ 500.0	$ 500.0	$ 506.3
Average interest rate	—	—	—	—	—	7.5%	7.5%	
Variable rate debt	$ 28.9	$ 34.5	$ 45.8	$ 57.0	$ 62.6	$ 1,090.2	$ 1,319.0	$ 1,319.0
Average interest rate (2)	—	—	—	—	—	—	—	

(1) There are various factors that a LYON holder would use in deciding to exercise their put option. These factors include the price and volatility of our common stock, the interest yield on the LYONs above the risk free interest rate and other quantitative and qualitative factors. Based upon these factors, at the time of the filing of this Form 10-K, we believe that it is probable, but cannot determine with certainty, that the holders of the May LYONs will exercise their put right and require us to repurchase the majority or all of their LYONs on May 9, 2003. If all the May LYONs were settled in cash on May 9, 2003, we would be required to pay the holders approximately $253.8. Accordingly $251.4, the accreted value of the May LYONs at December 31, 2002, has been classified as current in our Consolidated Balance Sheet at December 31, 2002.

(2) As of December 31, 2002, we had outstanding swaps that effectively converted $1,300.0 of our variable rate debt to a fixed rate of approximately 6.9%. These swaps are accounted for as cash flow hedges and expire at various dates, with the longest expiring in November 2009.

We believe that current cash and equivalents, cash flows from operations and our unused revolving credit facility will be sufficient to fund working capital needs, planned capital expenditures, other operational cash requirements, and required debt service obligations. In addition, we have the ability and may elect to refinance the LYONs, if put, with other debt.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

SPX CORPORATION AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

	Page
SPX Corporation and Subsidiaries	
Report of Independent Auditor — Deloitte & Touche LLP	60
Report of Independent Public Accountants — Arthur Andersen LLP	62
Report of Independent Auditor — KPMG LLP	63
Consolidated Financial Statements:	
Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2002, 2001 and 2000	64
Consolidated Balance Sheets as of December 31, 2002 and 2001	65
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2002, 2001 and 2000	66
Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000	67
Notes to Consolidated Financial Statements	68

All schedules are omitted because they are not applicable, or not required or because the required information is included in the consolidated financial statements or notes thereto.

Special Note

Arthur Andersen LLP audited our financial statements as of December 31, 2001 and for each of the two years in the period ending on December 31, 2001 included in this Form 10-K. Because our former audit engagement team leaders have since left Andersen, Andersen did not reissue its report on those financial statements, and a copy of a previously issued report is included herein. Andersen has not consented to the use of such report or to any reference made to their firm in this Form 10-K. Andersen was convicted on June 15, 2002 of federal obstruction of justice arising from the government's investigation of Enron Corp. You may have no effective remedy against Andersen in connection with a material misstatement or omission in these financial statements, particularly in the event that Andersen ceases to exist or becomes insolvent as a result of the conviction or other proceedings against Andersen.

Until our consolidated audited financial statements for the fiscal year ending December 31, 2004 become available during the first fiscal quarter of 2005, the SEC's current rules require us to present or incorporate by reference audited financial statements for the period we were audited by Andersen. Prior to that time the SEC may cease accepting financial statements audited by Andersen, in which case we would be unable to access the public capital markets unless Deloitte & Touche LLP, the Company's current independent auditor, or another independent accounting firm, is able to audit the financial statements originally audited by Andersen. The SEC has indicated that in the interim it will continue to accept financial statements audited by Andersen, there is no assurance that the SEC will continue to do so in the future. If the SEC declines to accept financial statements audited by Andersen prior to the filing of our Form 10-K for the fiscal year ending December 31, 2004, it could impede our access to the capital markets.

Additionally, as a result of the departure of our former audit engagement team leaders, Andersen is no longer in a position to consent to the inclusion or incorporation by reference in any prospectus of their report on the above-referenced financial statements, and investors in any offerings for which we use their audit report will not be entitled to recovery against them under Section 11 of the Securities Act of 1933 for any material misstatements or omissions in those financial statements.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of SPX Corporation:

We have audited the accompanying consolidated balance sheet of SPX Corporation (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2002, and the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Company as of December 31, 2001 and 2000, and for the years then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated February 11, 2002, which included an explanatory paragraph relating to the adoption of a new accounting principle. In their report, those auditors also stated that their opinion, insofar as it related to amounts included for EGS for 2000, the investment which is reflected in the accompanying financial statements using the equity method of accounting (see Note 8), was based solely on the report of other auditors who audited the 2000 financial statements of EGS.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2002 consolidated financial statements present fairly, in all material respects, the financial position of SPX Corporation and subsidiaries as of December 31, 2002, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 3, 4 and 10, the Company changed its method of accounting for goodwill and other intangible assets as of January 1, 2002 to conform to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142").

As discussed above, the consolidated financial statements of the Company as of December 31, 2001 and 2000 and for the years then ended were audited by other auditors who have ceased operations. The 2001 and 2000 consolidated financial statements have been revised to include the transitional disclosures required by SFAS No. 142, which was adopted by the Company as of January 1, 2002. Our audit procedures with respect to the revised disclosures in Notes 4 and 10 pertaining to 2001 and 2000 included i) agreeing the previously reported net income to the previously issued consolidated financial statements and the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in that period related to goodwill and intangible assets that are no longer being amortized as a result of initially applying SFAS No. 142 to the Company's underlying records obtained from management, and ii) testing the mathematical accuracy of the reconciliation of adjusted net income to reported net income, and the related earnings per share amounts. In our opinion, such revised disclosures in Notes 4 and 10 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 or 2000 consolidated financial statements of the Company other than with respect to such revised disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 or 2000 consolidated financial statements taken as a whole.

As discussed in Note 3 the Company changed its method of accounting for the early extinguishment of debt in 2002 to conform to Statement of Financial Accounting Standards No. 145, *Rescission of FASB Statements No. 4,44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections* ("SFAS No. 145") and, retroactively, restated the 2000 consolidated financial statements for the change.

As discussed above, the consolidated financial statements of the Company as of December 31, 2001 and 2000 and for the years then ended were audited by other auditors who have ceased operations. As described in Note 3, the 2000 consolidated financial statements have been revised to reclassify loss on early extinguishment of debt, net of income taxes from an extraordinary item to interest expense and provision for income taxes as required by SFAS No. 145, which was adopted by the Company as of January 1, 2002. Our audit procedures with respect to this reclassification adjustment and related disclosures in Notes 12 and 13 with respect to 2000 included i) agreeing the previously reported net income, interest expense and provision for income taxes to the previously issued consolidated financial statements and the adjustments to reported net income, interest expense and provision for income taxes representing loss on early extinguishment of debt (including any related tax effects) recognized in that period as a result of initially applying SFAS No. 145 to the Company's underlying records obtained from management, and ii) testing the mathematical accuracy of the reconciliation of adjusted net income, interest expense and provision for income taxes to reported net income, interest expense and provision for income taxes and the related earnings per share amounts. In our opinion, the reclassification adjustment is appropriate and has been appropriately applied, and the disclosures in Notes 12 and 13 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2000 consolidated financial statements of the Company other than with respect to such revised disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2000 consolidated financial statements taken as a whole.

/s/ Deloitte & Touche LLP
Charlotte, North Carolina
March 13, 2003

This report is a copy of the previously issued report covering 2001 and 2000. Arthur Andersen LLP has not reissued its report. The reference to Notes 7 and 15 in this report should instead be a reference to Notes 8 and 14, respectively, of our 2002 Consolidated Financial Statements.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of SPX Corporation:

We have audited the accompanying consolidated balance sheets of SPX CORPORATION (a Delaware corporation) AND SUBSIDIARIES as of December 31, 2001 and 2000, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of EGS, the investment in which is reflected in the accompanying financial statements using the equity method of accounting (see Note 7), as of and for the year ended September 30, 2000. The statements of EGS, as of and for the year ended September 30, 2000, were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for EGS for 2000, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the 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, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of SPX Corporation and Subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Notes 1 and 15 to the financial statements, effective January 1, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities."

/s/ Arthur Andersen LLP

Chicago, Illinois
February 11, 2002

INDEPENDENT AUDITORS' REPORT

The Board of Members EGS Electrical Group, LLC:

We have audited the accompanying consolidated balance sheet of EGS Electrical Group, LLC and subsidiaries as of September 30, 2000, and the related consolidated statements of income, members' equity and comprehensive income, and cash flows for the year then ended. 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 audit. The accompanying consolidated financial statements of EGS Electrical Group, LLC and subsidiaries as of September 30, 1999 were audited by other auditors whose report thereon dated October 29, 1999, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides 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 EGS Electrical Group, LLC and subsidiaries as of September 30, 2000, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Chicago, Illinois
December 18, 2000

SPX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Year ended December 31,		
	2002	2001	2000
	(In millions, except per share data)		
Revenues	$ 5,045.8	$ 4,114.3	$ 2,678.9
Costs and expenses:			
Cost of products sold	3,396.2	2,761.6	1,776.7
Selling, general and administrative	955.8	775.1	495.2
Goodwill and intangible amortization	8.2	69.4	40.0
Special charges	99.0	87.9	90.9
Operating income	586.6	420.3	276.1
Gain on issuance of Inrange stock	—	—	98.0
Other income (expense), net	(0.3)	(7.6)	22.2
Equity earnings in joint ventures	36.6	35.0	34.3
Interest expense, net	(169.7)	(133.7)	(110.0)
Income before income taxes	453.2	314.0	320.6
Provision for income taxes	(177.2)	(141.0)	(131.1)
Income before change in accounting principle	276.0	173.0	189.5
Change in accounting principle	(148.6)	—	—
Net income	$ 127.4	$ 173.0	$ 189.5
Basic income per share of common stock:			
Income before change in accounting principle	$ 3.39	$ 2.38	$ 3.08
Change in accounting principle	(1.83)	—	—
Net income per share	$ 1.56	$ 2.38	$ 3.08
Weighted average number of common shares outstanding	81.440	72.616	61.592
Diluted earnings per share of common stock:			
Income before change in accounting principle	$ 3.33	$ 2.33	$ 2.98
Change in accounting principle	(1.79)	—	—
Net income per share	$ 1.54	$ 2.33	$ 2.98
Weighted average number of common shares outstanding	82.959	74.120	63.502
Comprehensive income (loss):			
Foreign currency translation adjustment	142.6	(39.3)	(8.8)
Change in fair value of cash flow hedges, net of tax	(22.9)	(25.6)	—
Minimum pension liability adjustment, net of tax	(226.8)	(2.6)	(1.2)
Other comprehensive loss	(107.1)	(67.5)	(10.0)
Net income	127.4	173.0	189.5
Comprehensive income	$ 20.3	$ 105.5	$ 179.5

The accompanying notes are an integral part of these statements.

SPX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2002	2001
	(In millions)	
ASSETS		
Current assets:		
Cash and equivalents	$ 555.9	$ 460.0
Accounts receivable, net	1,053.3	976.2
Inventories, net	632.5	625.5
Prepaid expenses and other current assets	95.3	130.7
Deferred income taxes	236.1	236.6
Total current assets	2,573.1	2,429.0
Property, plant and equipment:		
Land	50.7	50.4
Buildings and leasehold improvements	375.7	418.7
Machinery and equipment	897.6	810.1
	1,324.0	1,279.2
Accumulated depreciation and amortization	(540.0)	(439.7)
	784.0	839.5
Goodwill, net	2,685.9	2,374.8
Intangible assets, net	547.6	686.9
Other assets	500.9	749.9
TOTAL ASSETS	$ 7,091.5	$ 7,080.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 515.3	$ 514.3
Accrued expenses	824.5	856.9
Short-term debt	251.4	—
Current maturities of long-term debt	28.9	161.6
Total current liabilities	1,620.1	1,532.8
Long-term debt	2,414.6	2,450.8
Deferred income taxes	632.2	752.6
Other long-term liabilities	720.5	603.6
Total long-term liabilities	3,767.3	3,807.0
Minority interest	11.7	25.0
Shareholders' equity:		
Common stock	868.0	833.0
Paid-in capital	863.3	722.5
Retained earnings	478.2	350.8
Unearned compensation	(46.1)	—
Accumulated other comprehensive loss	(197.6)	(90.5)
Common stock in treasury	(273.4)	(100.5)
Total shareholders' equity	1,692.4	1,715.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 7,091.5	$ 7,080.1

The accompanying notes are an integral part of these statements.

SPX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions)	Common Stock	Paid-in Capital	Retained Earnings (Deficit)	Unearned Compensation	Accumulated Other Comprehensive Loss	Common Stock In Treasury
Balance at December 31, 1999	$ 709.8	$134.8	$ (11.7)	$ (19.1)	$ (13.0)	$ (248.5)
Net income	—	—	189.5	—	—	—
Exercise of stock options and other incentive plan activity, net of tax	5.6	—	—	9.6	—	—
Minimum pension liability adjustment, net of tax	—	—	—	—	(1.2)	—
Treasury stock repurchased	—	—	—	—	—	(138.8)
Translation adjustments	—	—	—	—	(8.8)	—
Balance at December 31, 2000	715.4	134.8	177.8	(9.5)	(23.0)	(387.3)
Net income	—	—	173.0	—	—	—
Exercise of stock options and other incentive plan activity, net of tax	6.4	38.0	—	9.5	—	—
Acquisitions	111.2	549.7	—	—	—	286.8
Transition adjustment related to change in accounting for derivative instruments and hedging activities, net of tax	—	—	—	—	5.9	—
Net unrealized loss on qualifying cash flow hedges, net of tax	—	—	—	—	(31.5)	—
Minimum pension liability adjustment, net of tax	—	—	—	—	(2.6)	—
Translation adjustments	—	—	—	—	(39.3)	—
Balance at December 31, 2001	833.0	722.5	350.8	—	(90.5)	(100.5)
Net income	—	—	127.4	—	—	—
Exercise of stock options and other incentive plan activity, net of tax	17.7	69.2	—	—	—	—
Exercise of warrants	5.1	19.1	—	—	—	—
Acquisitions	2.2	13.6	—	—	—	—
Net unrealized loss on qualifying cash flow hedges, net of tax	—	—	—	—	(22.9)	—
Minimum pension liability adjustment, net of tax	—	—	—	—	(226.8)	—
Restricted stock grant, net of $2.8 amortization	10.0	38.9	—	(46.1)	—	—
Treasury stock repurchased	—	—	—	—	—	(172.9)
Translation adjustments	—	—	—	—	142.6	—
Balance at December 31, 2002	$ 868.0	$863.3	$ 478.2	$ (46.1)	$ (197.6)	$ (273.4)

The accompanying notes are an integral part of these statements.

SPX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2002	2001	2000
	(In millions)		
Cash flows from (used in) operating activities:			
Net income	$ 127.4	$ 173.0	$ 189.5
Adjustments to reconcile net income to net cash from operating activities:			
Change in accounting principle	148.6	—	—
Special and other charges	111.6	101.4	103.2
Loss on sale of assets	10.3	11.8	—
Early extinguishment of debt	8.2	—	15.0
Fair value of swaps reclassed to interest expense	14.8	—	—
Gain on sale of Inrange stock	—	—	(98.0)
Deferred income taxes	136.5	103.4	101.4
Depreciation	117.7	91.5	64.3
Amortization of goodwill and intangibles	21.4	83.4	46.6
Employee benefits	1.1	(34.1)	(38.1)
Other, net	(8.8)	(6.7)	(9.7)
Changes in assets and liabilities, net of effects from acquisitions and divestitures:			
Accounts receivable and other	(29.4)	(66.6)	(46.8)
Inventories	1.7	47.0	(15.1)
Accounts payable, accrued expenses and other	(122.5)	43.1	(43.3)
Cash spending on restructuring actions	(99.5)	(55.0)	(28.8)
Taxes paid on the sale of Best Power	—	—	(69.0)
Net cash from operating activities	439.1	492.2	171.2
Cash flows from (used in) investing activities:			
Proceeds from asset sales	100.9	182.9	—
Business acquisitions and investments, net of cash acquired	(238.4)	(528.1)	(220.8)
Capital expenditures	(94.1)	(150.0)	(123.3)
Other, net	(7.5)	(22.5)	(10.2)
Net cash used in investing activities	(239.1)	(517.7)	(354.3)
Cash flows from (used in) financing activities:			
Net borrowings under revolving credit agreement	—	—	155.0
Borrowings under other debt agreements	1,894.3	1,700.1	502.4
Payments under other debt agreements	(1,870.7)	(1,333.2)	(484.0)
Proceeds from issuance of Inrange stock	—	—	128.2
Purchases of common stock	(172.9)	—	(138.8)
Common stock issued under stock incentive programs	49.1	44.9	15.2
Common stock issued under exercise of stock warrants	24.2	—	—
Other, net	(28.1)	—	—
Net cash from (used in) financing activities	(104.1)	411.8	178.0
Net change in cash and equivalents	95.9	386.3	(5.1)
Cash and equivalents at beginning of year	460.0	73.7	78.8
Cash and equivalents at end of year	$ 555.9	$ 460.0	$ 73.7
Supplemental disclosure of cash flows information:			
Interest paid	$ 151.9	$ 122.0	$ 96.4
Income taxes paid	$ 21.5	$ 35.2	$ 95.5
Noncash investing and financing activities:			
Fair value of shares issued for acquisitions	$ 15.8	$ 947.7	$ —

The accompanying notes are an integral part of these statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting and financial policies are described below as well as in other Notes that follow.

Basis of Presentation — The consolidated financial statements include our accounts after the elimination of inter-company transactions. Investments in unconsolidated companies where we exercise significant influence are accounted for using the equity method. In connection with the October 24, 2002 two-for-one stock split, the capital accounts, all share data and earnings per share data in this report give effect to the stock split, applied retroactively, for all periods presented.

Cash Equivalents — We consider our highly liquid money market investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Revenue Recognition — We recognize revenues from product sales upon shipment to the customer, except for revenues from service contracts and long-term maintenance arrangements, which are deferred and recognized on a straight line basis over the agreement period, and revenues from certain construction/installation contracts, which are recognized using the percentage-of-completion method of accounting. Under the percentage-of-completion method, revenue is recognized based on effort or costs incurred to date as compared to total estimated effort or cost of the total contract. Certain sales to distributors made with return rights and/or price protection features are recognized upon shipment to the customer. Expected returns under these contracts are approximately 0.1% of total revenues, can be reasonably estimated and are accrued for at the time of sale, and either a restocking charge is assessed on a return (up to 25% of sales price), or the customer must issue a replace order before the return is authorized. Amounts billed for shipping and handling are included in revenue. In addition, costs incurred for shipping and handling are recorded in cost of products sold and not netted against amounts billed.

Research and Development Costs — Internal research and development costs are expensed as incurred. Costs incurred in the research and development of new software included in products are charged to expense as incurred until technological feasibility is established. After technological feasibility is established, additional costs are capitalized in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 86, “Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed” until the product is available for general release. These costs are amortized over the lesser of three years or the economic life of the related products and the amortization is included in cost of products sold. We perform a periodic review of the recoverability of such capitalized software costs. At the time a determination is made that capitalized amounts are not recoverable based on the estimated cash flows to be generated from the applicable software, any remaining capitalized amounts are written off. We expensed approximately $118.6 of research activities relating to the development and improvement of our products in 2002, $109.1 in 2001 and $74.5 in 2000.

Purchased in-process research and development represents the value assigned in a purchase business combination to research and development projects of the acquired business that were commenced but not yet completed at the date of acquisition, for which technological feasibility has not yet been established and which have no alternative future use in research and development activities or otherwise. Amounts assigned to purchased in-process research and development meeting the above criteria are written off and charged to expense at the date of consummation of the business combination in accordance with generally accepted accounting principles in the United States (“GAAP”). We wrote-off $1.6 and $10.0 of in-process research and development in 2001 and 2000, respectively. See Note 6 for more information on these write-offs.

Property, Plant and Equipment — Property, plant and equipment (“PP&E”) is stated at cost, less accumulated depreciation and amortization. We use the straight-line method for computing depreciation

expense over the useful lives of PP&E, which do not exceed 40 years for buildings and range from three to 15 years for machinery and equipment. Leasehold improvements are amortized over the life of the related asset or the life of the lease, whichever is shorter.

Stock Based Employee Compensation — We have a stock based compensation plan, including stock option and restricted stock awards. We account for our stock-based employee compensation under Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees,” and, accordingly, no stock option expense is recognized. We have adopted the disclosure only provisions of SFAS No. 148, “Accounting for Stock-Based Compensation —Transition and Disclosure, an amendment of FASB Statement No. 123.”

We adopted the disclosure provisions of SFAS No. 148, and the following table illustrates the pro forma effect on net income and income per share in 2002, 2001 and 2000 had the fair value recognition provisions of SFAS No. 123 been applied to stock-based employee compensation:

	2002	2001	2000
Net Income—as reported	$ 127.4	$ 173.0	$ 189.5
Add: Stock—based employee compensation expense included in reported net income, net of related tax effect	2.8	—	—
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of related tax effect			
Awards granted at market value	(42.2)	(27.2)	(16.2)
Awards granted above market value	(15.6)	(11.5)	(4.4)
Net income—pro forma	$ 72.4	$ 134.3	$ 168.9
Basic income per share of common stock:			
Income per share—as reported	$ 1.56	$ 2.38	$ 3.08
Income per share—pro forma	0.89	1.85	2.74
Diluted income per share of common stock:			
Income per share—as reported	$ 1.54	$ 2.33	$ 2.98
Income per share—pro forma	0.87	1.81	2.66
Basic income per share of common stock before change in accounting principle:			
Income per share—as reported	$ 3.39	$ 2.38	$ 3.08
Income per share—pro forma	2.72	1.85	2.74
Diluted income per share of common stock before change in accounting principle:			
Income per share—as reported	$ 3.33	$ 2.33	$ 2.98
Income per share—pro forma	2.66	1.81	2.66

Financial Instrument Policy — We use interest rate swaps to manage our exposures to fluctuating interest rate risk on our variable rate debt portfolio. We use interest rate swaps as a cash flow hedge to reduce the risk of fluctuating interest rates by fixing a known cash flow that will be expended at future dates for the payment of interest. We do not enter into financial instruments for speculative or trading purposes.

On January 1, 2001, we adopted SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended by SFAS No. 137 and SFAS No.138. These rules require that derivative instruments be reported in the consolidated financial statements at fair value. Changes in the fair value of derivatives are to be recorded each period in earnings or other comprehensive income, depending on whether the derivative is designated and effective as part of a hedged transaction and on the type of hedge transaction. Gains or

losses on derivative instruments reported in other comprehensive income must be reclassified as earnings in the period in which earnings are affected by the underlying hedged item, and the ineffective portion of all hedges must be recognized in earnings in the current period. These standards can result in additional volatility in reported earnings, other comprehensive income and accumulated other comprehensive income. See Note 14 for further discussion of the impact of these standards.

Initially, upon adoption of the derivative accounting requirements, and prospectively, on the date a derivative contract is entered into, SFAS No. 133 requires that a qualifying derivative be designated as either (1) a hedge of a recognized asset or liability or an unrecognized firm commitment (a fair value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (a cash flow hedge), or (3) a hedge of a net investment in a foreign operation (a net investment hedge).

We formally document our hedge relationships, including identification of the hedging instruments and the hedged items, as well as our risk management objectives and strategies for undertaking the hedge transaction. Derivatives are recorded in the balance sheets at fair value in other assets or other liabilities. We also formally assess, both at inception and quarterly thereafter, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged item.

The effective portion of the changes in the fair value of our interest rate swaps, which are designated as cash flow hedges, is recorded in accumulated other comprehensive loss, net of tax. Ineffectiveness is recorded as a component of interest expense. Changes in fair value are assessed quarterly based on dealer quotes.

(2) USE OF ESTIMATES

The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. We evaluate these estimates and judgments on an ongoing basis and base our estimates on experience, current and expected future conditions, third party evaluations and various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results may differ from the estimates and assumptions used in the financial statements and related notes.

Listed below are the significant estimates and assumptions used in the preparation of our financial statements. Certain other estimates and assumptions are further explained in the related Notes.

Allowance for Doubtful Accounts — We estimate losses for uncollectible accounts based on the aging of the accounts receivable and the evaluation of the likelihood of success in collecting the receivable. Summarized below is the activity for allowance for doubtful accounts.

	2002	2001	2000
Allowance for doubtful accounts:			
Balance at beginning of year	$ 28.9	$ 16.2	$ 16.9
Acquisitions	3.5	10.5	—
Provisions	18.9	19.3	7.9
Write offs, net of recoveries	(15.1)	(17.1)	(8.6)
Balance at end of year	$ 36.2	$ 28.9	$ 16.2

Impairment of Long-Lived Assets and Intangibles Subject to Amortization — We continually review whether events and circumstances subsequent to the acquisition of any long-lived assets, or intangible assets subject to amortization, have occurred that indicate the remaining estimated useful lives of those assets may warrant revision or that the remaining balance of those assets may not be recoverable. If events and circumstances indicate that the long-lived assets should be reviewed for possible impairment, we use projections to assess whether future cash flows on a non-discounted basis related to the tested assets are likely to exceed the recorded carrying amount of those assets, to determine if a write-down is appropriate. Should impairment be identified, a loss would be reported to the extent that the carrying value of the impaired assets exceeds their fair values as determined by valuation techniques appropriate in the circumstances that could include the use of similar projections on a discounted basis.

In determining the estimated useful lives of definite lived intangibles, we consider the nature, competitive position, life cycle position, and historical and expected future operating cash flows of each acquired asset, as well as our commitment to support these assets through continued investment and legal infringement protection.

Goodwill and Indefinite Lived Intangible Assets — Goodwill and indefinite lived intangible assets are tested for impairment at least annually to determine whether the carrying value of goodwill and indefinite lived intangible assets exceed their implied fair value. The fair value of reporting units is based on discounted projected cash flow but we also consider factors such as market capitalization and comparable industry price multiples. We employ cash flow projections that are believed to be reasonable under current and forecasted circumstances, the results of which form the basis for making judgments about the carrying values of the reported net assets of our reporting units. Many of our businesses closely follow changes in the industries and end-markets that they serve. Accordingly, estimates and judgments that effect the future cash flow projections including principal methods of competition including volume, price, service, product performance and technical innovations are considered. Actual results may differ from these estimates under different assumptions or conditions. See Note 10 for more information.

Accrued Expenses — We make estimates and judgments in establishing accruals as required under GAAP. Summarized in the table below are current accrued expenses at December 31, 2001 and 2002.

	December 31,	
	2002	2001
Employee benefits	$ 261.3	$ 237.5
Legal	47.0	87.1
Warranty	75.0	71.8
Restructuring related accruals (1)	63.1	91.7
Other	378.1	368.8
	$ 824.5	$ 856.9

(1) Includes the UDI integration accruals described in Note 4.

Legal — It is our policy to accrue for estimated losses from legal actions or claims, including legal expenses, when events exist that make the realization of the loss or expenses probable and they can be reasonably estimated. In 2002, we settled approximately $26.7 of legal claims and related fees previously accrued for in connection with product disputes, patent litigation, supplier disputes and other commercial claims.

Environmental Remediation Costs — Costs incurred to investigate and remediate environmental issues are expensed unless they extend the economic useful life of related assets. Liabilities are recorded and expenses are reported when it is probable that an obligation has been incurred and the amounts can be reasonably estimated. Our environmental accruals cover anticipated costs, including investigation, remediation, and operation and maintenance of clean-up sites. Our estimates are primarily based on investigations and remediation plans

established by independent consultants, regulatory agencies and potentially responsible third-parties. Environmental obligations are not discounted and are not reduced by anticipated insurance recoveries. In 2002, we paid approximately $4.5 associated with environmental remediation and received approval from the State of Connecticut for a favorable remedial action plan to address a soil contamination site, which reduced our remediation obligation by $11.3.

Self-Insurance — We are primarily self-insured for workers' compensation, automobile, product, and general liability costs and we believe that we maintain adequate accruals to cover our retained liability. Our accrual for self-insurance liability is determined actuarially, based on claims filed and an estimate of claims incurred but not yet reported. We maintain third party stop-loss insurance policies to cover all liability costs in excess of predetermined amounts.

Warranty — In the normal course of business we issue product warranties for specific product lines and provide for the estimated future warranty cost in the period in which the sale is recorded. We provide for the estimate of warranty cost based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Because warranty estimates are forecasts that are based on the best available information, claims costs may differ from amounts provided. Adjustments to initial obligations for warranties are made as changes in the obligations become reasonably estimable. The following is an analysis of our product warranty accrual in 2002:

		2002
Balance at beginning of year	$	71.8
Acquisitions		6.5
Provisions		39.5
Usage		(42.8)
Balance at end of year	$	75.0

(3) NEW ACCOUNTING PRONOUNCEMENTS

The following is a summary of new accounting pronouncements that apply or may apply to our business.

On July 20, 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." These pronouncements change the accounting for business combinations, goodwill and intangible assets. The requirements of SFAS No. 141 are effective for any business combination accounted for by the purchase method that is completed after June 30, 2001 and the amortization provisions of SFAS No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, we adopted the provisions of SFAS No. 142, as required, on January 1, 2002. See Note 10 for further discussion on the impact of adopting SFAS No. 141 and SFAS No. 142.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." The provisions of SFAS No. 143 require that asset retirement obligations that are identifiable upon acquisition and construction, and during the operating life of a long-lived asset be recorded as a liability using the present value of the estimated cash flows. A corresponding amount would be capitalized as part of the asset's carrying amount and amortized to expense over the asset's useful life. We will adopt the provisions of SFAS No. 143 effective January 1, 2003. We do not expect the adoption of this statement to have a material impact on our financial position, results of operations or cash flows.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment and Disposal of Long-Lived Assets." SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and also supersedes the provisions of APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions." SFAS No. 144 retains the requirements of SFAS No. 121 to (a) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flow and (b) measure an impairment loss as the difference between the carrying amount and the fair value of the asset. SFAS No. 144 establishes a single model for accounting for long-lived assets to be disposed of by sale. As required, we have adopted the provisions of SFAS No. 144 effective January 1, 2002, and the effect of adoption was not material to our financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that Statement, SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." This Statement also rescinds SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers." This Statement amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. Effective July 1, 2002, we early adopted the provisions of SFAS No. 145. In accordance with the provisions regarding the gains and losses from the extinguishment of debt, we recorded a charge, to interest expense, as a result of our July and December 2002 refinancings. In addition, in 2000, we had previously recorded a $8.8 ($15.0 pre-tax) loss on early extinguishment of debt as an extraordinary item. In accordance with the adoption of SFAS No. 145, we have, in this presentation of 2000 results, reclassified the $15.0 pre-tax loss to interest expense and the related tax benefit of $6.2 to income tax expense. See Note 13 for further discussion of the loss on early extinguishment of debt recorded in 2002.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing or other exit or disposal activities. Previous accounting guidance was provided by EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 replaces EITF 94-3 and is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. We frequently engage in strategic restructuring and integration initiatives that include exit and disposal activities. Accordingly, we expect that SFAS No. 146 will impact the timing of recognition of certain restructuring costs, but will not have a material impact on our financial position and results of operations.

In November 2002, the FASB issued Financial Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires that a guarantor must recognize, at the inception of a guarantee, a liability for the fair value of the obligation that it has undertaken in issuing a guarantee. FIN 45 also addresses the disclosure requirements that a guarantor must include in its financial statements for guarantees issued, including matters such as commercial product warranties. The disclosure requirements in this interpretation are effective for financial statements ending after December 15, 2002. The initial recognition and measurement provisions of this interpretation are applicable

on a prospective basis to guarantees issued or modified after December 31, 2002. We have not completed our evaluation of FIN 45 and we have not assessed the impact the adoption may have on our financial position or results of operations. Refer to Note 2 for the additional disclosure information as required by FIN 45.

In December 2002, the FASB issued SFAS 148, “Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123.” This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and requires 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. As of December 31, 2002, we have adopted the disclosure-only provisions of SFAS 148 and will continue to account for stock-based compensation under APB Opinion No. 25, “Accounting for Stock Issued to Employees.” The adoption of SFAS No. 148 had no impact on our financial position or results of operations.

In January 2003, the FASB issued Financial Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities,” an interpretation of Accounting Research Bulletin 51, “Consolidated Financial Statements”. FIN 46 requires that unconsolidated variable interest entities be consolidated by their primary beneficiaries and applies immediately to variable interest entities created after January 31, 2003 and to existing entities in the periods beginning after June 15, 2003. Currently, FIN 46 will not have an impact on our financial position or results of operations; however, we will adopt the provisions of FIN 46 at such time as they become applicable to our business.

(4) ACQUISITIONS AND DIVESTITURES

We use acquisitions as a part of our strategy to acquire access to new technology, expand our geographical reach, penetrate new markets and leverage our existing product, market, manufacturing or technical expertise. We continually review each of our businesses pursuant to our “fix, sell or grow” strategy. Acquisitions and divestitures for the twelve months ended December 31, 2002 and 2001 are described below.

All business acquisitions have been accounted for using the purchase method of accounting and, accordingly, the statements of consolidated income include the results of each acquired business since the date of acquisition. The assets acquired and liabilities assumed are recorded at preliminary estimates of fair values as determined by management based on information available. Final purchase price allocations are based on independent appraisals and management estimates. We finalize the allocation of purchase price to the fair value of the assets acquired and liabilities assumed when we obtain information sufficient to complete the allocation, but in any case, within one year after acquisition.

Acquisitions — 2002

In the Technical Products and Systems segment, we completed seven acquisitions with an aggregate purchase price of $116.6, which included the issuance of common stock valued at $2.9. In aggregate, the acquired companies had revenues of $161.2 in the twelve months prior to the respective dates of acquisition. These acquisitions include Dukane Communications Systems and Vance International, Inc; both of which are being integrated into our security and integrated building life-safety systems unit.

In the Industrial Products and Services segment, we completed one acquisition for a purchase price of $13.4, which included the issuance of common stock valued at $11.5. The acquired company had revenues of $9.6 in the twelve months prior to the date of acquisition. The acquisition was made by our power systems business.

In the Flow Technology segment, we completed four acquisitions with an aggregate purchase price of $128.7. The acquired companies had revenues of $315.5 in the twelve months prior to their respective dates of acquisition. These acquisitions include the acquisition of certain assets and liabilities of Daniel Valve Company and Balcke Cooling Products Group ("Balcke"). We acquired Daniel Valve for a cash purchase price of $72.0. Daniel Valve had revenues of $46.7 in the twelve months prior to the date of acquisition. This acquisition is being integrated into our process and fluid systems business.

We acquired Balcke from Babcock Borsig AG for a net purchase price of approximately $44.3, which includes debt assumed. Of the purchase price, $14.0 is held in escrow as of December 31, 2002 to be paid in 2003. Based in Oberhausen, Germany, Balcke is a leader in the design, manufacture and marketing of dry and wet cooling system products in the global power, chemical, petro chemical and process industries. Balcke had revenues of approximately $226.0 in the twelve months prior to the date of acquisition. This business is being integrated into our cooling technologies and services business. The integration actions planned for Balcke are more extensive than actions taken at most of our bolt-on acquisitions, and current plans call for the closure of eight Balcke facilities and a reduction in employee headcount of approximately 167. The costs associated with these actions are considered liabilities assumed and are accounted for as part of the purchase price allocation.

In the Service Solutions segment, we completed one acquisition for a purchase price of $5.0. The acquired company had revenues of $4.8 in the twelve months prior to the date of acquisition. This acquisition will become part of the technical information and services business.

These acquisitions are not material individually or in the aggregate.

Acquisitions — 2001

In the Technical Products and Systems segment we completed nine acquisitions with an aggregate purchase price of $412.6. In aggregate, the acquired companies had revenues of $302.6 in the year prior to their respective dates of acquisition. These acquisitions include Kendro Laboratory Products, L.P. by Revco Technology, SPX's life-sciences business unit and TCI International and Central Tower by Dielectric Communications, SPX's broadcast antenna and radio frequency transmission systems business unit. The acquisition of Kendro was completed in July 2001 for $320.0 in cash and accounted for using the purchase method of accounting under SFAS No. 141. Accordingly, the purchase price was allocated to the related assets acquired and liabilities assumed based on fair market values at the date of acquisition. Of the total assets acquired, $239.1 has been allocated to goodwill, $39.2 to trademarks and $13.2 to other intangibles.

In the Industrial Products and Services segment, we completed three acquisitions with an aggregate purchase price of $52.3. In aggregate, the acquired companies had revenues of $70.1 in the year prior to their respective dates of acquisition. These acquisitions include Carfel by our specialty engineered products.

In the Flow Technology segment, we completed three acquisitions with an aggregate purchase price of $29.3. In aggregate, the acquired companies had revenues of $56.8 in the year prior to their respective dates of acquisition.

These acquisitions are not material individually or in the aggregate.

UDI Acquisition — May 24, 2001

On May 24, 2001, we completed the acquisition of United Dominion Industries Limited "UDI" in an all-stock transaction valued at $1,066.9 including $128.0 of cash costs related to transaction fees and corporate

change in control matters. We issued a total of 18.770 shares (7.780 from treasury) to complete the transaction. We also assumed or refinanced $884.1 of UDI debt bringing the total transaction value to $1,951.0.

UDI, which had sales of $2,366.2 for the twelve months ended December 31, 2000, manufactured products including: electrical test and measurement solutions; cable and pipe locating devices; laboratory testing chambers; industrial ovens; electrodynamic shakers; air filtration and dehydration equipment; material handling devices; electric resistance heaters; soil, asphalt and landfill compactors; specialty farm machinery; pumps; valves; cooling towers; boilers; leak detection equipment; and aerospace components.

The acquisition was accounted for using the purchase method of accounting in accordance with APB No.16 and 17, and, accordingly, the condensed consolidated statements of income include the results of UDI beginning May 25, 2001. The assets acquired and liabilities assumed were recorded at fair values with useful lives as determined by independent appraisals and management. During the second quarter 2002, we completed our review and determination of the fair value of the assets acquired and liabilities assumed. A final summary of the assets acquired and liabilities assumed in the acquisition is as follows:

Estimated fair values		
Assets acquired	$	1,917.1
Liabilities assumed		(2,012.4)
Excess of cost over net assets acquired		1,162.2
Purchase price	$	1,066.9
Less cash acquired		(78.4)
Net purchase price	$	988.5

As a result of the acquisition of UDI, we have incurred integration expenses for the incremental costs to exit and consolidate activities at UDI locations, involuntarily terminate UDI employees, and other costs to integrate operating locations and other activities of UDI with SPX. These integration actions included work force reduction initiatives that eliminated approximately 2,500 former UDI employees, excluding businesses sold. GAAP requires that these acquisition integration expenses, which are not associated with the generation of future revenues and which do not benefit activities that will be continued, be reflected as assumed liabilities in the allocation of the purchase price to the net assets acquired. On the other hand, these same principles require acquisition integration expenses, associated with integrating SPX operations into UDI locations, to be recorded as expense. These expenses are discussed in Note 6. The balances of the acquisition integration liabilities included in the purchase price allocation for UDI are as follows:

	Work force Reductions	Non-cancelable Leases	Facility Consolidation/ Other	Total
Balance at December 31, 2001	$ 29.1	$ 8.1	$ 15.6	$ 52.8
Purchase price adjustments	(0.6)	—	7.7	7.1
Payments (1)	(26.9)	(2.9)	(21.7)	(51.5)
Balance at December 31, 2002	$ 1.6	$ 5.2	$ 1.6	$ 8.4

(1) During 2002, $11.2 of pension assets were used to fund employee severance costs.

The acquisition of UDI significantly affects the comparability of the 2002, 2001 and 2000 results of operations. Unaudited pro forma results of operations for 2001 and 2000 are presented below as if the acquisition

of UDI, which was acquired on May 24, 2001, took place on January 1, 2000. Effective January 1, 2002, we adopted the remaining provisions of SFAS No. 141 and SFAS No. 142. SFAS No. 142 requires that goodwill and indefinite lived intangible assets no longer be amortized. Accordingly, we discontinued amortization of these assets on the date of adoption. The following 2001 and 2000 pro forma results assume that the cessation of the amortization of goodwill and indefinite lived intangible assets occurred on January 1, 2001.

The pro forma results include estimates and assumptions that management believes are reasonable. However, pro forma results do not include any anticipated cost savings or expenses of the planned integration of UDI and SPX, and are not necessarily indicative of the results that would have occurred if the business combination had been in effect on the dates indicated, or that may result in the future. The consolidated interest expense has been computed on assumptions that the refinancing of UDI debt occurred entirely under the credit agreement, in place as of the merger, and not through the issuance of publicly traded or privately placed notes. Interest income was not changed from historical amounts and debt issuance costs are amortized over five years. The pro forma results assume the fair values and lives of definite lived intangible assets as determined by independent appraisals. The pro forma consolidated effective income tax rate for the combined companies includes the impact of special and other charges and unusual items as well as increases in foreign income tax rates due to the acquisition.

	Twelve months ended December 31,		
	2002	2001	2000
	Actual	Pro Forma	Pro Forma
Revenues	$ 5,045.8	$ 5,008.7	$ 5,045.1
Income before change in accounting principle (1)	276.0	233.9	267.7
Net income	127.4	233.9	267.7
Basic income per share:			
Income before change in accounting principle	$ 3.39	$ 2.78	$ 3.33
Change in accounting principle	(1.83)	—	—
Net income per share	$ 1.56	$ 2.78	$ 3.33
Diluted income per share:			
Income before change in accounting principle	$ 3.33	$ 2.73	$ 3.25
Change in accounting principle	(1.79)	—	—
Net income per share	$ 1.54	$ 2.73	$ 3.25

(1) We recorded a charge for a change in accounting principle of $148.6 as a result of adopting the provisions of SFAS No. 142. See Note 10 for further discussion.

Acquisitions — 2000

In the Technical Products and Systems segment, we completed ten acquisitions with an aggregate purchase price of $100.0. In aggregate, these acquisitions had revenues of $67.9 in the year prior to the respective date of acquisition. These acquisitions include Computerm Corporation by our network and switching products business and Ziton SA (Pty) Ltd. by our fire detection and building life-safety systems business.

In the Industrial Products and Services segment, we completed five acquisitions with an aggregate purchase price of $81.2. In aggregate, these acquisitions had revenues of $61.7 in the year prior to their respective date of

acquisition. These acquisitions include the Fenner Fluid Power Division of Fenner plc by our hydraulic power units and controlled force tools business.

In the Flow Technology segment, we completed three acquisitions with an aggregate purchase price of $37.7. In aggregate, these acquisitions had revenues of $33.6 in the year prior to their respective date of acquisition. These acquisitions include Copes-Vulcan by our process and fluid handling equipment business.

In the Service Solutions segment, we completed three acquisitions with an aggregate purchase price of $12.2. In aggregate, these acquisitions had revenues of $9.0 in the year prior to their respective date of acquisition.

Divestitures — 2002

In 2002, we sold substantially all of the assets and liabilities of a non-strategic machinery equipment product line and a material handling product line. In total, we received $64.5 in cash for these divestitures and recorded a loss of $10.3.

Divestitures — 2001

On May 18, 2001, we sold substantially all of the assets and liabilities of our electric motor product line for $27.0 in cash and a $5.0 note, which was collected in full during the second quarter of 2002. In the second quarter of 2001, we recorded a loss of $11.8 on the sale. In 2000, this product line had sales of $75.3.

On August 27, 2001 we sold substantially all of the assets and liabilities of our petroleum pump product line, formerly of UDI, for a cash purchase price of $40.0. This product line was classified as held-for-sale as of the acquisition date, and accordingly, no gain or loss was recorded on the sale. In 2000, this product line had sales of $68.1.

During the fourth quarter of 2001 and in separate transactions, we sold five other product lines, all of which were formerly of UDI, for total consideration of $89.4 in cash and a note of $1.6 which was subsequently collected. These product lines were classified as held-for-sale as of the acquisition date, and accordingly, no gain or loss was recorded on the sale.

(5) BUSINESS SEGMENT INFORMATION

We are a global provider of technical products and systems, industrial products and services, flow technology and service solutions. We offer a diverse collection of products, which include scalable storage networking solutions, fire detection and building life-safety products, TV and radio broadcast antennas and towers, life science products and services, transformers, compaction equipment, high-tech die castings, dock products and systems, cooling towers, air filtration products, valves, back-flow prevention and fluid handling equipment, and metering and mixing solutions. Our products and services also include specialty service tools, diagnostic systems, service equipment and technical information services. Our products are used by a broad array of customers in various industries, including chemical processing, pharmaceuticals, infrastructure, mineral processing, petrochemical, telecommunications, financial services, transportation and power generation.

We have aggregated certain operating segments in accordance with the criteria defined in SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information.” The primary aggregation factors considered in determining the segments were the nature of products sold, production processes and types of customers for these products. In determining our segments, we apply the threshold criteria of SFAS No. 131 to

operating income or loss of each segment before considering special and other charges, including those recorded in cost of products sold. This is consistent with the way our chief operating decision maker evaluates the results of each segment. Our results of operations are reported in four segments: Technical Products and Systems, Industrial Products and Services, Flow Technology and Service Solutions.

In 2001, our power systems business exceeded ten percent of total segment profits. As required in SFAS No. 131, the determination of the threshold criteria should be evaluated based on current and future prospects and not necessarily on the current indicators only. Including the impact of UDI on a pro forma basis, which was acquired on May 24, 2001, our power systems business did not exceed the ten percent threshold in 2001. In addition, this business did not exceed ten percent of total segment profit in 2002. Accordingly, the power systems business is included in the Industrial Products and Services segment as determined by the aggregation factors considered in determination of our segments.

Technical Products and Systems

The Technical Products and Systems segment is focused on solving customer problems with complete technology-based systems and services. The emphasis is on growth through investment in new technology, new product introductions, alliances and acquisitions.

This segment includes operating units that design, manufacture and offer laboratory and life science products and services; security and integrated building life-safety systems and services; broadcast and communication systems and services; networking and switching products and services; and electrical test and measurement solutions.

Industrial Products and Services

The strategy of the Industrial Products and Services segment is to provide “Productivity Solutions for Industry”. The Industrial Products and Services segment emphasizes introducing new related services and products, as well as focusing on the replacement parts and service elements of the segment.

This segment includes operating units that design, manufacture, and market power systems, compaction equipment and specialty engineered products, including engineered components and subsystems, material handling equipment and systems and heat and ventilation products.

Flow Technology

The Flow Technology segment designs, manufactures, and markets solutions and products that are used to process or transport fluids and in heat transfer applications.

This segment includes operating units that engineer, manufacture and market cooling technologies and services, and fluid systems.

Service Solutions

The Service Solutions segment consists of three primary units: diagnostic systems and service equipment, specialty tools and technical information and services. The strategy of this segment is to focus on the design, manufacture and marketing of a wide range of specialty service tools, hand-held diagnostic systems and service equipment, inspection gauging systems, and technical and training information, primarily for the franchised vehicle dealer industry in North America and Europe. Major customers are franchised dealers of motor vehicle manufacturers, aftermarket vehicle service facilities, and independent distributors.

Revenues by business segment represent sales to unaffiliated customers, and no one customer or group of customers under common control accounted for more than 10% of our consolidated sales. Intercompany sales among segments are not significant. Identifiable assets by business segment are those used in company operations in each segment. General corporate assets are principally cash, pension assets, deferred tax assets and certain prepaid expenses.

Financial data for our business segments are as follows:

	2002	2001	2000
Revenues: (1)			
Technical Products and Systems	$ 1,337.4	$ 1,137.9	$ 796.8
Industrial Products and Services	1,603.2	1,391.4	893.3
Flow Technology	1,385.7	912.5	286.8
Service Solutions	719.5	672.5	702.0
Total	$ 5,045.8	$ 4,114.3	$ 2,678.9
Segment income: (1)			
Technical Products and Systems	$ 216.9	$ 178.6	$ 155.2
Industrial Products and Services	233.0	186.5	156.6
Flow Technology	219.3	136.0	35.2
Service Solutions	86.5	68.5	69.1
Total Segment Income	755.7	569.6	416.1
General Corporate	(57.5)	(47.9)	(36.8)
Special and Other Charges (2)	(111.6)	(101.4)	(103.2)
Total Consolidated Operating Income	$ 586.6	$ 420.3	$ 276.1
Capital expenditures: (1)			
Technical Products and Systems	$ 33.2	$ 23.8	$ 20.3
Industrial Products and Services	21.4	75.5	46.9
Flow Technology	19.8	18.2	20.8
Service Solutions	6.4	10.3	13.0
General Corporate	13.3	22.2	22.3
Total	$ 94.1	$ 150.0	$ 123.3
Depreciation and amortization: (1)			
Technical Products and Systems	$ 35.3	$ 38.9	$ 21.3
Industrial Products and Services	43.1	59.4	43.5
Flow Technology	31.5	33.0	11.5
Service Solutions	12.5	27.8	26.8
General Corporate	3.5	1.8	1.2
Total	$ 125.9	$ 160.9	$ 104.3
Identifiable assets:			
Technical Products and Systems	$ 1,598.4	$ 1,280.9	$ 553.2
Industrial Products and Services	1,840.3	2,069.9	1,001.8
Flow Technology	1,938.6	1,567.0	289.9
Service Solutions	682.1	899.9	861.9
General Corporate	1,032.1	1,262.4	457.8
Total	$ 7,091.5	$ 7,080.1	$ 3,164.6

(1) Includes the results of acquisitions from the dates of the respective acquisitions. See Note 4 for further discussion.

(2) 2002 includes special and other charges of $111.6, $12.6 of which is included in cost of products sold. 2001 includes $101.4 of special and other charges, $13.5 of which is included in cost of products sold. 2000 includes $103.2 of special and other charges, $12.3 of which is included in cost of products sold. See Note 6 for further discussion.

Geographic Areas:	2002	2001	2000
Revenues — Unaffiliated Customers:			
United States (1)	$ 3,736.7	$ 3,218.9	$ 2,327.7
Other	1,309.1	895.4	351.2
	5,045.8	$ 4,114.3	$ 2,678.9
Long Lived Assets:			
United States	$ 3,373.9	$ 3,463.8	$ 2,014.3
Other	1,144.5	1,187.3	87.4
	$ 4,518.4	$ 4,651.1	$ 2,101.7
Total Assets:			
United States	$ 5,453.9	$ 5,767.6	2,894.5
Other	1,637.6	1,312.5	270.1
	$ 7,091.5	$ 7,080.1	$ 3,164.6

(1) Includes export sales of $337.5 in 2002, $351.4 in 2001, and $242.8 in 2000. No individual foreign country, based on destination of sale, accounted for more than 5% of consolidated revenues in 2002, 2001 or 2000.

(6) SPECIAL AND OTHER CHARGES

As part of our business strategy, we right-size and consolidate operations to drive results. Additionally, due to our acquisition strategy, from time to time we alter our business model to better serve customer demand, fix or discontinue lower-margin product lines and rationalize and consolidate manufacturing capacity. As a result of our strategic review process, we recorded special charges of $99.0 in 2002, $87.9 in 2001, and $90.9 in 2000. These special charges are primarily for restructuring initiatives to consolidate manufacturing and sales facilities, reduce our work force, rationalize certain product lines and recognize asset and goodwill impairments. Additionally, we recorded other charges to cost of products sold of $12.6 in 2002, $13.5 in 2001 and $12.3 in 2000, primarily for discontinued product lines and other product changes associated with restructuring initiatives.

The purpose of our restructuring initiatives is to improve profitability, streamline operations, reduce costs and improve efficiency. We estimate that we will achieve operating cost reductions in 2003 and beyond through reduced employee and manufacturing costs and other facility overhead.

The components of the charges have been computed based on actual cash payouts, our estimate of the realizable value of the affected tangible and intangible assets and estimated exit costs including severance and other employee benefits based on existing severance policies and local laws.

EITF No. 94-3 “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)” provides specific requirements as to the appropriate recognition of costs associated with employee termination benefits and other exit costs. Employee

termination costs are recognized when, management having the appropriate level of authority to involuntarily terminate employees, approves and commits us to the plan of termination, establishes the benefits that current employees will receive upon termination, and prior to the date of the financial statements, the benefit arrangement is communicated to employees. The communication of the benefit arrangement includes sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are terminated. Other exit costs are costs resulting from an exit plan that are not associated with or that do not benefit activities that will be continued. We record that cost if it is not associated with or is not incurred to generate revenues after the exit plan's commitment date, and it meets either of the following criteria: (1) The cost is incremental to other costs that we incur in the conduct of our activities prior to the commitment date and will be incurred as a direct result of the exit plan, or (2) the cost represents amounts that we will incur under a contractual obligation that existed prior to the commitment date and will either continue after the exit plan is completed with no economic benefit to us or be a penalty incurred by us to cancel the contractual obligation.

Non-cash asset impairments are accounted for in accordance with SFAS No. 144, "Accounting for the Impairment and Disposal of Long-Lived Assets." Typically, our non-cash asset impairments arise from business restructuring decisions that lead to the disposition of assets no longer required in the restructured business. For these situations, we recognize an impairment loss when the carrying amount of an asset exceeds the sum of the cash flows expected to result from the use and eventual disposition of the asset. Realization values for assets subject to impairment testing are primarily determined by third-party appraisals, quoted market prices or previous experience. If an impaired asset remains in service at the decision date, the remaining net book value is depreciated until the asset is no longer used in operating activities. When an impaired asset is removed from service, sale of the asset is probable, and the asset is made available for sale, depreciation of the asset is discontinued and the asset is determined to be an asset held for sale.

Special and other charges for the years ended December 31, 2002, 2001, and 2000 are described in more detail below and in the applicable sections that follow.

	2002	2001	2000
Employee termination costs	$ 50.3	$ 23.8	$ 13.9
Facility consolidation costs	15.1	13.9	16.1
Other cash costs	9.3	15.2	2.0
Non cash asset write-downs (1)	36.9	46.9	61.2
In-process technology	—	1.6	10.0
Total	$ 111.6	$ 101.4	$ 103.2

(1) Of the total non-cash asset write-downs, $12.6, $13.5, and $12.3 of non-cash inventory write-downs were recorded as a component of cost of products sold in 2002, 2001, and 2000, respectively.

At December 31, 2002, a total of $54.7 of restructuring liabilities remained on the consolidated balance sheet as shown below. With the exception of certain multi-year operating leases and other contractual obligations, we anticipate that the liabilities related to restructuring actions will be paid within one year from the period in which the action was initiated. The following table summarizes the restructuring accrual activity from December 31, 2000 through December 31, 2002:

	Employee Termination Costs	Facility Consolidation Costs	Other Cash Costs	Impairments & Write-Downs	Total
Balance at December 31, 2000	$ 10.0	$ 6.0	$ —	$ —	$ 16.0
Special and Other Charges (1)	23.8	13.9	15.2	48.5	101.4
Non-Cash Asset Write-Downs				(48.5)	(48.5)
Cash Payments	(16.5)	(7.6)	(5.6)	—	(29.7)
Balance at December 31, 2001	17.3	12.3	9.6	—	39.2
Special and Other Charges (2)	51.0	16.3	10.0	36.9	114.2
Adjustments	(0.7)	(1.2)	(0.7)	—	(2.6)
Non-Cash Asset Write-Downs	—	—	—	(36.9)	(36.9)
Cash Payments	(34.8)	(8.2)	(16.2)	—	(59.2)
Balance at December 31, 2002	$ 32.8	$ 19.2	$ 2.7	$ —	$ 54.7

(1) $13.5 of inventory write-downs is recorded as a component of cost of products sold. $1.6 of the impairments & write-downs is related to the write-off of in-process research & development.

(2) $12.6 of inventory write-downs is recorded as a component of cost of products sold.

2002 Special and Other Charges

In 2002, we continued to employ the business practices of our Value Improvement Process® by announcing and committing to the closure of twelve manufacturing, sales, and administrative facilities in the North America and Europe, by exiting or outsourcing unprofitable or low margin product lines, by consolidating and combining certain businesses, and by continuing to right-size our operations. As of December 31, 2002, we have committed to initiatives that, when fully completed, will reduce headcount by approximately 1,482 hourly and salaried employees located in the United States, Canada, and the United Kingdom. These restructuring actions were taken to strategically reorganize and realign our businesses to better position ourselves in the markets and industries in which we operate.

In total, we recorded net special and other charges of $111.6 in 2002, of which $12.6 was recorded as a component of cost of products sold. In the fourth quarter, we recognized a $2.6 special charge credit due to better than expected results for the costs to complete certain previously announced work force reduction actions and a facility consolidation project. The inventory charges recorded in cost of products sold are associated with the realignment of certain inventory related primarily to certain market conditions, and our decision to outsource non-core components, mechanical tool assemblies, and portions of our air conditioning product lines. Of the $111.6 cumulative charge, $74.7 will require the use of cash and $36.9 is a non-cash component. We expect to fund the cash costs for these actions from internal sources and proceeds generated from the sale of non-core assets.

In the Technical Products and Systems segment, $24.8 of charges was recorded primarily related to employee benefit costs and facility consolidation costs for the following actions: the closure of three engineering and service facilities, as well as the restructuring of certain sales, marketing, and administrative functions at our

network and switching products business. The affected facilities are located in Shelton, Connecticut, Pittsburgh, Pennsylvania, and Fairfax, Virginia and, as a result of this restructuring, all research and development functions have been consolidated into the business headquarters in Lumberton, New Jersey. Actions also included the announced closure of a manufacturing facility at our test instrumentation business in the United Kingdom and the consolidatation and announced closure of one service center of our fire detection and building life-safety systems business. The affected service center is located in Indiana. When completed, these restructuring actions will result in the elimination of approximately 279 domestic and foreign salaried employees and 49 domestic and foreign hourly employees.

In the Industrial Products and Services segment, $35.9 of charges were recorded primarily related to employee benefit costs, facility consolidation costs, contract termination costs, and asset impairments for the closure of the Milpitas, California manufacturing facililty at our power systems business, a restructuring action at our hydraulic systems business that will result in the exiting of certain machining operations, a decision to terminate a product licensing agreement as we exit a market strategy at our industrial filtration business, and a work force reduction at our dock products business. The majority of the impaired assets are no longer in use and are being held for sale, while some assets will remain in service until the first half of 2003 and are still being depreciated. When completed, these restructuring actions will result in the elimination of approximately 374 hourly and 201 salaried domestic employees.

In the Flow Technology segment, $21.6 of charges, $3.1 recorded in cost of products sold, were recorded primarily related to the following: the closure and consolidation of a manufacturing facility in the United Kingdom, the exit of a non-core product line, and integration costs for additional consolidation actions taken at SPX Valves and Controls. The initiatives taken at our valves and controls business are predominately for the integration of certain aspects of our existing valves and controls business with the recently acquired Daniel Valve operation. When completed, these restructuring and integration initiatives will result in the termination of approximately 178 hourly and 116 salaried domestic and foreign employees. Additionally, $3.1 of this charge was recorded in cost of products sold for inventory disposed of as part of our decision to discontinue a product line at our process equipment business. In connection with the exit of this product line, we announced other restructuring actions, primarily headcount reductions that were communicated to employees in the fourth quarter.

In the Service Solutions segment, $19.5 of charges, $9.5 recorded in cost or products sold, were recorded in 2002 primarily related to the following: The announced closure of a manufacturing facility in Ohio, the closure of a sales and administrative facility in Canada and Arizona, and outsourcing and work force reduction actions. When completed, these actions will result in the elimination of approximately 263 hourly domestic employees and 22 domestic and foreign salaried employees. Of this charge, $9.5 was recorded in cost of products sold, which is associated with the realignment of certain inventory related primarily to market conditions and our decision to outsource non-core components, mechanical tool assemblies and portions of our air conditioning product lines.

The Corporate special charges of $9.8 related to the final costs of completing the relocation of our corporate headquarters to Charlotte, North Carolina, and the impairment of a corporate asset, recorded in the third quarter, that was subsequently sold in the fourth quarter.

2001 Special and Other Charges

In 2001, we committed to restructuring actions to strategically reorganize and realign our businesses to better position ourselves in the markets and industries in which we operate. As a result of these actions, we announced and completed the closure of thirteen manufacturing, sales, and administrative facilities in the United States, Europe, and Asia; we exited or outsourced unprofitable or low margin product lines; we consolidated and

combined certain businesses; and we continued to right-size our operations. In 2001, we committed to initiatives that would reduce our headcount by approximately 1,025 hourly and salaried employees primarily located in the United States.

In total, we recorded $101.4 of special charges in 2001 of which $13.5 is recorded as a component of cost of products sold. $71.5 was recorded as a result of restructuring actions, $13.4 was recorded for goodwill and other asset impairments, $14.9 was recorded in connection with the relocation of our corporate headquarters, and we recorded a $1.6 write-off of in-process research and development.

In the Technical Products and Systems segment, $38.4 of special charges, $4.9 in cost of products sold, has been recorded primarily related to the following: reducing the workforce by approximately 342 employees; facility consolidation costs related to the closure of sales offices, the impairment of an investment held in a supplier; a goodwill impairment; inventory and other asset impairments associated with our data storage networks business exiting the telecom business; and the consolidation of certain operations and product lines from our Lindberg unit into our Lunaire unit. We recorded a $1.6 write-off of in-process research and development associated with the acquisition of Kendro Laboratories. In-process research and development represents the value assigned in a purchase business combination to research and development projects of the acquired business that had commenced but had not yet reached technological feasibility at the date of acquisition and that have no alternative future use.

In the Industrial Products and Services segment, $16.0 of special charges, $1.8 recorded in cost of products sold, has been recorded primarily related to the following: reducing the workforce by approximately 182 employees; facility consolidation costs including the closing of a manufacturing plant in Ohio and in the United Kingdom; and inventory and other asset impairments associated with the outsourcing of certain manufactured components and exiting a product line.

In the Flow Technology segment, $12.7 of special charges has been recorded primarily related to the following: the closure of sales and administrative offices at our industrial mixers business; and the combination of our DeZurik and Copes-Vulcan businesses with two businesses acquired with UDI, Mueller Steam Specialty and CMB, to form what is now called SPX Valves and Controls. The costs associated with this combination include amounts to reduce the workforce by approximately 186 employees, and to consolidate facilities including the closure of a manufacturing location in Minnesota and in Pennsylvania, and two in Asia.

In the Service Solutions segment, $15.3 of special charges, $6.8 recorded in cost of products sold, has been recorded primarily related to the following: reducing the workforce by approximately 315 employees; inventory and other asset impairments associated with exiting the dynometer-based emissions business; and the closure of a sales office in France and in Michigan.

Corporate special charges include $14.9 of costs associated with the relocation of our corporate headquarters to Charlotte, North Carolina. In addition to severance, these costs include non-cancelable lease obligations, facility-holding costs, and asset impairments associated with a lease facility in Muskegon, Michigan. Other special charges of $4.1 include an asset impairment relating to the abandonment of an internet-based software system.

2000 Special and Other Charges

In 2000, we recorded $103.2 of special charges associated with restructuring actions, in-process technology write-offs, asset impairments, and product rationalizations. $12.3 of this charge, which relates to inventory write-downs, is recorded in cost of products sold. In 2000, we committed to and announced the closing of ten

manufacturing facilities or sales offices and the reorganization of various sales, engineering and marketing teams that reduced headcount within the Service Solutions, and Industrial Products and Services segments by approximately 708 hourly and salaried employees.

In the Technical Products and Systems segment, we recorded a $10.0 write-off of in-process technology associated with Inrange's acquisition of Varcom Corporation.

In the Industrial Products and Services segment, we recorded special charges of $51.2 associated with restructuring initiatives and goodwill impairments; $1.1 of this charge related to inventory write-downs and was recorded in cost of products sold. The restructuring actions primarily consisted of headcount reductions, the consolidation of two facilities into one in our hydraulic power units and controlled force tools business, the closure of facilities in Pennsylvania, Virginia, and Minnesota, and asset write-downs associated with exiting the bicycle business.

In the Service Solutions segment we recorded special charges of $32.6, of which $11.2 is associated with discontinued product lines associated with restructuring and is recorded in cost of products sold. The remainder of the charges is primarily associated with restructuring actions that reduced headcount, closed two facilities in Michigan, one facility in Ohio, one facility in Brazil, and consolidated several European operations into a facility in Hainburg, Germany.

The 2000 Corporate special charges of $9.4 primarily represent a write-down of an investment in certain software licenses.

(7) GAIN ON ISSUANCE OF INRANGE STOCK

In September 2000, Inrange Technologies, one of our business units, issued 8.855 shares of its class B common stock for cash in an initial public offering. We own 75.633 shares of Inrange class A common stock. Holders of class B common stock generally have identical rights as class A common stock except for voting and conversion rights. The holders of class A common stock are entitled to five votes per share and the holders of class B common stock are entitled to one vote per share. Holders of class B common stock have no conversion rights. As of December 31, 2002, we owned approximately 92.1% of the total number of outstanding shares of Inrange common stock and approximately 98.3% of the combined voting power of all classes of Inrange voting stock. Proceeds from the offering, based on the offering price of $16.00 per share, net of expenses, were $128.2. We accounted for the proceeds of the offering in accordance with Staff Accounting Bulletin No. 51. "Accounting by the Parent in Consolidation for Sale of Stock in Subsidiary". In accordance with the selected accounting policy, we recorded a pretax gain of $98.0 ($57.6 after-tax) in the third quarter of 2000.

(8) INVESTMENT IN JOINT VENTURES

For 2001 and 2000, we are required, based on certain threshold criteria, to present summary financial information for the joint ventures described below. Summary financial data is not presented for these joint ventures in 2002, because they no longer meet the threshold criteria.

EGS Electrical Group, LLC

The EGS Electrical Group is a joint venture with Emerson Electric Co., in which we hold a 44.5% interest. EGS operates primarily in the United States, Canada and Mexico and is engaged in the manufacture of electrical fittings, hazardous location lighting, and power conditioning products. We account for our investment under the equity method of accounting, on a three-month lag basis, and we typically receive the majority of our share of

this joint venture's earnings in cash dividends EGS's results of operations for its fiscal year ended September 30, 2001, and 2000 were as follows:

	2001	2000
Net sales	$ 458.7	$ 474.4
Gross margin	187.3	189.3
Net income	56.5	65.1

EGS's pretax income for the quarters ended December 31, 2002, 2001 and 2000 was not materially different than the pretax income earned the previous quarter. Our equity earnings in EGS were $26.8, $30.1, and $34.3 for the years ended December 31, 2002, 2001 and 2000.

Condensed balance sheet information of EGS as of September 30, 2001 is as follows:

	2001
Current assets	$ 145.7
Noncurrent assets	309.2
Current liabilities	67.8
Noncurrent liabilities	17.2

Assa Abloy Door Group, LLC

We own a 20% interest in a joint venture entered into with Assa Abloy AB for the manufacture, sale and distribution of door products. At the formation of the joint venture on May 31, 2001, we contributed our door products business, which was acquired in the UDI acquisition, and we received $96.0 in cash. We account for our investment under the equity method of accounting and we typically receive the majority of our share of this joint venture's earnings in cash dividends. In connection with our allocation of the UDI purchase price, we recorded our investment in the joint venture at fair value and no gain or loss was recognized at the date the joint venture was formed. The joint venture agreement includes a put and call arrangement that allows for the sale of our 20% interest in the joint venture to Assa Abloy in June 2003 for a minimum price of $74.0 in cash. If we put or Assa Abloy calls our 20% ownership interest, no loss will be recorded and as specified in the put and call agreement, the final settlement price for our 20% interest will be calculated based upon a pre-determined formula, which may result in a sales price greater than $74.0. Any sales price in excess of $74.0 would result in a corresponding gain. We intend to exercise our put right. Following is a summary of the joint venture's financial results and balance sheet information for the seven month period ended December 31, 2001.

	(Unaudited) 2001
Net sales	$ 201.7
Gross margin	70.1
Net income	22.5

	(Unaudited) 2001
Current assets	$ 84.7
Noncurrent assets	133.0
Current liabilities	27.8
Noncurrent liabilities	65.3

(9) INVENTORIES

	December 31,	
	2002	2001
Finished goods	$ 325.8	$ 265.6
Work in process	106.0	149.9
Raw materials and purchased parts	213.8	224.7
Total FIFO cost	645.6	640.2
Excess of FIFO cost over LIFO inventory value	(13.1)	(14.7)
	$ 632.5	$ 625.5

Inventories include material, labor and factory overhead costs and are reduced, when necessary, to estimated realizable values. Certain domestic inventories are valued using the last-in, first-out (“LIFO”) method. These inventories were $211.4 at December 31, 2002, and $209.5 at December 31, 2001. All other inventories are valued using the first-in, first-out (“FIFO”) method. Progress payments, netted against work in process at year-end, were $18.6 in 2002, and $12.0 in 2001.

(10) GOODWILL AND OTHER INTANGIBLE ASSETS

On July 20, 2001, the Financial Accounting Standards Board issued SFAS No. 141, “Business Combinations,” and SFAS No. 142, “Goodwill and Other Intangible Assets.” These pronouncements change the accounting for business combinations, goodwill and intangible assets. SFAS No. 141 eliminates the pooling-of-interests method accounting for business combinations and further clarifies the criteria to recognize intangible assets separately from goodwill. SFAS No. 142 states goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are reviewed for impairment annually (or more frequently if impairment indicators arise). Separable intangible assets that are not determined to have an indefinite life will continue to be amortized over their useful lives and assessed for impairment under the provisions of SFAS No. 144.

The requirements of SFAS No. 141 and amortization provisions of SFAS No. 142 were effective for any business combination initiated after July 1, 2001. We have not amortized goodwill and indefinite-lived intangibles for acquisitions completed after this date. With respect to goodwill and intangible assets acquired prior to July 1, 2001, companies are required to adopt SFAS No. 142 in their fiscal year beginning after December 15, 2001. We adopted the remaining provisions of SFAS No. 142 effective January 1, 2002. Upon adoption of this standard, we ceased amortization of all remaining goodwill and intangible assets deemed to have indefinite useful lives. The pro forma impact of this change is presented below.

Transitional Disclosures

	Fiscal year ended December 31,		
	2002	**2001**	**2000**
Reported net income	$ 127.4	$ 173.0	$ 189.5
Add back: goodwill amortization, net of tax	—	42.4	24.6
Add back: trademarks/tradenames amortization, net of tax	—	7.9	1.7
Adjusted net income	$ 127.4	$ 223.3	$ 215.8
Basic earnings per share:			
Reported	$ 1.56	$ 2.38	$ 3.08
Add back: goodwill amortization, net of tax	—	0.58	0.40
Add back: trademarks/tradenames amortization, net of tax	—	0.11	0.02
Adjusted earnings per share	$ 1.56	$ 3.07	$ 3.50
Diluted earnings per share:			
Reported	$ 1.54	$ 2.33	$ 2.98
Add back: goodwill amortization, net of tax	—	0.57	0.39
Add back: trademarks/tradenames amortization, net of tax	—	0.11	0.02
Adjusted earnings per share	$ 1.54	$ 3.01	$ 3.39

In accordance with the transition rules of SFAS No. 142 effective January 1, 2002, we established our reporting units based on our current reporting structure. We then assigned all existing goodwill to the reporting units, as well as other assets and liabilities that relate to the reporting unit.

We performed our transition impairment testing as of January 1, 2002. Step 1 involved comparing the carrying values of the reported net assets of our reporting units to their fair values. Fair value was based on discounted cash flow projections, but we also considered factors such as market capitalization and comparable industry price multiples. The net assets of our automotive filtration systems business and hydraulic systems business, both in our Industrial Products and Services segment, had carrying values in excess of their fair values. For these reporting units, we performed Step 2 of the impairment testing provisions.

We engaged an independent valuation and appraisal firm to assist us with the Step 2 testing. The assets and liabilities of our automotive filtration systems business and our hydraulic systems business were appraised at their current fair value to calculate implied goodwill for these reporting units. The recorded goodwill exceeded the implied goodwill by $148.6, and, accordingly, this amount was required to be written-off as a transition impairment charge and recorded as a change in accounting principle. The impaired goodwill was not deductible for income tax purposes.

The following tables reflect the initial assignment of goodwill and intangible assets to the reporting units as of January 1, 2002. Thereafter, activity reflects (1) the initial allocation of purchase price for acquisitions

completed during 2002, subsequent purchase price adjustments for acquisitions completed not more than one year prior to the date of adjustment and translation adjustments (2) disposals, (3) amortization and (4) impairment charges. This information is presented first on a consolidated basis and second on a segment basis.

Consolidated:

	Unamortized		Amortized			
	Goodwill	Trademarks/ Tradenames	Patents	Licenses	Other	Total
Weighted average useful life in years	N/A	N/A	9	4	7	
January 1, 2002 gross balance	$2,481.5	$ 452.0	$ 45.1	$ 16.7	$10.8	$3,006.1
Acquisitions and related adjustments	379.2	30.6	5.3	4.0	7.5	426.6
Disposals	(26.2)	(2.8)	(2.0)	—	—	(31.0)
Impairment charge	(148.6)	—	—	—	—	(148.6)
December 31, 2002 gross balance	$2,685.9	$ 479.8	$ 48.4	$ 20.7	$18.3	$3,253.1
January 1, 2002 accumulated amortization			$ (2.4)	$ (3.1)	$ (1.5)	$ (7.0)
Amortization*			(5.6)	(4.7)	(2.5)	(12.8)
Disposals			0.2	—	—	0.2
December 31, 2002 accumulated amortization			$ (7.8)	$ (7.8)	$ (4.0)	$ (19.6)

* $4.6 has been recorded as a component of cost of products sold

Estimated amortization expense:

For year ended 2003	$	14.7
For year ended 2004	$	13.3
For year ended 2005	$	11.5
For year ended 2006	$	7.5
For year ended 2007	$	5.7

Segments:

	Unamortized		Amortized			
	Goodwill	Trademarks/ Tradenames	Patents	Licenses	Other	Total
Technical Products and Systems						
January 1, 2002 gross balance	$ 574.4	$ 62.9	$ 19.3	$ 16.3	$ 9.0	$ 681.9
Acquisitions and related adjustments	136.1	22.4	(1.3)	4.3	4.4	165.9
Disposals	—	—	—	—	—	—
Impairment charge	—	—	—	—	—	—
December 31, 2002 gross balance	$ 710.5	$ 85.3	$ 18.0	$ 20.6	$ 13.4	$ 847.8
January 1, 2002 accumulated amortization			$ (0.7)	$ (3.1)	$ (1.3)	$ (5.1)
Amortization*			(2.6)	(4.7)	(1.2)	(8.5)
Disposals			—	—	—	—
December 31, 2002 accumulated amortization			$ (3.3)	$ (7.8)	$ (2.5)	$ (13.6)

* $4.6 has been recorded as a component of cost of products sold

	Goodwill	Trademarks/ Tradenames	Patents	Licenses	Other	Total
Industrial Products and Services						
January 1, 2002 gross balance	$ 921.5	$158.3	$15.4	$ 0.4	$ 1.7	$1,097.3
Acquisitions and related adjustments	43.4	—	0.5	(0.3)	2.4	46.0
Disposals	(26.2)	(2.8)	(2.0)	—	—	(31.0)
Impairment charge	(148.6)	—	—	—	—	(148.6)
December 31, 2002 gross balance	$ 790.1	$155.5	$13.9	$ 0.1	$ 4.1	$ 963.7
January 1, 2002 accumulated amortization			$ (0.9)	$ —	$(0.2)	$ (1.1)
Amortization			(1.4)	—	(1.0)	(2.4)
Disposals			0.2	—	—	0.2
December 31, 2002 accumulated amortization			$ (2.1)	$ —	$(1.2)	$ (3.3)
Flow Technology						
January 1, 2002 gross balance	$ 728.5	$180.3	$ 9.4	$ —	$ 0.1	$ 918.3
Acquisitions and related adjustments	169.3	8.2	6.0	—	0.7	184.2
Disposals	—	—	—	—	—	—
Impairment charge	—	—	—	—	—	—
December 31, 2002 gross balance	$ 897.8	$188.5	$15.4	$ —	$ 0.8	$1,102.5
January 1, 2002 accumulated amortization			$ (0.6)	$ —	$ —	$ (0.6)
Amortization			(1.3)	—	(0.3)	(1.6)
Disposals			—	—	—	—
December 31, 2002 accumulated amortization			$ (1.9)	$ —	$(0.3)	$ (2.2)
Service Solutions						
January 1, 2002 gross balance	$ 257.1	$ 50.5	$ 1.0	$ —	$ —	$ 308.6
Acquisitions and related adjustments	30.4	—	0.1	—	—	30.5
Disposals	—	—	—	—	—	—
Impairment charge	—	—	—	—	—	—
December 31, 2002 gross balance	$ 287.5	$ 50.5	$ 1.1	$ —	$ —	$ 339.1
January 1, 2002 accumulated amortization			$ (0.2)	$ —	$ —	$ (0.2)
Amortization			(0.3)	—	—	(0.3)
Disposals			—	—	—	—
December 31, 2002 accumulated amortization			$ (0.5)	$ —	$ —	$ (0.5)

In accordance with our policy, we conduct our annual impairment testing of goodwill and indefinite-lived intangibles in connection with our long-range forecasting process, which took place in the fourth quarter as of December 31, 2002. In addition, goodwill and indefinite-lived intangibles are reviewed for impairment more frequently if impairment indicators arise. Intangible assets that are subject to amortization are reviewed for impairment in accordance with the provisions of SFAS No. 144. Consistent with the requirements of SFAS No. 142, the fair values of our reporting units were based on discounted cash flow projections that are believed to be reasonable under current and forecasted circumstances, the results of which form the basis for making judgments about the carrying values of the reported net assets of our reporting units. Other considerations are also incorporated, including such factors as market capitalization and comparable industry price multiples. Many of our businesses closely follow changes in the industries and end-markets that they serve. Accordingly, estimates and judgments that affect the future cash flow projections including principal methods of competition such as volume, price, service, product performance and technical innovations are considered. Actual results may differ from these estimates under different assumptions or conditions. Based on the results of the impairment testing performed, no impairment of goodwill or indefinite-lived intangibles exists as of December 31, 2002. In addition, we continue to monitor impairment indicators in the industries and markets with cyclical demand and pricing behavior including storage networking, telecommunications, power systems and industrial hydraulic power units and controlled force tools.

(11) EMPLOYEE BENEFIT PLANS

Defined Benefit Pension and Postretirement Benefit Plans

We have defined benefit pension plans that cover a significant portion of our salaried and hourly paid employees, including certain employees in foreign countries. Effective January 1, 2001 we amended our non-bargained domestic plans to discontinue providing pension benefits to employees hired after December 31, 2000. Effective January 1, 2002, we amended the historic UDI non-bargained plans to no longer provide service credits to active participants and we have discontinued providing pension benefits under these plans to employees hired after July 1, 2001. We fund U.S. pension plans in amounts equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974, plus additional amounts that may be approved from time to time. Many of our foreign plan obligations are underfunded in accordance with local laws. Substantially all plan assets are invested in listed stocks, bonds, real estate, other short-term investments and cash. As of December 31, 2002, plan assets include 1.514 shares of our common stock.

We have domestic postretirement plans that provide health and life insurance benefits for certain retirees and their dependents. Some of these plans require retiree contributions at varying rates. Not all retirees are eligible to receive these benefits, with eligibility governed by the plan(s) in effect at a particular location. Effective January 1, 2003, a uniform plan design was implemented for certain non-union employees retiring after January 1, 2003. Also effective January 1, 2003, a 10% minimum employee contribution was implemented for all current, non-union retirees. Certain of our non-North American subsidiaries have similar plans for retirees. Our obligations for such plans are not material and are not included in this disclosure.

The following table shows the pension and postretirement plans' funded status and amounts recognized in our consolidated balance sheets:

	Pension Benefits		Postretirement Benefits	
	2002	2001	2002	2001
Change in benefit obligation:				
Benefit obligation — beginning of year	$ 1,066.7	$ 733.1	$ 224.9	$ 166.1
Service cost	17.4	15.9	0.3	0.2
Interest cost	75.8	65.8	15.7	13.7
Employee contributions	0.3	—	—	—
Actuarial loss	72.4	33.2	5.3	45.8
Curtailment gain	(5.4)	(9.2)	—	—
Termination benefits	(5.2)	29.3	—	—
Plan amendments	0.1	9.6	(9.5)	—
Benefits paid	(100.6)	(103.1)	(19.2)	(18.2)
Acquisitions	15.8	294.0	0.7	17.3
Foreign exchange	10.6	(1.9)	—	—
Benefit obligation — end of year	$ 1,147.9	$ 1,066.7	$ 218.2	$ 224.9
Change in plan assets:				
Fair value of plan assets — beginning of year	$ 1,152.8	$ 1,037.6	$ —	$ —
Actual return on plan assets	(136.9)	(20.5)	—	—
Contributions	7.5	6.6	19.2	18.2
Benefits paid	(99.6)	(102.6)	(19.2)	(18.2)
Acquisitions	—	232.0	—	—
Foreign exchange	4.1	(0.3)	—	
Fair value of plan assets — end of year	$ 927.9	$ 1,152.8	$ —	$ —
Funded status at year-end	$ (220.0)	$ 86.1	$ (218.2)	$ (224.9)
Unamortized prior service cost	(8.1)	(11.3)	(9.2)	(2.3)
Unrecognized net loss	443.1	119.7	65.9	65.2
Net amount recognized	$ 215.0	$ 194.5	$ (161.5)	$ (162.0)
Amount recognized in the balance sheet consists of:				
Other assets	$ 8.3	$ 266.4	$ —	$ —
Accrued expenses and other liabilities	(177.6)	(84.7)	(161.5)	(162.0)
Accumulated other comprehensive income (pre-tax)	384.3	12.8	—	—
Net amount recognized	$ 215.0	$ 194.5	$ (161.5)	$ (162.0)

The pension benefit obligation ("PBO"), the accumulated benefit obligation ("ABO"), and the fair value of plan assets for pension plans' with ABO's in excess of plan assets were $162.4, $82.6, and $69.1, respectively, as of December 31, 2001. At December 31, 2002, all of our pension plans had ABO's in excess of plan assets.

The funded status of our pension plans is dependent upon many factors, including returns on invested assets and the level of market interest rates. The recent dramatic declines in the performance of the U.S. financial markets coupled with historic lows in long-term interest rates have resulted in a $220.0 underfunded status for our pension plans. Our German pension plans account for $46.6 of the underfunded status, as plans in Germany

are typically not funded, in accordance with local regulations. The underfunded status of our primary domestic pension plans did not have any impact on required cash contributions in 2002.

A minimum pension liability adjustment is required when the ABO exceeds plan assets and accrued pension liabilities. This adjustment also requires the elimination of any previously recorded pension asset. The minimum liability adjustment, less allowable intangible assets, net of tax benefit, is reported as a component of accumulated other comprehensive loss. The amounts recorded in other comprehensive income (loss), net of tax, as a result of minimum pension liability adjustments were $226.8, $2.6, and $1.2, for the years ended 2002, 2001, and 2000. Each of these adjustments resulted in a reduction of shareholders' equity.

Net periodic pension benefit income for our pension plans included the following components:

	Year Ended December 31,		
	2002	2001	2000
Service cost	$ 17.4	$ 15.9	$ 12.0
Interest cost	75.8	65.8	53.0
Expected gain on assets	(119.3)	(116.5)	(101.7)
Amortization of transition asset	—	(0.3)	(5.8)
Amortization of unrecognized (gains) losses	1.1	(0.7)	(0.8)
Amortization of unrecognized prior service cost	(0.5)	(1.2)	(1.2)
Net periodic pension benefit income	$ (25.5)	$ (37.0)	$ (44.5)
Weighted average actuarial assumptions used were:			
Discount rate	6.67%	7.17%	7.75%
Rate of increase in compensation levels	4.42%	4.46%	5.00%
Expected long-term rate of return on assets	9.44%	9.84%	10.00%

The discount rate and rate of increase in compensation levels for 2002, were used to value our benefit obligation and funded status as of December 31, 2002. The expected long-term rate of return on assets was used to calculate the pension benefit income for 2002. The expected long-term rate of return assumption for the 2003 pension benefit income calculation is expected to be approximately 8.50%. It is our policy to review the pension assumptions annually. Pension benefit income is determined using assumptions as of the beginning of the year, while the funded status is determined using assumptions as of the end of the year. The assumptions are established at the respective balance sheet date based on consultation with independent actuaries using the following principles: (1) The expected long-term rate of return on plan assets is established based upon historical actual asset returns and the expectations of asset returns over the expected period to fund participant benefits based on the current investment mix of our plans; (2) The discount rate is set based on the yield of high quality fixed income investments, commonly defined as fixed income investments with at least a Moody's AA credit rating; and (3) The rate of increase in compensation levels is established based on management's expectations of current and foreseeable future increases in compensation. In addition, a benchmark study completed by our independent actuaries has shown that our choice of assumptions is comparable to other organizations with a measurement date of December 31, 2002.

In accordance with SFAS No. 88 "Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," we recorded a net curtailment gain of $2.7 in 2002, $2.8 in 2001, and $2.0 in 2000. The curtailment gains were primarily the result of reductions in workforce and other restructuring initiatives. In 2001, we recorded a $25.5 termination benefit charge related to separation benefits for UDI employees terminated as part of the UDI acquisition and paid out of pension plan assets. This charge was

allocated to the purchase price of the UDI acquisition as required by GAAP. During 2002, the remaining separation benefit obligations for these UDI terminations were completed at a cost less than originally estimated. Consequently, the pension plan recognized a $5.2 termination benefit gain, which was not recorded in the income statement but as a reduction to the purchase price of the UDI acquisition as required by GAAP.

The net periodic postretirement benefit cost included the following components:

	Year Ended December 31,		
	2002	2001	2000
Service cost	$ 0.3	$ 0.2	$ 0.2
Interest cost	15.7	13.7	12.4
Amortization of unrecognized loss	4.5	1.3	—
Amortization of unrecognized prior service cost	(2.5)	(2.5)	(2.6)
Net periodic postretirement costs	$ 18.0	$ 12.7	$ 10.0

The accumulated postretirement benefit obligation was determined using the terms and conditions of our various plans, together with relevant actuarial assumptions and health care cost trend rates. It is our policy to review the postretirement assumptions annually. The assumptions are established based on consultation with independent actuaries and reflect our prior experience and our expectation that future rates will decline. For measurement purposes in 2002, the assumed health care cost trend rates were 10.0% for retirees over age 65 and 8.0% for retirees under age 65. At December 31, 2002, these rates are assumed to decrease to an ultimate rate of 5.0% by the year 2008 and remain at that level thereafter. The discount rates used to measure the benefit obligation at December 31, 2002 and 2001 were 6.75% and 7.25%, respectively.

Assumed health care cost trend rates can have a significant effect on the amounts reported for the other postretirement benefit plans. A percentage point change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total of service and interest costs	$ 0.9	$ (0.9)
Effect on postretirement benefit obligation	$ 11.8	$ (10.5)

Defined Contribution Retirement Plans

We maintain a defined contribution retirement plan (the “Plan”) pursuant to Section 401(k) of the U.S. Internal Revenue Code. Under the Plan, eligible U.S. employees may voluntarily contribute up to 50% of their compensation into the Plan and we match a portion of participating employees’ contributions. Our matching contributions are made in newly issued shares of company common stock and are issued at the prevailing market price. The matching contributions vest with the employee immediately upon the date of the match and there are no restrictions on the resale of common stock held by employees.

Under the Plan, we contributed 0.424, 0.322, and 0.312 shares of common stock to employee accounts in 2002, 2001, and 2000 respectively. Compensation expense is recorded based upon the market value of shares as the shares are contributed to employee accounts. We recorded $23.3 in 2002, $22.3 in 2001, and $17.1 in 2000 as compensation expense related to the matching contribution.

(12) INCOME TAXES

Income before income taxes and the provision for income taxes consisted of the following:

	Year Ended December 31,		
	2002	2001	2000
Income before income taxes:			
United States	$ 354.5	$ 253.0	$ 313.6
Foreign	98.7	61.0	7.0
	$ 453.2	$ 314.0	$ 320.6
Provision for income taxes:			
Current:			
Federal	$ (9.7)	$ 2.0	$ 58.6
Foreign	53.7	10.0	7.2
State	12.2	5.8	12.7
Total current	56.2	17.8	78.5
Deferred:			
Federal	120.6	96.1	44.1
Foreign	(18.9)	7.2	1.0
State	19.3	19.9	7.5
Total deferred	121.0	123.2	52.6
Total provision	$ 177.2	$ 141.0	$ 131.1

The reconciliation of income tax computed at the U.S. federal statutory tax rate to our effective income tax rate is as follows:

	Year Ended December 31,		
	2002	2001	2000
Tax at U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local taxes, net of U.S. federal benefit	3.7	2.9	3.9
Foreign sales corporation	(0.8)	(1.0)	(0.4)
Goodwill amortization	—	5.1	3.9
Foreign rates and foreign dividends	(2.8)	(1.7)	(2.0)
Change in valuation allowance	4.0	4.2	3.1
Disposition basis differences	0.5	1.4	(0.9)
Other	(0.5)	(1.0)	(1.7)
	39.1%	44.9%	40.9%

Significant components of our deferred tax assets and liabilities are as follows:

	December 31,		
	2002	2001	2000
Deferred tax assets:			
Working capital accruals	$ 62.4	$ 39.4	$ 11.6
Legal, environmental and self-insurance accruals	103.1	115.8	47.9
Restructuring	34.0	36.2	15.0
Pension, other postretirement and postemployment benefits	98.1	63.7	61.7
NOL and credit carryforwards	95.0	69.4	28.5
Payroll and compensation	26.7	23.4	12.6
Interest rate protection agreements	32.0	17.7	—
Other	73.3	69.7	31.3
Total deferred tax assets	524.6	435.3	208.6
Valuation allowance	(91.5)	(69.2)	(28.3)
Net deferred tax assets	433.1	366.1	180.3
Deferred tax liabilities:			
LYONS interest deductions	40.3	18.3	—
Accelerated depreciation	86.9	86.0	54.3
Pension credits	—	120.6	98.0
Unremitted earnings of certain foreign subsidiaries.	40.0	40.0	—
Basis difference in affiliates	381.1	318.4	205.7
Intangibles recorded in acquisitions	182.3	259.5	85.9
Other	98.7	39.3	55.6
Total net deferred tax liabilities	829.3	882.1	499.5
	$ 396.2	$ 516.0	$ 319.2

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We periodically assess the realizability of deferred tax assets and the adequacy of deferred tax liabilities including the results of local, state, federal or foreign statutory tax audits or estimates and judgments used. Realization of deferred tax assets associated with the net operating loss and credit carryforwards is dependent upon generating sufficient taxable income prior to their expiration. We believe that there is a risk that certain of these net operating loss and credit carryforwards may expire unused and, accordingly, have established a valuation allowance against them. Although realization is not assured for the remaining deferred tax assets, we believe it is more likely than not that the deferred tax assets will be realized through future taxable earnings or alternative tax strategies. However, deferred tax assets could be reduced in the near term if our estimates of taxable income during the carryforward period are significantly reduced or alternative tax strategies are no longer viable. The valuation allowance increased by $38.5 in 2002, and $24.7 in 2001.

The amount of income tax that we pay annually is dependent on various factors, including the timing of certain deductions. These deductions can vary from year to year and consequently, the amount of income taxes paid in future years may be greater than amounts paid in 2002 and 2001.

Undistributed earnings of our foreign subsidiaries amounted to approximately $460.9 at December 31, 2002. A deferred tax estimate of $40.0 has been provided for the foreign earnings of certain subsidiaries. With the

exception of these subsidiaries, the remaining foreign earnings are considered indefinitely reinvested. Accordingly, no provision for U.S. federal and state income taxes or foreign withholding taxes has been made. If these earnings were distributed, we would be subject to U.S. income taxes (subject to a reduction for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable; however, unrecognized foreign tax credit carryovers would be available to reduce some portion of the U.S. liability. Withholding taxes of approximately $21.0 would be payable upon remittance of all previously unremitted earnings at December 31, 2002.

(13) NOTES PAYABLE AND DEBT

	December 31,	
	2002	2001
Revolving loan	$ —	$ —
Tranche A term loan	225.0	393.7
Tranche B term loan	410.3	490.0
Tranche C term loan	683.7	823.0
LYONS, net of unamortized discount of $551.6 and $574.1, respectively	858.2	835.7
7.5% senior notes	500.0	—
Industrial revenue bond	—	1.0
Other borrowings	17.7	69.0
	2,694.9	2,612.4
Less: short-term debt	(251.4)	—
Less: current maturities of long-term debt	(28.9)	(161.6)
Total long-term debt	$ 2,414.6	$ 2,450.8

Under our Restated Credit Agreement, aggregate maturities of the term loans are $34.5 in 2004, $45.8 in 2005, $57.0 in 2006, $62.6 in 2007 and $172.6 in 2008. Although no amounts are borrowed under our revolving credit loans at December 31, 2002, any future borrowings under these loans would mature in 2008, when the facility expires, but could be repaid at any time before 2008. Other borrowings are primarily revolving lines of credit at foreign locations that are refinanced as they come due and therefore are classified as long-term.

Restated Credit Agreement

On July 25, 2002, we refinanced our existing Tranche B and Tranche C term loans and amended and restated our Credit Agreement. The primary purpose of the July refinancing and amendment of our Credit Agreement was to modify certain covenant provisions to provide for enhanced overall flexibility, as well as increased flexibility for international growth and to extend the maturity of our Tranche B and Tranche C term loans. The refinancing did not impact the terms or applicable rates on our Tranche A term loans or our revolving loan. We received proceeds of $450.0 from our new Tranche B term loans and $750.0 from our new Tranche C term loans and we used $96.4 of cash on hand to complete the transaction. This transaction resulted in a net $96.4 reduction in our debt obligations under these loans.

On December 27, 2002, we refinanced our existing Tranche A term loan and revolving loans and amended and restated our Credit Agreement (“Restated Credit Agreement”). The purpose of this refinancing was to extend the maturity of our Tranche A term loan and revolving loans, reduce the available borrowing capacity of the revolving loans by $100.0, and reduce the applicable rates on our Tranche A term loan. We received proceeds of

$225.0 from our new Tranche A term loan. These cash proceeds as well as proceeds from our $500.0 senior note issuance were used to pay off our existing Tranche A term loan and reduce Tranche B and C term loans.

As of December 31, 2002, we had outstanding under our Restated Credit Agreement:

(a) $225.0 of aggregate principal amount of Tranche A term loans,
(b) $410.3 of aggregate principal amount of Tranche B term loans, and
(c) $683.7 of aggregate principal amount of Tranche C term loans.

In addition, the Restated Credit Agreement provides for a commitment to provide revolving credit loans of up to $500.0. As of December 31, 2002, the revolving credit loans were unused; however, the aggregate available borrowing capacity was reduced by $83.2 of letters of credit outstanding as of December 31, 2002.

Under the Restated Credit Agreement, the term loans bear interest, at our option, at LIBOR plus the Applicable Rate or the ABR plus the Applicable Rate. During 2002, interest on the term loans was calculated using LIBOR and we intend to select LIBOR as the borrowing rate in the future. The Applicable Rate for the revolving loans and Tranche A term loan is based upon the Consolidated Leverage Ratio as defined in the Restated Credit Agreement. The Applicable Rate is as follows:

	LIBOR based borrowings	ABR based borrowings
Tranche A term loans and revolving loans	Between 1.75% and 2.25%	Between 0.75% and 1.25%
Tranche B term loans	2.25%	1.25%
Tranche C term loans	2.50%	1.50%

Our $500.0 of revolving loans available under the Restated Credit Agreement are also subject to annual commitment fees between 0.25% and 0.5% on the unused portion of the loans. At December 31, 2002, no amounts were borrowed against the $500.0 revolving loans.

The Restated Credit Agreement is secured by a pledge of 100% of the stock of substantially all of our domestic subsidiaries and 66% of the stock in our foreign subsidiaries and a security interest in substantially all of our assets and all of the assets of our wholly owned domestic subsidiaries (excluding, however the assets of Inrange Technologies Corporation and our interest in our EGS and Door joint ventures).

The Restated Credit Agreement contains covenants, the most restrictive of which are two financial condition covenants. The first financial condition covenant does not permit the Consolidated Leverage Ratio (as defined in the Restated Credit Agreement) on the last day of any period of four consecutive fiscal quarters to exceed 3.5 to 1.00 for the period ending June 30, 2002 and 3.25 to 1.00 thereafter. The second financial condition covenant does not permit the Consolidated Interest Coverage Ratio (as defined in the Restated Credit Agreement) for any period of four consecutive fiscal quarters to be less than 3.50 to 1.00. For the year ending December 31, 2002, our Consolidated Leverage Ratio was 2.43 to 1.00 and our Consolidated Interest Coverage Ratio was 7.39 to 1.00.

The Restated Credit Agreement also includes covenant provisions regarding, among other things, indebtedness, liens, investments, guarantees, acquisitions, dispositions, sales and leaseback transactions, restricted payment, and transactions with affiliates. We have not paid cash dividends in 2002 or 2001, and we currently have no plans to pay cash dividends on our common stock. Under the Restated Credit Agreement covenants, our ability to pay cash dividends in a fiscal year is limited to the lesser of $20.0 or 25% of our consolidated net income in the immediate preceding fiscal year, if our consolidated leverage ratio, pro forma for a cash dividend, is greater than 2.5 to 1.0. If this ratio is less than 2.5 to 1.0, we have the ability to pay cash dividends in a fiscal year in an amount up to 25% of our consolidated net income in the immediate preceding fiscal year, which in 2001 was $43.3. Based on available information, we do not expect these covenants to restrict our liquidity, financial condition or access to capital resources in the foreseeable future.

the ability to pay the greater of $20.0 or 25% of consolidated net income in the immediate preceding fiscal year, which in 2001 was $43.3. Based on available information, we do not expect these covenants to restrict our liquidity, financial condition or access to capital resources in the foreseeable future.

We are permitted to prepay the Tranche A, Tranche B and the Tranche C term loans in whole or in part at any time without penalty or premium. We are not allowed to reborrow any amounts that we repay on the Tranche A, Tranche B or Tranche C term loans.

The final maturity for each loan is as follows:

	Date of Final Maturity
Revolving loans	March 31, 2008
Tranche A term loans	March 31, 2008
Tranche B term loans	September 30, 2009
Tranche C term loans	March 31, 2010

The Restated Credit Agreement also requires scheduled principal payments of the term loans and mandatory prepayments from net proceeds arising in connection with certain asset sales or dispositions and issuances of subordinated debt under certain circumstances.

The revolving loans may be borrowed, prepaid and reborrowed. Letters of credit and swing line loans are also available under the revolving credit facility. On the date of the closing of the Restated Credit Agreement, no revolving loans were outstanding. The facility provides for the issuance of letters of credit in U.S. Dollars, Euros, and Pounds Sterling at any time during the revolving availability period, in an aggregate amount not exceeding $250.0. Letters of credit issued under this facility reduce the aggregate amount available under the revolving loan commitment.

Early Extinguishment of Debt

During 2002, we recorded an $8.2 charge for the write-off of financing fees associated with the early extinguishment of debt as a result of the July and December refinancing described above. This charge was recorded as a component of interest expense.

In the first quarter of 2000, we paid down our existing Tranche B debt of $412.5 and revolver of $50.0, and replaced the existing credit facility with a new $1,487.5 credit facility. We recorded a $15.0 charge associated with the early extinguishment of debt as a result of this refinancing. This charge was recorded as a component of interest expense.

These charges were accounted for in accordance with EITF 96-19, “Debtor’s Accounting for a Modification or Exchange of Debt Instruments” as well as SFAS No. 145.

7.5% Senior Notes

On December 27, 2002, we issued $500.0 of 7.5% senior notes pursuant to our universal shelf registration statement which allows for the issuance of an additional $500.0 of securites after consideration of these notes. These notes mature on January 1, 2013. The net proceeds of $486.0 were used to refinance the Tranche A term loan of our senior credit facility, reduce the Tranche B and Tranche C term loans of our senior credit facility and for general corporate purposes, including the possible repayment of debt. These notes are unsecured and rank

equally with all of our existing and future unsecured senior indebtedness, but are effectively junior to our senior secured debt and obligations of our subsidiaries.

The indenture governing the notes contains a number of covenants that limit our ability and the ability of our subsidiaries, other than Inrange and any other unrestricted subsidiary under the indenture, to incur additional debt, pay dividends and repurchase stock, make other restricted payments, including, without limitation, investments, create liens, enter into sale leaseback transactions, enter into agreements that restrict dividends from subsidiaries, sell or otherwise dispose of assets, including capital stock of subsidiaries, enter into transactions with our affiliates, and enter into mergers or consolidations. As of December 31, 2002, our capacity to make restricted payments, which include paying cash dividends, purchasing subordinated debt prior to maturity and making restricted investments was limited to $238.4. The covenants contained in the indenture are subject to a number of qualifications and limitations. Under the indenture, none of our subsidiaries are restricted from paying dividends to us.

Liquid Yield Option Notes

On February 6, 2001, we issued Liquid Yield Option(TM) Notes ("February LYONs") at an original price of $579.12 per $1,000 principal amount at maturity, which represents an aggregate initial issue price of $576.1 and an aggregate principal amount of $994.8 due at maturity on February 6, 2021. On May 9, 2001, we issued Liquid Yield Option(TM) Notes ("May LYONs") at an original price of $579.12 per $1,000 principal amount at maturity, which represents an aggregate initial issue price including the over allotment exercised by the original purchaser of $240.3 and an aggregate principal amount $415.0 due at maturity on May 9, 2021.

The LYONs have a yield to maturity of 2.75% per year, computed on a semi-annual bond equivalent basis, calculated from the date of issuance. We will not pay cash interest on the LYONs prior to maturity unless contingent interest becomes payable. The LYONs are unsecured and unsubordinated obligations and are debt instruments subject to United States federal income tax contingent payment debt regulations. Even if we do not pay any cash interest on the LYONs, bondholders are required to include interest in their gross income for United States federal income tax purposes. This imputed interest, also referred to as tax original issue discount, accrues at a rate equal to 9.625% on the February LYONs and 8.75% on the May LYONs. The rate at which the tax original issue discount accrues for United States federal income tax purposes exceeds the stated yield of 2.75% for the accrued original issue discount. In the event that either the February or May LYONs are put to the company or redeemed by the company, the respective imputed interest deduction less the original issue discount of 2.75% would be recaptured at the time of the put or redemption. The amount of the recapture calculated on the first put date is approximately $11.8 and $48.3 on May 9, 2003 and February 6, 2004, respectively.

The LYONs are subject to conversion to SPX common shares only if certain contingencies are met. These contingencies include:

(1) Our average stock price exceeding predetermined accretive values of SPX's stock price each quarter (see below);

(2) During any period in which the credit rating assigned to the LYONs by either Moody's or Standard & Poor's is at or below a specified level;

(3) Upon the occurrence of certain corporate transactions, including a change in control.

In addition, a holder may surrender for conversion, at the accreted value, a LYON for redemption even if it is not otherwise convertible at such time.

The conversion rights based on predetermined accretive values of SPX's stock include, but are not limited to, the following provisions:

	February LYONs	May LYONS
Initial Conversion Rate (shares of common stock per LYON)	9.6232	8.8588
Initial Stock Price	$ 50.15	$ 55.40
Initial Accretion Percentage	135%	120%
Accretion Percentage Decline Per Quarter	0.3125%	0.125%
Conversion Trigger Prices—For the Next Twelve Months:		
2003 First Quarter	$ 84.19	$ 81.54
2003 Second Quarter	$ 84.57	$ 82.01
2003 Third Quarter	$ 84.95	$ 82.49
2003 Fourth Quarter	$ 85.33	$ 82.97

Holders may surrender LYONs for conversion into shares of common stock in any calendar quarter, if, as of the last day of the preceding calendar quarter, the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of such preceding calendar quarter is more than the specified percentage beginning at 135% and declining 0.3125% per quarter thereafter for the February LYONs, beginning at 120% and declining 0.125% per quarter thereafter for the May LYONs of the accreted conversion price per share of common stock on the last trading day of such preceding calendar quarter. The accreted conversion price per share as of any day will equal the issue price of a LYON plus the accrued original issue discount to that day, divided by the number of shares of common stock issuable upon conversion of a LYON on that day.

We may redeem all or a portion of the February LYONs for cash at any time on or after February 6, 2006 at predetermined redemption prices. February LYONs holders may require us to purchase all or a portion of their LYONs on February 6, 2004 for $628.57 per LYON, February 6, 2006 for $663.86 per LYON, or February 6, 2011 for $761.00 per LYON. We may redeem all or a portion of the May LYONs for cash at any time on or after May 9, 2005. May LYONs holders may require us to purchase all or a portion of their LYONs on May 9, 2003 for $611.63 per LYON, May 9, 2005 for $645.97 per LYON or May 9, 2009 for $720.55 per LYON. For either the February LYONs or May LYONs, we may choose to pay the purchase price in cash, shares of common stock or a combination of cash and common stock.

There are various factors that a LYON holder would use in deciding to exercise their put option. These factors include the price and volatility of our common stock, the interest yield on the LYONs above the risk free interest rate and other quantitative and qualitative factors. Based upon these factors, at the time of the filing of this Form 10-K, we believe that it is probable, but cannot determine with certainty, that the holders of the May LYONs will exercise their put right and require us to repurchase the majority or all of their LYONs on May 9, 2003. If all the May LYONs were settled in cash on May 9, 2003, we would be required to pay the holders approximately $253.8. Accordingly $251.4, the accreted value of the May LYONs at December 31, 2002, has been classified as current in our Consolidated Balance Sheet at December 31, 2002.

Under GAAP, the LYONs are not included in the diluted income per share of common stock calculation unless a LYON is expected to be converted for stock or one of the three contingent conversion tests summarized above are met. If the LYONs were to be put, we expect to settle them for cash and none of the contingent

conversion tests have been met, accordingly, they are not included in the diluted income per share of common stock calculation. If converted, the February LYONs and May LYONs would be exchanged for a total of 13.2 shares of our common stock. If the LYONs had been converted as of January 1, 2002, the diluted income per share of common stock from continuing operations would have been $3.08 per share for the period ended December 31, 2002.

Other Financing Agreements

Our compaction equipment business, part of the Industrial Products and Services segment, utilizes an accounts receivable securitization facility pursuant to which the unit has an agreement to sell, on a revolving basis without recourse, certain qualified receivables, of which $31.3 had been sold under the agreement at December 31, 2002. The agreement allows for the sale of up to $36.5 of certain qualified receivables to an unaffiliated third party entity and continues on an evergreen revolving basis unless we provide a three-month notice under the agreement to discontinue the facility. We expect to utilize the agreement in the foreseeable future. If we did not renew the contract, the impact on our financial condition or cash flows would not be material. Previously, our compaction equipment business also utilized a vendor financing program that was discontinued during the second quarter of 2002.

As of December 31, 2002, except for the following items, we do not have any other material guarantees, off-balance sheet arrangements or purchase commitments: (1) $167.6 of certain standby letters of credit outstanding, of which $83.2 reduce the available borrowing capacity on our revolving loans and (2) approximately $135.9 of surety bonds. Of the total letters of credit and surety bonds outstanding at December 31, 2002, $193.4 is commercial bid, performance or warranty arrangements related to sales contracts with customers of which the fees are reimbursed by the customer.

(14) FINANCIAL INSTRUMENTS

We have entered into interest rate protection agreements (“Swaps”) to hedge the potential impact of increases in interest rates on our variable rate debt portfolio. Our swaps are accounted for as cash flow hedges and as of December 31, 2002, we had outstanding swaps with maturities to November 2009 that effectively convert $1,300.0 of our variable rate debt to a fixed rate of approximately 6.9%. As a result of the Restated Credit Agreement, we extended the maturities of our variable rate Tranche A term loans to March 2008, Tranche B term loans to September 2009 and Tranche C terms loans to March 2010. Associated with these extended maturities, we entered into additional variable to fixed rate interest rate swap agreements beginning in 2004 and maturing in 2009.

As of December 31, 2002, the pre-tax accumulated derivative loss recorded in accumulated other comprehensive loss was $81.8 and a long-term liability of $81.1 has been recorded to recognize the fair value of these swaps. The ineffective portion of these swaps in 2002 and 2001 has been recognized in earnings as a component of interest expense and is not material. We do not enter into financial instruments for speculative or trading purposes.

In 2002, in connection with the Restated Credit Agreement, we terminated four interest rate swaps with an aggregate notional amount $400.0 at a cash cost of $15.5. These interest rate swaps were included in the portfolio of interest rate swaps designated as a cash flow hedge of our variable rate debt portfolio. Because a portion of the future interest payments hedged by these swaps was no longer probable of occurring, we recognized $14.8 in interest expense to reclassify into earnings, from accumulated other comprehensive loss, the fair value of the portion of the swap portfolio that no longer are probable of occuring.

Other Fair Value Financial Assets and Liabilities

The carrying amount of cash and equivalents and receivables reported on the consolidated balance sheets approximates their fair value because of the short maturity of those instruments.

The fair value of our debt instruments, based on borrowing rates available to us at each year-end for similar debt, is not materially different than its carrying value.

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist of cash and temporary investments, trade accounts receivable and interest rate protection agreements.

Cash and temporary investments are placed with various high-quality financial institutions throughout the world, and exposure is limited at any one institution. We periodically evaluate the credit standing of these financial institutions.

Concentrations of credit risk arising from trade accounts receivable are due to selling to a large number of customers in a particular industry. We perform ongoing credit evaluations of our customers' financial conditions and obtain collateral or other security when appropriate. No one customer accounts for more than 10% of our revenues.

We are exposed to credit losses in the event of nonperformance by counter parties to our interest rate protection agreements, but have no other off-balance-sheet credit risk of accounting loss. We anticipate, however, that counter parties will be able to fully satisfy their obligations under the contracts. We do not obtain collateral or other security to support financial instruments subject to credit risk, but we do monitor the credit standing of counter parties.

(15) COMMITMENTS AND CONTINGENT LIABILITIES

Leases

The future minimum rental payments under leases with remaining non-cancelable terms in excess of one year are:

Year Ending December 31,		
2003	$	47.8
2004		36.3
2005		30.1
2006		23.8
2007		21.4
Thereafter		56.9
Total minimum payments	$	216.3

Total lease expense was $53.2 in 2002, $41.0 in 2001, and $20.5 in 2000.

General

Numerous claims, complaints and proceedings arising in the ordinary course of business, including but not limited to those relating to environmental matters, competitive issues, contract issues, intellectual property matters, personal injury and product liability claims, and workers' compensation have been filed or are pending against us and certain of our subsidiaries. Additionally we may become subject to significant claims of which we are currently unaware or the claims that we are unaware of may result in our incurring a significantly greater liability than we anticipate. This may also be true in connection with past or future acquisitions. While we maintain property, cargo, auto, product, general liability, and directors' and officers' liability insurance and have acquired rights under similar policies in connection with these acquisitions which we believe cover a portion of these claims, this insurance may be insufficient or unavailable to protect us against potential loss exposures. In addition, we have been increasing our self-insurance limits over the past several years. While we believe we are entitled to indemnification from third parties for some of these claims, these rights may be insufficient or unavailable to protect us against potential loss exposures.

In our opinion, these matters are either without merit or are of a kind that should not have a material adverse effect individually or in the aggregate on our financial position, results of operations, or cash flows. However, we cannot assure you that recoveries from insurance or indemnification claims will be available or that any of these claims or other matters will not have a material adverse effect on our financial position, results of operations or cash flows.

It is our policy to comply fully with applicable environmental requirements. We are currently involved in various investigatory and remedial actions at our facilities and at third party waste disposal sites. An estimate of loss, including expenses, from legal actions or claims is accrued when events exist that make the loss or expenses probable and we can reasonably estimate them. Our environmental accruals cover anticipated costs, including investigation, remediation, and operation and maintenance of clean-up sites. Our estimates are primarily based on investigations and remediation plans established by independent consultants, regulatory agencies and potential responsible third parties. Accordingly, our estimates may change based on future developments including new or changes in environmental laws or policies, differences in costs required to complete anticipated actions from estimates provided, future findings of investigation or remediation actions, or alteration to the expected remediation plans. It is our policy to realize a change in estimates once it becomes probable and can be reasonably estimated. In determining our accruals, we do not discount environmental or other legal accruals and do not reduce them by anticipated insurance recoveries. We do take into account third-party indemnification from financially viable parties in determining our accruals where there is no dispute regarding the right to indemnification. While we believe that our accruals related to environmental, litigation and claims are sufficient and that these items and our rights to available insurance and indemnity will be resolved without material adverse effect on our financial position, results of operations and liquidity, individually or in the aggregate, we cannot assure you that our accruals and right to indemnity and insurance will be sufficient or that these items will be resolved without a material adverse effect on our financial position, results of operations and liquidity, individually or in the aggregate.

Litigation Matters

It is our policy to accrue for estimated losses from legal actions or claims, including legal expenses, when events exist that make the realization of the loss or expenses probable and they can be reasonably estimated.

On December 27, 2001 we received a favorable arbitration award associated with the patent infringement claim against Snap-on. The claim dates back to April 11, 1996, when we were named as a defendant in an action

filed in Federal Court for the Northern District of Illinois. Snap-on Incorporated, Snap-on Tools Company and Snap-on Technology, Inc. v. Ronald J. Ortiz and SPX Corporation, No. 96C2138, U.S. District Court for the Northern District of Illinois. The complaint contained seventeen counts, fifteen of which were directed to us. Of the fifteen counts, seven were related to the hiring in 1992 of a former officer of Sun Electric Corporation, five contained allegations of patent infringement and three sought a declaration of invalidity of patents held by us. On June 28, 1996, we filed an eight count counterclaim, containing three counts of patent infringement and five counts for declaration of invalidity of patents held by the plaintiffs. These patents pertain to certain features related to performance test equipment manufactured by Sun, Snap-on and us. In 2001, the case was moved into binding arbitration and on December 27, 2001, the arbitrator ruled in our favor.

On or about October 29, 2001, we were served with a complaint by VSI Holdings, Inc., or VSI, in the 6th Judicial Circuit Court of the State of Michigan seeking enforcement of a merger agreement that we had terminated. In its complaint, VSI asked the court to require us to complete the $197.0 acquisition of VSI, and/or award damages to VSI and its shareholders. We do not believe the suit has merit and are defending the claim vigorously. On December 26, 2001, we filed our answer denying VSI's allegations, raising affirmative defenses and asserting a counterclaim against VSI for breach of contract. On November 8, 2002, VSI filed a voluntary petition for bankruptcy protection under Chapter 11 of the US Bankruptcy Code. On January 8, 2003, the litigation was removed to the federal Bankruptcy Court, which thereafter transferred the matter to the US District Court in Detroit. There are currently no scheduling or case management orders in the case. Because no reasonable projections can be made as to the final timing and outcome of the litigation, no gain or loss has been recorded. While we believe that we should ultimately prevail on the pending litigation claim with VSI, there can be no assurance that we will be successful in the litigation, and if we are not successful, the outcome could have a material adverse effect on our financial condition and results of operations.

In the fourth quarter of 2001, we recorded the net gain related to the favorable Snap-on arbitration award as well as expenses associated with certain commercial legal matters, including the VSI contract litigation. Accordingly, in total we recognized a $15.6 net gain that reduced selling, general, and administrative expenses.

General Signal Power Systems ("Best Power"), a subsidiary of General Signal Corporation, a subsidiary of SPX Corporation, filed suit against American Power Conversion Corporation ("APC") in the United States District Court for the Western District of Wisconsin alleging five counts of patent infringement and three counts of false advertising. Best Power was seeking to enjoin further manufacture, sale and distribution of certain models of APC's MATRIX, SMART-UPS and BACKUPS products and further publication of false advertising along with an award of damages (which may be trebled based on an allegation of willful infringement) and attorneys fees and costs for APC's patent infringements and false advertising. We sold our Best Power business to Invensys, plc., but retained ownership of the Best Power patents and control of the litigation. The litigation was resolved in the second quarter of 2000 with a settlement in our favor. We recorded a gain of $23.2, net of legal costs and other related expenses.

Environmental Matters

Our operations and properties are subject to federal, state, local and foreign regulatory requirements relating to environmental protection. It is our policy to comply fully with all applicable requirements. As part of our effort to comply, we have a comprehensive environmental compliance program that includes environmental audits conducted by internal and external independent professionals and regular communications with our operating units regarding environmental compliance requirements and anticipated regulations. Based on current information, we believe that our operations are in substantial compliance with applicable environmental laws and regulations, and we are not aware of any violation that could have a material adverse effect on our business, financial condition, results of operations or cash flows. We have liabilities for site investigation and/or remediation at 88 sites that we own or control. While we believe that we maintain adequate reserves to cover the

costs of site investigation and/or remediation, there can be no assurance, however, that currently unknown matters, new laws and regulations, or stricter interpretations of existing laws and regulations will not materially affect our business or operations in the future.

In the case of contamination at offsite, non-owned facilities, we have been notified that we are potentially responsible and have received other notices of potential liability pursuant to various environmental laws at 44 sites of which only fifteen have been active in the past few years. These laws may impose liability on certain persons that are considered jointly and severally liable for the costs of investigation and remediation of hazardous substances present at these sites, regardless of fault or legality of the original disposal. The persons include the present or former owners or operators of the site and companies that generated, disposed of or arranged for the disposal of hazardous substances at the site. We are considered a “de minimis” potentially responsible party at most of the sites and we estimate the aggregate probable remaining liability at these sites is immaterial.

In connection with our acquisitions and divestitures, we may assume or retain significant environmental liabilities some of which we may not be aware. The potential costs related to these environmental matters and the possible impact on future operations are uncertain due in part to the complexity of government laws and regulations and their interpretations, the varying costs and effectiveness of various clean-up technology, the uncertain level of insurance or other types of recovery, and the questionable level of our responsibility. In our opinion, after considering reserves established for such purposes, remedial actions for compliance with the present laws and regulations governing the protection of the environment are not expected to have a material adverse impact on our business, financial condition, results of operations or cash flows.

Self-Insurance

We are primarily self-insured for workers’ compensation, automobile, product, and general liability costs and we believe that we maintain adequate reserves to cover our retained liability. Our reserve for self-insurance liability is determined actuarially, based on claims filed and an estimate of claims incurred but not yet reported. We maintain third party stop-loss insurance policies to cover all liability costs in excess of predetermined amounts.

Executive Severance Agreements

Our Board of Directors has adopted executive severance agreements, which create certain liabilities in the event of the termination of seven covered executives following a change of control. The total commitment under the executive severance agreements should all seven employees be terminated is approximately $55.6, which includes the forgiveness of the headquarter relocation home loans. In connection with the relocation of our corporate headquarters to Charlotte, North Carolina, announced in 2001, we have made interest free relocation home loans to four of our executive officers, which total an aggregate principal amount of $7.0 and mature in 20 years.

(16) SHAREHOLDERS’ EQUITY

(All option and warrant amounts are in millions)

Stock Split

On August 28, 2002, the Board of Directors approved a two-for-one stock split of our common stock. The stock split was payable in the form of a stock dividend and entitled each stockholder of record at the close of business on October 1, 2002 to receive one share of common stock for every outstanding share of common stock held on that date. The 100% stock dividend was distributed on October 24, 2002. The capital stock accounts, all share data and earnings per share data in this report give effect to the stock split, applied retroactively, to all periods presented.

Earnings Per Share

The following table sets forth the computation of diluted earnings per share:

	Year Ended December 31,		
	2002	2001	2000
Numerator:			
Income available to common shareholders	$ 127.4	$ 173.0	$ 189.5
Denominator:			
Weighted-average shares outstanding	81.440	72.616	61.592
Effect of dilutive securities:			
Employee stock options	1.519	1.504	1.910
Adjusted weighted-average shares and assumed conversions	82.959	74.120	63.502

Accumulated Other Comprehensive Loss

The components of the balance sheet caption accumulated other comprehensive loss are as follows:

	December 31, 2002	December 31, 2001
Foreign currency translation adjustment	$ 83.9	$ (58.7)
Unrealized losses on qualifying cash flow hedges, net of tax	(48.5)	(25.6)
Minimum pension liability adjustment, net of tax	(233.0)	(6.2)
Accumulated other comprehensive loss	$ (197.6)	$ (90.5)

Common Stock, Treasury Stock and Unallocated KSOP

At December 31, 2002, we had 200.0 authorized shares of common stock (par value $10.00). Common shares issued, treasury shares, shares held in the KSOP trust, and shares outstanding are summarized in the table below.

	Common Stock Issued	Treasury Stock	Unallocated KSOP Trust	Shares Outstanding
Balance at December 31, 1999	70.980	(8.034)	(0.610)	62.336
Stock options exercised	0.580	—	—	0.580
Share repurchases	—	(2.602)	—	(2.602)
Other	—	—	0.330	0.330
Balance at December 31, 2000	71.560	(10.636)	(0.280)	60.644
Acquisition of UDI	10.992	7.778	—	18.770
Stock options exercised	1.194	—	—	1.194
Other	(0.438)	0.336	0.280	0.178
Balance at December 31, 2001	83.308	(2.522)	—	80.786
Acquisitions	0.219	—	—	0.219
Stock options exercised	1.330	—	—	1.330
Share repurchases	—	(3.621)	—	(3.621)
Restricted stock grant	1.000	—	—	1.000
Warrants	0.512	—	—	0.512
Other	0.400	—	—	0.400
Balance at December 31, 2002	86.769	(6.143)	—	80.626

Stock Based Compensation

Stock Option Plans

Under the 2002 Stock Compensation Plan, the successor plan to the 1992 Stock Compensation Plan, up to 20.0 shares of our common stock may be granted to key employees and 7.9 of these shares were available for grant at December 31, 2002.

Stock options may be granted to key employees in the form of incentive stock options or nonqualified stock options, vest ratably over three years, and expire no later than 10 years from the date of grant. The option price per share may be no less than the fair market value of our common stock on the date of grant. Upon exercise, the employee has the option to surrender mature shares at current value in payment of the exercise price and/or for withholding tax obligations, and, subject to certain restrictions, may receive a reload option having an exercise price equal to the current market value for the number of shares so surrendered. The reload option expires at the same time that the exercised option would have expired.

No SARs or performance units have been granted under this plan.

Special Option Awards

In 2002, no special options were awarded. At December 31, 2002, 11.7 of the total options outstanding were granted outside of the 2002 Stock Compensation Plan.

During 2000 and 2001, 5.0 and 0.200 stock options, respectively, were awarded to key members of our senior management team with exercise prices in excess of market value on the respective grant dates. The options vest after five years and expire no later than ten years from the date of grant. The 2000 options, which were awarded outside the 1992 Stock Compensation Plan, have exercise prices as follows: 1.250 options have an exercise price of $105.00, 1.250 options have an exercise price of $120.00, 1.250 options have an exercise price of $135.00, 1.250 options have an exercise price of $150.00. The 2001 options, which were awarded under the 1992 Stock Compensation Plan, have exercise prices as follows: 0.050 options have an exercise price of $61.00, 0.050 options have an exercise price of $72.50, 0.050 options have an exercise price of $85.00, and 0.050 options have an exercise price of $97.50.

The following table shows stock option activity from December 31, 2000 through December 31, 2002:

		Options
	Shares	Weighted Average Exercise Price
Options outstanding at December 31, 1999	9.636	$ 47.53
Granted	6.862	85.70
Exercised	(0.580)	57.49
Terminated	(0.780)	—
Options outstanding at December 31, 2000	15.138	$ 75.43
Assumed in acquisition of UDI	1.068	43.39
Granted	2.490	54.14
Exercised	(1.194)	36.92
Terminated	(0.078)	—
Options outstanding at December 31, 2001	17.424	$ 73.26
Granted	3.284	69.15
Exercised	(1.330)	37.79
Terminated	(0.968)	—
Options outstanding at December 31, 2002	18.410	$ 76.36
Exercisable at December 31, 2002	5.110	$ 41.47
Exercisable at December 31, 2001	2.228	45.40
Exercisable at December 31, 2000	0.942	48.09

Stock options outstanding and exercisable at December 31, 2002 and related weighted average price and life information follows:

	Options Outstanding			Exercisable Options	
Range of Exercise Prices	Shares	Remaining Life-Years (Wtd. Ave)	Exercise Price (Wtd. Ave)	Shares	Exercise Price (Wtd. Ave)
$ 8.50 -$ 11.81	0.018	1.7	$ 8.04	0.018	$ 8.04
$ 15.11 -$ 27.81	0.604	4.1	22.59	0.604	22.59
$ 29.59 -$ 44.34	3.187	5.4	36.14	2.351	35.62
$ 44.84 -$ 67.00	3.988	6.5	51.57	1.858	49.23
$ 67.31 -$ 97.50	5.613	7.7	77.27	0.279	82.26
$105.00-$150.00	5.000	7.6	127.50	—	—

We have applied the intrinsic value based method of accounting prescribed by APB Opinion No. 25 and related interpretations in accounting for stock-based compensation plans. Accordingly, no compensation cost is reflected in net income for stock option awards as all options granted had an exercise price equal to or in excess of the market value of the underlying common stock on the date of grant. For our restricted stock award, we recorded compensation expense in determining net income as appropriate.

We adopted the disclosure provisions of SFAS No. 148, and the following table illustrates the pro forma effect on net income and income per share in 2002, 2001 and 2000 had the fair value recognition provisions of SFAS No. 123 been applied to stock-based employee compensation:

	2002	2001	2000
Net Income — as reported	$ 127.4	$ 173.0	$ 189.5
Add: Stock-based employee compensation expense included in reported net income, net of related tax effect	2.8	—	—
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of related tax effect			
Awards granted at market value	(42.2)	(27.2)	(16.2)
Awards granted above market value	(15.6)	(11.5)	(4.4)
Net income — pro forma	$ 72.4	$ 134.3	$ 168.9
Basic income per share of common stock:			
Income per share — as reported	$ 1.56	$ 2.38	$ 3.08
Income per share — pro forma	0.89	1.85	2.74
Diluted income per share of common stock:			
Income per share — as reported	$ 1.54	$ 2.33	$ 2.98
Income per share — pro forma	0.87	1.81	2.66
Basic income per share of common stock before change in accounting principle:			
Income per share — as reported	$ 3.39	$ 2.38	$ 3.08
Income per share — pro forma	2.72	1.85	2.74
Diluted income per share of common stock before change in accounting principle:			
Income per share — as reported	$ 3.33	$ 2.33	$ 2.98
Income per share — pro forma	2.66	1.81	2.66

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. Weighted-average fair value of options granted, weighted-average exercise price and assumptions used in determining fair value follow:

	2002	2001	2000
Weighted-average fair value of options:			
Granted at market value	$34.17	$25.17	$ 23.61
Granted above market value	—	25.96	34.89
Weighted-average exercise price of options:			
Granted at market value	$69.15	$50.27	$ 46.86
Granted above market value	—	79.00	127.50
Principle Assumptions			
Expected option life in years	6.0	6.0	6.0
Risk free interest rate	4.6%	4.7%	5.0%
Expected volatility	44.4%	44.4%	41.5%
Expected dividend yield	0.0%	0.0%	0.0%

Restricted Stock Agreement

Restricted stock may be granted to key individuals to recognize or foster extraordinary performance, promotion, recruitment or retention. At the time of the grant, restrictions are placed on ownership of the shares for a stated period of time during which a participant will not be able to dispose of the restricted shares. Upon lapse of the restriction period, complete ownership is vested in the participant and the shares become freely transferable.

On July 3, 2002, our Board of Directors amended the employment agreement of our Chairman, President, and Chief Executive Officer by granting him 1.0 restricted shares of our stock at the market price of $48.85 per share pursuant to the shareholder approved plan. The shares vest in five annual installments of 0.2 shares commencing on July 3, 2007. The grant will be fully vested on July 3, 2011. The deferred compensation is being amortized on a straight-line basis over the nine-year vesting period. In 2002, $2.8 of related compensation expense was recorded and the unamortized balance of $46.1 is reported as unearned compensation in the shareholders' equity section of the Consolidated Balance Sheet at December 31, 2002.

Employee Stock Purchase Plan

All full-time, non-union employees are eligible to participate in the employee stock purchase plan (ESPP). The employees covered by a collective bargaining agreement participate only if their collective bargaining agreement specifically provides for their participation in the plan. Eligible employees authorize a payroll deduction to purchase shares, and we make a 15% matching cash contribution, which is also used to purchase shares. Shares purchased under the plan are made by third party brokers on the open market and we pay commission and brokerage fees for the purchase.

Warrants

At December 31, 2001, we had 0.732 outstanding warrants exercisable for 0.732 shares of our common stock. These warrants were originally issued in 1987 by GCA Corporation, a company acquired by General Signal Corporation in 1988. As a result of the acquisition of GCA by General Signal and the subsequent acquisition of General Signal by us, the warrants became rights to purchase shares of our common stock. The warrants represented the right to purchase an aggregate of 0.732 shares of our common stock at an exercise price of $47.26 per share. In 2002, we issued 0.512 shares of common stock and received $24.2 of cash proceeds

related to the exercise of these warrants. The remaining 0.220 warrants were not exercised and expired in 2002. All cash proceeds received by us in connection with the warrant exercises were used for general corporate purposes. At December 31, 2002, we had no warrants outstanding.

Treasury Stock

In 2002, we repurchased 3.6 shares of our common stock on the open market, for a total cash consideration of $172.9. Under our repurchase program, $250.0 was available for additional repurchases as of December 31, 2002.

Our publicly held subsidiary, Inrange Technologies Corporation, has been authorized by its Board of Directors to repurchase up to $20.0 of its common stock. As of December 31, 2002, Inrange has repurchased $12.6 of common stock under this program. These share repurchases are reflected as other financing activities in our Consolidated Statement of Cash Flows.

Preferred Stock

None of our 3.0 shares of authorized, no par value preferred stock was outstanding at December 31, 2002, 2001 and 2000.

Shareholder Rights Plan

Pursuant to our Shareholder Rights Agreement, each share of our common stock carries one preferred stock purchase right. Each right entitles the holder, upon the occurrence of certain events, to purchase one-half of one-thousandth of a share of a new series of junior participating preferred stock for $200.00 per share. Furthermore, if we are involved in a merger or other business combination at any time after the rights become exercisable, the rights will entitle the holder to buy the number of shares of common stock of the acquiring company having a market value of twice the then current exercise price of each right. Alternatively, if a 20% or more shareholder acquires us by means of a reverse merger in which the company and its stock survive, or engages in self-dealing transactions with us, or if any person acquires 20% or more of our common stock, then each right not owned by a 20% or more shareholder will become exercisable for the number of shares of our common stock having a market value of twice the then current exercise price of each right. The rights, which do not have voting rights, expire on June 25, 2006, and we may redeem them at a price of $.005 per right at any time prior to any person or affiliated group of persons acquiring 20% or more of our common stock.

(17) QUARTERLY RESULTS (UNAUDITED)

	First		Second		Third		Fourth	
	2002	2001	2002	2001	2002	2001	2002	2001
Revenues	$1,130.5	$680.4	$1,257.5	$910.1	$1,286.2	$1,216.7	$1,371.6	$1,307.1
Gross margin	372.8	217.1	424.7	286.7	404.9	399.8	447.2	449.1
Income from continuing operations	65.1(1)	35.4(2)	58.3(3)	13.4(4)	75.8(5)	59.2(6)	76.8(7)	65.0(8)
Change in accounting principle	(148.6)	—	—	—	—	—	—	—
Net income (loss)	$ (83.5)	$ 35.4	$ 58.3	$ 13.4	$ 75.8	$ 59.2	$ 76.8	$ 65.0
Basic income per share of common stock:								
Continuing operations	$ 0.80	$ 0.58	$ 0.71	$ 0.19	$ 0.92	$ 0.74	$ 0.96	$ 0.81
Change in accounting principle	(1.83)	—	—	—	—	—	—	—
Net income (loss)	$ (1.03)	$ 0.58	$ 0.71	$ 0.19	$ 0.92	$ 0.74	$ 0.96	$ 0.81
Diluted income per share of common stock:								
Continuing operations	$ 0.78	$ 0.57	$ 0.69	$ 0.19	$ 0.91	$ 0.72	$ 0.95	$ 0.79
Change in accounting principle	(1.78)	—	—	—	—	—	—	—
Net income (loss)	$ (1.00)	$ 0.57	$ 0.69	$ 0.19	$ 0.91	$ 0.72	$ 0.95	$ 0.79

Note: The sum of the quarters' earnings per share may not equal the full year per share amounts.

(1) Included $6.4 of special and other charges associated with restructuring initiatives. See Note 6 for further discussion.

(2) Included $3.4 of special charges associated with restructuring initiatives. See Note 6 for further discussion.

(3) Included $50.8 of special and other charges associated with restructuring initiatives. See Note 6 for further discussion.

(4) Included $40.5 of special charges associated with restructuring initiatives, asset write-downs, and costs associated with the relocation of our corporate office to Charlotte, North Carolina. We also recorded a $13.5 charge to cost of products sold associated with discontinued product lines and other product changes. See Note 6 for further discussion.

(5) Included $18.5 of special and other charges, $12.6 of which were recorded as a component of cost of products sold. See Note 6 for further discussion.

(6) Included $4.0 of special charges associated with restructuring initiatives announced in previous periods and an asset write-down. See Note 6 for further discussion.

(7) Included a $35.9 of special and other charges associated with restructuring initiatives. See Note 6 for further discussion.

(8) Included a $15.6 net gain primarily related to a favorable arbitration award associated with a patent infringement claim against Snap-on. See Note 15 for further discussion. Amount also includes $40.0 of special charges associated with restructuring initiatives, an asset write-down, and a goodwill impairment. See Note 6 for further discussion.

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

On June 10, 2002, we filed a Form 8-K announcing the dismissal of Arthur Andersen LLP and the engagement of Deloitte & Touche LLP as our independent auditor.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

(a) Directors of the company.

This information is included in our definitive proxy statement for the 2003 Annual Meeting of Stockholders under the heading “Election of Directors” and is incorporated herein by reference.

(b) Executive Officers of the company.

See Part I of this Form 10-K at page 10.

(c) Section 16(a) Beneficial Ownership Reporting Compliance.

This information is included in our definitive proxy statement for the 2003 Annual Meeting of Stockholders under the heading “Section 16(a) Beneficial Ownership Reporting Compliance” and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

This information is included in our definitive proxy statement for the 2003 Annual Meeting of Stockholders under the headings “Executive Compensation” and “Director Compensation” and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

This information is included in our definitive proxy statement for the 2003 Annual Meeting of Stockholders under the headings “Ownership of Common Stock” and “Equity Compensation Plan Information” and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is included in our definitive proxy statement for the 2003 Annual Meeting of Stockholders under the heading “Executive Compensation” and is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES

SPX management, including the Chief Executive Officer and Chief Financial Officer, have conducted an evaluation, which was completed within 90 days of the filing of this Form 10-K, of the effectiveness of disclosure controls and procedures pursuant to Exchange Act Rule 13a-14(c). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this annual report has been made known to them in a timely fashion and no changes are required at this time.

There have been no significant changes in internal controls, or in factors that could significantly affect internal controls, subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation. There have been no significant deficiencies or material weaknesses in internal controls requiring corrective action, and no corrective actions have been taken.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Form 10-K:

1. All financial statements. See Index to Consolidated Financial Statements on page 59 of this Form 10-K.

2. Financial Statement Schedules. None required. See page 59 of this Form 10-K.

3. Exhibits. See Index to Exhibits.

(b) Reports on Form 8-K.

On October 7, 2002, we filed a Form 8-K announcing that shares remaining unsold as of October 1, 2002 under certain Registration Statements will be doubled pursuant to a previously announced stock split.

On October 23, 2002, we filed a Form 8-K containing our press release dated October 22, 2002. This press release contained our third quarter 2002 earnings information.

On December 9, 2002, we filed a Form 8-K containing our press releases dated December 6, 2002. These press releases announced the offering of Senior Unsecured Notes.

On December 19, 2002, we filed a Form 8-K announcing that we entered into an Underwriting Agreement, dated as of December 13, 2002, with J.P. Morgan Securities Inc. as representative of the several underwriters named therein.

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, on this 17th day of March, 2003.

SPX CORPORATION
(Registrant)

By /s/ PATRICK J. O'LEARY

Patrick J. O'Leary
Vice President Finance, Treasurer and Chief Financial Officer

POWER OF ATTORNEY

The undersigned officers and directors of SPX Corporation hereby severally constitute John B. Blystone, Christopher J. Kearney and Patrick J. O'Leary and each of them singly our true and lawful attorneys, with full power to them and each of them singly, to sign for us in our names in the capacities indicated below the Annual Report on Form 10-K filed herewith and any and all amendments thereto, and generally to do all such things in our name and on our behalf in our capacities as officers and directors to enable SPX Corporation to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any one of them on the Annual Report on Form 10-K and any and all amendments thereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on this 17th day of March, 2003.

/s/ JOHN B. BLYSTONE

John B. Blystone
Chairman, President and Chief Executive Officer

/s/ PATRICK J. O'LEARY

Patrick J. O'Leary
Vice President Finance, Treasurer and Chief Financial Officer

/s/ RONALD L. WINOWIECKI

Ronald L. Winowiecki
Corporate Controller and
Chief Accounting Officer

/s/ J. KERMIT CAMPBELL

J. Kermit Campbell
Director

/s/ SARAH R. COFFIN

Sarah R. Coffin
Director

/s/ DAVID P. WILLIAMS

David P. Williams
Director

/s/ EMERSON U. FULLWOOD

Emerson U. Fullwood
Director

/s/ CHARLES E. JOHNSON II

Charles E. Johnson II
Director

Certification

I, John B. Blystone, certify that:

1. I have reviewed this annual report on Form 10-K of SPX Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–14 and 15d–14) for the registrant and we have:

    a. designed such disclosure controls and procedures to ensure the 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 annual report is being prepared;

    b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 17, 2003

/s/ John B. Blystone

Chairman, President and
Chief Executive Officer

Certification

I, Patrick J. O'Leary, certify that:

1. I have reviewed this annual report on Form 10-K of SPX Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–14 and 15d–14) for the registrant and we have:

   a. designed such disclosure controls and procedures to ensure the 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 annual report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and

6. The registrant’s other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weakness.

Date: March 17, 2003

/s/ Patrick J. O’Leary

Vice President Finance,
Treasurer and Chief
Financial Officer

INDEX TO EXHIBITS

Item No.		Description
2.1	—	Agreement and Plan of Merger among SPX Corporation, SAC Corp. and General Signal Corporation, dated as of July 19, 1998, incorporated herein by reference from our Form S-4 Registration Statement (No. 333-60853) filed on July 20, 1998.
2.2	—	Merger Agreement, dated March 10, 2001 between SPX Corporation and United Dominion Industries Limited, incorporated herein by reference from our Current Report on Form 8-K filed on March 15, 2001 (file no. 1-6948).
3.1	—	Restated Certificate of Incorporation, as amended, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (file no. 1-6948).
3.2	—	Certificate of Ownership and Merger dated April 25, 1988, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 1988 (file no. 1-6948).
3.3	—	By-Laws as amended through October 25, 1995, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 (file no. 1-6948).
4.1	—	Indenture between SPX Corporation and The Chase Manhattan Bank, dated as of February 6, 2001, incorporated herein by reference from our Form S-3 Registration Statement (No. 333-56364) filed on February 28, 2001.
4.2	—	Form of Liquid Yield Option™ Note due 2021 (Zero Coupon-Senior), incorporated herein by reference from our Form S-3 Registration Statement (No. 333-56364) filed on February 28, 2001.
4.3	—	Registration Rights Agreement dated as of February 6, 2001, by and between SPX Corporation and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, incorporated herein by reference from our Form S-3 Registration Statement (No. 333-56364) filed on February 28, 2001.
4.4	—	Rights Agreement, dated as of June 25, 1996 between SPX Corporation and The Bank of New York, as Rights Agent, relating to Rights to purchase preferred stock under certain circumstances, incorporated herein by reference from our Registration Statement on Form 8-A filed on June 26, 1996 (file no. 1-6948).
4.5	—	Amendment No. 1 to Rights Agreement, effective October 22, 1997, between SPX Corporation and The Bank of New York, incorporated herein by reference from our Registration Statement on Form 8-A filed on January 9, 1998 (file no. 1-6948).
4.6	—	Indenture between SPX Corporation and The Chase Manhattan Bank, dated as of May 9, 2001, incorporated herein by reference from our Form S-3 Registration Statement (No. 333-68648) filed on August 29, 2001.
4.7	—	Form of Liquid Yield Option(TM) Note due 2021 (Zero Coupon-Senior), incorporated herein by reference from our Form S-3 Registration Statement (No. 333-68648) filed on August 29, 2001.
4.8	—	Registration Rights Agreement dated as of May 9, 2001, by and between SPX Corporation and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, incorporated herein by reference from our Form S-3 Registration Statement (No. 333-68648) filed on August 29, 2001.
4.9	—	Form of Senior Indenture, incorporated herein by reference from our Form S-3 Registration Statement (No. 333-68652) filed on August 29, 2001.
4.10	—	Form of Subordinated Indenture, incorporated herein by reference from our Form S-3 Registration Statement (No. 333-68652) filed on August 29, 2001.
4.11	—	Form of Debt Security, incorporated herein by reference from our Form S-3 Registration Statement (No. 333-68652) filed on August 29, 2001.

Item No.		Description
4.12	—	Amendment No. 2 to Rights Agreement dated as of June 26, 2002, incorporated herein by reference from our Quarterly Report on Form 10-Q for the Quarter ended June 30, 2002 (file no. 1-6948).
4.13	—	Indenture between SPX Corporation and JPMorgan Chase Bank, as Trustee, dated as of December 27, 2002, incorporated herein by reference from our Current Report on Form 8-K filed on January 3, 2003 (file no. 1-6948).
4.14	—	First Supplemental Indenture between SPX Corporation and JPMorgan Chase Bank, as Trustee, dated as of December 27, 2002, incorporated herein by reference from our Current Report on Form 8-K filed on January 3, 2003 (file no. 1-6948).
4.15	—	Copies of the instruments with respect to our other long-term debt are available to the Securities and Exchange Commission upon request.
*10.1	—	SPX Corporation Retirement Plan for Directors, as amended and restated, incorporated herein by reference from our Amendment No. 1 on Form 8 to the Annual Report on Form 10-K for the year ended December 31, 1988 (file no. 1-6948).
*10.2	—	SPX Corporation Excess Benefit Plan No. 3, as amended and restated, incorporated herein by reference from our Amendment No. 1 on Form 8 to the Annual Report on Form 10-K for the year ended December 31, 1988 (file no. 1-6948).
*10.3	—	SPX Corporation Supplemental Employee Stock Ownership Plan, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 1990 (file no. 1-6948).
*10.4	—	Employment agreement, and related Nonqualified Stock Option Agreement and Restricted Shares Agreement, between SPX Corporation and John B. Blystone dated as November 24, 1995, incorporated herein by reference to our Annual Report on Form 10-K for the year ended December 31, 1995 (file no. 1-6948).
*10.5	—	Employment agreement between SPX Corporation and John B. Blystone dated as January 1, 1997, incorporated herein by reference to our Annual Report on Form 10-K for the year ended December 31, 1996 (file no. 1-6948).

Item No.		Description
*10.6	—	SPX Corporation 1997 Non-Employee Director’s Compensation Plan, incorporated herein by reference from Exhibit A to the Proxy Statement contained in our Schedule 14A filed on March 25, 1997 (file no. 1-6948).
*10.7	—	Form of Executive Change of Control Agreement for certain executive officers, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (file no. 1-6948).
*10.8	—	Executive Change of Control Agreement for John B. Blystone dated February 15, 1999 incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (file no. 1-6948).
*10.9	—	Stock Option Award dated as of August 22, 2000 between SPX Corporation and Thomas J. Riordan, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (file no. 1-6948).
*10.10	—	Stock Option Award dated as of June 23, 1999 between SPX Corporation and John B. Blystone, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (file no. 1-6948).
*10.11	—	Stock Option Award dated as of August 22, 2000 between SPX Corporation and John B. Blystone, incorporated herein by reference from our Quarterly Report on Form 10-Q, for the quarter ended September 30, 2000 (file no. 1-6948).
*10.12	—	Stock Option Award dated as of May 10, 1999 between SPX Corporation and Robert B. Foreman, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (file no. 1-6948).
*10.13	—	Stock Option Award dated as of August 22, 2000 between SPX Corporation and Robert B. Foreman, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (file no. 1-6948).
*10.14	—	Stock Option Award dated as of August 26, 1998 between SPX Corporation and Christopher J. Kearney, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (file no. 1-6948).
*10.15	—	Stock Option Award dated as of August 22, 2000 between SPX Corporation and Christopher J. Kearney, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (file no. 1-6948).
*10.16	—	Stock Option Award dated as of August 22, 2000 between SPX Corporation and Lewis M. Kling, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (file no. 1-6948).
*10.17	—	Stock Option Award dated as of April 23, 1997 between SPX Corporation and Patrick J. O’Leary, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (file no. 1-6948).
*10.18	—	Stock Option Award dated as of June 23, 1999 between SPX Corporation and Patrick J. O’Leary, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (file no. 1-6948).
*10.19	—	Stock Option Award dated as of August 22, 2000 between SPX Corporation and Patrick J. O’Leary, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (file no. 1-6948).
*10.20	—	Stock Option Award dated as of December 10, 1997 between SPX Corporation and Thomas J. Riordan, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (file no. 1-6948).

Item No.		Description
*10.21	—	Stock Option Award dated as of February 26, 1997 between SPX Corporation and John B. Blystone, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (file no. 1-6948).
*10.22	—	Nonqualified Stock Option Agreement dated as of October 14, 1996 between SPX Corporation and Patrick J. O'Leary, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (file no. 1-6948).
*10.23	—	SPX Corporation Supplemental Retirement Plan for Top Management, as amended and restated January 1, 2002, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2001 (file no. 1-6948).
*10.24	—	Form of Loan Note (Primary Residence) for certain executive officers, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2001 (file no. 1-6948).
*10.25	—	Amended and Restated Deferred Compensation Plan of United Dominion Industries, Inc., effective as of May 24, 2001, incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2001 (file no. 1-6948).
*10.26	—	SPX Corporation 2002 Stock Compensation Plan, as amended and restated, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (file no. 1-6948).
*10.27	—	Amendment to Employment Agreement between SPX Corporation and John B. Blystone dated August 28, 2002, incorporated herein by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 (file no. 1-6948).
10.28	—	Underwriting Agreement between SPX Corporation and J.P. Morgan Securities Inc., as representative of several underwriters listed in Schedule I thereto, dated December 13, 2002, incorporated herein by reference from our Current Report on Form 8-K filed on December 19, 2002 (file no. 1-6948).
10.29	—	Fifth Amended and Restated Credit Agreement dated as of December 27, 2002.
*10.30	—	Stock Option Award dated as of August 26, 1998 between SPX Corporation and Charles A. Bowman.
11.1	—	Statement regarding computation of earnings per share. See Consolidated Statements of Income, page 64 of this Form 10-K.
21.1	—	Subsidiaries.
23.1	—	Consent of Deloitte & Touche LLP.
23.2	—	Consent of KPMG LLP.
24.1	—	Power of Attorney (included on signature page.)
99.1	—	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Denotes management contract or compensatory plan or arrangement.

Exhibit 10.30

$1,922,000,000
FIFTH AMENDED AND RESTATED
CREDIT AGREEMENT

dated as of October 6, 1998,

as Amended and Restated as of December 27, 2002,

among

SPX CORPORATION,

The Foreign Subsidiary Borrowers Party Hereto,

The Lenders Party Hereto,

THE BANK OF NOVA SCOTIA,
as Syndication Agent,

BANK OF AMERICA, N.A.,
BANK ONE, NA
and

WACHOVIA BANK N.A.
as Documentation Agents,

and

JPMORGAN CHASE BANK,
as Administrative Agent

J.P. MORGAN SECURITIES INC.,
as Sole Lead Arranger and Sole Bookrunner

TABLE OF CONTENTS

			Page
ARTICLE I	Definitions		1
	SECTION 1.1.	Defined Terms	1
	SECTION 1.2.	Classification of Loans and Borrowings	29
	SECTION 1.3.	Terms Generally	29
	SECTION 1.4.	Accounting Terms; GAAP	30
	SECTION 1.5.	Exchange Rates	30
	SECTION 1.6.	Currency Conversion	30
	SECTION 1.7.	Canadian Borrowing Provisions	31
ARTICLE II	The Credits		31
	SECTION 2.1.	Commitments	31
	SECTION 2.2.	Loans and Borrowings	31
	SECTION 2.3.	Requests for Borrowings	32
	SECTION 2.4.	Swingline Loans	33
	SECTION 2.5.	Letters of Credit	34
	SECTION 2.6.	Funding of Borrowings	39
	SECTION 2.7.	Interest Elections	40
	SECTION 2.8.	Termination and Reduction of Commitments	41
	SECTION 2.9.	Evidence of Debt	41
	SECTION 2.10.	Repayment of Loans	42
	SECTION 2.11.	Prepayment of Loans	44
	SECTION 2.12.	Certain Payment Application Matters	46
	SECTION 2.13.	Fees	46
	SECTION 2.14.	Interest	47
	SECTION 2.15.	Alternate Rate of Interest	48
	SECTION 2.16.	Increased Costs	48
	SECTION 2.17.	Break Funding Payments	49
	SECTION 2.18.	Taxes	50
	SECTION 2.19.	Payments Generally; Pro Rata Treatment; Sharing of Set-offs	52
	SECTION 2.20.	Mitigation Obligations; Replacement of Lenders	53
	SECTION 2.21.	Change in Law	54
	SECTION 2.22.	Foreign Subsidiary Borrowers	55
ARTICLE III	Representations and Warranties		55
	SECTION 3.1.	Organization; Powers	55
	SECTION 3.2.	Authorization; Enforceability	55
	SECTION 3.3.	Governmental Approvals; No Conflicts	55
	SECTION 3.4.	Financial Condition; No Material Adverse Change	55

Page

	SECTION 3.5.	Properties	56
	SECTION 3.6.	Litigation and Environmental Matters	56
	SECTION 3.7.	Compliance with Laws and Agreements	57
	SECTION 3.8.	Investment and Holding Company Status	57
	SECTION 3.9.	Taxes	57
	SECTION 3.10.	ERISA	57
	SECTION 3.11.	Disclosure	57
	SECTION 3.12.	Subsidiaries	58
	SECTION 3.13.	Insurance	58
	SECTION 3.14.	Labor Matters	58
	SECTION 3.15.	Solvency	58
	SECTION 3.16.	Senior Indebtedness	58
	SECTION 3.17.	Security Documents	58
ARTICLE IV	Conditions		59
	SECTION 4.1.	Amendment/Restatement Effective Date	59
	SECTION 4.2.	Each Credit Event	60
ARTICLE V	Affirmative Covenants		61
	SECTION 5.1.	Financial Statements and Other Information	61
	SECTION 5.2.	Notices of Material Events	62
	SECTION 5.3	Information Regarding Collateral	63
	SECTION 5.4.	Existence; Conduct of Business	63
	SECTION 5.5.	Payment of Obligations	63
	SECTION 5.6.	Maintenance of Properties	63
	SECTION 5.7.	Insurance	64
	SECTION 5.8.	Books and Records; Inspection and Audit Rights	64
	SECTION 5.9.	Compliance with Laws and Contractual Obligations	64
	SECTION 5.10.	Use of Proceeds and Letters of Credit	64
	SECTION 5.11.	Additional Collateral	64
	SECTION 5.12.	Further Assurances	65
	SECTION 5.13.	Interest Rate Protection	65
ARTICLE VI	Negative Covenants		66
	SECTION 6.1.	Financial Condition Covenants	66
	SECTION 6.2.	Indebtedness	66
	SECTION 6.3.	Liens	69
	SECTION 6.4.	Fundamental Changes	70
	SECTION 6.5.	Investments, Loans, Advances, Guarantees and Acquisitions	70
	SECTION 6.6.	Disposition of Assets	73
	SECTION 6.7.	Sale and Leaseback Transactions	75
	SECTION 6.8.	Restricted Payments	75
	SECTION 6.9.	Payments of Certain Indebtedness; Certain Derivative Transactions	77

Page

			Page
	SECTION 6.10.	Transactions with Affiliates	77
	SECTION 6.11.	Restrictive Agreements	78
	SECTION 6.12.	Amendment of Material Documents, etc.	79
ARTICLE VII	Events of Default		79
ARTICLE VIII	The Administrative Agent		82
ARTICLE IX	Miscellaneous		84
	SECTION 9.1.	Notices	84
	SECTION 9.2.	Waivers; Amendments	85
	SECTION 9.3.	Expenses; Indemnity; Damage Waiver	86
	SECTION 9.4.	Successors and Assigns; Participations and Assignments	87
	SECTION 9.5.	Survival	89
	SECTION 9.6.	Counterparts; Integration	89
	SECTION 9.7.	Severability	90
	SECTION 9.8.	Right of Setoff	90
	SECTION 9.9.	Governing Law; Jurisdiction; Consent to Service of Process	90
	SECTION 9.10.	Acknowledgements	91
	SECTION 9.11.	Headings	91
	SECTION 9.12.	Confidentiality	91
	SECTION 9.13.	WAIVER OF JURY TRIAL	91
	SECTION 9.14.	Release of Collateral	92
	SECTION 9.15.	Amendment of Guarantee and Collateral Agreement	92
	SECTION 9.16.	Judgment Currency	92
	SECTION 9.17.	Effect of Amendment and Restatement of the Existing Credit Agreement	93

SCHEDULES:

1.1A	Commitments
1.1B	Material Subsidiaries
1.1C	Mortgaged Properties
1.7	Canadian Borrowing Provisions
2.5	Existing Letters of Credit
3.4	Disclosed Matters
3.5	Real Property
3.12	Subsidiaries
3.13	Insurance
3.17(a)	UCC Filing Jurisdictions
3.17(b)	Mortgage Filing Jurisdictions
6.2	Existing Indebtedness
6.3	Existing Liens
6.5	Existing Investments
6.11	Existing Restrictions

EXHIBITS:

A-1	Form of Guarantee and Collateral Agreement
A-2	Form of Mortgage
B	Form of Closing Certificate
C	Form of Assignment and Acceptance
D-1	Form of Legal Opinion of Fried, Frank, Harris, Shriver & Jacobson
D-2	Form of Legal Opinion of General Counsel of the Parent Borrower
D-3	Matters to be Covered by Foreign Subsidiary Opinion
E	Form of Addendum
F	Form of Exemption Certificate
G	Form of Consent and Confirmation
H	Form of Prepayment Option Notice
I	Form of Borrowing Subsidiary Agreement
J	Form of Borrowing Subsidiary Termination

FIFTH AMENDED AND RESTATED CREDIT AGREEMENT, dated as of October 6, 1998, as amended and restated as of December 27, 2002, among SPX CORPORATION, a Delaware corporation (the "Parent Borrower"), the Foreign Subsidiary Borrowers (as hereinafter defined) party hereto, the Lenders party hereto, THE BANK OF NOVA SCOTIA, as Syndication Agent, BANK OF AMERICA, N.A., BANK ONE, NA and WACHOVIA BANK N.A., as Documentation Agents, and JPMORGAN CHASE BANK, as Administrative Agent.

W I T N E S S E T H :

WHEREAS, the Parent Borrower, as borrower, entered into the Credit Agreement, dated as of October 6, 1998 (the "Original Credit Agreement"), as amended and restated as of February 10, 2000, as amended and restated as of January 31, 2001, as amended and restated as of May 24, 2001, as amended and restated as of July 24, 2002, and as further amended through the date hereof (the "Existing Credit Agreement"), with the several banks and other financial institutions or entities parties thereto, the documentation agent named therein and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as administrative agent;

WHEREAS, the parties hereto have agreed to amend and restate the Existing Credit Agreement as provided in this Agreement, which Agreement shall become effective upon the satisfaction of certain conditions precedent set forth in Section 4.1 hereof; and

WHEREAS, it is the intent of the parties hereto that this Agreement not constitute a novation of the obligations and liabilities existing under the Existing Credit Agreement and which remain outstanding or evidence repayment of any of such obligations and liabilities and that this Agreement amend and restate in its entirety the Existing Credit Agreement and re-evidence the obligations of the Parent Borrower and any Foreign Subsidiary Borrowers outstanding thereunder;

NOW, THEREFORE, in consideration of the above premises, the parties hereto hereby agree that on the Amendment/Restatement Effective Date (as defined below) the Existing Credit Agreement shall be amended and restated in its entirety as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

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

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

"Administrative Agent": JPMorgan Chase Bank, in its capacity as administrative agent for the Lenders hereunder and, unless the context otherwise requires, in its capacity as Collateral Agent; it being understood that (a) matters concerning Qualified Global Currency Loans (other than Canadian Dollar Loans) will be administered by Chase Manhattan International Limited and therefore all notices concerning such Loans will be required to be given at the London Administrative Office and (b) matters concerning Canadian Dollar Loans will be administered by The Bank of Nova Scotia and therefore all notices concerning such Loans will be required to be given at the Canadian Administrative Office.

"Administrative Office": the New York Administrative Office, the London Administrative Office or the Canadian Administrative Office, as applicable.

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

"Affiliate": as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Aggregate Available Global Revolving Commitments": as at any date of determination with respect to all Global Revolving Lenders, an amount in Dollars equal to the Available Global Revolving Commitments of all Global Revolving Lenders on such date.

"Alternate Base Rate": for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus ½ of 1%. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in respect thereof, the Alternate Base Rate shall be determined without regard to clause (c) of the first sentence of this definition until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"Alternative Currency": any currency that is freely available, freely transferable and freely convertible into Dollars and in which dealings in deposits are carried on in the London interbank market, provided that such currency is reasonably acceptable to the Administrative Agent and the applicable Issuing Lender.

"Alternative Currency LC Exposure": at any time, the sum of (a) the Dollar Equivalent of the aggregate undrawn and unexpired amount of all outstanding Alternative Currency Letters of Credit at such time plus (b) the Dollar Equivalent of the aggregate principal amount of all LC Disbursements in respect of Alternative Currency Letters of Credit that have not yet been reimbursed at such time.

"Alternative Currency Letter of Credit": a Letter of Credit denominated in an Alternative Currency.

"Amendment/Restatement Effective Date": the date on which the conditions precedent set forth in Section 4.1 shall be satisfied, which date is December 27, 2002.

"Applicable Percentage": with respect to any Domestic Revolving Lender, the percentage of the total Domestic Revolving Commitments represented by such Lender's Domestic Revolving Commitment. If the Domestic Revolving Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Domestic Revolving Commitments most recently in effect, giving effect to any assignments.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

“Applicable Rate”: with respect to any Loans, for any day, the applicable rate per annum set forth below, based upon the Consolidated Leverage Ratio as of the most recent determination date:

Consolidated Leverage Ratio	Applicable Rate for Eurocurrency Loans that are Revolving Loans, Swingline Loans or Tranche A Term Loans	Applicable Rate for ABR Loans that are Revolving Loans, Swingline Loans or Tranche A Term Loans	Applicable Rate for Eurocurreny Loans that are Tranche B Term Loans	Applicable Rate for ABR Loans that are Tranche B Term Loans	Applicable Rate for Eurocurrency Loans that are Tranche C Term Loans	Applicable Rate for ABR Loans that are Tranche C Term Loans	Commitment Fee Rate
Greater than or equal to 3.00 to 1.0	2.25%	1.25%	2.25%	1.25%	2.50%	1.50%	0.500%
Greater than or equal to 2.50 to 1.0 and less than 3.00 to 1.0	2.00%	1.00%	2.25%	1.25%	2.50%	1.50%	0.425%(1)
Less than 2.50 to 1.0	1.75%	0.75%	2.25%	1.25%	2.50%	1.50%	0.375%(2)

For purposes of the foregoing, (a) the Consolidated Leverage Ratio shall be determined as of the end of each fiscal quarter of the Parent Borrower’s fiscal year based upon the Parent Borrower’s consolidated financial statements delivered pursuant to Section 5.1(a) or (b), and (b) each change in the Applicable Rate resulting from a change in the Consolidated Leverage Ratio shall be effective during the period commencing on and including the date of delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change; provided that (i) subject to clauses (ii) and (iii) below, until the delivery pursuant to Section 5.1(b) of the Parent Borrower’s consolidated financial statements for the fiscal quarter ended December 31, 2002, the Consolidated Leverage Ratio shall be determined as of the end of the Parent Borrower’s fiscal quarter ended September 30, 2002 based upon the Parent Borrower’s financial statements for the period of four consecutive fiscal quarters ended September 30, 2002 delivered to the Administrative Agent prior to the Amendment/Restatement Effective Date, which financial statements shall contain all information and calculations necessary for determining the Consolidated Leverage Ratio as of September 30, 2002, (ii) during the period from the Amendment/Restatement Effective Date until the delivery pursuant to Section 5.1(b) of the Parent Borrower’s consolidated financial statements for the fiscal quarter ended March 31, 2003, the Applicable Rate and Commitment Fee Rate shall not be less than the percentages applicable when the Consolidated Leverage Ratio is greater than or equal to 2.50 to 1.0 and less than 3.00 to 1.0, and (iii) the Consolidated Leverage Ratio shall be deemed to be greater than or equal to 3.00 to 1.0 (A) at any time that an Event of Default has occurred and is continuing or (B) at the option of the Administrative Agent or at the request of the Required Lenders, if the Parent Borrower fails to deliver the consolidated financial statements required to be delivered by it pursuant to Section 5.1(a) or (b), during the period from the expiration of the time for delivery thereof until such consolidated financial statements are delivered.

For purposes of the foregoing, (1) the Commitment Fee Rate applicable where the Consolidated Leverage Ratio is greater than or equal to 2.50 to 1.0 and less than 3.00 to 1.0 shall be reduced from 0.425% to 0.300% during any period when the Utilization Percentage for such period is greater than or equal to 50% and (2) the Commitment Fee Rate applicable where the Consolidated Leverage Ratio is less than 2.50 to 1.0 shall be reduced from 0.375% to 0.250% during any period when the Utilization Percentage for such period is greater than or equal to 50%.

"Assa Abloy JV": Assa Abloy Door Group, LLC, a Delaware limited liability company formed pursuant to the Master Transaction Agreement dated April 12, 2001 between Assa Abloy AB and UDI.

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

"Asset Swap": the exchange by the Parent Borrower or a Subsidiary of any portion of its assets for other assets which, or Capital Stock of a Person all or substantially all of the assets of which, are of a type used in the business of the Parent Borrower or in a related business, or a combination of any such assets or Capital Stock of such a Person and cash or Permitted Investments, provided that in the case of any such exchange involving the exchange of assets having an aggregate fair market value in excess of $100,000,000, the Board of Directors of the Parent Borrower shall have determined in good faith that the aggregate fair market value of the assets and other consideration received in connection therewith shall at least equal the aggregate fair market value of the assets so exchanged.

"Assignment and Acceptance": an assignment and acceptance in the form of Exhibit C or any other form approved by the Administrative Agent.

"Attributable Debt": in respect of a Sale/Leaseback Transaction, as at the time of determination, the present value (discounted at the interest rate assumed in making calculations in accordance with FAS 13) of the total obligations of the Parent Borrower or the relevant Subsidiary, as lessee, for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Available Global Revolving Commitments": as at any date of determination with respect to any Global Revolving Lender, an amount in Dollars equal to the excess, if any, of (a) the amount of such Lender's Global Revolving Commitment in effect on such date over (b) the Global Revolving Exposure of such Lender on such date.

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

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

"BOMAG": BOMAG Holding, Inc., a Delaware corporation.

“Borrowers”: the collective reference to the Parent Borrower and the Foreign Subsidiary Borrowers.

“Borrowing”: (a) Loans of the same Class and Type, made, converted or continued on the same date and, in the case of Eurocurrency Loans, as to which a single Interest Period is in effect, or (b) a Swingline Loan.

“Borrowing Request”: a request by the relevant Borrower for a Borrowing in accordance with Section 2.3.

“Borrowing Subsidiary Agreement”: a Borrowing Subsidiary Agreement, substantially in the form of Exhibit I.

“Borrowing Subsidiary Termination”: a Borrowing Subsidiary Termination, substantially in the form of Exhibit J.

“Business Day”: any day that is not a Saturday, Sunday or other day on which commercial banks in New York City or (except in the case of Dollar-denominated Loans) London are authorized or required by law to remain closed; provided that (a) with respect to any borrowings, disbursements and payments in respect of and calculations, interest rates and Interest Periods pertaining to Eurocurrency Loans, such day is also a day on which banks are open for general business in the principal financial center of the country of the relevant currency and (b) with respect to notices and determinations in connection with, and payments of principal and interest on, Loans denominated in Euros, such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET) (or, if such clearing system ceases to be operative, such other clearing system (if any) determined by the Administrative Agent to be a suitable replacement) is open for settlement of payment in Euros.

“Calculation Date”: two Business Days prior to the last Business Day of each calendar quarter (or any other day selected by the Administrative Agent (each, an “Optional Calculation Date”)); provided that each date that is on or about the date of any borrowing request or rollover request with respect to any Qualified Global Currency Loan or of any issuance or maturity extension of a Letter of Credit denominated in an Alternative Currency shall also be a “Calculation Date” with respect to the relevant Qualified Global Currency or Alternative Currency, as the case may be.

“Canadian Administrative Office”: as defined in Schedule 1.7.

“Canadian B/A”: a Bankers’ Acceptance as defined in Schedule 1.7.

“Canadian Commitment”: as defined in Schedule 1.7.

“Canadian Contract Period”: with respect to any Canadian B/A, the term thereof pursuant to subsection 2.3(b)(4) of Schedule 1.7.

“Canadian Lender”: as defined in Schedule 1.7.

“Canadian Dollar Loan”: a C$ Loan as defined in Schedule 1.7.

“Canadian dollars”: lawful currency of Canada.

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

"Capital Stock": shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any and all warrants, rights or options to purchase any of the foregoing (other than any Indebtedness convertible into Capital Stock, until such conversion).

"Change in Law": (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or Issuing Lender (or, for purposes of Section 2.16(b), by any lending office of such Lender or Issuing Lender or by such Lender's or Issuing Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Change of Control": (a) the acquisition of ownership, directly or indirectly, beneficially, by any "person" or "group" (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) of Capital Stock representing more than 35% of either the aggregate ordinary voting power or the aggregate equity value represented by the issued and outstanding Capital Stock of the Parent Borrower; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Parent Borrower by Persons who were neither (i) nominated by the board of directors of the Parent Borrower nor (ii) appointed by directors so nominated; or (c) the occurrence of a "Change of Control" (or any comparable concept) as defined in the Senior Note Indenture, any Subordinated Debt Documents, any LYONs Documents or any Other Permitted Debt Documents.

"Class": when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Domestic Revolving Loans, Global Revolving Loans, Tranche A Term Loans, Tranche B Term Loans, Tranche C Term Loans or Swingline Loans and, when used in reference to any Commitment, refers to whether such Commitment is a Domestic Revolving Commitment, a Global Revolving Commitment, a Tranche B Commitment or a Tranche C Commitment.

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

"Collateral": all property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"Collateral Agent": JPMorgan Chase Bank, in its capacities as (a) collateral agent under the Guarantee and Collateral Agreement for the Lenders, (b) collateral agent under the Mortgages, and (c) collateral agent under any other Security Document.

"Collateral Date": each date on which, pursuant to Section 5.1, the Parent Borrower delivers annual financial statements in respect of its fiscal year or quarterly financial statements in respect of the second quarter of its fiscal year.

"Commitment": a Domestic Revolving Commitment, a Global Revolving Commitment, a Tranche A Commitment or any combination thereof (as the context requires).

"Consent and Confirmation": the Consent and Confirmation, substantially in the form of Exhibit G, to be executed and delivered by the Parent Borrower and the Subsidiary Guarantors on the Amendment/Restatement Effective Date.

"Consideration": in connection with any acquisition or Investment, the consideration paid by the Parent Borrower or any of its Subsidiaries in connection therewith (including consideration in the form of issuance of Capital Stock of the Parent Borrower or any Subsidiary and assumption of Indebtedness but excluding, for the purposes of any calculation made pursuant to Section 6.5, consideration in the form of issuance of Capital Stock of the Parent Borrower).

"Consolidated EBITDA": for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, amortization or write-off of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including the Loans, letters of credit, bankers' acceptances and net costs under Hedging Agreements), (c) depreciation and amortization expense, (d) amortization or write-off of intangibles (including, but not limited to, goodwill) and organization costs, (e) any extraordinary or non-recurring non-cash expenses or non-cash losses, provided that in the event that the Parent Borrower or any Subsidiary makes any cash payment in respect of any such extraordinary or non-recurring non-cash expense, such cash payment shall be deducted from Consolidated EBITDA in the period in which such cash payment is made, (f) losses on Dispositions of assets outside of the ordinary course of business, (g) extraordinary or non-recurring cash charges resulting from severance, integration and other adjustments made as a result of Permitted Acquisitions or the acquisition of all of the outstanding Capital Stock of UDI, provided that (i) the amounts referred to in this clause (g) shall not, in the aggregate, exceed (A) $40,000,000 on an after-tax basis in respect of Permitted Acquisitions and (B) $125,000,000 on an after-tax basis in respect of the acquisition of UDI and (ii) the charges in respect of the acquisition of UDI shall have been taken on or prior to May 24, 2002, and (h) non-cash compensation expenses, or other non-cash expenses or charges, arising from the sale of stock, the granting of stock options, the granting of stock appreciation rights and similar arrangements (including any repricing, amendment, modification, substitution or change of any such stock, stock option, stock appreciation rights or similar arrangements), and minus, to the extent included in the statement of such Consolidated Net Income for such period, (a) any extraordinary or non-recurring non-cash income or non-cash gains and (b) gains on Dispositions of assets outside of the ordinary course of business, all as determined on a consolidated basis; provided that in determining Consolidated EBITDA for such period, the cumulative effect of any change in accounting principles (effected either through cumulative effect adjustment or a retroactive application) shall be excluded. For the purposes of calculating Consolidated EBITDA for any period of four consecutive fiscal quarters (each, a "Reference Period") pursuant to any determination of the Consolidated Leverage Ratio, if during such Reference Period (or, in the case of pro forma calculations, during the period from the last day of such Reference Period to and including the date as of which such calculation is made) the Parent Borrower or any Subsidiary shall have made a Material Disposition or Material Acquisition, Consolidated EBITDA for such Reference Period shall be calculated after giving pro forma effect thereto as if such Material Disposition or Material Acquisition occurred on the first day of such Reference Period (with the Reference Period for the purposes of pro forma calculations being the most recent period of four consecutive fiscal quarters for which the relevant financial information is available), without giving effect to cost savings. As used in this definition, "Material Acquisition" means any acquisition of property or series of related acquisitions of property that (a) constitutes assets comprising all or substantially all of an operating unit of a business or constitutes all or substantially all of the common stock of a Person and (b) involves Consideration in excess of $25,000,000; and "Material Disposition" means any Disposition of property or series of related Dispositions of property that (a) involves assets comprising all or substantially all of an operating unit of a business or constitutes all or substantially all of the common

stock of a Subsidiary and (b) yields gross proceeds to the Parent Borrower or any of its Subsidiaries in excess of $25,000,000.

"Consolidated Interest Coverage Ratio": for any period, the ratio of (a) Consolidated EBITDA for such period to (b) Consolidated Interest Expense for such period.

"Consolidated Interest Expense": for any period, the sum of (a) total cash interest expense (including that attributable to Capital Lease Obligations) of the Parent Borrower and its Subsidiaries for such period with respect to all outstanding Indebtedness of the Parent Borrower and its Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net cash costs or net cash income under Hedging Agreements in respect of such Indebtedness to the extent such net cash costs or net cash income, as the case may be, are allocable to such period in accordance with GAAP), (b) total dividend payments made by the Parent Borrower or any of its Subsidiaries to any Person (other than the Parent Borrower or any Wholly Owned Subsidiary Guarantor) during such period in respect of preferred Capital Stock and (c) to the extent not otherwise included in "interest expense" (or any like caption) on a consolidated income statement of the Parent Borrower and its Subsidiaries for such period, any other discounts, fees and expenses comparable to or in the nature of interest under any Qualified Receivables Transaction.

"Consolidated Leverage Ratio": as at the last day of any period, the ratio of (a) Consolidated Total Debt on such day to (b) Consolidated EBITDA for such period.

"Consolidated Net Income": for any period, the consolidated net income (or loss) of the Parent Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Parent Borrower or is merged into or consolidated with the Parent Borrower or any of its Subsidiaries and (b) the income (or deficit) of any Person (other than a Subsidiary of the Parent Borrower) in which the Parent Borrower or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Parent Borrower or such Subsidiary in the form of dividends or similar distributions; provided further that, solely for purposes of clauses (e) and (g) of Section 6.8, there shall be excluded (i) (A) any gain or loss realized upon the sale or other disposition of any property, plant or equipment of the Parent Borrower or its consolidated Subsidiaries (including pursuant to any Sale/Leaseback Transaction) which is not sold or otherwise Disposed of in the ordinary course of business, (B) any gain or loss recorded in connection with the designation of a discontinued operation (exclusive of its operating income or loss) and (C) any gain or loss realized upon the sale or other disposition of any Capital Stock of any Person, (ii) any extraordinary gain or loss, (iii) the cumulative effect of a change in accounting principles (effected either through cumulative effect adjustment or a retroactive application), (iv) any restructuring or special charges appearing on the face of the statement of operations of the Parent Borrower, (v) any non-cash compensation charges, or other non-cash expenses or charges, arising from the grant of or issuance or repricing of stock, stock options or other equity-based awards or any amendment, modification, substitution or change of any such stock, stock options or other equity-based awards and (vi) any increase in the cost of sales or other write-offs or other increased costs resulting from purchase accounting in relation to any acquisitions occurring after the Amendment/Restatement Effective Date, net of taxes.

"Consolidated Senior Debt": all Consolidated Total Debt other than Subordinated Debt.

"Consolidated Senior Leverage Ratio": as of the last day of any period, the ratio of (a) Consolidated Senior Debt on such day to (b) Consolidated EBITDA for such period.

"Consolidated Total Debt": at any date, the sum of (a) the aggregate principal amount of all Indebtedness of the Parent Borrower and its Subsidiaries at such date (excluding the face amount of undrawn letters of credit), determined on a consolidated basis in accordance with GAAP, calculated net of the amount of cash and cash equivalents, in excess of $50,000,000, that would (in conformity with GAAP) be set forth on a consolidated balance sheet of the Parent Borrower and its Subsidiaries for such date, provided that the netting of such cash and cash equivalent amounts shall not be used in calculating the Consolidated Leverage Ratio for purposes of determining the Applicable Rate for Tranche B Term Loans and Tranche C Term Loans plus (b) without duplication of amounts included in clause (a) above, an amount equal to the aggregate cash proceeds received by the Parent Borrower or any Subsidiary from the financing of Receivables (and assets related thereto) or, if greater, the aggregate principal amount of Indebtedness associated with such financing, in each case pursuant to any Receivables securitization (including any Qualified Receivables Transaction and any European Receivables Securitization) which are outstanding at such date.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Control": the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Default": any event or condition which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default (including, in any event, a "Default" under and as defined in the Senior Note Indenture, any Subordinated Debt Documents or any Other Permitted Debt Documents).

"Determination Date": each date that is two Business Days after any Calculation Date or Optional Calculation Date.

"Disclosed Matters": the matters disclosed in Schedule 3.4.

"Disposition": with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof. "Dispose" and "Disposed of" have meanings correlative thereto.

"Documentation Agents": the collective reference to Bank of America, N.A., Bank One, NA and Wachovia Bank N.A., in their capacity as documentation agents.

"Dollar Equivalent": on any date of determination, (a) for the purposes of determining compliance with Article VI or the existence of an Event of Default under Article VII (other than for the purpose of determining amounts outstanding hereunder, in which case clause (b) below shall govern), with respect to any amount denominated in a currency other than Dollars, the equivalent in Dollars of such amount, determined in good faith by the Parent Borrower in a manner consistent with the way such amount is or would be reflected on the Parent Borrower's audited consolidated financial statements for the fiscal year in which such determination is made and (b) with respect to any amount hereunder denominated in an Alternative Currency or a Qualified Global Currency, the amount of Dollars that may be purchased with such amount of such currency at the Exchange Rate (determined as of the most recent Calculation Date) with respect to such currency on such date.

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

"Domestic Revolving Availability Period": the period from and including the Amendment/Restatement Effective Date to but excluding the earlier of the Domestic Revolving Maturity Date and the date of termination of the Domestic Revolving Commitments.

"Domestic Revolving Commitment": with respect to each Lender, the commitment, if any, of such Lender to make Domestic Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, as such commitment may be changed from time to time pursuant to this Agreement. The amount of each Lender's Domestic Revolving Commitment as of the Amendment/Restatement Effective Date is set forth on Schedule 1.1A, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Domestic Revolving Commitment, as applicable. The aggregate amount of the Domestic Revolving Commitments is $400,000,000 as of the Amendment/Restatement Effective Date.

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

"Domestic Revolving Facility": as defined in the definition of Facility.

"Domestic Revolving Lender": a Lender with a Domestic Revolving Commitment or with Domestic Revolving Exposure.

"Domestic Revolving Loan": a Loan made pursuant to Section 2.1(a)(ii).

"Domestic Revolving Maturity Date": March 31, 2008.

"Domestic Subsidiary": any Subsidiary other than a Foreign Subsidiary.

"Effective Date": the date on which the conditions specified in Section 4.1 of the Original Credit Agreement were satisfied, which date was October 6, 1998.

"Emerson JV": EGS LLC.

"EMU": Economic and Monetary Union as contemplated in the Treaty.

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

"Environmental Liability": any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Parent Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

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

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

"Euro": the single currency of Participating Member States introduced in accordance with the provisions of Article 109(1)4 of the Treaty and, in respect of all payments to be made under this Agreement in Euros, means immediately available, freely transferable funds.

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

"European Receivables Securitization": the collective reference to (a) the Receivables securitization facility pursuant to which one or more German Subsidiaries of BOMAG have agreed to sell, on a revolving basis without recourse, certain qualified receivables on substantially the same terms as are in effect on the Amendment/Restatement Effective Date and (b) Receivables securitization facilities with European Foreign Subsidiaries having substantially the same terms as those applicable to the Receivables securitization facility described in clause (a) above.

"Event of Default": as defined in Article VII.

"Exchange Rate": on any day, with respect to any Alternative Currency or Qualified Global Currency, the rate at which such Alternative Currency or Qualified Global Currency may be exchanged into Dollars, as set forth at approximately 11:00 a.m., London time, on such day on the applicable Reuters World Spot Page. In the event that any such rate does not appear on any Reuters World Spot Page, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates reasonably selected by the Administrative Agent in consultation with the Parent Borrower for such purpose or, at the discretion of the Administrative Agent in consultation with the Parent Borrower, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Administrative Agent in the market where its foreign currency exchange operations in respect of such Alternative Currency are then being conducted, at or about 11:00 a.m., local time, on such day for the purchase of the applicable Alternative Currency for delivery two Business Days later, provided that, if at the time of any such determination, for any reason, no such spot rate is being

quoted, the Administrative Agent may use any other reasonable method it deems appropriate to determine such rate, and such determination shall be presumed correct absent manifest error.

"Excluded Taxes": with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which any Borrower is located, (c) in the case of any Borrowing by the Parent Borrower or any Foreign Subsidiary Borrower, with respect to any Lender (other than an assignee pursuant to a request by a Borrower under Section 2.20(b)), any withholding tax imposed by the jurisdiction in which such Borrower is located that is (i) imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement or (ii) is attributable to such Lender's failure to comply with Section 2.18(e), except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from any Borrower with respect to such withholding tax pursuant to Section 2.18(a) and (d) United States withholding taxes imposed other than as a result of a Change in Law (it being understood that for this purpose the term Change in Law shall not include final Treasury regulations under Section 1441 of the Code becoming effective).

"Existing Credit Agreement": as defined in the recitals hereto.

"Existing Letters of Credit": as defined in Section 2.5(a).

"Facility": each of (a) the Tranche A Commitments and the Tranche A Term Loans made or converted hereunder (the "Tranche A Term Facility"), (b) the Tranche B Term Loans made or converted under the Existing Credit Agreement (the "Tranche B Term Facility"), (c) the Tranche C Term Loans made or converted under the Existing Credit Agreement (the "Tranche C Term Facility"), (d) the Domestic Revolving Commitments and the extensions of credit made hereunder (the "Domestic Revolving Facility") and (e) the Global Revolving Commitments and the Global Revolving Loans made hereunder (the "Global Revolving Facility" and, together with the Domestic Revolving Facility, the "Revolving Facility").

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

"Financial Officer": the chief financial officer, principal accounting officer, treasurer or controller of the Parent Borrower.

"Foreign Subsidiary": any Subsidiary (a) that is organized under the laws of a jurisdiction other than the United States of America or any State thereof or the District of Columbia or (b) that is a Foreign Subsidiary Holdco.

"Foreign Subsidiary Borrower": any Foreign Subsidiary of the Parent Borrower designated as a Foreign Subsidiary Borrower by the Parent Borrower pursuant to Section 2.22 that has not ceased to be a Foreign Subsidiary Borrower pursuant to such Section.

"Foreign Subsidiary Holdco": any Domestic Subsidiary that has no material assets other than the Capital Stock of one or more Foreign Subsidiaries, and other assets relating to an ownership interest in any such Capital Stock.

"Foreign Subsidiary Opinion": with respect to any Foreign Subsidiary Borrower, a legal opinion of counsel to such Foreign Subsidiary Borrower addressed to the Administrative Agent and the Lenders covering the matters set forth on Exhibit D-3, with such assumptions, qualifications and deviations therefrom as the Administrative Agent shall approve (such approval not to be unreasonably withheld).

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

"Global Revolving Availability Period": the period from and including the Amendment/Restatement Effective Date to but excluding the earlier of the Global Revolving Maturity Date and the date of termination of the Global Revolving Commitments.

"Global Revolving Facility": as defined in the definition of Facility.

"Global Revolving Commitment": with respect to each Lender, the commitment, if any, of such Lender to make Global Revolving Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Global Revolving Exposure hereunder, as such commitment may be changed from time to time pursuant to this Agreement. The amount of each Lender's Global Revolving Commitment as of the Amendment/Restatement Effective Date is set forth on Schedule 1.1A, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Global Revolving Commitment, as applicable. The aggregate amount of the Global Revolving Commitments is $100,000,000 as of the Amendment/Restatement Effective Date.

"Global Revolving Exposure": with respect to any Lender at any time, the sum of (a) the aggregate outstanding principal amount of such Lender's Global Revolving Loans at such time that are denominated in Dollars plus (b) the Dollar Equivalent at such time of the aggregate outstanding principal amount of such Lender's Global Revolving Loans at such time that are denominated in Qualified Global Currencies.

"Global Revolving Lender": a Lender with a Global Revolving Commitment or with Global Revolving Exposure.

"Global Revolving Loan": a Loan made pursuant to Section 2.1(a)(iii), including Canadian Dollar Loans and any Canadian B/A accepted in accordance with Schedule 1.7.

"Global Revolving Maturity Date": March 31, 2008.

"Governmental Authority": any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government (including, without limitation, any European central bank or other similar agency, authority or regulatory body), any securities exchange and any self-regulatory organization (including the National Association of Insurance Commissioners).

“GSX”: General Signal Corporation, a Delaware corporation.

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

“Guarantee and Collateral Agreement”: the Guarantee and Collateral Agreement, dated as of October 6, 1998, made by the Parent Borrower and the Subsidiary Guarantors in favor of the Collateral Agent, a copy of which is attached as Exhibit A-1, as the same may be amended, supplemented or otherwise modified from time to time.

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

“Hedging Agreement”: any interest rate agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price swap or hedging arrangement or option.

“Incur”: as defined in Section 6.2. “Incurrence” and “Incurred” shall have a correlative meanings.

“Indebtedness”: with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person (other than current trade payables Incurred in the ordinary course of business and payable in accordance with customary practices), (d) all obligations of such Person in respect of the deferred purchase price of property or services (other than current trade payables or liabilities for deferred payment for services to employees and former employees, in each case Incurred in the ordinary course of business and payable in accordance with customary practices), (e) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (f) all Guarantees by such Person of Indebtedness of others, (g) all Capital Lease Obligations of such Person, (h) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, (i) all obligations, contingent or otherwise, of such Person in respect of bankers’ acceptances, (j) all preferred and/or redeemable Capital Stock of any Subsidiary of such Person that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a

sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is six months after the Tranche C Maturity Date, (k) Receivables Transaction Attributed Indebtedness and (l) for the purposes of Section 6.2 only, all obligations of such Person in respect of Hedging Agreements. The Indebtedness of any Person (i) shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor and (ii) shall exclude customer deposits in the ordinary course of business.

"Indemnified Taxes": Taxes other than Excluded Taxes.

"Information Memorandum": the Confidential Information Memorandum dated December 2002 relating to the Parent Borrower and the Facilities.

"Inrange": Inrange Technologies Corporation, a Delaware corporation.

"Inrange Class A Common Stock": Class A Common Stock, par value $.01 per share, of Inrange.

"Inrange Class B Common Stock": Class B Common Stock, par value $.01 per share, of Inrange.

"Inrange Common Stock": the collective reference to Inrange Class A Common Stock and Inrange Class B Common Stock.

"Interest Election Request": a request by the relevant Borrower to convert or continue a Revolving Borrowing or Term Borrowing in accordance with Section 2.7.

"Interest Payment Date": (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurocurrency Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period": with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the relevant Borrower may elect; provided, that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Investments": as defined in Section 6.5.

"Issuing Lender": as the context may require, (a) JPMorgan Chase Bank, with respect to Letters of Credit issued by it, (b) any other Domestic Revolving Lender that becomes an Issuing Lender pursuant to Section 2.5(l), with respect to Letters of Credit issued by it, and (c) any Domestic Revolving Lender that has issued an Existing Letter of Credit, with respect to such Existing Letter of Credit and, in each case its successors in such capacity as provided in Section 2.5(i). Any Issuing Lender may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Lender, in which case the term "Issuing Lender" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"Judgment Currency": as defined in Section 9.16.

"Judgment Currency Conversion Rate": as defined in Section 9.16.

"LC Disbursement": a payment made by the applicable Issuing Lender pursuant to a Letter of Credit.

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

"Lender Affiliate": (a) with respect to any Lender, (i) an Affiliate of such Lender or (ii) any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an Affiliate of such Lender and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Lenders": the Persons listed on Schedule 1.1A and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender and each Issuing Lender.

"Letter of Credit": any letter of credit issued pursuant to this Agreement, including the Existing Letters of Credit.

"LIBO Rate": with respect to any Eurocurrency Borrowing, for any Interest Period, the rate appearing on the relevant page of the Telerate screen (or any successor to or substitute for such screen, providing rate quotations comparable to those currently provided on such page of such screen, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in Dollars or the relevant Qualified Global Currency, as the case may be, in the relevant interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for deposits in such currency with a maturity comparable to such Interest Period. If such rate is not available at such time for any reason, and in all cases in the case of sterling-denominated Loans, the "LIBO Rate" with respect to such Eurocurrency Borrowing for such Interest Period shall be the rate at which deposits in the relevant currency of $5,000,000 (or the appropriate equivalent thereof) and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in

the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement o0f such Interest Period.

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

"Loan": any loan made by any Lender pursuant to this Agreement.

"Loan Documents": this Agreement, the Security Documents, each Borrowing Subsidiary Agreement and each Borrowing Subsidiary Termination.

"Loan Parties": the Borrowers and the Subsidiary Guarantors.

"London Administrative Office": the Administrative Agent's office located at 125 London Wall, London, or such other office in London as may be designated by the Administrative Agent by written notice to the Parent Borrower and the Lenders.

"LYONs": the collective reference to (a) the LYONs described in (i) the offering memorandum dated March 10, 2001 and (ii) the offering memorandum dated May 9, 2001 (collectively, the "LYONs Offering Memoranda"), (b) the notes issued upon conversion of the LYONs upon the occurrence of a Tax Event (as defined in the LYONs Documents) on the terms described in the LYONs Offering Memoranda and (c) any Indebtedness of the Parent Borrower (with Guarantees by Subsidiary Guarantors otherwise permitted by this Agreement) Incurred to refinance any of the foregoing so long as (i) such Indebtedness has no scheduled principal payments (it being acknowledged that any mandatory redemptions or conversions at the option of the holders of the LYONs pursuant to LYONs Put/Conversion Rights are not scheduled principal payments) prior to the date that is six months after the Tranche C Maturity Date and (ii) the terms thereof, taken as a whole, are not materially more restrictive than the Indebtedness being refinanced or are no more restrictive than those contained in this Agreement, in each case as agreed by the Administrative Agent.

"LYONs Contingent Interest": the payment of contingent interest on or after February 1, 2006, as described in the Summary section of the LYONs Offering Memoranda under the caption "Contingent Interest".

"LYONs Documents": all indentures, instruments, agreements and other documents evidencing or governing the LYONs or providing for any Guarantee or other right in respect thereof.

"LYONs Offering Memoranda": as defined in the definition of LYONs.

"LYONs Put/Conversion Rights": the collective reference to (a) the ability of holders of the LYONs to require purchase of the LYONs through the payment of cash or issuance of common stock or a combination of cash and common stock on specified scheduled dates, as described in the Summary section of the LYONs Offering Memoranda under the caption "Purchase of the LYONs at the Option of the Holder" (or on substantially similar terms on later dates) and (b) the ability of the holders of the LYONs to surrender LYONs for conversion into common stock of the Parent Borrower if specific conditions are satisfied, as described in the Summary section of the LYONs Offering Memoranda under the caption "Conversion Rights" (or on substantially similar terms on later dates).

“Majority Facility Lenders”: with respect to any Facility, the holders of more than 50% of the aggregate unpaid principal amount of the Term Loans or Revolving Exposure, as the case may be, outstanding under such Facility (or, in the case of the Revolving Facility, prior to any termination of the Revolving Commitments, the holders of more than 50% of the Revolving Commitments).

“Material Adverse Effect”: a material adverse effect on (a) the business, property, operations or condition (financial or otherwise) of the Parent Borrower and its Subsidiaries taken as a whole, (b) the ability of the Loan Parties, taken as a whole, to perform any of their obligations under any Loan Document or (c) the rights of or benefits available to the Lenders under any Loan Document.

“Material Indebtedness”: Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Hedging Agreements (the amount of such obligations, in the case of Hedging Agreements, to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time), of any one or more of the Parent Borrower and its Subsidiaries in an aggregate principal amount exceeding $75,000,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of the Parent Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Parent Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

“Material Subsidiary”: (a) any Subsidiary listed on Schedule 1.1B and (b) any other Subsidiary of the Parent Borrower created or acquired after the Amendment/Restatement Effective Date that, together with its Subsidiaries, has aggregate assets (excluding assets that would be eliminated upon consolidation in accordance with GAAP), at the time of determination, in excess of $50,000,000.

“Moody’s”: Moody’s Investors Service, Inc.

“Mortgage”: a mortgage, deed of trust, assignment of leases and rents, leasehold mortgage or other security document granting a Lien on any Mortgaged Property to secure the obligations of any Loan Party under any Loan Document. Each Mortgage shall be satisfactory in form and substance to the Administrative Agent.

“Mortgaged Property”: each parcel of real property owned by a Loan Party and identified on Schedule 1.1C and the improvements thereto, together with each other parcel of real property and improvements thereto with respect to which a Mortgage is granted to the Administrative Agent or the Collateral Agent.

“Multiemployer Plan”: a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Net Proceeds”: with respect to any event (a) the cash proceeds received in respect of such event including (i) any cash received in respect of any non-cash proceeds, but only as and when received, (ii) in the case of a casualty, insurance proceeds, and (iii) in the case of a casualty or a condemnation or similar event, condemnation awards and similar payments, net of (b) the sum of (i) all reasonable fees and out-of-pocket expenses paid by the Parent Borrower and the Subsidiaries to third parties (other than Affiliates) in connection with such event, (ii) in the case of a Disposition of an asset (including pursuant to a condemnation or similar proceeding), the amount of all payments required to be made by the Parent Borrower and the Subsidiaries as a result of such event to repay Indebtedness (other than Loans) or to repay any other Contractual Obligation secured by such asset or otherwise subject to mandatory prepayment or repayment as a result of such event, and (iii) the amount of all taxes paid (or reasonably estimated to be payable) by the Parent Borrower and the Subsidiaries (including all taxes paid in connection with the repatriation of the Net Proceeds of a Disposition), and the amount of any reserves

established by the Parent Borrower and the Subsidiaries to fund contingent liabilities reasonably estimated to be payable, in each case that are directly attributable to such event (as determined reasonably and in good faith by the chief financial officer of the Parent Borrower).

"New York Administrative Office": the Administrative Agent's office located at 270 Park Avenue, New York, New York, or such other office in New York City as may be designated by the Administrative Agent by written notice to the Parent Borrower and the Lenders.

"Obligation Currency": as defined in Section 9.16.

"Obligations": the collective reference to the unpaid principal of and interest on the Loans and Reimbursement Obligations and all other obligations and liabilities of the Borrowers (including, without limitation, interest accruing at the then applicable rate provided herein after the maturity of the Loans and Reimbursement Obligations and interest accruing at the then applicable rate provided herein after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to any Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to the Administrative Agent or any Lender (or, in the case of any Hedging Agreement, any Lender or any Affiliate of any Lender), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter Incurred, which may arise under, out of, or in connection with, this Agreement, the other Loan Documents, any Letter of Credit, any Hedging Agreement with any Lender or any Affiliate of any Lender or any other document made, delivered or given in connection with any of the foregoing, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by any Borrower pursuant to the terms of any of the foregoing agreements).

"Old Tranche A Term Loans": Tranche A Term Loans made under (and as defined in) the Existing Credit Agreement.

"Optional Calculation Date": as defined in the definition of Calculation Date.

"Original Credit Agreement": as defined in the recitals hereto.

"Other Permitted Debt": any unsecured Indebtedness Incurred by the Parent Borrower as permitted by Section 6.2(l).

"Other Permitted Debt Documents": all indentures, instruments, agreements and other documents evidencing or governing Other Permitted Debt or providing for any Guarantee or other right in respect thereof.

"Other Taxes": any and all present or future stamp or documentary taxes or any other excise charges or similar levies arising from the execution, delivery or enforcement of any Loan Document.

"Parent Borrower": as defined in the preamble.

"Participant": as defined in Section 9.4(e).

"Participating Member State": each state so described in any EMU legislation.

“PBGC”: the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“Permitted Acquisition”: any acquisition by the Parent Borrower or any Subsidiary of all or substantially all of the Capital Stock of, or all or substantially all of the assets of, or of a business, unit or division of, any Person; provided that (a) the Parent Borrower shall be in compliance, on a pro forma basis after giving effect to such acquisition, with the covenants contained in Section 6.1, in each case recomputed as at the last day of the most recently ended fiscal quarter of the Parent Borrower for which the relevant information is available as if such acquisition had occurred on the first day of each relevant period for testing such compliance (as demonstrated, in the case of any acquisition for which the aggregate Consideration is greater than or equal to $50,000,000, in a certificate of a Financial Officer delivered to the Administrative Agent (i) in the case of any acquisition for which the aggregate Consideration is greater than or equal to $100,000,000, prior to the consummation of such acquisition and (ii) in the case of any acquisition for which the aggregate Consideration is less than $100,000,000, concurrently with the first delivery of financial statements pursuant to Section 5.1(a) or (b) following the consummation of such acquisition), (b) no Default or Event of Default shall have occurred and be continuing, or would occur after giving effect to such acquisition, (c) the Capital Stock and substantially all of the other property so acquired (including substantially all of the property of any Person whose Capital Stock is directly or indirectly acquired) are useful in the business of industrial products and other goods and services, (d) the Capital Stock and substantially all of the other property so acquired (including substantially all of the property of any Person whose Capital Stock is directly or indirectly acquired when such Person becomes a direct or indirect Wholly Owned Subsidiary of the Parent Borrower in accordance with clause (e), below, but excluding real property, Capital Stock and other assets to the extent such real property, Capital Stock, or other assets, as applicable, are not required by Section 5.11 to become Collateral) shall constitute and become Collateral, (e) any Person whose Capital Stock is directly or indirectly acquired shall be, after giving effect to such acquisition, a majority owned Subsidiary and within ninety (90) days of such acquisition shall be a direct or indirect Wholly Owned Subsidiary of the Parent Borrower and (f) any such acquisition shall have been approved by the Board of Directors or comparable governing body of the relevant Person (unless such relevant Person is a majority owned Subsidiary prior to such acquisition).

“Permitted Encumbrances”: (a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.5; (b) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 90 days or are being contested in compliance with Section 5.5; (c) pledges and deposits made in the ordinary course of business in compliance with workers’ compensation, unemployment insurance and other social security laws or regulations; (d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety, indemnity, release and appeal bonds, performance or warranty bonds and other obligations of a like nature, and guarantees thereof, in each case in the ordinary course of business; (e) deposits securing liabilities to insurance carriers under insurance or self-insurance arrangements; (f) judgment Liens not giving rise to an Event of Default so long as such Liens are adequately bonded; (g) banker’s Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution, provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Parent Borrower or any Subsidiary in excess of those set forth by regulations promulgated by the Board and (ii) such deposit account is not intended by the Parent Borrower or any Subsidiary to provide collateral to the depositary institution; (h) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases or consignments entered into by the Parent Borrower and any Subsidiary in the ordinary course of business; (i) customary restrictions imposed on the transfer of copyrighted or patented materials or other intellectual property and customary provisions in agreements that restrict the assignment of such agreements or any rights

thereunder; and (j) easements, leases, subleases, ground leases, zoning restrictions, building codes, rights-of-way, minor defects or irregularities in title and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Parent Borrower or any Subsidiary. Notwithstanding the foregoing, the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Investments": (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency or instrumentality thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof; (b) investments in commercial paper maturing within one year from the date of acquisition thereof and having, at such date of acquisition, credit ratings from S&P or from Moody's of at least "A-2" or "P-2", respectively; (c) investments in certificates of deposit, banker's acceptances, overnight bank deposits, eurodollar time deposits and time deposits maturing within one year from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000 or, in the case of Foreign Subsidiaries, any local office of any commercial bank organized under the laws of the relevant local jurisdiction or any OECD country or any political subdivision thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000 and cash pooling arrangements among Foreign Subsidiaries (sometimes intermediated by a commercial bank); (d) marketable general obligations issued by any State of the United States of America or any political subdivision of any such State or any public instrumentality thereof maturing within one year from the date of acquisition and, at the time of acquisition, having a credit rating of "A" or better from either S&P or Moody's; (e) repurchase agreements with a term of not more than 30 days for securities described in clause (a), (c) or (d) above and entered into with a financial institution satisfying the criteria described in clause (c) above; (f) interests in any investment company or money market fund which invests substantially all of its assets in instruments of the type specified in clauses (a) through (e) above; and (g) in the case of Foreign Subsidiaries (other than any Foreign Subsidiary Holdco), substantially similar Investments to those set forth in clauses (a) through (f) above denominated in foreign currencies, provided that references to the United States of America (or any agency, instrumentality or State thereof) shall be deemed to mean foreign countries having a sovereign rating of "A" or better from either S&P or Moody's.

"Permitted Subsidiary Acquisition": any acquisition by Inrange or any of its Subsidiaries of all or any portion of the Capital Stock, or all or any portion of the assets, of any Person (or any acquisition of all or any portion of the Capital Stock of Inrange or all or any portion of the assets of Inrange or any Subsidiary of Inrange in which the surviving entity or the acquiring entity is a Subsidiary of the Parent Borrower) whether pursuant to a merger, stock transaction or otherwise.

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

"Plan": any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Parent Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prepayment Event":

(a) any Disposition of property or series of related Dispositions of property (excluding any such Disposition permitted by paragraph (a), (b), (c), (e), (f), (g), (h), (i) or (k) of Section 6.6) that yields aggregate gross proceeds to the Parent Borrower or any of the Subsidiary Guarantors (valued at the initial principal amount thereof in the case of non-cash proceeds consisting of notes or other debt securities and valued at fair market value in the case of other non-cash proceeds) in excess of $10,000,000; or

(b) any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property of the Parent Borrower or any Subsidiary Guarantor that yields Net Proceeds in excess of $10,000,000; or

(c) the Incurrence by the Parent Borrower or any Subsidiary Guarantor of any Subordinated Debt, unless the Consolidated Senior Leverage Ratio, on a pro forma basis after giving effect to such Incurrence and the application of proceeds thereof, is less than 3.00 to 1.00, computed as at the last day of the most recently ended fiscal quarter of the Parent Borrower for which the relevant information is available for the period of four consecutive fiscal quarters ending on such day as if such Incurrence had occurred on the first day of such period.

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

"Qualified Foreign Global Currency": any Qualified Global Currency other than Dollars borrowed in New York City.

"Qualified Global Currency": (a) sterling, Euros, Dollars (borrowed in New York City), Australian dollars, Swiss francs and Canadian dollars (borrowed in London), (b) any other eurocurrency designated by the Parent Borrower with the consent of the Administrative Agent and each Global Revolving Lender and (c) with respect to Loans made by Canadian Lenders, Canadian dollars (borrowed in Canada).

"Qualified Global Currency Borrowing": any Borrowing comprised of Qualified Global Currency Loans.

"Qualified Global Currency Loan": any Loan denominated in a Qualified Global Currency.

"Qualified Receivables Transaction": any transaction or series of transactions that may be entered into by the Parent Borrower or any Subsidiary pursuant to which the Parent Borrower or any Subsidiary may sell, convey or otherwise transfer to (a) a Receivables Entity (in the case of a transfer by the Parent Borrower or any Subsidiary) or (b) any other Person (in the case of a transfer by a Receivables Entity), or may grant a security interest in, any Receivables (whether now existing or arising in the future) of the Parent Borrower or any Subsidiary, and any assets related thereto including, without limitation, all collateral securing such Receivables, all contracts and all guarantees or other obligations in respect of such Receivables, the proceeds of such Receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations involving Receivables.

"Receivable": a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which

such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit and shall include, in any event, any items of property that would be classified as an "account", "chattel paper", a "payment intangible" or an "instrument" under the Uniform Commercial Code as in effect in the State of New York and any "supporting obligations" (as so defined) of such items.

"Receivables Entity": either (a) any Subsidiary or (b) another Person to which the Parent Borrower or any Subsidiary transfers Receivables and related assets, in either case which engages in no activities other than in connection with the financing of Receivables and which is designated by the Board of Directors of the Parent Borrower as a Receivables Entity:

(i) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

(A) is guaranteed by the Parent Borrower or any Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);

(B) is recourse to or obligates the Parent Borrower or any Subsidiary in any way other than pursuant to Standard Securitization Undertakings; or

(C) subjects any property or asset of the Parent Borrower or any Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(ii) with which neither the Parent Borrower nor any Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a purchase money note or Qualified Receivables Transaction permitted by Section 6.6(c)) other than (A) on terms, taken as a whole, no less favorable to the Parent Borrower or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Parent Borrower or (B) for the payment of fees in the ordinary course of business in connection with servicing Receivables; and

(iii) to which neither the Parent Borrower nor any Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"Receivables Transaction Attributed Indebtedness": the amount of obligations outstanding under the legal documents entered into as part of any Receivables securitization (including any Qualified Receivables Transaction and any European Receivables Securitization) on any date of determination that would be characterized as principal if such Receivables securitization were structured as a secured lending transaction rather than as a purchase.

"Register" has the meaning set forth in Section 9.4(c).

"Reimbursement Obligation": the obligation of each relevant Borrower to reimburse the applicable Issuing Lender pursuant to Section 2.5 for amounts drawn under Letters of Credit.

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

“Release Date”: as defined in Section 9.14.

“Released Collateral”: as defined in Section 9.14.

“Required Lenders”: at any time, Lenders having Revolving Exposures, Term Loans and unused Commitments representing at least 51% of the sum of the total Revolving Exposures, outstanding Term Loans and unused Commitments at such time.

“Requirement of Law”: as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Reset Date”: as defined in Section 1.5(a).

“Restricted Payment”: (a) any dividend or other distribution (whether in cash, securities or other property) with respect to any Capital Stock of the Parent Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Capital Stock of the Parent Borrower or any Subsidiary or any option, warrant or other right to acquire any such Capital Stock of the Parent Borrower or any Subsidiary and (b) any payment or other distribution (whether in cash, securities or other property) of or in respect of principal of or interest on the LYONs, or any payment or other distribution (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation, conversion or termination of the LYONs.

“Revolving Commitments”: the aggregate of the Domestic Revolving Commitments and the Global Revolving Commitments.

“Revolving Exposure”: with respect to any Lender at any time, the sum of such Lender’s Domestic Revolving Exposure and Global Revolving Exposure.

“Revolving Facility”: as defined in the definition of Facility.

“Revolving Lenders”: Domestic Revolving Lenders and Global Revolving Lenders.

“Revolving Loans”: Domestic Revolving Loans and Global Revolving Loans.

“Risk Management Subsidiary”: any Subsidiary (a) that is formed for the purpose of better controlling the costs associated with certain post-retirement benefit obligations, workers’ compensation claims, severance, deferred compensation, key man life insurance reserves, environmental liabilities and other liabilities, (b) that is a Subsidiary Guarantor and a “Grantor” for the purposes of the Guarantee and Collateral Agreement and (c) all of the Capital Stock of which, to the extent owned by the Parent Borrower or any Domestic Subsidiary, is pledged as Collateral under the Guarantee and Collateral Agreement.

“S&P”: Standard & Poor’s.

“Sale/Leaseback Transaction”: as defined in Section 6.7.

“Security Documents”: the Guarantee and Collateral Agreement, the Mortgages and any other security documents granting a Lien on any property of any Person to secure the obligations of any Loan Party under any Loan Document.

“Senior Note Indenture”: the Indenture entered into by the Parent Borrower in connection with the issuance of the Senior Notes, together with all instruments and other agreements entered into by the Parent Borrower in connection therewith.

“Senior Notes”: the 7.5% senior notes due 2013 of the Parent Borrower having an aggregate principal amount of $500,000,000 issued on or about the Amendment/Restatement Effective Date pursuant to the Senior Note Indenture.

“Specified Indebtedness”: (a) any Indebtedness Incurred as permitted by Section 6.2(g), (h) or (k), and (b) any secured Indebtedness Incurred as permitted by Section 6.2(j) or (q).

“Standard Securitization Undertakings”: representations, warranties, covenants and indemnities entered into by the Parent Borrower or any Subsidiary which are reasonably customary in securitization of Receivables transactions.

“Statutory Reserve Rate”: a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board or by any other Governmental Authority, domestic or foreign, with jurisdiction over the Administrative Agent or any Lender (including any branch, Affiliate or other funding office thereof making or holding a Loan) (a) with respect to the Base CD Rate, for new negotiable nonpersonal time deposits in Dollars of over $100,000 with maturities approximately equal to three months and (b) with respect to the Adjusted LIBO Rate applicable to any Borrowing, for any category of liabilities which includes deposits by reference to which the Adjusted LIBO Rate in respect of such Borrowing is determined. Such reserve percentages shall include those imposed pursuant to Regulation D of the Board. Eurocurrency Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“Subordinated Debt”: any Indebtedness Incurred by the Parent Borrower as permitted by Section 6.2(b).

“Subordinated Debt Documents”: all indentures, instruments, agreements and other documents evidencing or governing the Subordinated Debt or providing for any Guarantee or other right in respect thereof.

“Subsidiary”: with respect to any Person (the “parent”) at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more Subsidiaries of the parent or by the parent and one or more Subsidiaries of the parent. Unless

otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Parent Borrower. Notwithstanding the foregoing, from and after the date on which the Parent Borrower delivers written notice to the Administrative Agent requesting that Inrange and its Subsidiaries cease to be considered "Subsidiaries" of the Parent Borrower, all references in this Agreement and the other Loan Documents to any Subsidiary (or Subsidiaries) of the Parent Borrower shall be deemed to exclude Inrange and its Subsidiaries, provided that the Consolidated Leverage Ratio, on a pro forma basis after giving effect to Inrange and it Subsidiaries ceasing to be "Subsidiaries" of the Parent Borrower, is less than 3.00 to 1.00, computed as at the last day of the most recently ended fiscal quarter of the Parent Borrower for which the relevant information is available for the period of four consecutive fiscal quarters ending on such day as if Inrange and its Subsidiaries had ceased to be "Subsidiaries" of the Parent Borrower on the first day of such period.

"Subsidiary Guarantor": any Subsidiary that has guaranteed the Obligations pursuant to the Guarantee and Collateral Agreement (it being understood that Inrange and its Subsidiaries are not Subsidiary Guarantors).

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

"Swingline Lender": JPMorgan Chase Bank, in its capacity as lender of Swingline Loans hereunder.

"Swingline Loan": a Loan made pursuant to Section 2.4.

"Syndication Agent": The Bank of Nova Scotia, in its capacity as syndication agent.

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

"Term Loans": Tranche A Term Loans, Tranche B Term Loans and Tranche C Term Loans.

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

"Total Consolidated Assets": as at any date of determination, the total assets of the Parent Borrower and its consolidated Subsidiaries, determined in accordance with GAAP, as of the last day of the fiscal quarter ended immediately prior to the date of such determination.

"Total Domestic Exposure": at any time, the sum of the total Domestic Revolving Exposures.

"Total Global Exposure": at any time, the sum of the total Global Revolving Exposures.

"Tranche A Commitment": with respect to each Lender, the commitment, if any, of such Lender to make a Tranche A Term Loan hereunder (or to convert all or part of such Lender's Old Tranche A Term Loan into a Tranche A Term Loan hereunder) on the Amendment/Restatement Effective Date. The aggregate principal amount of the Lenders' Tranche A Commitments is $225,000,000.

"Tranche A Lender": a Lender with a Tranche A Commitment or an outstanding Tranche A Term Loan.

"Tranche A Maturity Date": March 31, 2008.

"Tranche A Term Facility": as defined in the definition of Facility.

"Tranche A Term Loan": a Loan (a) made pursuant to Section 2.1(a)(i) or (b) converted from an Old Tranche A Term Loan pursuant to Section 2.1(b).

"Tranche B Lender": a Lender with an outstanding Tranche B Term Loan.

"Tranche B Maturity Date": September 30, 2009.

"Tranche B Term Facility": as defined in the definition of Facility.

"Tranche B Term Loan": a Loan made or converted pursuant to Section 2.1(a)(i) or 2.1(b)(i), as applicable, of the Existing Credit Agreement. The aggregate principal amount of Tranche B Term Loans outstanding on the Amendment/Restatement Effective Date is $448,875,000.

"Tranche C Lender": a Lender with an outstanding Tranche C Term Loan.

"Tranche C Maturity Date": March 31, 2010.

"Tranche C Term Facility": as defined in the definition of Facility.

"Tranche C Term Loan": a Loan made or converted pursuant to Section 2.1(a)(ii) or 2.1(b)(ii), as applicable, of the Existing Credit Agreement. The aggregate principal amount of Tranche C Term Loans outstanding on the Amendment/Restatement Effective Date is $748,125,000.

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

"Treaty": the Treaty establishing the European Economic Community, being the Treaty of Rome of March 25, 1957 as amended by the Single European Act 1986 and the Maastricht Treaty (which was signed on February 7, 1992 and came into force on November 1, 1993) and as may from time to time be further amended, supplemented or otherwise modified.

"Type": when used in reference to any Loan or Borrowing, refers to the rate by reference to which interest on such Loan, or on the Loans comprising such Borrowing, is determined and the currency in which such Loan, or the Loans comprising such Borrowing, are denominated. For purposes hereof, "rate" shall include the Adjusted LIBO Rate , the Alternate Base Rate and any interest rate applicable to Canadian Dollar Loans, and "currency" shall include Dollars and any Qualified Global Currency permitted hereunder.

“UCC”: for any jurisdiction, the Uniform Commercial Code applicable in such jurisdiction.

“UDI”: United Dominion Industries Limited, a Canadian corporation succeeded by amalgamation by United Dominion Industries Corporation, a Nova Scotia unlimited liability company.

“Utilization Percentage”: for any fiscal quarter, the percentage equivalent of a fraction (a) the numerator of which is the aggregate average daily amount of the aggregate Revolving Exposure of the Revolving Lenders (other than any Swingline Exposure) during such period and (b) the denominator of which is the sum of (i) the aggregate average daily amount of the Domestic Revolving Commitments of the Lenders during such period and (ii) the aggregate average daily amount of the Global Revolving Commitments of the Lenders during such period (it being understood that, with respect to any day after termination of the Commitments referred to in clause (i) or (ii), the Domestic Revolving Commitments, or Global Revolving Commitments, as applicable, of the Lenders shall be deemed to be the Domestic Revolving Commitments, or Global Revolving Commitments, as applicable, of the Lenders, immediately preceding such termination).

“Wholly Owned Domestic Subsidiary”: any Domestic Subsidiary that is a Wholly Owned Subsidiary of the Parent Borrower.

“Wholly Owned Subsidiary”: as to any Person, any other Person all of the Capital Stock of which (other than directors’ qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

“Wholly Owned Subsidiary Guarantor”: any Subsidiary Guarantor that is a Wholly Owned Subsidiary of the Parent Borrower, provided that, in any event, each Risk Management Subsidiary shall be deemed to constitute a Wholly Owned Subsidiary Guarantor for the purposes of Sections 6.2 and 6.5.

“Withdrawal Liability”: liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.2. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a “Revolving Loan”) or by Type (e.g., a “Eurocurrency Loan”) or by Class and Type (e.g., a “Eurocurrency Revolving Loan”). Borrowings also may be classified and referred to by Class (e.g., a “Revolving Borrowing”) or by Type (e.g., a “Eurocurrency Borrowing”) or by Class and Type (e.g., a “Eurocurrency Revolving Borrowing”).

SECTION 1.3. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to

Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights and (f) where applicable, any amount (including, without limitation, minimum borrowing, prepayment or repayment amounts) expressed in Dollars shall, when referring to any currency other than Dollars, be deemed to mean an amount of such currency having a Dollar Equivalent approximately equal to such amount.

SECTION 1.4. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that if at any time after the date hereof there shall occur any change in respect of GAAP from that used in the preparation of audited financial statements referred to in Section 5.1 in a manner that would have a material effect on any matter under Article VI, the Parent Borrower and the Administrative Agent will, within five Business Days of notice from the Administrative Agent or the Parent Borrower, as the case may be, to that effect, commence, and continue in good faith, negotiations with a view towards making appropriate amendments to the provisions hereof acceptable to the Required Lenders, to reflect as nearly as possible the effect of Article VI as in effect on the date hereof; provided further that, until such notice shall have been withdrawn or the relevant provisions amended in accordance herewith, Article VI shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective.

SECTION 1.5. Exchange Rates. (a) Not later than 1:00 p.m., New York City time, on each Calculation Date, the Administrative Agent shall (i) determine the Exchange Rate as of such Calculation Date to be used for calculating the Dollar Equivalent amounts of each currency in which a Global Revolving Loan, Alternative Currency Letter of Credit or unreimbursed LC Disbursement is denominated and (ii) give notice thereof to the Parent Borrower. The Exchange Rates so determined shall become effective on the first Business Day immediately following the relevant Calculation Date (a “Reset Date”), shall remain effective until the next succeeding Reset Date and shall for all purposes of this Agreement (other than for the purpose of converting into Dollars, under Sections 2.5(d), (e), (h), (j) and (k) and 2.13(b), the obligations of the Borrowers and the Domestic Revolving Lenders in respect of LC Disbursements that have not been reimbursed when due) be the Exchange Rates employed in converting any amounts between the applicable currencies.

(b) Not later than 5:00 p.m., New York City time, on each Reset Date, the Administrative Agent shall (i) determine the Global Revolving Exposure or the Alternative Currency LC Exposure, as the case may be, on such date (after giving effect to any Global Revolving Loans to be made or any Alternative Currency Letters of Credit to be issued, renewed, extended or terminated in connection with such determination) and (ii) notify the Parent Borrower and, if applicable, each Issuing Lender of the results of such determination.

SECTION 1.6. Currency Conversion. (a) If more than one currency or currency unit are at the same time recognized by the central bank of any country as the lawful currency of that country, then (i) any reference in the Loan Documents to, and any obligations arising under the Loan Documents in, the currency of that country shall be translated into or paid in the currency or currency unit of that country designated by the Administrative Agent and (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognized by the central bank for conversion of that currency or currency unit into the other, rounded up or down by the Administrative Agent as it deems appropriate.

(b) If a change in any currency of a country occurs, this Agreement shall be amended (and each party hereto agrees to enter into any supplemental agreement necessary to effect any such amendment) to the extent that the Administrative Agent specifies to be necessary to reflect the change in

currency and to put the Lenders in the same position, so far as possible, that they would have been in if no change in currency had occurred.

SECTION 1.7. Canadian Borrowing Provisions. Certain borrowing and administrative provisions applicable to Canadian Dollar Loans are set forth in Schedule 1.7 and, in the event of any inconsistency between Schedule 1.7 and the other provisions of this Agreement as they relate to Canadian Dollar Loans, Schedule 1.7 shall govern.

ARTICLE II

THE CREDITS

SECTION 2.1. Commitments. (a) Subject to the terms and conditions set forth herein, each relevant Lender agrees (i) to severally make a Tranche A Term Loan (or, pursuant to paragraph (b) below, to convert all or part of such Lender's Old Tranche A Term Loan into a Tranche A Term Loan hereunder) in Dollars to the Parent Borrower on the Amendment/Restatement Effective Date in a principal amount equal to its Tranche A Commitment, (ii) to severally make Domestic Revolving Loans in Dollars to the Parent Borrower from time to time during the Domestic Revolving Availability Period in an aggregate principal amount that will not result in such Lender's Domestic Revolving Exposure exceeding such Lender's Domestic Revolving Commitment and (iii) to severally make Global Revolving Loans in Dollars or one or more Qualified Global Currencies (as specified in the Borrowing Requests with respect thereto) to any Borrower from time to time during the Global Revolving Availability Period in an aggregate principal amount that will not result in (A) such Lender's Global Revolving Exposure exceeding such Lender's Global Revolving Commitment or (B) the aggregate outstanding principal amount of such Lender's Canadian Dollar Loans at such time exceeding such Lender's Canadian Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, the Parent Borrower may borrow, prepay and reborrow Domestic Revolving Loans and any Borrower may borrow, prepay and reborrow Global Revolving Loans. Amounts repaid in respect of Term Loans may not be reborrowed. All Tranche B Term Loans, Tranche C Term Loans, and Letters of Credit outstanding under the Existing Credit Agreement on the Amendment/Restatement Effective Date shall remain outstanding to the Parent Borrower in the currency in which they were made or issued, as applicable, hereunder on the terms set forth herein.

(b) Notwithstanding the foregoing, in connection with the making of any Tranche A Term Loan pursuant to paragraph (a) above, by delivering written notice to the Administrative Agent at least three Business Days prior to the Amendment/Restatement Effective Date, any Lender of Old Tranche A Term Loans may elect to convert all or part of the outstanding principal amount of such Lender's Old Tranche A Term Loans into a principal amount of Tranche A Term Loans hereunder equal to the principal amount so converted. On the Amendment/Restatement Effective Date, such Old Tranche A Term Loans shall be converted for all purposes of this Agreement into Tranche A Term Loans hereunder, and the Administrative Agent shall record in the Register the aggregate amount of Old Tranche A Term Loans converted into Tranche A Term Loans. Any written notice to the Administrative Agent delivered by an applicable Lender pursuant to this Section shall specify (i) the amount of such Lender's Tranche A Commitment and (ii) the principal amount of Old Tranche A Term Loans held by such Lender that are to be converted into Tranche A Term Loans.

SECTION 2.2. Loans and Borrowings. (a) Each Loan (other than a Swingline Loan) shall be made as part of a Borrowing consisting of Loans of the same Class and Type made by the Lenders ratably in accordance with their respective Commitments of the applicable Class; provided that (i) each Global Revolving Loan (other than Canadian Dollar Loans) shall be made by the Global Revolving Lenders ratably in accordance with their respective Available Global Revolving Commitments and (ii)

each Canadian Dollar Loan shall be made by the Canadian Lenders ratably in accordance with their respective Canadian Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder.

(b) Subject to Section 2.15, (i) each Revolving Borrowing denominated in Dollars and each Term Borrowing shall be comprised entirely of ABR Loans or Eurocurrency Loans as the relevant Borrower may request in accordance herewith and (ii) each Qualified Global Currency Borrowing shall be comprised entirely of Eurocurrency Loans. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurocurrency Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the relevant Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurocurrency Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $10,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000; provided that (i) an ABR Domestic Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Domestic Revolving Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.5(e) and (ii) an ABR Global Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Global Revolving Commitments. Each Swingline Loan shall be in an amount that is an integral multiple of $500,000 and not less than $1,000,000. No more than 20 Eurocurrency Borrowings may be outstanding at any one time under the Facilities other than the Global Revolving Facility. Unless otherwise agreed by the Administrative Agent, no more than 10 Eurocurrency Borrowings may be outstanding at any one time under the Global Revolving Facility.

(d) Notwithstanding any other provision of this Agreement, a Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Domestic Revolving Maturity Date, Global Revolving Maturity Date, Tranche A Maturity Date, Tranche B Maturity Date or Tranche C Maturity Date, as applicable.

SECTION 2.3. Requests for Borrowings. To request a Revolving Borrowing or a Tranche A Term Borrowing, the relevant Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurocurrency Borrowing, not later than 11:00 a.m., New York City time (or if the request is delivered in London, 11:00 a.m., London time), three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; provided that any such notice of an ABR Domestic Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.5(e) may be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by delivery to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and (x) signed by the Parent Borrower and, in the case of Borrowings by a Foreign Subsidiary Borrower, such Foreign Subsidiary Borrower or (y) in the case of Borrowings by a Foreign Subsidiary Borrower, signed by the Parent Borrower or such Foreign Subsidiary Borrower, as specified by the Parent Borrower by prior written notice to the Administrative Agent. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.2: (i) the Borrower requesting such Borrowing (and be signed on behalf of such Borrower); (ii) the Class and Type of the requested Borrowing; (iii) the aggregate amount of such Borrowing; (iv) the date of such Borrowing, which shall be a Business Day; (v) in the case of a Eurocurrency Borrowing, the initial Interest Period to be applicable thereto; (vi) the location and number

of the relevant Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.6; and (vii) the currency of such Borrowing (which shall be in Dollars in the case of Tranche A Term Loans, Domestic Revolving Loans and Swingline Loans, and otherwise shall be in Dollars or a Qualified Global Currency). If no election as to the currency of a Global Revolving Borrowing is specified in any such notice, then the requested Borrowing shall be denominated in Dollars. If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing if denominated in Dollars or a Eurocurrency Borrowing if denominated in a Qualified Global Currency. If no Interest Period is specified with respect to any requested Eurocurrency Borrowing, then the relevant Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each relevant Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.4. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Parent Borrower from time to time during the Domestic Revolving Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding $40,000,000 or (ii) the sum of the total Domestic Revolving Exposures exceeding the total Domestic Revolving Commitments; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Parent Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Parent Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy promptly thereafter), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Parent Borrower. The Swingline Lender shall make each Swingline Loan available to the Parent Borrower by means of a credit to the general deposit account of the Parent Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.5(e), by remittance to the applicable Issuing Lender) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 12:00 noon, New York City time, on any Business Day require the Domestic Revolving Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Domestic Revolving Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Domestic Revolving Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loans. Each Domestic Revolving Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loans. Each Domestic Revolving Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or Event of Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Domestic Revolving Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.6 with respect to Loans made by such Lender (and Section 2.6 shall apply, mutatis mutandis, to the payment obligations of the Domestic Revolving Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the

Domestic Revolving Lenders. The Administrative Agent shall notify the Parent Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Parent Borrower (or other party on behalf of the Parent Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Domestic Revolving Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Parent Borrower of its obligation to repay such Swingline Loan.

SECTION 2.5. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, any Borrower may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to the Administrative Agent and the applicable Issuing Lender, at any time and from time to time during the Domestic Revolving Availability Period. Notwithstanding the foregoing, the account party for each Letter of Credit shall be the Parent Borrower or the relevant Foreign Subsidiary Borrower, as specified by the Administrative Agent and the applicable Issuing Lender in consultation with the Parent Borrower. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by a Borrower to, or entered into by a Borrower with, the applicable Issuing Lender relating to any Letter of Credit, the terms and conditions of this Agreement shall control. The letters of credit identified on Schedule 2.5 (the "Existing Letters of Credit") shall be deemed to be "Letters of Credit" for all purposes of this Agreement and the other Loan Documents.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the relevant Borrower shall deliver to the applicable Issuing Lender and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice specifying the name of the relevant Borrower and requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the currency in which such Letter of Credit is to be denominated (which shall be Dollars or, subject to Section 2.21, an Alternative Currency), the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the applicable Issuing Lender, the relevant Borrower also shall submit a letter of credit application on such Issuing Lender's standard form in connection with any request for a Letter of Credit. Following receipt of such notice and prior to the issuance of the requested Letter of Credit, the Administrative Agent shall calculate the Dollar Equivalent of such Letter of Credit and shall notify the Parent Borrower, the relevant Borrower and the applicable Issuing Lender of the amount of the Total Domestic Exposure after giving effect to (i) the issuance of such Letter of Credit, (ii) the issuance or expiration of any other Letter of Credit that is to be issued or will expire prior to the requested date of issuance of such Letter of Credit and (iii) the borrowing or repayment of any Domestic Revolving Loans or Swingline Loans that (based upon notices delivered to the Administrative Agent by the Parent Borrower) are to be borrowed or repaid prior to the requested date of issuance of such Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Parent Borrower and the relevant Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed $250,000,000, (ii) the LC Exposure with respect to Letters of Credit denominated in Dollars, pounds sterling and Euros shall not exceed $250,000,000, (iii) the

Alternative Currency LC Exposure with respect to Letters of Credit denominated in any Alternative Currency (other than pounds sterling or Euros) shall not exceed $75,000,000 and (iv) the Total Domestic Exposure shall not exceed the total Domestic Revolving Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Domestic Revolving Maturity Date, provided that notwithstanding the foregoing, Letters of Credit having an aggregate face amount not in excess of $75,000,000 may provide for an expiration date that is more than one year after the date of issuance, so long as such expiration date does not extend beyond the date referred to in clause (ii) above.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the applicable Issuing Lender or the Lenders, the applicable Issuing Lender hereby grants to each Domestic Revolving Lender, and each Domestic Revolving Lender hereby acquires from such Issuing Lender, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Domestic Revolving Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent in Dollars, for the account of such Issuing Lender, such Lender's Applicable Percentage of (i) each LC Disbursement made by such Issuing Lender in Dollars and (ii) the Dollar Equivalent, using the Exchange Rates on the date such payment is required, of each LC Disbursement made by such Issuing Lender in an Alternative Currency and, in each case, not reimbursed by the relevant Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to such Borrower for any reason (or, if such reimbursement payment was refunded in an Alternative Currency, the Dollar Equivalent thereof using the Exchange Rates on the date of such refund). Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or Event of Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the applicable Issuing Lender shall make any LC Disbursement in respect of a Letter of Credit, the relevant Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement in Dollars, or (subject to the two immediately succeeding sentences) the applicable Alternative Currency, not later than 12:00 noon, New York City time or the relevant local time, as applicable, on the date that such LC Disbursement is made, if such Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., New York City time or the relevant local time, as applicable, on such date, or, if such notice has not been received by such Borrower prior to such time on such date, then not later than 12:00 noon, New York City time or the relevant local time, as applicable, on the Business Day immediately following the day that such Borrower receives such notice; provided that, in the case of any LC Disbursement made in Dollars, the relevant Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.3 or 2.4 that such payment be financed in Dollars with an ABR Domestic Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, such Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Domestic Revolving Borrowing or Swingline Loan. If the relevant Borrower's reimbursement of, or obligation to reimburse, any amounts in any Alternative Currency would subject the Administrative Agent, the applicable Issuing Lender or any Lender to any stamp duty, ad valorem charge or similar tax that would not be payable if such reimbursement were made or required to be made in

Dollars, such Borrower shall, at its option, either (x) pay the amount of any such tax requested by the Administrative Agent, the relevant Issuing Lender or Lender or (y) reimburse each LC Disbursement made in such Alternative Currency in Dollars, in an amount equal to the Dollar Equivalent, calculated using the applicable Exchange Rate on the date such LC Disbursement is made, of such LC Disbursement. If the relevant Borrower fails to make such payment when due, then (i) if such payment relates to an Alternative Currency Letter of Credit, automatically and with no further action required, such Borrower's obligation to reimburse the applicable LC Disbursement shall be permanently converted into an obligation to reimburse the Dollar Equivalent, calculated using the Exchange Rates on the date when such payment was due, of such LC Disbursement and (ii) the Administrative Agent shall promptly notify the applicable Issuing Lender and each other Domestic Revolving Lender of the applicable LC Disbursement, the Dollar Equivalent thereof (if such LC Disbursement relates to an Alternative Currency Letter of Credit), the payment then due from such Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Domestic Revolving Lender shall pay to the Administrative Agent in Dollars its Applicable Percentage of the payment then due from the relevant Borrower (determined as provided in clause (i) above, if such payment relates to an Alternative Currency Letter of Credit), in the same manner as provided in Section 2.6 with respect to Loans made by such Lender (and Section 2.6 shall apply, mutatis mutandis, to the payment obligations of the Domestic Revolving Lenders), and the Administrative Agent shall promptly pay to the applicable Issuing Lender in Dollars the amounts so received by it from the Domestic Revolving Lenders. Promptly following receipt by the Administrative Agent of any payment from any Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the applicable Issuing Lender or, to the extent that Domestic Revolving Lenders have made payments pursuant to this paragraph to reimburse such Issuing Lender, then to such Lenders and such Issuing Lender as their interests may appear. Any payment made by a Domestic Revolving Lender pursuant to this paragraph to reimburse any Issuing Lender for any LC Disbursement (other than the funding of ABR Domestic Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve any Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. A Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit, any application for the issuance of a Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the applicable Issuing Lender under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, such Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor any Issuing Lender, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the applicable Issuing Lender; provided that neither of the foregoing sentences shall be construed to excuse such Issuing Lender from liability to a Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by each Borrower to the extent permitted by applicable law) suffered by such Borrower that are caused by such Issuing Lender's gross negligence, willful misconduct or failure to exercise care when determining whether drafts and other

documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of an Issuing Lender (as finally determined by a court of competent jurisdiction), such Issuing Lender shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, an Issuing Lender may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

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

(h) Interim Interest. If an Issuing Lender shall make any LC Disbursement, then, unless the relevant Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that such Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Domestic Revolving Loans; provided that, if such Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.14(c) shall apply; provided further that, in the case of an LC Disbursement made under an Alternative Currency Letter of Credit, the amount of interest due with respect thereto shall (i) in the case of any LC Disbursement that is reimbursed on or before the Business Day immediately succeeding such LC Disbursement, (A) be payable in the applicable Alternative Currency and (B) if not reimbursed on the date of such LC Disbursement, bear interest at a rate equal to the rate reasonably determined by the applicable Issuing Lender to be the cost to such Issuing Lender of funding such LC Disbursement plus the Applicable Margin applicable to Eurocurrency Revolving Loans at such time and (ii) in the case of any LC Disbursement that is reimbursed after the Business Day immediately succeeding such LC Disbursement (A) be payable in Dollars, (B) accrue on the Dollar Equivalent, calculated using the Exchange Rates on the date such LC Disbursement was made, of such LC Disbursement and (C) bear interest at the rate per annum then applicable to ABR Revolving Loans, subject to Section 2.14(c). Interest accrued pursuant to this paragraph shall be for the account of the applicable Issuing Lender, except that interest accrued on and after the date of payment by any Domestic Revolving Lender pursuant to paragraph (e) of this Section to reimburse such Issuing Lender shall be for the account of such Lender to the extent of such payment.

(i) Replacement of any Issuing Lender. Any Issuing Lender may be replaced at any time by written agreement among the Parent Borrower, the Administrative Agent, the replaced Issuing Lender and the successor Issuing Lender. The Administrative Agent shall notify the Lenders of any such replacement of such Issuing Lender. At the time any such replacement shall become effective, the Parent Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Lender pursuant to Section 2.13(b). From and after the effective date of any such replacement, (i) the successor Issuing Lender shall have all the rights and obligations of such Issuing Lender under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Lender" shall be deemed to refer to such successor or to any previous Issuing Lender, or to such successor and all previous

Issuing Lenders, as the context shall require. After the replacement of an Issuing Lender hereunder, the replaced Issuing Lender shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Lender under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that a Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Domestic Revolving Lenders with LC Exposure representing at least 51% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, such Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Domestic Revolving Lenders, an amount in Dollars and in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that (i) the portions of such amount attributable to undrawn Alternative Currency Letters of Credit or LC Disbursements in an Alternative Currency that the Borrowers are not late in reimbursing shall be deposited in the applicable Alternative Currencies in the actual amounts of such undrawn Letters of Credit and LC Disbursements and (ii) the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to any Borrower described in paragraph (h) or (i) of Article VII. For the purposes of this paragraph, the Alternative Currency LC Exposure shall be calculated using the Exchange Rates on the date notice demanding cash collateralization is delivered to a Borrower. Each Borrower also shall deposit cash collateral pursuant to this paragraph as and to the extent required by Section 2.11(d). Each such deposit pursuant to this paragraph or pursuant to Section 2.11(d) shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of each Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the relevant Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the applicable Issuing Lender for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the relevant Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Domestic Revolving Lenders with LC Exposure representing at least 51% of the total LC Exposure), be applied to satisfy other obligations of such Borrower under this Agreement. If a Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to such Borrower within three Business Days after all Events of Default have been cured or waived. If a Borrower is required to provide an amount of cash collateral hereunder pursuant to Section 2.11(d), such amount (to the extent not applied as aforesaid) shall be returned to such Borrower as and to the extent that, after giving effect to such return, such Borrower would remain in compliance with Section 2.11(d), and no Event of Default shall have occurred and be continuing.

(k) Conversion. In the event that the Loans become immediately due and payable on any date pursuant to Article VII, all amounts (i) that a Borrower is at the time or thereafter becomes required to reimburse or otherwise pay to the Administrative Agent in respect of LC Disbursements made under any Alternative Currency Letter of Credit (other than amounts in respect of which such Borrower has deposited cash collateral pursuant to Section 2.5(j), if such cash collateral was deposited in the applicable Alternative Currency to the extent so deposited or applied), (ii) that the Domestic Revolving Lenders are at the time or thereafter become required to pay to the Administrative Agent and the Administrative Agent is at the time or thereafter becomes required to distribute to the applicable Issuing Lender pursuant to paragraph (e) of this Section in respect of unreimbursed LC Disbursements made

under any Alternative Currency Letter of Credit and (iii) of each Domestic Revolving Lender's participation in any Alternative Currency Letter of Credit under which an LC Disbursement has been made shall, automatically and with no further action required, be converted into the Dollar Equivalent, calculated using the Exchange Rates on such date (or in the case of any LC Disbursement made after such date, on the date such LC Disbursement is made), of such amounts. On and after such conversion, all amounts accruing and owed to the Administrative Agent, the applicable Issuing Lender or any Lender in respect of the Obligations described in this paragraph shall accrue and be payable in Dollars at the rates otherwise applicable hereunder.

(l) Additional Issuing Lenders. The Parent Borrower may, at any time and from time to time with the consent of the Administrative Agent (which consent shall not be unreasonably withheld) and such Domestic Revolving Lender, designate one or more additional Domestic Revolving Lenders to act as an issuing lender under the terms of this Agreement, provided that the total number of Domestic Revolving Lenders so designated at any time plus the total number of Issuing Lenders pursuant to clause (c) of the definition of the term "Issuing Lenders" at such time shall not exceed five. Any Domestic Revolving Lender designated as Issuing Lender pursuant to this paragraph (1) shall be deemed to be an "Issuing Lender" for the purposes of this Agreement (in addition to being a Domestic Revolving Lender) with respect to Letters of Credit issued by such Domestic Revolving Lender.

(m) Reporting. Each Issuing Lender will report in writing to the Administrative Agent (i) on the first Business Day of each week, the aggregate face amount of Letters of Credit issued by it and outstanding as of the last Business Day of the preceding week, (ii) on or prior to each Business Day on which such Issuing Lender expects to issue, amend, renew or extend any Letter of Credit, the date of such issuance or amendment, and the aggregate face amount of Letters of Credit to be issued, amended, renewed or extended by it and outstanding after giving effect to such issuance, amendment, renewal or extension (and such Issuing Lender shall advise the Administrative Agent on such Business Day whether such issuance, amendment, renewal or extension occurred and whether the amount thereof changed), (iii) on each Business Day on which such Issuing Lender makes any LC Disbursement, the date of such LC Disbursement and the amount of such LC Disbursement and (iv) on any Business Day on which any Borrower fails to reimburse an LC Disbursement required to be reimbursed to such Issuing Lender on such day, the date of such failure, the relevant Borrower and amount of such LC Disbursement.

SECTION 2.6 Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders, in immediately available funds, not later than 12:00 noon, New York City time, in the case of fundings to an account in New York City, or 12:00 noon, local time, in the case of fundings to an account in another jurisdiction; provided that Swingline Loans shall be made as provided in Section 2.4. The Administrative Agent will make such Loans available to the relevant Borrower by promptly crediting the amounts so received, in like funds, to an account designated by such Borrower in the applicable Borrowing Request, which account must be in the name of such Borrower and, as applicable, in London or in the financial center of the country of the currency of the Loan; provided that ABR Domestic Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.5(e) shall be remitted by the Administrative Agent to the applicable Issuing Lender. Unless otherwise agreed by the Administrative Agent, the Tranche B Term Loans and Tranche C Term Loans made on the Amendment/Restatement Effective Date shall initially be ABR Loans.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in

reliance upon such assumption, make available to the applicable Borrower a corresponding amount in the required currency. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and such Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon in such currency, for each day from and including the date such amount is made available to such Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds in the relevant currency (which determination shall be conclusive absent manifest error) or (ii) in the case of a Borrower, the interest rate applicable to such Borrowing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.7. Interest Elections. (a) Each Revolving Borrowing and Term Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurocurrency Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, a Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurocurrency Borrowing, may elect Interest Periods therefor, all as provided in this Section. A Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. Notwithstanding the foregoing, a Borrower may not (i) elect to convert the currency in which any Loans are denominated, (ii) elect to convert Qualified Global Currency Loans from Eurocurrency Loans to ABR Loans, (iii) elect an Interest Period for Eurocurrency Loans that does not comply with Section 2.2(d), (iv) elect to convert any ABR Loans to Eurocurrency Loans that would result in the number of Eurocurrency Borrowings exceeding the maximum number of Eurocurrency Borrowings permitted under Section 2.2(c), (v) elect an Interest Period for Eurocurrency Loans unless the aggregate outstanding principal amount of Eurocurrency Loans (including any Eurocurrency Loans made to such Borrower in the same currency on the date that such Interest Period is to begin) to which such Interest Period will apply complies with the requirements as to minimum principal amount set forth in Section 2.2(c) or (vi) elect to convert or continue any Swingline Borrowings.

(b) To make an election pursuant to this Section, a Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.3 if such Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by delivery to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the relevant Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.2 and paragraph (a) of this Section: (i) the Borrowing to which such Interest Election Request applies; (ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day; (iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing; and (iv) if the resulting Borrowing is a Eurocurrency Borrowing, the Interest Period to be applicable thereto after giving effect to such election. If any such Interest Election Request requests a Eurocurrency Borrowing but does not specify an Interest Period, then the relevant Borrower shall be deemed to have selected an Interest Period of one month's duration.

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

(e) If the relevant Borrower fails to deliver a timely Interest Election Request with respect to a Eurocurrency Borrowing denominated in Dollars prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. If the relevant Borrower fails to deliver a timely Interest Election Request with respect to a Eurocurrency Borrowing denominated in a Qualified Global Currency prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall automatically continue as a Eurocurrency Loan having an Interest Period of one month. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Parent Borrower, then, so long as an Event of Default is continuing (i) no outstanding Borrowing denominated in Dollars may be converted to or continued as a Eurocurrency Borrowing, (ii) unless repaid, each Eurocurrency Borrowing denominated in Dollars shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto and (iii) no Borrowing denominated in a Qualified Global Currency having an Interest Period in excess of one month may be made or continued.

SECTION 2.8. Termination and Reduction of Commitments. (a) Unless previously terminated, (i) the Tranche A Commitments shall terminate at 5:00 p.m., New York City time, on the Amendment/Restatement Effective Date, (ii) the Domestic Revolving Commitments shall terminate on the Domestic Revolving Maturity Date and (iii) the Global Revolving Commitments shall terminate on the Global Revolving Maturity Date.

(b) The Parent Borrower may at any time terminate, or from time to time reduce, the Commitments of any Class; provided that (i) each reduction of the Commitments of any Class shall be in an amount that is an integral multiple of $1,000,000 and not less than $10,000,000 and (ii) the Parent Borrower shall not terminate or reduce the Revolving Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.11, (i) the Total Domestic Exposure would exceed the total Domestic Revolving Commitments or (ii) the Total Global Exposure would exceed the total Global Revolving Commitments.

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

SECTION 2.9 Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) The Administrative Agent, on behalf of the Borrowers, shall maintain the Register pursuant to Section 9.4(c) and a subaccount for each Lender in which it shall record (i) the amount of each Loan made hereunder (whether or not evidenced by a promissory note), the Class and

Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal and/or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

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

(d) Any Lender may request that Loans of any Class made by it be evidenced by a promissory note. In such event, each applicable Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender and its registered assigns and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.4) be represented by one or more promissory notes in such form payable to such payee and its registered assigns.

SECTION 2.10. Repayment of Loans. (a) The Parent Borrower shall repay Tranche A Term Borrowings on each date set forth below in the aggregate principal amount set forth opposite such date:

Date	Amount
June 30, 2003	$ 5,625,000
September 30, 2003	$ 5,625,000
December 31, 2003	$ 5,625,000
March 31, 2004	$ 5,625,000
June 30, 2004	$ 5,625,000
September 30, 2004	$ 5,625,000
December 31, 2004	$ 5,625,000
March 31, 2005	$ 8,437,500
June 30, 2005	$ 8,437,500
September 30, 2005	$ 8,437,500
December 31, 2005	$ 8,437,500
March 31, 2006	$11,250,000
June 30, 2006	$11,250,000
September 30, 2006	$11,250,000
December 31, 2006	$11,250,000
March 31, 2007	$12,656,250
June 30, 2007	$12,656,250
September 30, 2007	$12,656,250
December 31, 2007	$12,656,250
March 31, 2008	$56,250,000

(b) The Parent Borrower shall repay Tranche B Term Borrowings on each date set forth below in the aggregate principal amount set forth opposite such date:

Date	Amount
December 31, 2002	$ 1,125,000
March 31, 2003	$ 1,125,000

Date	Amount
June 30, 2003	$ 1,125,000
September 30, 2003	$ 1,125,000
December 31, 2003	$ 1,125,000
March 31, 2004	$ 1,125,000
June 30, 2004	$ 1,125,000
September 30, 2004	$ 1,125,000
December 31, 2004	$ 1,125,000
March 31, 2005	$ 1,125,000
June 30, 2005	$ 1,125,000
September 30, 2005	$ 1,125,000
December 31, 2005	$ 1,125,000
March 31, 2006	$ 1,125,000
June 30, 2006	$ 1,125,000
September 30, 2006	$ 1,125,000
December 31, 2006	$ 1,125,000
March 31, 2007	$ 1,125,000
June 30, 2007	$ 1,125,000
September 30, 2007	$ 1,125,000
December 31, 2007	$ 1,125,000
March 31, 2008	$ 1,125,000
June 30, 2008	$ 1,125,000
September 30, 2008	$ 1,125,000
December 31, 2008	$105,468,750
March 31, 2009	$105,468,750
June 30, 2009	$105,468,750
September 30, 2009	$105,468,750

(c) The Parent Borrower shall repay Tranche C Term Borrowings on each date set forth below in the aggregate principal amount set forth opposite such date:

Date	Amount
December 31, 2002	$ 1,875,000
March 31, 2003	$ 1,875,000
June 30, 2003	$ 1,875,000
September 30, 2003	$ 1,875,000
December 31, 2003	$ 1,875,000
March 31, 2004	$ 1,875,000
June 30, 2004	$ 1,875,000
September 30, 2004	$ 1,875,000
December 31, 2004	$ 1,875,000
March 31, 2005	$ 1,875,000
June 30, 2005	$ 1,875,000
September 30, 2005	$ 1,875,000
December 31, 2005	$ 1,875,000
March 31, 2006	$ 1,875,000
June 30, 2006	$ 1,875,000
September 30, 2006	$ 1,875,000

Date	Amount
December 31, 2006	$ 1,875,000
March 31, 2007	$ 1,875,000
June 30, 2007	$ 1,875,000
September 30, 2007	$ 1,875,000
December 31, 2007	$ 1,875,000
March 31, 2008	$ 1,875,000
June 30, 2008	$ 1,875,000
September 30, 2008	$ 1,875,000
December 31, 2008	$ 1,875,000
March 31, 2009	$ 1,875,000
June 30, 2009	$174,843,750
September 30, 2009	$174,843,750
December 31, 2009	$174,843,750
March 31, 2010	$174,843,750

(d) The Parent Borrower shall repay (i) the then unpaid principal amount of the Domestic Revolving Loans on the Domestic Revolving Maturity Date and (ii) the then unpaid principal amount of each Swingline Loan on the earlier of the Domestic Revolving Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made; provided that on each date that a Domestic Revolving Borrowing is made, the Parent Borrower shall repay all Swingline Loans then outstanding.

(e) Each Borrower shall repay the then unpaid principal amount of the Global Revolving Loans on the Global Revolving Maturity Date.

SECTION 2.11 Pepayment of Loans. (a) Each Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to the requirements of this Section, provided that Canadian B/As may not be optionally prepaid.

(b) If on any date any Net Proceeds are received by or on behalf of the Parent Borrower or any Subsidiary in respect of any Prepayment Event, the Parent Borrower shall, within ten Business Days after such Net Proceeds are received, prepay Term Borrowings in an amount equal to the aggregate amount of such Net Proceeds; provided that, in the case of any event described in clause (a) or (b) of the definition of the term Prepayment Event, if the Parent Borrower shall deliver to the Administrative Agent a certificate of a Financial Officer to the effect that the Parent Borrower and the Subsidiaries intend to apply the Net Proceeds from such event ("Reinvestment Net Proceeds"), within 360 days after receipt of such Net Proceeds, to make Permitted Acquisitions or Investments permitted by Section 6.5 or acquire real property, equipment or other assets to be used in the business of the Parent Borrower and the Subsidiaries, and certifying that no Default or Event of Default has occurred and is continuing, then no prepayment shall be required pursuant to this paragraph in respect of such event except to the extent of any Net Proceeds therefrom that have not been so applied by the end of such 360-day period, at which time a prepayment shall be required in an amount equal to the Net Proceeds that have not been so applied. Notwithstanding the foregoing, from and after the date in any fiscal year of the Parent Borrower on which the aggregate gross proceeds (inclusive of amounts of the type described in the first parenthetical of Section 6.6(d)) from Dispositions pursuant to Sections 6.6(d) and (j) received during such fiscal year exceed 10% of Total Consolidated Assets, the Net Proceeds from each subsequent Prepayment Event occurring during such fiscal year resulting from Dispositions pursuant to Sections 6.6(d) and (j) (and a ratable amount of Net Proceeds from any Prepayment Event that first causes the

aforementioned 10% threshold to be exceeded, which ratable amount shall be determined by reference to a fraction, the numerator of which shall be the portion of the gross proceeds from such Prepayment Event representing the excess above such 10% threshold and the denominator of which shall be the aggregate gross proceeds from such Prepayment Event) may not be treated as Reinvestment Net Proceeds.

(c) Notwithstanding anything to the contrary in this Agreement, with respect to the amount of any mandatory prepayment described in Section 2.11 that is allocated to Tranche B Borrowings or Tranche C Borrowings (such amounts, the "Tranche B Prepayment Amount" and the "Tranche C Prepayment Amount", respectively), at any time when Tranche A Borrowings remain outstanding, the Parent Borrower will, in lieu of applying such amount to the prepayment of Tranche B Borrowings and Tranche C Borrowings, respectively, on the date of the relevant Prepayment Event, give the Administrative Agent telephonic notice (promptly confirmed in writing) requesting that the Administrative Agent prepare and provide to each Tranche B Lender and Tranche C Lender a notice (each, a "Prepayment Option Notice") as described below. As promptly as practicable after receiving such notice from the Parent Borrower, the Administrative Agent will send to each Tranche B Lender and Tranche C Lender a Prepayment Option Notice, which shall be in the form of Exhibit H, and shall include an offer by the Parent Borrower to prepay on the date that is ten Business Days after the date of the relevant Prepayment Event, the relevant Term Loans of such Lender by an amount equal to the portion of the Prepayment Amount indicated in such Lender's Prepayment Option Notice as being applicable to such Lender's Tranche B Term Loans or Tranche C Term Loans, as the case may be. Each Tranche B Lender and Tranche C Lender shall return a completed Prepayment Option Notice to the Administrative Agent no later than three Business Days prior to the mandatory prepayment date specified in the applicable Prepayment Option Notice (each a "Mandatory Prepayment Date"), with the failure to so return such notice being deemed to constitute an acceptance of the relevant prepayment. On the Mandatory Prepayment Date, (i) the Parent Borrower shall pay to the relevant Tranche B Lenders and Tranche C Lenders the aggregate amount necessary to prepay that portion of the outstanding relevant Term Loans in respect of which such Lenders have accepted, or have been deemed to have accepted, prepayment as described above and (ii) the Parent Borrower shall pay to the Tranche A Lenders an amount equal to the portion of the Tranche B Prepayment Amount and the Tranche C Prepayment Amount not accepted by the Tranche B Lenders and the Tranche C Lenders, and such amount shall be applied to the prepayment of the Tranche A Borrowings.

(d) If on any Determination Date relating to the Global Revolving Facility, the Total Global Exposure exceeds 105% of the total Global Revolving Commitments, the Parent Borrower shall, without notice or demand, within three Business Days after such Determination Date, prepay (or cause the relevant Foreign Subsidiary Borrower to prepay) Revolving Borrowings in an aggregate amount such that, after giving effect thereto, (i) the Total Global Exposure does not exceed the total Global Revolving Commitments and (ii) the aggregate outstanding principal amount of all Canadian Dollar Loans does not exceed the total Canadian Commitments. If on any Determination Date relating to the Domestic Revolving Facility, the Total Domestic Exposure exceeds 105% of the total Domestic Revolving Commitments, the Parent Borrower shall, without notice or demand, within three Business Days after such Determination Date, prepay Revolving Borrowings or Swingline Borrowings (or, if no such Borrowings are outstanding, deposit cash collateral in an account with the Administrative Agent pursuant to Section 2.5(j)) in an aggregate amount such that, after giving effect thereto, the Total Domestic Exposure does not exceed the total Domestic Revolving Commitments.

(e) A Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy promptly thereafter) of any prepayment hereunder (i) in the case of prepayment of a Eurocurrency Borrowing, not later than 11:00 a.m., New York City time (or 11:00 a.m., London time, as applicable), three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of

prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date, the principal amount of each Borrowing or portion thereof to be prepaid and, in the case of a mandatory prepayment, a reasonably detailed calculation of the amount of such prepayment; provided that, if a notice of optional prepayment is given in connection with a conditional notice of termination of the Revolving Commitments as contemplated by Section 2.8, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.8. Promptly following receipt of any such notice (other than a notice relating solely to Swingline Loans), the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.2, except as necessary to apply fully the required amount of a mandatory prepayment.

SECTION 2.12 Certain Payment Application Matters. (a) Each repayment or prepayment of a Borrowing shall be applied ratably to the Loans included in the repaid Borrowing. It is understood that, in the case of Global Revolving Loans, the relevant Borrower may select the particular currency of Loans to be prepaid, and such prepayment shall then be applied ratably to such Loans. Repayments and prepayments of Term Borrowings shall be accompanied by accrued interest on the amount repaid.

(b) Any mandatory prepayment of Term Borrowings shall, subject to Section 2.11(c), be allocated pro rata among the Tranche A Term Borrowings, Tranche B Term Borrowings and Tranche C Term Borrowings based on the aggregate principal amount of outstanding Borrowings of each such Class. Any optional prepayment of Term Borrowings shall be allocated as directed by the Parent Borrower to the Tranche A Term Borrowings, Tranche B Term Borrowings and/or Tranche C Term Borrowings.

(c) Each optional prepayment shall be applied to the installments thereof, first to any remaining scheduled installments due prior to the first anniversary of the date of such prepayment (applied pro rata to such remaining installments) and, second, to the remaining scheduled installments due on or after the first anniversary of the date of such prepayment (applied pro rata to such remaining installments). Each mandatory prepayment allocated to the Tranche A Term Borrowings, the Tranche B Term Borrowings or the Tranche C Term Borrowings shall, subject to Section 2.11(c), be applied pro rata to the remaining installments thereof.

SECTION 2.13 Fees. (a) The Parent Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a commitment fee, which shall accrue at the Applicable Rate on the average daily unused amount of each Revolving Commitment of such Lender during the period from and including the Amendment/Restatement Effective Date to but excluding the date on which such Revolving Commitment terminates. Accrued commitment fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Revolving Commitments terminate, commencing on the first such date to occur after the date hereof. Commitment fees shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). For purposes of computing commitment fees in respect of the Revolving Commitments, (i) the Domestic Revolving Commitment of a Lender shall be deemed to be used to the extent of the outstanding Domestic Revolving Loans and LC Exposure of such Lender (and the Swingline Exposure of such Lender shall be disregarded for such purpose) and (ii) the Global Revolving Commitment of a Lender shall be deemed to be used to the extent of the outstanding Global Revolving Loans of such Lender.

(b) Each Borrower agrees to pay (i) to the Administrative Agent for the account of each Domestic Revolving Lender a participation fee with respect to its participations in Letters of Credit,

which shall accrue at the same Applicable Rate as interest on Eurocurrency Revolving Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Domestic Revolving Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the applicable Issuing Lender a fronting fee, which shall accrue at the rate of 0.20% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Domestic Revolving Commitments and the date on which there ceases to be any LC Exposure, as well as such Issuing Lender's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Domestic Revolving Commitments terminate and any such fees accruing after the date on which the Domestic Revolving Commitments terminate shall be payable on demand. Any other fees payable to the applicable Issuing Lender pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). For the purposes of calculating the average daily amount of the LC Exposure for any period under this Section 2.13(b), the average daily amount of the Alternative Currency LC Exposure for such period shall be calculated by multiplying (x) the average daily balance of each Alternative Currency Letter of Credit (expressed in the currency in which such Alternative Currency Letter of Credit is denominated) by (y) the Exchange Rate for each such Alternative Currency in effect on the last Business Day of such period or by such other reasonable method that the Administrative Agent deems appropriate.

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

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

SECTION 2.14 Interest. (a) ABR Loans shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) Eurocurrency Loans shall bear interest at the Adjusted LIBO Rate for the applicable Interest Period plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by any Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Revolving Loans as provided in paragraph (a) of this Section (or, in the case of amounts denominated in a Qualified Foreign Global Currency the rate that would apply to Loans in such currency pursuant to clause (i) above), in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (as well after as before judgment).

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

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate, and interest in respect of sterling-denominated Loans, shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.15. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurocurrency Borrowing:

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

(b) the Administrative Agent is advised by the Majority Facility Lenders under the relevant Facility that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period; or

(c) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that deposits in the principal amounts of the Loans comprising such Borrowing and in the currency in which such Loans are to be denominated are not generally available in the relevant market;

then the Administrative Agent shall give notice thereof to the Parent Borrower and the relevant Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Parent Borrower and the relevant Lenders that the circumstances giving rise to such notice no longer exist, then, in the case of the relevant Facility, any request by a Borrower for a Eurocurrency Borrowing of the affected Type or in the affected currency, or a conversion to or continuation of a Eurocurrency Borrowing of the affected Type or in the affected currency, pursuant to Section 2.3 or 2.7, shall be deemed rescinded; provided that if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.16. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or Issuing Lender or the London (or other relevant) interbank market any other condition affecting this Agreement or Eurocurrency Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the net cost to such Lender of making or maintaining any Eurocurrency Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or Issuing Lender of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or Issuing Lender hereunder (whether of principal, interest or otherwise), then each relevant Borrower will pay to such Lender or Issuing Lender such additional amount or amounts as will compensate such Lender or Issuing Lender, as the case may be, for such additional costs incurred or reduction suffered.

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

(c) A certificate of a Lender or Issuing Lender setting forth in reasonable detail the computation of the amount or amounts necessary to compensate such Lender or Issuing Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the relevant Borrower and shall be conclusive absent manifest error. Such Borrower shall pay such Lender or Issuing Lender the amount shown as due on any such certificate within 10 days after receipt thereof. All amounts payable by any Borrower pursuant to paragraph (a) or (b) of this Section shall be deemed to constitute interest expense in respect of the Loans.

(d) Failure or delay on the part of any Lender or Issuing Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or Issuing Lender's right to demand such compensation; provided that no Borrower shall be required to compensate a Lender or an Issuing Lender pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or Issuing Lender, as the case may be, notifies such Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or Issuing Lender's intention to claim compensation therefor; <u>provided</u> <u>further</u> that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.17. <u>Break Funding Payments</u>. In the event of (a) the payment of any principal of any Eurocurrency Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurocurrency Loan other than on the last day of the Interest Period (or, in the case of Canadian B/As, the Canadian Contract Period) applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan or Term Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(e) and is revoked in accordance therewith), or (d) the assignment of any Eurocurrency Loan other than on the last day of the Interest Period (or, in the case of Canadian B/As, the Canadian Contract

Period) applicable thereto as a result of a request by the Parent Borrower pursuant to Section 2.20, then, in any such event, the relevant Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurocurrency Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period (or, in the case of Canadian B/As, the Canadian Contract Period) therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period or Canadian Contract Period, as applicable, for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for deposits in the relevant currency of a comparable amount and period from other banks in the relevant market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the relevant Borrower and shall be conclusive absent manifest error, and shall be so delivered as promptly as reasonably practicable after such Lender obtains actual knowledge of such amount. Such Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.18. Taxes (a) Any and all payments by or on account of any obligation of the Parent Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes; provided that if a Borrower shall be required to deduct any Indemnified Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or the relevant Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, each Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law and indemnify the Lender from and against any Other Taxes and any penalties, interest and reasonable expenses arising therefrom or with respect thereto.

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

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

(e) Each Lender that is not a United States person within the meaning of Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to the Parent Borrower and the Administrative Agent, on or before the date on which it becomes a party to this Agreement either:

(A) two duly completed and signed original copies of either Internal Revenue Service Form W-8BEN or Internal Revenue Service Form W-8ECI (relating to such Non-U.S. Lender and entitling it to a complete exemption from or reduction of withholding of United States federal income taxes on all amounts to be received by such Non-U.S. Lender pursuant to this Agreement and the other credit documents), or successor and related applicable forms, as the case may be (including, where applicable any such forms required to be provided to certify to such exemption on behalf of such Non-U.S. Lender's beneficial owners).

(B) in the case of a Non-U.S. Lender that is not a "Bank" within the meaning of Section 881(c)(3)(A) of the Code and that does not comply with the requirements of clause (A) hereof, (x) a statement in the form of Exhibit F (and any similar statements required to certify to the exemption of its beneficial owners) or such other form of statement as shall be reasonably requested by the Parent Borrower from time to time to the effect that such Non-U.S. Lender (and, where applicable, its beneficial owners) is eligible for a complete exemption from withholding of United States federal income taxes under Code Section 871(h) or 881(c), and (y) two duly completed and signed original copies of Internal Revenue Service Form W-8BEN or successor and related applicable forms (including, where applicable, copies of such forms with respect to such entity's beneficial owners).

Further, each Non-U.S. Lender agrees (i) to deliver to the Parent Borrower and the Administrative Agent, and if applicable, the assigning Lender two further duly completed and signed original copies of such Forms W-8BEN or W-8ECI, as the case may be (and, where applicable, any such forms on behalf of its beneficial owners) or successor and related applicable forms, on or before the date that any such form expires or becomes obsolete and promptly after the occurrence of any event requiring a change from the most recent form(s) previously delivered by it to the Parent Borrower in accordance with applicable U.S. laws and regulations, (ii) in the case of a Non-U.S. Lender that delivers a statement in the form of Exhibit F (or such other form of statement as shall have been requested by the Parent Borrower), to deliver to the Parent Borrower and the Administrative Agent, and if applicable, the assigning Lender, such statement (and where applicable, any such statements from its beneficial owners) on the two year anniversary of the date on which such Non-U.S. Lender became a party to this Agreement and to deliver promptly to the Parent Borrower and the Administrative Agent, such additional statements and forms as shall be reasonably requested by the Parent Borrower from time to time, and (iii) to notify promptly the Parent Borrower and the Administrative Agent if it (or, as applicable, its beneficial owners) is no longer able to deliver, or if it is required to withdraw or cancel, any form of statement previously delivered by it pursuant to this Section 2.18(e). Notwithstanding anything herein to the contrary, (x) no Non-U.S. Lender shall be required to provide any forms, certification or documentation which it is not legally entitled or able to deliver and (y) no Canadian Lender shall be required to provide any Internal Revenue Service forms pursuant to this Section 2.18(e).

(f) Each Lender which is not a Non-U.S. Lender shall deliver to Parent Borrower and the Administrative Agent (and if applicable the assigning or participating Lender) two copies of a statement which shall contain the address of such Lender's office or place of business in the United States, which shall be signed by an authorized officer of such Lender, together with two duly completed copies of Internal Revenue Service Form W-9 (or applicable successor form) unless it establishes to the satisfaction of the Parent Borrower that it is otherwise eligible for an exemption from backup withholding tax or other applicable withholding tax. Each such Lender shall deliver to the Parent Borrower and Administrative Agent two further duly completed and signed forms and statements (or successor form) at or before the time any such form or statement becomes obsolete.

(g) Each Non-U.S. Lender agrees to indemnify and hold harmless each Borrower from and against any Taxes imposed by or on behalf of the United States or any taxing jurisdiction thereof, penalties, additions to tax, fines, interest or other liabilities, costs or losses (including, without limitation, reasonable attorney's fees and expenses) incurred or payable by such Borrower as a result of the failure of such Borrower to comply with its obligations to deduct or withhold any Taxes imposed by or on behalf of the United States or any taxing jurisdiction thereof (including penalties, additions to tax, fines or interest on such Taxes) from any payments made pursuant to this Agreement to such Non-U.S. Lender or the Administrative Agent which failure resulted from (i) such Borrower's reliance on Exhibit F pursuant to Section 2.18(e) or (ii) such Lender being a "conduit entity" within the meaning of Treasury Reg. Section 1.881-3 or any successor provision thereto; and, provided additionally, that, without limitation, no amounts shall be due and owing to such Lender pursuant to Section 2.18 if either provisions (i) or (ii) are applicable.

(h) If the Administrative Agent or any Lender receives a refund in respect of Indemnified Taxes or Other Taxes paid by a Borrower, which in the reasonable good faith judgment of such Lender is allocable to such payment, it shall promptly pay such refund, together with any other amounts paid by such Borrower in connection with such refunded Indemnified Taxes or Other Taxes, to such Borrower, net of all out-of-pocket expenses of such Lender incurred in obtaining such refund, provided, however, that each Borrower agrees to promptly return such refund to the Administrative Agent or the applicable Lender as the case may be, if it receives notice from the Administrative Agent or applicable Lender that such Administrative Agent or Lender is required to repay such refund.

SECTION 2.19. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) Each Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.16, 2.17 or 2.18, or otherwise) prior to the time expressly required hereunder or under such other Loan Document for such payment (or, if no such time is expressly required, prior to 12:00 noon, local time), on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at its Administrative Office, except as otherwise expressly provided herein. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment under any Loan Document shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. Except as otherwise specified in this Agreement, each such payment (other than principal of and interest on Qualified Global Currency Loans and LC Disbursements denominated in an Alternative Currency, which shall be made in the applicable Qualified Global Currency or, except as otherwise specified in Section 2.5(e), Alternative Currency, as the case may be) shall be made in Dollars.

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

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

(d) Unless the Administrative Agent shall have received notice from a Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders (or any of them) hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the relevant Lenders the amount due. In such event, if such Borrower has not in fact made such payment, then each relevant Lender severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds in the relevant currency (which determination shall be conclusive absent manifest error).

(e) If any Lender shall fail to make any payment required to be made by it to the Administrative Agent, the Swingline Lender or any Issuing Lender, then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender’s obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.20. Mitigation Obligations; Replacement of Lenders (a) If any Lender requests compensation under Section 2.16, or if any Borrower is required to pay any additional amount to any

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

(b) If any Lender requests compensation under Section 2.16, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.18, or if any Lender defaults in its obligation to fund Loans hereunder, then such Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.4), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) such Borrower or the Parent Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld and (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or such Borrower (in the case of all other amounts). A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling a Borrower to require such assignment and delegation cease to apply.

SECTION 2.21. Change in Law. Notwithstanding any other provision of this Agreement, if, after the date hereof, (a) any Change in Law shall make it unlawful for any Issuing Lender to issue Letters of Credit denominated in an Alternative Currency, or any Global Revolving Lender to make Global Revolving Loans denominated in a Qualified Global Currency, or any Canadian Lender to accept Canadian B/As, or (b) there shall have occurred any change in national or international financial, political or economic conditions (including the imposition of or any change in exchange controls) or currency exchange rates that would make it impracticable for any Issuing Lender to issue Letters of Credit denominated in such Alternative Currency for the account of a Borrower, or any Global Revolving Lender to make Global Revolving Loans denominated in a Qualified Global Currency, or any Canadian Lender to accept Canadian B/As, then by prompt written notice thereof to the Parent Borrower and to the Administrative Agent (which notice shall be withdrawn whenever such circumstances no longer exist), (i) such Issuing Lender may declare that Letters of Credit will not thereafter be issued by it in the affected Alternative Currency or Alternative Currencies, whereupon the affected Alternative Currency or Alternative Currencies shall be deemed (for the duration of such declaration) not to constitute an Alternative Currency for purposes of the issuance of Letters of Credit by such Issuing Lender, (ii) such Global Revolving Lender may declare that Global Revolving Loans will not thereafter be made by it in the affected Qualified Global Currency or Qualified Global Currencies, whereupon the affected Qualified Global Currency or Qualified Global Currencies shall be deemed (for the duration of such declaration) not to constitute a Qualified Global Currency for purposes of the making of Global Revolving Loans by such Global Revolving Lender and (iii) the commitment of such Canadian Lender hereunder to accept Canadian B/As and continue Canadian B/As as such shall forthwith be cancelled (for the duration of such declaration) and such Lender's Canadian B/As, if any, shall (on the respective last days of the then current Canadian Contract Periods or within such earlier period as required by law) be converted automatically to Eurocurrency Borrowings having an Interest Period of one month.

SECTION 2.22. Foreign Subsidiary Borrowers. Subject to the consent of the Administrative Agent, the Parent Borrower may designate any Foreign Subsidiary of the Parent Borrower as a Foreign Subsidiary Borrower by delivery to the Administrative Agent of a Borrowing Subsidiary Agreement executed by such Subsidiary, the Parent Borrower and the Administrative Agent and upon such delivery such Subsidiary shall for all purposes of this Agreement be a Foreign Subsidiary Borrower and a party to this Agreement until the Parent Borrower shall have executed and delivered to the Administrative Agent a Borrowing Subsidiary Termination with respect to such Subsidiary, whereupon such Subsidiary shall cease to be a Foreign Subsidiary Borrower and a party to this Agreement. Notwithstanding the preceding sentence, no Borrowing Subsidiary Termination will become effective as to any Foreign Subsidiary Borrower at a time when any principal of or interest on any Loan to such Foreign Subsidiary Borrower shall be outstanding hereunder, provided that such Borrowing Subsidiary Termination shall be effective to terminate such Foreign Subsidiary Borrower's right to make further borrowings under this Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

The Parent Borrower represents and warrants to the Administrative Agent and the Lenders that:

SECTION 3.1. Organization; Powers. Each of the Parent Borrower and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to carry on its business as now conducted in all material respects and (c) except where the failure to do so, in the aggregate, could not reasonably be expected to have a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.2. Authorization; Enforceability. The Transactions to be entered into by each Loan Party are within such Loan Party's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement has been duly executed and delivered by each Borrower and constitutes, and each other Loan Document to which any Loan Party is to be a party, when executed and delivered by such Loan Party, will constitute, a legal, valid and binding obligation of such Borrower or such Loan Party (as the case may be), enforceable against such Borrower or such other Loan Party, as the case may be, in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.3. Governmental Approvals; No Conflicts. The Transactions (a) do not require any material consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect and except filings necessary to perfect Liens created under the Loan Documents, (b) will not violate any applicable material law or regulation or the charter, by-laws or other organizational documents of the Parent Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any material indenture, agreement or other instrument binding upon the Parent Borrower or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Parent Borrower or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Parent Borrower or any of its Subsidiaries, except Liens created under the Loan Documents.

SECTION 3.4. Financial Condition; No Material Adverse Change. (a) The Parent Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income,

stockholders equity and cash flows (i) as of and for the fiscal year ended December 31, 2001, reported on by Arthur Andersen, independent public accountants, and (ii) as of and for the fiscal quarters and the portion of the fiscal year ended March 31, 2002, June 30, 2002 and September 30, 2002, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Parent Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Except as disclosed in the financial statements referred to above or the notes thereto or in the Information Memorandum and except for the Disclosed Matters, based on the facts and circumstances in existence on the Amendment/Restatement Effective Date and taking into consideration the likelihood of any realization with respect to contingent liabilities, after giving effect to the Transactions and the issuance of the Senior Notes, none of the Parent Borrower or its Subsidiaries has, as of the Amendment/Restatement Effective Date, any material contingent liabilities, unusual long-term commitments or unrealized losses.

(c) Since December 31, 2001, there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

SECTION 3.5. Properties. (a) Each of the Parent Borrower and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect, each of the Parent Borrower and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Parent Borrower and its Subsidiaries does not infringe upon the rights of any other Person.

(c) Schedule 3.5 sets forth the location of substantially all of the real property that is owned or leased by the Parent Borrower or any of its Subsidiaries as of the Amendment/Restatement Effective Date after giving effect to the Transactions, each with a book value in excess of $5,000,000; provided that the aggregate book value of all such real properties that are not listed on Schedule 3.5 shall not exceed $50,000,000.

(d) As of the Amendment/Restatement Effective Date, neither the Parent Borrower nor any of its Subsidiaries has received notice of, or has knowledge of, any pending or contemplated condemnation proceeding affecting any Mortgaged Property or any sale or disposition thereof in lieu of condemnation. To the Parent Borrower's knowledge, neither any Mortgaged Property nor any interest therein is subject to any right of first refusal, option or other contractual right to purchase such Mortgaged Property or interest therein.

SECTION 3.6. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Parent Borrower, threatened against or affecting the Parent Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, in the aggregate, to have a Material Adverse Effect or (ii) that involve any of the Loan Documents, the Original Credit Agreement, the Existing Credit Agreement or the Transactions.

(b) Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect, neither the Parent Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

SECTION 3.7. Compliance with Laws and Agreements. Each of the Parent Borrower and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, in the aggregate, could not reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.8. Investment and Holding Company Status. Neither the Parent Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.9. Taxes Each of the Parent Borrower and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Parent Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

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

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

SECTION 3.12. Subsidiaries. Schedule 3.12 sets forth the name of, and the direct and indirect ownership interest of the Parent Borrower in, each Subsidiary of the Parent Borrower and identifies each Subsidiary that is a Subsidiary Guarantor, in each case as of the Amendment/Restatement Effective Date after giving effect to the Transactions.

SECTION 3.13. Insurance. Schedule 3.13 sets forth a description of all insurance maintained by or on behalf of the Parent Borrower and its Subsidiaries as of the Amendment/Restatement Effective Date. As of the Amendment/Restatement Effective Date, all premiums due and payable in respect of such insurance have been paid.

SECTION 3.14. Labor Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes, lockouts or slowdowns against the Parent Borrower or any Subsidiary pending or, to the knowledge of the Parent Borrower, threatened; (b) the hours worked by and payments made to employees of the Parent Borrower and the Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters; and (c) all payments due from the Parent Borrower or any Subsidiary, or for which any claim may be made against the Parent Borrower or any Subsidiary, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of the Parent Borrower or such Subsidiary. The consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which the Parent Borrower or any Subsidiary is bound.

SECTION 3.15. Solvency. Immediately after the consummation of the Transactions to occur on the Amendment/Restatement Effective Date and immediately following the making of each Loan made on the Amendment/Restatement Effective Date and after giving effect to the application of the proceeds of such Loans and immediately following the issuance of the Senior Notes on or about the Amendment/Restatement Effective Date and after giving effect to the application of the proceeds of such issuance, (a) the fair value of the assets of the Parent Borrower and its Subsidiaries, taken as a whole, at a fair valuation, will exceed their debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the property of the Parent Borrower and its Subsidiaries, taken as a whole, will be greater than the amount that will be required to pay the probable liability of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) the Parent Borrower and its Subsidiaries, taken as a whole, will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) the Parent Borrower and its Subsidiaries, taken as a whole, will not have unreasonably small capital with which to conduct the business in which they are engaged as such business is now conducted and is proposed to be conducted following the Amendment/Restatement Effective Date.

SECTION 3.16. Senior Indebtedness. At all times after the issuance of any Subordinated Debt, (a) the Obligations will constitute “Senior Indebtedness” (or any comparable concept) under and as defined in the Subordinated Debt Documents and (b) in the event that any Subsidiary Guarantees the Subordinated Debt, the obligations of such Subsidiary Guarantor under the Guarantee and Collateral Agreement will constitute “Guarantor Senior Indebtedness” (or any comparable concept) of such Subsidiary Guarantor under and as defined in the Subordinated Debt Documents.

SECTION 3.17. Security Documents. (a) The Guarantee and Collateral Agreement is effective to create in favor of the Administrative Agent or the Collateral Agent, as the case may be, a legal, valid and enforceable security interest in the Collateral to the extent described therein and available under the UCC. As of the Amendment/Restatement Effective Date, Schedule 3.17(a) lists all of the filing jurisdictions in which UCC-1 Financing Statements are required to be filed pursuant to the Guarantee and Collateral

Agreement. Upon filing of such UCC-1 Financing Statements, the Guarantee and Collateral Agreement creates a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral to the extent available under the UCC, as security for the Obligations (as defined in the Guarantee and Collateral Agreement), in each case, subject to Permitted Encumbrances or as otherwise permitted by Section 6.3, prior and superior in right to any other Person.

(b) Each of the Mortgages is effective to create in favor of the Administrative Agent or the Collateral Agent, as the case may be, for the benefit of the Lenders, a legal, valid and enforceable Lien on the Mortgaged Properties described therein and proceeds thereof. As of the Amendment/Restatement Effective Date, Schedule 3.17(b) lists the location of each Mortgaged Property. Each Mortgage constitutes a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in the Mortgaged Properties referred to therein and the proceeds thereof, as security for the Obligations (as defined in the relevant Mortgage), in each case, subject to Permitted Encumbrances, prior and superior in right to any other Person.

ARTICLE IV

CONDITIONS

SECTION 4.1. Amendment/Restatement Effective Date. The amendments to the Existing Credit Agreement effected hereby and the obligations of the Lenders to make or maintain Loans and of the Issuing Lenders to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied:

(a) Credit Agreement. The Administrative Agent shall have received (i) from each Borrower, a counterpart of this Agreement signed on behalf of such Borrower, (ii) from the Required Lenders under (and as defined in) the Existing Credit Agreement, an Addendum in the form of Exhibit E, signed on behalf of such Lenders, (iii) from each Lender with a Tranche A Commitment, an Addendum in the form of Exhibit E, signed on behalf of such Lender and (iv) from each Lender with a Revolving Commitment, an Addendum in the form of Exhibit E, signed on behalf of such Lender.

(b) Replacement of Loans. The Parent Borrower (i) shall have replaced the Old Tranche A Term Loans made under the Existing Credit Agreement with Tranche A Term Loans hereunder, (ii) shall have paid in full all Revolving Loans made under the Existing Credit Agreement and (iii) shall have paid in full all accrued interest, fees (including commitment fees) and premium (if any) on the Old Tranche A Term Loans and the Revolving Loans made under the Existing Credit Agreement.

(c) Projections. The Lenders shall have received satisfactory projections (including written assumptions) for the Parent Borrower and its Subsidiaries.

(d) Legal Opinions. The Administrative Agent shall have received legal opinions (addressed to the Administrative Agent and the Lenders and dated the Amendment/Restatement Effective Date) (i) from Fried, Frank, Harris, Shriver & Jacobson, counsel for the Parent Borrower, substantially in the form of Exhibit D-1, and (ii) from Christopher J. Kearney, General Counsel of the Parent Borrower, substantially in the form of Exhibit D-2. The Parent Borrower hereby requests each such counsel to deliver such opinions.

(e) Closing Certificates. The Administrative Agent shall have received, with a counterpart for each Lender, a certificate of each Loan Party, dated the Amendment/Restatement

Effective Date, substantially in the form of Exhibit B, with appropriate insertions and attachments.

(f) Fees. The Administrative Agent and the Lenders shall have received all fees and other amounts due and payable on or prior to the Amendment/Restatement Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses (including fees, charges and disbursements of counsel) required to be reimbursed or paid by any Loan Party hereunder or under any other Loan Document. All such amounts will be paid with proceeds of Loans made on the Amendment/Restatement Effective Date and will be reflected in the funding instructions given by the Parent Borrower to the Administrative Agent on or before the Amendment/Restatement Effective Date.

(g) Consent and Confirmation. The Administrative Agent shall have received from the Parent Borrower and each Subsidiary Guarantor, the Consent and Confirmation signed on behalf of the Parent Borrower and each Subsidiary Guarantor.

(h) Insurance. The Administrative Agent shall have received evidence that the insurance required by Section 5.7 and the Security Documents is in effect.

(i) Consents. All consents and approvals, if any, required to be obtained from any Governmental Authority or other Person in connection with the Transactions shall have been obtained, and all applicable waiting periods and appeal periods shall have expired, in each case without the imposition of any burdensome conditions, except to the extent that the failure to obtain any such consent could not reasonably be expected to have a Material Adverse Effect.

(j) Senior Note Indenture. The Parent Borrower shall have delivered to the Administrative Agent a complete and correct copy (as certified by an officer of the Parent Borrower) of the Senior Note Indenture.

(k) Amendment Fee. The Parent Borrower shall have paid to the Administrative Agent, on behalf of each Tranche B Lender and each Tranche C Lender which shall have executed and delivered an Addendum, in the form of Exhibit E, to the Administrative Agent by 12:00 Noon, New York City time, on December 26, 2002, an amendment fee equal to the percentage separately agreed upon between the Administrative Agent and the Parent Borrower of the sum of each such Lender’s Tranche B Term Loans and Tranche C Term Loans then outstanding (calculated after giving effect to any prepayment of such Loans made on the Amendment/Restatement Effective Date).

SECTION 4.2. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Lenders to issue, amend, renew or extend any Letter of Credit, is subject to receipt of the request therefor in accordance herewith and to the satisfaction of the following conditions:

(a) The representations and warranties of each Loan Party set forth in the Loan Documents shall be true and correct in all material respects on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default or Event of Default shall have occurred and be continuing.

(c) In the case of any initial extension of credit made to a Foreign Subsidiary Borrower, the Administrative Agent shall have received a Foreign Subsidiary Opinion and such other documents and information with respect to such Foreign Subsidiary Borrower as the Administrative Agent may reasonably request.

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

ARTICLE V

AFFIRMATIVE COVENANTS

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

SECTION 5.1. Financial Statements and Other Information. The Parent Borrower will furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year of the Parent Borrower, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Deloitte & Touche LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Parent Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied; provided that delivery within the time period specified above of copies of the Annual Report on Form 10-K of the Parent Borrower filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 5.1(a);

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Parent Borrower, its consolidated balance sheet and related statements of operations for such fiscal quarter and the then elapsed portion of the fiscal year, and cash flows for the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Parent Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes; provided that delivery within the time period specified above of copies of the Quarterly Report on Form 10-Q of the Parent Borrower filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 5.1(b);

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Parent Borrower (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action

taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.1, (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the Parent Borrower's audited financial statements referred to in Section 3.4 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate and (iv) with respect to any Permitted Acquisition for which the aggregate Consideration is greater than or equal to $50,000,000 and less than $100,000,000 and for which a certificate has not been previously delivered to the Administrative Agent as required by the definition of Permitted Acquisition, certifying as to the matters specified in clause (a) of the proviso in such definition;

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

(e) prior to the commencement of each fiscal year of the Parent Borrower, a consolidated budget for such fiscal year (including a projected consolidated balance sheet and related statements of projected operations and cash flow as of the end of and for such fiscal year and setting forth the assumptions used for purposes of preparing such budget) and, promptly when available, any significant revisions of such budget;

(f) no later than five days prior to the effectiveness thereof, copies of substantially final drafts of any proposed amendment, supplement, waiver or other modification with respect to the Senior Note Indenture, any of the Subordinated Debt Documents or any of the Other Permitted Debt Documents;

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

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

SECTION 5.2. Notices of Material Events. The Parent Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default or Event of Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Parent Borrower or any Affiliate thereof that could reasonably be expected to have a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Parent Borrower and its Subsidiaries in an aggregate amount exceeding $50,000,000;

(d) any casualty or other insured damage to any material portion of any Collateral or the commencement of any action or proceeding for the taking of any material portion of the Collateral or interest therein under power of eminent domain or by condemnation or similar proceeding that could reasonably be expected to reduce the value of the Collateral by an aggregate amount in excess of $50,000,000; and

(e) any development that results in, or could reasonably be expected to have, a Material Adverse Effect.

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

SECTION 5.3. Information Regarding Collateral. (a) The Parent Borrower will furnish to the Administrative Agent prompt written notice of any change (i) in any Loan Party's corporate name (ii) in the jurisdiction of organization of any Loan Party, (iii) in any Loan Party's identity or corporate structure or (iv) in any Loan Party's Federal Taxpayer Identification Number. Unless the Parent Borrower shall have provided to the Administrative Agent at least 30 days' prior written notice of any such change, the Parent Borrower agrees not to effect or permit any change referred to in the preceding sentence until such time as all filings have been made under the Uniform Commercial Code or otherwise that are required in order for the Administrative Agent or the Collateral Agent, as applicable, to continue at all times following such change to have a valid, legal and perfected security interest in all the Collateral.

(b) On each Collateral Date, the Parent Borrower shall deliver to the Administrative Agent a certificate of a Financial Officer of the Parent Borrower setting forth (i) the information required by Section 5.11 and (ii) a summary of any change referred to in the first sentence of paragraph (a) above that has occurred since the immediately preceding Collateral Date (or, in the case of the first Collateral Date, since the Effective Date).

SECTION 5.4. Existence; Conduct of Business. The Parent Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges, franchises, patents, copyrights, trademarks and trade names material to the conduct of its business, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.4.

SECTION 5.5. Payment of Obligations. The Parent Borrower will, and will cause each of its Subsidiaries to, pay its material Indebtedness and other obligations, including material Tax liabilities, before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Parent Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP, (c) such contest effectively suspends collection of the contested obligation and the enforcement of any Lien securing such obligation and (d) the failure to make payment pending such contest could not reasonably be expected to have a Material Adverse Effect.

SECTION 5.6. Maintenance of Properties. The Parent Borrower will, and will cause each of its Subsidiaries to, keep and maintain all property material to the conduct of its business in good condition, ordinary wear and tear excepted.

SECTION 5.7. Insurance. The Parent Borrower will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurance companies (a) insurance in such amounts (with no greater risk retention) and against such risks as are customarily maintained by companies of established repute engaged in the same or similar businesses operating in the same or similar locations and (b) all insurance required to be maintained pursuant to the Security Documents. The Parent Borrower will furnish to the Lenders, upon request of the Administrative Agent, information in reasonable detail as to the insurance so maintained.

SECTION 5.8. Books and Records; Inspection and Audit Rights. The Parent Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Parent Borrower will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 5.9. Compliance with Laws and Contractual Obligations. The Parent Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority (including Environmental Laws) and all Contractual Obligations applicable to it or its property, except where the failure to do so, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

SECTION 5.10. Use of Proceeds and Letters of Credit. The proceeds of the Tranche A Term Loans made on the Amendment/Restatement Effective Date will be used only (a) to replace the Old Tranche A Term Loans and (b) to finance the payment of a portion of the fees and expenses payable in connection with the Transactions. The proceeds of the Revolving Loans and Swingline Loans, and the Letters of Credit, will be used only for working capital and general corporate purposes of the Parent Borrower and its Subsidiaries, including Permitted Acquisitions, Investments and Restricted Payments permitted hereby. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X.

SECTION 5.11. Additional Collateral. (a) On each Collateral Date, the Parent Borrower will notify the Administrative Agent of the identity of any Wholly Owned Subsidiary that is not already a Subsidiary Guarantor and promptly after such Collateral Date will (i) cause such Subsidiary (unless it is a Foreign Subsidiary or a Receivables Entity) to become a "Subsidiary Guarantor" under the Guarantee and Collateral Agreement, (ii) in the case of each such Subsidiary that is a Material Subsidiary, cause such Subsidiary (unless it is a Foreign Subsidiary or a Receivables Entity) to become a "Grantor" under each relevant Collateral Agreement, (iii) cause the Capital Stock of such Wholly Owned Subsidiary to be pledged pursuant to the relevant Collateral Agreement (except that, (A) if such Subsidiary is a Foreign Subsidiary, no Capital Stock of such Subsidiary shall be pledged unless such Subsidiary is a Material Subsidiary that is directly owned by the Parent Borrower or a Domestic Subsidiary, and then the amount of voting stock of such Subsidiary to be pledged pursuant to such Collateral Agreement may be limited to 66% of the outstanding shares of voting stock of such Subsidiary, and (B) if such Subsidiary is a Receivables Entity, no shares of Capital Stock of such Subsidiary shall be pledged if the documentation relating to the Receivables securitization to which such Receivables Entity is a party expressly prohibits such pledge) and (iv) except in the case of a Foreign Subsidiary or a Receivables Entity, take all steps required by the relevant Security Documents and this Agreement to create and perfect Liens in the relevant property of such Subsidiary; provided that the Parent Borrower and its Subsidiaries shall not be required to comply with the requirements of this Section 5.11(a) if the Administrative Agent, in its sole

discretion, determines that the cost of such compliance is excessive in relation to the value of the collateral security to be afforded thereby.

(b) If, as of any Collateral Date, any property of the Parent Borrower, any Subsidiary Guarantor that is a "Grantor" under any Collateral Agreement or any Subsidiary that is required to become a "Grantor" pursuant to Section 5.11(a) (including any parcel of owned domestic real property having a fair market value in excess of $10,000,000 but excluding all other real property) is not already subject to a perfected first priority Lien (except as permitted by Section 6.3) in favor of the Administrative Agent or the Collateral Agent, as the case may be, the Parent Borrower will notify the Administrative Agent thereof, and, promptly after such Collateral Date, will cause such assets to become subject to a Lien under the relevant Security Documents and will take, and cause the relevant Subsidiary to take, such actions as shall be necessary or reasonably requested by the Administrative Agent to grant and perfect such Liens, including actions described in Section 5.12, all at the expense of the Loan Parties; provided that the Parent Borrower and its Subsidiaries shall not be required to comply with the requirements of this Section 5.11(b) if the Administrative Agent, in its sole discretion, determines that the cost of such compliance is excessive in relation to the value of the collateral security to be afforded thereby.

(c) Notwithstanding anything to the contrary in this Section 5.11 or any other Loan Document, after the Release Date, no property other than Capital Stock shall be required to become Collateral.

(d) Notwithstanding anything to the contrary in this Section 5.11 or any other Loan Document, the Administrative Agent and the Lenders shall not have Liens on (and shall, at the request and expense of the Parent Borrower, timely release any Liens on): (i) the assets transferred to a Receivables Entity and assets of such Receivables Entity and (ii) if the documentation relating to the Receivables securitization to which such Receivables Entity is a party expressly prohibits such a Lien, the Capital Stock or debt (whether or not represented by promissory notes) of or issued by a Receivables Entity to the Parent Borrower or any of its Subsidiaries, in either case in connection with a Qualified Receivables Transaction or a European Receivables Securitization, as applicable, securing Indebtedness permitted by Section 6.2(o).

SECTION 5.12. Further Assurances. The Parent Borrower will, and will cause each of the Subsidiaries to, execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which the Administrative Agent may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created by the Security Documents or the validity or priority of any such Lien, all at the expense of the Loan Parties. The Parent Borrower also agrees to provide to the Administrative Agent, from time to time upon request, evidence reasonably satisfactory to the Administrative Agent as to the perfection and priority of the Liens created or intended to be created by the Security Documents.

SECTION 5.13. Interest Rate Protection. The Parent Borrower will maintain or enter into for a period of not less than three years after the Amendment/Restatement Effective Date one or more Hedging Agreements, the effect of which shall be to fix or limit the interest cost to the Parent Borrower with respect to at least 50% of the aggregate outstanding principal amount of the Term Loans, the LYONs, the Senior Notes, any Subordinated Debt and any Other Permitted Debt.

ARTICLE VI

NEGATIVE COVENANTS

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

SECTION 6.1. Financial Condition Covenants. (a) Consolidated Leverage Ratio. The Parent Borrower will not permit the Consolidated Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Parent Borrower to exceed 3.25 to 1.00.

(b) Consolidated Interest Coverage Ratio. The Parent Borrower will not permit the Consolidated Interest Coverage Ratio for any period of four consecutive fiscal quarters of the Parent Borrower to be less than 3.50 to 1.00.

SECTION 6.2. Indebtedness. The Parent Borrower will not, and will not permit any Subsidiary to, create, incur, assume (collectively, "Incur") or permit to exist (except as provided below) any Indebtedness, except:

(a) Indebtedness created under the Loan Documents;

(b) subordinated debt of the Parent Borrower (including any subordinated debt which extends, renews, replaces or is in exchange for existing subordinated debt of the Parent Borrower), so long as (i) such Indebtedness has no scheduled principal payments prior to the date that is six months after the Tranche C Maturity Date, (ii) the covenants and defaults, taken as a whole, contained in the Subordinated Debt Documents are not materially more restrictive than those contained in this Agreement, as agreed to by the Administrative Agent, and (iii) the Subordinated Debt Documents contain subordination terms that are no less favorable in any material respect to the Lenders than those applicable to offerings of "high-yield" subordinated debt by similar issuers of similar debt at or about the same time, as agreed to by the Administrative Agent;

(c) Indebtedness existing on the Amendment/Restatement Effective Date and set forth in Schedule 6.2 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(d) Indebtedness of the Parent Borrower to any Subsidiary and of any Subsidiary to the Parent Borrower or any other Subsidiary; provided that Indebtedness pursuant to this paragraph (d) of any Subsidiary that is not a Wholly Owned Subsidiary Guarantor shall be subject to Section 6.5;

(e) Indebtedness consisting of reimbursement obligations under surety, indemnity, performance, warranty, release and appeal bonds and guarantees thereof, in each case securing obligations not constituting Indebtedness for borrowed money and obtained in the ordinary course of business;

(f) Guarantees by the Parent Borrower of Indebtedness of any Subsidiary and by any Subsidiary of Indebtedness of the Parent Borrower or any other Subsidiary; provided that (i) Guarantees pursuant to this paragraph (f) of Indebtedness of any Subsidiary that is not a Wholly

Owned Subsidiary Guarantor shall be subject to Section 6.5, (ii) a Subsidiary shall not Guarantee the Indebtedness of any Loan Party unless such Subsidiary has also Guaranteed the Obligations pursuant to the Guarantee and Collateral Agreement and (iii) Guarantees pursuant to this paragraph (f) of Subordinated Debt shall be subordinated to the Guarantee of the Obligations pursuant to the Guarantee and Collateral Agreement on terms no less favorable to the Lenders than the subordination provisions of the Subordinated Debt;

(g) (i) Indebtedness of the Parent Borrower or any Subsidiary Incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof, provided that such Indebtedness (other than any such extension, renewal or replacement) is Incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (ii) Attributable Debt in connection with Sale/Leaseback Transactions involving fixed or capital assets, in the case of either clause (i) or (ii) if at the time of Incurrence thereof, after giving effect thereto, the aggregate principal amount of all Specified Indebtedness shall not exceed an amount equal to 15% of the Total Consolidated Assets;

(h) Indebtedness of any Person that becomes a Subsidiary after the Amendment/Restatement Effective Date and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that (i) such Indebtedness (other than any such extension, renewal or replacement) exists at the time such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary and (ii) at the time of Incurrence thereof, after giving effect thereto, the aggregate principal amount of all Specified Indebtedness shall not exceed an amount equal to 15% of the Total Consolidated Assets;

(i) Indebtedness to finance the general working capital needs of the Parent Borrower and its Subsidiaries Incurred after the Domestic Revolving Maturity Date and the Global Revolving Maturity Date in an aggregate principal amount not to exceed the amount of the Revolving Commitments as in effect immediately prior to such date, provided that (i) the Revolving Commitments shall have been or shall concurrently be terminated, the Revolving Loans and Swingline Loans shall have been or shall concurrently be repaid in full and all Letters of Credit shall have been or shall concurrently be cancelled or replaced and (ii) the terms and conditions of such replacement working capital facility (including any arrangements for sharing of Collateral) shall be reasonably satisfactory to the Required Lenders (determined after giving effect to the termination of the Revolving Commitments);

(j) letters of credit obtained in the ordinary course of business in an aggregate face amount not exceeding $150,000,000 at any time outstanding (which may be secured), provided that, in the case of any such Indebtedness that is secured, at the time of Incurrence thereof, after giving effect thereto, the aggregate principal amount of all Specified Indebtedness shall not exceed an amount equal to 15% of the Total Consolidated Assets;

(k) Indebtedness of Foreign Subsidiaries and any other Subsidiary that is not a Loan Party if at the time of Incurrence thereof, after giving effect thereto, the aggregate principal amount of all Specified Indebtedness shall not exceed an amount equal to 15% of the Total Consolidated Assets (with the amount of Indebtedness under overdraft lines or cash management facilities being determined net of cash held for the benefit of the relevant Subsidiary by the institution creating such overdraft or cash management facility);

(l) (x) unsecured Indebtedness of the Parent Borrower (i) if on the date such Indebtedness is Incurred the Consolidated Leverage Ratio, on a pro forma basis after giving effect to the Incurrence of such Indebtedness (with the reference period for Consolidated EBITDA being the most recent period of four consecutive fiscal quarters for which the relevant financial information is available), is less than 3.0 to 1.0, in an unlimited amount and (ii) otherwise, in an aggregate principal amount not exceeding $400,000,000 at any time outstanding, and (y) any extensions, renewals and replacements of any such Indebtedness that are Incurred by the Parent Borrower, that are unsecured and that do not increase the outstanding principal amount of such Indebtedness, provided that, with respect to all Indebtedness permitted by this paragraph (l) (including any extension, renewal or replacement thereof), (A) such Indebtedness has no scheduled principal payments prior to the Tranche C Maturity Date, (B) the covenants and defaults, taken as a whole, contained in the documentation for such Indebtedness are not materially more restrictive than those contained in this Agreement, as agreed to by the Administrative Agent, (C) no Default or Event of Default shall have occurred and be continuing, or would occur after giving effect to the Incurrence of such Indebtedness, and (D) the Parent Borrower shall be in compliance, on a pro forma basis after giving effect to the Incurrence of such Indebtedness, with the covenants contained in Section 6.1, in each case recomputed as at the last day of the most recently ended fiscal quarter of the Parent Borrower for which the relevant information is available as if such Incurrence had occurred on the first day of each relevant period for testing such compliance (as demonstrated in a certificate of a Financial Officer delivered to the Administrative Agent not more than two Business Days prior to such Incurrence);

(m) Indebtedness of the Parent Borrower consisting of LYONs and Guarantees of LYONs by Subsidiaries to the extent permitted by Section 6.5(e) (it being understood that the conversion described in clause (b) of the definition of “LYONs” shall be deemed to be a new Incurrence of Indebtedness and shall be permitted only if clauses (i) through (iv) of this paragraph (m) are satisfied at the time of such conversion) representing aggregate gross proceeds not exceeding $820,000,000, provided that (i) such Indebtedness has no scheduled principal payments (it being acknowledged that any mandatory redemptions or conversions at the option of the holders of the LYONs pursuant to LYONs Put/Conversion Rights are not scheduled principal payments) prior to the date that is six months after the Tranche C Maturity Date, (ii) the covenants and defaults, taken as a whole, contained in the documentation for such Indebtedness are not materially more restrictive than those contained in this Agreement, as agreed to by the Administrative Agent, (iii) no Default or Event of Default shall have occurred and be continuing, or would occur after giving effect to the Incurrence of such Indebtedness and (iv) the Parent Borrower shall be in compliance, on a pro forma basis after giving effect to the Incurrence of such Indebtedness, with the covenants contained in Section 6.1, in each case recomputed as at the last day of the most recently ended fiscal quarter of the Parent Borrower for which the relevant information is available as if such Incurrence had occurred (and, in the case of the conversion described in clause (b) of the definition of “LYONs”, as if cash interest on the LYONs had become payable) on the first day of each relevant period for testing such compliance (as demonstrated in a certificate of a Financial Officer delivered to the Administrative Agent not more than two Business Days prior to such Incurrence);

(n) Indebtedness of the Parent Borrower in respect of the Senior Notes in an aggregate principal amount not to exceed $500,000,000;

(o) Receivables Transaction Attributed Indebtedness and all yield, interest, fees, indemnities and other amounts related thereto, provided that the related Qualified Receivables Transaction or European Receivables Securitization, as applicable, shall be subject to Section 6.6(c);

(p) Hedging Agreements, so long as such agreements are not entered into for speculative purposes; and

(q) other Indebtedness of any Loan Party in an aggregate principal amount not exceeding $100,000,000 at any time outstanding (of which no more than $50,000,000 may be secured), provided that, in the case of any such Indebtedness that is secured, at the time of Incurrence thereof, after giving effect thereto, the aggregate principal amount of all Specified Indebtedness shall not exceed an amount equal to 15% of the Total Consolidated Assets.

SECTION 6.3. Liens The Parent Borrower will not, and will not permit any Subsidiary to, Incur or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including Receivables) or rights in respect of any thereof, except:

(a) Liens created under the Loan Documents;

(b) Permitted Encumbrances;

(c) any Lien on any property or asset of the Parent Borrower or any Subsidiary existing on the Amendment/Restatement Effective Date and set forth in Schedule 6.3; provided that (i) such Lien shall not apply to any other property or asset of the Parent Borrower or any Subsidiary (other than improvements, accessions, proceeds, dividends or distributions in respect thereof and assets fixed or appurtenant thereto) and (ii) such Lien shall secure only those obligations which it secures on the Amendment/Restatement Effective Date and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) any Lien existing on any property prior to the acquisition thereof by the Parent Borrower or any Subsidiary or existing on any property of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property of the Parent Borrower or any Subsidiary (other than improvements, accessions, proceeds, dividends or distributions in respect thereof and assets fixed or appurtenant thereto) and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be, and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(e) Liens on fixed or capital assets acquired, constructed or improved by the Parent Borrower or any Subsidiary; provided that (i) such security interests secure Indebtedness permitted by Section 6.2(g), (ii) such security interests and the Indebtedness secured thereby (other than extensions, renewals and replacements) are Incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other property or assets of the Parent Borrower or any Subsidiary (other than improvements, accessions, proceeds, dividends or distributions in respect thereof and assets fixed or appurtenant thereto);

(f) Liens on Collateral securing Indebtedness permitted by Section 6.2(i);

(g) Liens on property of any Foreign Subsidiary or any other Subsidiary that is not a Loan Party securing Indebtedness of such Subsidiary permitted by Section 6.2(j) or (k);

(h) Liens on assets transferred to a Receivables Entity or on assets of a Receivables Entity, in either case Incurred in connection with a Qualified Receivables Transaction or a European Receivables Securitization, as applicable, securing Indebtedness permitted by Section 6.2(o);

(i) Liens not otherwise permitted by this Section securing Indebtedness expressly permitted to be secured by Section 6.2(q); and

(j) Liens not otherwise permitted by this Section securing obligations or liabilities (other than Indebtedness) in an amount not to exceed $50,000,000.

It is understood that Liens pursuant to Sections 6.3(d), (e), (g), (h) and (i) may be Incurred only to the extent the corresponding Indebtedness is expressly permitted to be Incurred pursuant to Section 6.2.

SECTION 6.4. Fundamental Changes. The Parent Borrower will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default or Event of Default shall have occurred and be continuing (a) any Person may merge into the Parent Borrower in a transaction in which the Parent Borrower is the surviving corporation, (b) any Person may merge or consolidate with any Wholly Owned Subsidiary Guarantor so long as the surviving entity is or becomes a Wholly Owned Subsidiary Guarantor, (c) any Subsidiary may Dispose of its assets to the Parent Borrower or any Wholly Owned Subsidiary Guarantor pursuant to a transaction of liquidation or dissolution, (d) the Parent Borrower or any Subsidiary may Dispose of any Subsidiary pursuant to a merger of such Subsidiary in a Disposition permitted by Section 6.6, (e) any Foreign Subsidiary or other Subsidiary that is not a Subsidiary Guarantor may merge or consolidate with any other Person so long as the surviving entity is a Subsidiary (provided that in the case of a merger or consolidation involving a Foreign Subsidiary Borrower, the surviving entity is a Borrower) or Dispose of its assets to any other Subsidiary pursuant to a transaction of liquidation or dissolution and (f) the Parent Borrower may merge or consolidate into any other Person so long as (i) the surviving entity assumes all the Obligations of the Parent Borrower hereunder and under the other Loan Documents pursuant to a written agreement satisfactory to the Administrative Agent, (ii) the surviving entity is organized under the laws of a jurisdiction within the United States of America, (iii) no Default or Event of Default shall have occurred and be continuing, or would occur after giving effect to such merger, (iv) the Parent Borrower shall be in compliance, on a pro forma basis after giving effect to such merger or consolidation, as applicable, with the covenants contained in Section 6.1, in each case recomputed as at the last day of the most recently ended fiscal quarter of the Parent Borrower for which the relevant information is available as if such merger or consolidation had occurred on the first day of each relevant period for testing such compliance (as demonstrated in a certificate of a Financial Officer delivered to the Administrative Agent at least ten Business Days prior to such merger or consolidation) and (v) all filings have been made under the Uniform Commercial Code or otherwise that are required in order for the Collateral Agent to continue at all times following such merger or consolidation to have a valid, legal and perfected security interest in all the Collateral to the same extent as prior to such merger or consolidation. It is understood that no transaction pursuant to this Section 6.4 shall be permitted unless any Investment or Disposition made in connection therewith is also expressly permitted by Section 6.5 or 6.6, as applicable.

SECTION 6.5. Investments, Loans, Advances, Guarantees and Acquisitions. The Parent Borrower will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a Wholly Owned Subsidiary prior to such merger) any Capital Stock of or evidences of Indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to,

Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit (collectively, "Investments"), except:

(a) Permitted Investments;

(b) Investments existing on the Amendment/Restatement Effective Date and set forth on Schedule 6.5;

(c) intercompany Investments made by the Parent Borrower and its Subsidiaries in any Subsidiary (other than any Receivables Entity) that, prior to such Investment, is a Subsidiary; provided that, after giving effect to any such Investment made on a particular date, the aggregate amount of such Investments by Loan Parties from the Amendment/Restatement Effective Date through and including such date, net of any repayments of any such Investments, in or with respect to Subsidiaries (other than any Receivables Entity) that are not Wholly Owned Subsidiary Guarantors shall not exceed $200,000,000 (it being understood that the amount of any intercompany Investment made pursuant to this paragraph (c) in exchange for the forgiveness of any Indebtedness owing to the Person in which such Investment is made shall be determined net of the amount of such Indebtedness forgiven);

(d) loans and advances to employees of the Parent Borrower or any Subsidiary in the ordinary course of business (including for travel, entertainment and relocation expenses) in an aggregate amount for the Parent Borrower and its Subsidiaries not to exceed $20,000,000 at any one time outstanding;

(e) Guarantees constituting Indebtedness permitted by Section 6.2; provided that (i) a Subsidiary shall not Guarantee the Senior Notes, any Subordinated Debt, the LYONs or any Other Permitted Debt unless (A) such Subsidiary also has Guaranteed the Obligations pursuant to the Guarantee and Collateral Agreement, (B) in the case of any Guarantee of Subordinated Debt, such Guarantee of the Subordinated Debt is subordinated to such Guarantee of the Obligations on terms no less favorable to the Lenders than the subordination provisions of the Subordinated Debt and (C) such Guarantee provides for the release and termination thereof, without action by any party, upon Disposition of the relevant Subsidiary, (ii) the aggregate principal amount of Indebtedness of Subsidiaries that are not Wholly Owned Subsidiary Guarantors that is Guaranteed by any Loan Party shall be subject to the limitation set forth in paragraph (c) above and (iii) a Subsidiary shall not Guarantee the Indebtedness of any Loan Party unless such Subsidiary has also Guaranteed the Obligations pursuant to the Guarantee and Collateral Agreement;

(f) Permitted Acquisitions;

(g) Guarantees not constituting Indebtedness by the Parent Borrower and its Subsidiaries of the Contractual Obligations of the Parent Borrower or any Subsidiary;

(h) intercompany Investments in any Wholly Owned Subsidiary created by the Parent Borrower or any of its Subsidiaries in connection with any corporate restructuring, provided that (A) such newly-created Subsidiary is, or contemporaneously with the consummation of such restructuring becomes, a Wholly Owned Subsidiary Guarantor, (B) all property transferred to such newly-created Subsidiary that constituted Collateral shall continue to constitute Collateral as to which the Collateral Agent has a first priority perfected security interest, subject to Permitted Encumbrances, and (C) contemporaneously with the consummation

of such restructuring (i) the Capital Stock and assets of such newly-created Subsidiary are pledged under the relevant Security Documents (except to the extent that any of the foregoing would not otherwise be required pursuant to Section 5.11 to be so pledged on the next succeeding Collateral Date) and (ii) the Parent Borrower takes, and causes the relevant Subsidiary to take, such actions as shall be necessary or reasonably requested by the Administrative Agent to grant and perfect such Liens, including actions described in Section 5.12, all at the expense of the Loan Parties;

(i) Permitted Subsidiary Acquisitions; provided that (A) Inrange is a Subsidiary of the Parent Borrower and (B) if any portion of the Consideration for such acquisition is payable other than in Inrange Common Stock, such payment is permitted by any other paragraph of this Section;

(j) additional Investments in the Emerson JV in an aggregate amount from May 24, 2001 through and including the date of such Investment not to exceed $75,000,000;

(k) Investments in up to a 20% membership interest in the Assa Abloy JV;

(l) Investments that are Restricted Payments permitted by Section 6.8(k);

(m) Investments financed with Capital Stock of the Parent Borrower; provided that (i) the Parent Borrower shall be in compliance, on a pro forma basis after giving effect to such Investment, with the covenants contained in Section 6.1, in each case recomputed as at the last day of the most recently ended fiscal quarter of the Parent Borrower for which the relevant information is available as if such Investment had occurred on the first day of each relevant period for testing such compliance (as demonstrated, in the case of any Investment for which the aggregate cost is greater than or equal to $50,000,000, in a certificate of a Financial Officer delivered to the Administrative Agent (x) in the case of any Investment for which the aggregate cost is greater than or equal to $100,000,000, prior to the consummation of such Investment and (y) in the case of any Investment for which the aggregate cost is less than $100,000,000, concurrently with the first delivery of financial statements pursuant to Section 5.1(a) or (b) following the consummation of such Investment) and (ii) no Default or Event of Default shall occur after giving effect to such Investment;

(n) Investments comprised of capital contributions (whether in the form of cash, a note or other assets) to a Receivables Entity or otherwise resulting from transfers of assets permitted by Section 6.6(c) to such Receivables Entity;

(o) additional Investments in Inrange or any of its Subsidiaries in an aggregate amount from the Amendment/Restatement Effective Date through and including the date of such Investment, net of any repayments of any such Investments, not to exceed $50,000,000, provided that, on the date of such Investments, (i) Inrange is not a Subsidiary of the Parent Borrower pursuant to the last sentence of the definition of the term Subsidiary and (ii) the Parent Borrower and the Wholly Owned Subsidiary Guarantors own more than 50% of the voting power of the outstanding Capital Stock of Inrange;

(p) Guarantees of Indebtedness of Inrange or any of its Subsidiaries in an aggregate principal amount not to exceed $75,000,000 at any one time outstanding, provided that (i) Inrange is not a Subsidiary of the Parent Borrower pursuant to the last sentence of the definition of the term Subsidiary, (ii) the Parent Borrower and the Wholly Owned Subsidiary Guarantors own

more than 50% of the voting power of the outstanding Capital Stock of Inrange and (iii) Inrange has not Disposed of all or substantially all of its assets; and

(q) Investments that are not permitted by any other paragraph of this Section, so long as, after giving effect to any such Investment, the aggregate amount of Investments (valued at cost) at any one time outstanding shall not exceed $150,000,000, provided that this clause (r) shall not be available for Investments in Inrange or its Subsidiaries if such Persons are not Subsidiaries of the Parent Borrower.

SECTION 6.6. Disposition of Assets. The Parent Borrower will not, and will not permit any of its Subsidiaries to, Dispose of any asset, including any Capital Stock owned by it (other than Capital Stock of the Parent Borrower held in treasury by the Parent Borrower), nor will the Parent Borrower permit any of it Subsidiaries to issue any additional Capital Stock of such Subsidiary, except:

(a) (i) sales of inventory, obsolete or worn out equipment and Permitted Investments and (ii) leases or licenses of real or personal property, in each case in the ordinary course of business;

(b) Dispositions to the Parent Borrower or a Subsidiary; provided that any such Dispositions by a Loan Party to a Subsidiary that is not a Loan Party shall be made in compliance with Section 6.5;

(c) sales of Receivables and related assets or an interest therein (i) of the type specified in the definition of "Qualified Receivables Transaction" pursuant to a Qualified Receivables Transaction, provided that (A) each such transaction shall be a Qualified Receivables Transaction, as agreed by the Administrative Agent, and (B) the aggregate Net Proceeds to the Parent Borrower and its Subsidiaries from all such Qualified Receivables Transactions permitted by this clause (i) shall not exceed $250,000,000 and (ii) in connection with a European Receivables Securitization, provided that the Dollar Equivalent of the Net Proceeds to the Parent Borrower and its Subsidiaries from all such European Receivables Securitizations shall not exceed $50,000,000;

(d) Dispositions of assets that are not permitted by any other paragraph of this Section; provided that (i) the aggregate gross proceeds (including any non-cash proceeds, determined on the basis of face amount in the case of notes or similar consideration and on the basis of fair market value in the case of other non-cash proceeds) of all assets Disposed of in reliance upon this paragraph (d) shall not exceed, in the case of any fiscal year of the Parent Borrower, 10% of Total Consolidated Assets (provided, that (x) any such amount referred to in this clause (i), if not so utilized in the fiscal year for which it is permitted, may be carried over for utilization in the next succeeding fiscal year, (y) Dispositions made pursuant to this paragraph during any fiscal year shall be deemed made, first, in respect of amounts permitted for such fiscal year as provided in this clause (i) and, second, in respect of amounts carried over from the prior fiscal year pursuant to clause (x) above and (z) the amount referred to in clause (x) above shall not exceed $300,000,000 in the case of unutilized amounts carried over from the 2002 fiscal year to the 2003 fiscal year); and (ii) all Dispositions permitted by this paragraph (d) shall be made for fair value and for at least 75% cash consideration;

(e) issuances by Inrange of shares of Inrange Class B Common Stock in a Permitted Subsidiary Acquisition or the exercise of conversion features in convertible Capital Stock or convertible Indebtedness or the exercise of options, warrants or other instruments issued by any Person acquired by and that has become a Subsidiary of, or merged with or into, Inrange or one of

its Subsidiaries that were issued by such Person prior to and which shall have been outstanding on the date on which such Person became a Subsidiary of, or merged with or into, Inrange or one of its Subsidiaries (other than convertible Capital Stock or convertible Indebtedness or options warrants or other instruments issued (i) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Subsidiary of Inrange or was merged into a Subsidiary of Inrange or was otherwise acquired by Inrange or one of its Subsidiaries or (ii) otherwise in connection with, or in contemplation of, such acquisition, in each case to the extent such exercise does not result in net cash proceeds), provided that Inrange is a Subsidiary of the Parent Borrower;

(f) issuances by Inrange to management and employees of the Parent Borrower, Inrange or any of their Subsidiaries, of options to acquire up to 7,105,700 shares (as adjusted for stock splits, stock dividends, reverse stock splits and similar events) of Inrange Class B Common Stock, and issuances of Inrange Class B Common Stock pursuant to the exercise by such Persons, at an exercise price equal to the price per share in the initial public offering of such Class B Common Stock, of such options, provided that Inrange is a Subsidiary of the Parent Borrower;

(g) issuances by Inrange to directors, management and employees of, and consultants and other providers of services to, the Parent Borrower, Inrange or any of their Subsidiaries, in each case in exchange for non-cash consideration provided by such Persons in the form of goods or services, of (i) Inrange Common Stock, provided that the aggregate fair market value of such Inrange Common Stock (determined as of the date such Inrange Common Stock is issued) does not exceed $10,000,000 in any fiscal year of the Parent Borrower, and (ii) options and warrants to acquire Inrange Common Stock and issuances of Inrange Common Stock pursuant to the exercise of such options and warrants, at an exercise price of not less than 85% of the fair market value of such Inrange Common Stock (determined as of the date of the grant of such options or warrants), provided that the aggregate number of shares of Inrange Common Stock covered by options and warrants granted in any fiscal year of the Parent Borrower shall not exceed 1,500,000 (as adjusted for stock splits, stock dividends, reverse stock splits and similar events); provided that, in each of clauses (i) and (ii), Inrange is a Subsidiary of the Parent Borrower;

(h) issuances of Inrange Class B Common Stock pursuant to the exercise by directors and management of the Parent Borrower, at an exercise price of $13.00 per share, of options to acquire up to 1,331,000 shares (as such exercise price and number of shares may be adjusted for stock splits, stock dividends, reverse stock splits and similar events) of Inrange Class B Common Stock (which options were issued by Inrange to such Persons prior to August 15, 2000), provided that Inrange is a Subsidiary of the Parent Borrower;

(i) Dispositions by the Parent Borrower of shares of Inrange Common Stock held by the Parent Borrower in exchange for shares of the Parent Borrower’s Capital Stock in a redemption or repurchase transaction that is otherwise expressly permitted by this Agreement;

(j) Dispositions by the Parent Borrower of all or any portion of its interest in the Emerson JV and the Assa Abloy JV; provided that all Dispositions permitted by this paragraph (j) shall be made for fair value and for at least 85% cash consideration; and

(k) Dispositions by the Parent Borrower of shares of Inrange Common Stock held by the Parent Borrower and/or the assets of Inrange and its Subsidiaries, provided that the Consolidated Leverage Ratio, on a pro forma basis assuming that Inrange and it Subsidiaries are no longer “Subsidiaries” of the Parent Borrower, is less than 2.5 to 1.0, computed as at the last day of the most recently ended fiscal quarter of the Parent Borrower for which the relevant

information is available for the period of four consecutive fiscal quarters ending on such day as if Inrange and its Subsidiaries had ceased to be "Subsidiaries" of the Parent Borrower on the first day of such period.

For purposes of paragraphs (d) and (j) of this Section 6.6,

(i) the following will be deemed to be cash:

(A) the assumption by the transferee of Indebtedness (other than subordinated Indebtedness or preferred stock) of the Parent Borrower or of any Subsidiary (in which case, the Parent or such Subsidiary will, without further action, be deemed to have applied such deemed cash to Indebtedness in accordance with clause (b)(ii) of the definition of "Net Proceeds"), provided that the amount of assumed Indebtedness that is deemed to be cash shall not exceed $200,000,000 in the aggregate from and after the Amendment/Restatement Effective Date;

(B) securities, notes or other obligations received by the Parent Borrower or any Subsidiary from the transferee that are promptly (subject to ordinary settlement periods) converted, sold or exchanged within 30 days of receipt thereof by the Parent Borrower or such Subsidiary into cash (to the extent of the cash received in such conversion, sale or exchange); and

(C) in the case of any particular Disposition, promissory notes received by the Parent Borrower or any Subsidiary from the transferee having an aggregate principal amount not to exceed $10,000,000; and

(ii) in the case of a Disposition consisting of an Asset Swap, the Parent Borrower or such Subsidiary shall only be required to receive cash in an amount equal to at least 75% of the proceeds of such Disposition which are not part of the Asset Swap, provided that at the time of such Asset Swap, after giving effect thereto, the aggregate fair value (as determined at the time of such related Asset Swap and not subject to later revaluation) of the assets of the Parent Borrower and its Subsidiaries that are the subject of all such Asset Swaps from and after the Amendment/Restatement Effective Date shall not exceed an amount equal to 15% of the Total Consolidated Assets.

SECTION 6.7. Sale and Leaseback Transactions. The Parent Borrower will not, and will not permit any Subsidiary to, enter into any arrangement (each, a "Sale/Leaseback Transaction") providing for the leasing to the Parent Borrower or any Subsidiary of real or personal property that has been or is to be (a) sold or transferred by the Parent Borrower or any Subsidiary or (b) constructed or acquired by a third party in anticipation of a program of leasing to the Parent Borrower or any Subsidiary, in each case unless the Attributable Debt resulting therefrom is permitted by Section 6.2(d) or 6.2(g).

SECTION 6.8. Restricted Payments. The Parent Borrower will not, and will not permit any Subsidiary to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, or Incur any obligation (contingent or otherwise) to do so, except:

(a) the Parent Borrower may (i) declare and pay dividends with respect to its Capital Stock payable solely in shares of its Capital Stock or (ii) make other distributions or payments payable solely in shares of its Capital Stock;

(b) any Wholly Owned Subsidiary may declare and pay Restricted Payments to its immediate parent;

(c) any non-Wholly Owned Subsidiary may declare and pay dividends ratably with respect to its Capital Stock;

(d) the Parent Borrower may make Restricted Payments, not exceeding $10,000,000 during any fiscal year, pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Parent Borrower and its Subsidiaries;

(e) from and after the Amendment/Restatement Effective Date, the Parent Borrower may repurchase its Capital Stock or redeem the LYONs, provided that it is the case that either (i) the aggregate amount of such repurchases and redemptions shall not exceed (A) $100,000,000, if the Consolidated Leverage Ratio, on a pro forma basis after giving effect to such repurchase or redemption (with the reference period for Consolidated EBITDA being the most recent period of four consecutive fiscal quarters for which the relevant financial information is available), is greater than or equal to 3.00 to 1.00 or (B) the greater of (x) $250,000,000 and (y) (I) 50% of Consolidated Net Income during the period from December 1, 2002 to the date of such repurchase or redemption minus (II) an amount equal to the aggregate amount paid in respect of all other repurchases and redemptions made after December 1, 2002, if the Consolidated Leverage Ratio, on a pro forma basis after giving effect to such repurchase or redemption (with the reference period for Consolidated EBITDA being the most recent period of four consecutive fiscal quarters for which the relevant financial information is available), is less than 3.00 to 1.00 or (ii) notwithstanding the foregoing clause (B), the Consolidated Leverage Ratio, on a pro forma basis after giving effect to such repurchase or redemption (with the reference period for Consolidated EBITDA being the most recent period of four consecutive fiscal quarters for which the relevant financial information is available) is less than 2.00 to 1.00, provided further that in the event that the Parent Borrower purchases or otherwise acquires Subordinated Debt as permitted by Section 6.9(a)(iii)(B), the aggregate amount expended to effect all such purchases or other acquisitions from and after the Amendment/Restatement Effective Date shall be deducted from the respective amounts referred to in clauses (i)(A), (i)(B)(x) and (i)(B)(y) above;

(f) the Parent Borrower or any Subsidiary may make Restricted Payments to the extent required by the terms of its joint venture or similar agreements relating to non-Wholly Owned Subsidiaries, provided that no such Restricted Payment shall be permitted by this clause (f) unless any Investment made in connection therewith is also expressly permitted by Section 6.5;

(g) the Parent Borrower may make Restricted Payments not otherwise permitted by this Section 6.8, provided that (i) on the date of any such Restricted Payment after giving effect thereto, the aggregate amount expended in connection with all Restricted Payments pursuant to this clause (g) during the fiscal year in which such date occurs shall not exceed $20,000,000 unless, on such date, the Consolidated Leverage Ratio, on a pro forma basis after giving effect to such Restricted Payment (with the reference period for Consolidated EBITDA being the most recent period of four consecutive fiscal quarters for which the relevant financial information is available), is less than 2.50 to 1.00 and (ii) in no event shall the aggregate amount of Restricted Payments made pursuant to this clause (g) during any fiscal year exceed 25% of Consolidated Net Income for the immediately preceding fiscal year, provided further that in the event that the Parent Borrower purchases or otherwise acquires Subordinated Debt as permitted by Section 6.9(a)(iii)(B), the aggregate amount expended in any fiscal year to effect such purchases

or other acquisitions shall be deducted from the respective amounts referred to in clauses (i) and (ii) above for such fiscal year;

(h) the Parent Borrower may redeem the LYONs (i) through the issuance of common stock of the Parent Borrower, (ii) through the issuance of Indebtedness of the type described in clause (b) or (c) of the definition of "LYONs" or (iii) with the Net Proceeds of the issuance of the Senior Notes (it being acknowledged that the Parent Borrower has redeemed LYONs with the Net Proceeds of the issuance of the Senior Notes if the Parent Borrower redeems LYONs in an amount that does not exceed the Net Proceeds from the issuance of the Senior Notes);

(i) the Parent Borrower or any Subsidiary that is permitted to guarantee the LYONs may pay required interest payments in respect of LYONs of the type described in clause (b) of the definition thereof;

(j) the Parent Borrower or any Subsidiary that is permitted to guarantee the LYONs may pay LYONs Contingent Interest;

(k) (i) the Parent Borrower may issue shares of its common stock as the consideration for the repurchase of Inrange Common Stock and (ii) Inrange may repurchase Inrange Common Stock, provided that, for purposes of this clause (ii), (A) Inrange is a Subsidiary of the Parent Borrower and (B) the aggregate amount of such repurchases permitted by this clause (ii) (other than repurchases made with shares of common stock of the Parent Borrower) shall not exceed $20,000,000 from and after the Amendment/Restatement Effective Date; and

(l) transactions permitted by Section 6.6(i) or (k).

For the purposes of this Section 6.8, redemptions of the LYONs shall include purchases thereof and payments required to be made in connection with the conversion thereof.

SECTION 6.9. Payments of Certain Indebtedness; Certain Derivative Transactions. The Parent Borrower will not, nor will it permit any Subsidiary to, (a) make or agree or offer to pay or make, directly or indirectly, any payment or other distribution (whether in cash, securities or other property) of or in respect of principal of or interest on any Subordinated Debt, or any payment or other distribution (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Subordinated Debt, except (i) extensions, renewals, replacements or exchanges of any Subordinated Debt permitted by Section 6.2(b), (ii) the payment of regularly scheduled interest and principal payments as and when due in respect of any Subordinated Debt and (iii) any purchase or other acquisition of any Subordinated Debt made (A) in consideration for (or with the proceeds of) the issuance of common stock of the Parent Borrower or (B) with any amounts permitted by Section 6.8(e) or 6.8(g) to be made (and not previously made) as Restricted Payments, other than, in each of clauses (ii) and (iii), any such payments, purchases or other acquisitions of the Subordinated Debt prohibited by the subordination provisions thereof or (b) enter into any derivative transaction or similar transaction obligating the Parent Borrower or any of its Subsidiaries to make payments to any other Person as a result of a change in market value of any Subordinated Debt or LYONs.

SECTION 6.10. Transactions with Affiliates. The Parent Borrower will not, and will not permit any Subsidiary to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except:

(a) transactions that are at prices and on terms and conditions, taken as a whole, not less favorable to the Parent Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties;

(b) transactions between or among the Parent Borrower and the Subsidiaries (other than a Receivables Entity) not involving any other Affiliate;

(c) any Restricted Payment permitted by Section 6.8;

(d) any Qualified Receivables Transaction or European Receivables Securitization, in each case expressly permitted by Section 6.6(c);

(e) the performance of obligations of the Parent Borrower or any of its Subsidiaries under the terms of any agreement, transaction or arrangement to which the Parent Borrower or any of its Subsidiaries (other than Inrange or any of its Subsidiaries), on the one hand, is a party on the Amendment/Restatement Effective Date and to which Inrange or any of its Subsidiaries, on the other hand, is a party prior to being designated as not a Subsidiary pursuant to the last sentence of the definition of the term Subsidiary, as these agreements, transactions or arrangements may be amended, modified or supplemented from time to time; provided, however, that any future amendment, modification or supplement entered into after the Amendment/Restatement Effective Date or the date of designation of Inrange and its Subsidiaries as not Subsidiaries will be permitted to the extent that its terms are no more disadvantageous in the aggregate to the Lenders than the terms of the agreements, transactions or arrangements in effect on the Amendment/Restatement Effective Date; provided further, that any future amendment, modification or supplement with respect to loan arrangements between the Parent Borrower and its Subsidiaries and Inrange in existence on the Amendment/Restatement Effective Date will be permitted to the extent that such terms (i)(A) are approved by the disinterested directors of the Parent Borrower (as defined in the Senior Note Indenture) or (B) are not materially more disadvantageous to the Parent Borrower and its Subsidiaries than the terms of such agreements, transactions or arrangements in existence on the Amendment/Restatement Effective Date, and (ii) do not revise the formula for the calculation of interest rates in an adverse manner to the Parent Borrower and its Subsidiaries; and

(f) any other transaction expressly permitted by Section 6.5.

SECTION 6.11. Restrictive Agreements. The Parent Borrower will not, and will not permit any Foreign Subsidiary Borrower or any Wholly Owned Subsidiary Guarantor to, directly or indirectly, enter into, Incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Parent Borrower or any Subsidiary to create, Incur or permit to exist any Lien upon any of its property, (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Parent Borrower or any other Subsidiary or to Guarantee Indebtedness of the Parent Borrower or any other Subsidiary or (c) the ability of any Subsidiary to transfer any of its assets to the Parent Borrower or any other Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law, Permitted Encumbrances, any Loan Document, the Senior Note Indenture, any Subordinated Debt Document or any Other Permitted Debt Document, (ii) the foregoing shall not apply to restrictions and conditions existing on the Amendment/Restatement Effective Date identified on Schedule 6.11 (but shall apply to any amendment or modification expanding the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary or assets pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is (or the assets that are) to be sold and such sale is permitted hereunder, (iv) the

foregoing shall not apply to restrictions or conditions imposed by any agreement relating to a Qualified Receivables Transaction or relating to a European Receivables Securitization, in each case permitted by this Agreement if such restrictions or conditions apply only to the relevant Receivables Entity, (v) clauses (a) and (c) above shall not apply to restrictions and conditions contained in documentation relating to a Subsidiary acquired in a Permitted Acquisition, provided that such restriction or condition (x) existed at the time such Person became a Subsidiary, (y) was not created in contemplation of or in connection with such Person becoming a Subsidiary and (z) applies only to such Subsidiary, (vi) clauses (a), (b) and (c) above shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, (vii) clauses (a) and (c) above shall not apply to customary provisions in leases and other contracts restricting the assignment thereof, (viii) clauses (a), (b) and (c) above shall not apply to customary provisions in purchase money obligations for property acquired in the ordinary course of business, Capital Leases Obligations, industrial revenue bonds or operating leases that impose encumbrances or restrictions on the property so acquired or covered thereby, restrictions on cash or other deposits or net worth required by customers under contracts entered into in the ordinary course of business and joint venture agreements or other similar arrangements if such provisions apply only to the Person (and the equity interests in such Person) that is the subject thereof and (ix) clauses (b) and (c) above shall not apply to supermajority board requirements included in the organizational documents of Inrange, or contractual agreements to which Inrange is a party, to authorize the declaration and payment of dividends or distributions, provided that Inrange is a Subsidiary of the Parent Borrower.

SECTION 6.12. Amendment of Material Documents, etc. The Parent Borrower will not, and will not permit any Subsidiary to, (a) amend, modify, supplement or waive in any respect that is material and adverse to the Lenders any of its rights under the Senior Note Indenture, any Subordinated Debt Document, any LYONs Documents or any Other Permitted Debt Documents (it being understood, however, that any amendment to provide Guarantees in respect of the Senior Notes, the LYONs, any Subordinated Debt or any Other Permitted Debt, which Guarantees are permitted by this Agreement, would not constitute such an amendment) or (b) designate any Indebtedness (other than obligations of the Loan Parties pursuant to the Loan Documents) as “Designated Senior Indebtedness” (or any comparable concept) that controls payment blockages for the purposes of the Subordinated Debt Documents.

ARTICLE VII

EVENTS OF DEFAULT

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

(a) any Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) any Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in paragraph (a) of this Article) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation or warranty made or deemed made by or on behalf of the Parent Borrower or any Subsidiary in or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or

any amendment or modification thereof or waiver thereunder, shall prove to have been materially incorrect when made or deemed made;

(d) the Parent Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.2, 5.4 (with respect to the existence of any Borrower) or 5.10 or in Article VI;

(e) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document (other than those specified in paragraph (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof to the Parent Borrower from the Administrative Agent or the Required Lenders;

(f) the Parent Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, after the passage of any cure period provided in such Indebtedness;

(g) (i) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with the giving of notice, if required) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity (including, in any event, an "Event of Default" under and as defined in the Senior Note Indenture, any Subordinated Debt Documents or any Other Permitted Debt Documents) but excluding, in any event, (A) any mandatory redemptions or conversions at the option of the holders of the LYONs pursuant to LYONs Put/Conversion Rights and (B) after the Term Loans have been paid in full, any mandatory repurchases of the Senior Notes (and any other Indebtedness that ranks pari passu in right of payment to the Obligations) made in accordance with the Senior Note Indenture or any Other Permitted Debt Document with "Excess Proceeds" from any "Asset Disposition" pursuant to a required "Asset Disposition Offer" (as each such term is defined in the Senior Note Indenture) (or any comparable concept in any Other Permitted Debt Document), or (ii) any event or condition occurs that results in an automatic termination, winddown or comparable event with respect to any Qualified Receivables Transaction or any European Receivables Securitization or permits a notice of termination, a notice of winddown or any comparable notice to be given under any such Qualified Receivables Transaction or European Receivables Securitization, provided that an event or condition described in clause (ii) of this paragraph (g) shall not at any time constitute an Event of Default unless, at such time, one or more events or conditions of the type described in clauses (i) and (ii) of this paragraph (g) shall have occurred and be continuing with respect to Material Indebtedness;

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

(i) the Parent Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in

effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in paragraph (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Parent Borrower or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

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

(k) one or more judgments for the payment of money in an aggregate amount in excess of $50,000,000 shall be rendered against the Parent Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 60 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Parent Borrower or any Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to have a Material Adverse Effect;

(m) the guarantee contained in Section 2 of the Guarantee and Collateral Agreement shall cease, for any reason, to be in full force and effect or any Loan Party or any Affiliate of any Loan Party shall so assert;

(n) any Lien purported to be created under any Security Document shall cease to be, or shall be asserted by any Loan Party or any Affiliate of any Loan Party not to be, a valid and perfected Lien on any Collateral (other than immaterial Collateral), with the priority required by the applicable Security Document;

(o) the Subordinated Debt or any Guarantees thereof shall cease, for any reason, to be validly subordinated to the Obligations or the obligations of the Subsidiary Guarantors under the Guarantee and Collateral Agreement, as the case may be, as provided in the Subordinated Debt Documents, or any Loan Party, any Affiliate of any Loan Party, the trustee in respect of the Subordinated Debt or the holders of at least 25% in aggregate principal amount of the Subordinated Debt shall so assert;

(p) a Change of Control shall occur; or

(q) in the event that Inrange is not a Subsidiary of the Parent Borrower pursuant to the last sentence of the definition of the term Subsidiary, Inrange or any of its Subsidiaries shall Incur any Indebtedness (i) with the exception of the Guarantee permitted by Section 6.5(p), as to which the Parent Borrower or any of its Subsidiaries (A) provides any Guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness, but excluding any loan or advance by the Parent Borrower to Inrange or any of its Subsidiaries) or (B) is directly or indirectly liable (as a guarantor or otherwise) for the payment of such Indebtedness, (ii) any default with respect to which (including any rights that the holders thereof may have to take enforcement action against Inrange or any of its Subsidiaries) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Parent Borrower or any of its Subsidiaries to declare a default under such

other Indebtedness or cause the payment of such other Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity, or (iii) the terms of which provide for any recourse against any of the assets of the Parent Borrower or any of its Subsidiaries for the payment of such Indebtedness;

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

ARTICLE VIII

THE ADMINISTRATIVE AGENT

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto. For the purposes of Article 2692 of the Civil Code of Quebec and without limiting the generality of the foregoing, each Canadian Lender hereby irrevocably designates and appoints each of the Administrative Agent and the Collateral Agent in its capacity as agent and holder of a power of attorney of each such Canadian Lender under this Agreement and the other Loan Documents.

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

The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.2), and (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Parent Borrower or any of its Subsidiaries that is communicated

to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.2) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Parent Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

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

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

Subject to the appointment and acceptance of a successor to the Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Parent Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Parent Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by any Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Parent Borrower and such successor. After the Administrative Agent’s resignation hereunder, the provisions of this Article and Section 9.3 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, any other Lender or any of their respective affiliates and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, any other Lender or any of their respective affiliates and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

Neither the Syndication Agent nor any Documentation Agent shall have any duties or responsibilities hereunder in its capacity as such.

ARTICLE IX

MISCELLANEOUS

SECTION 9.1. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Parent Borrower, to it at 13515 Ballantyne Corporate Place, Charlotte, North Carolina 28277, attention of Treasurer and Chief Financial Officer (Telecopy No. 704-752-7487), and if to any Foreign Subsidiary Borrower, to it at its address (or telecopy number) specified in the relevant Borrowing Subsidiary Agreement with a copy to the Parent Borrower at its address (or telecopy number) specified above;

(b) if to the Administrative Agent, as applicable, (i) to Chase Manhattan International Limited, 125 London Wall, London, England, Attention of Steve Clarke (Telecopy No. 44-207-777-2360/2085), (ii) to The Bank of Nova Scotia, 44 King Street West, Toronto, Ontario, Canada M5H 1H1, attention of John Hall (Telecopy No. 416-866-5991), or (iii) to JPMorgan Chase Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, attention of Doris Mesa (Telecopy No. 212-552-5650), in each case with a copy to JPMorgan Chase Bank, 270 Park Avenue, New York, New York 10017, Attention of Tina Ruyter (Telecopy No. 212-270-5120); and

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

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or any Loan Party may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

SECTION 9.2. Waivers; Amendments. (a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default or Event of Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except, in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Borrowers and the Required Lenders or, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Administrative Agent and the Loan Party or Loan Parties that are parties thereto, in each case with the written consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of or subordinate the principal of any Loan or LC Disbursement, or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender directly affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive, excuse or subordinate any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender directly affected thereby, (iv) require any Lender to make Loans having an Interest Period of one year or longer, without the written consent of such Lender, (v) reduce the amount of Net Proceeds required to be applied to prepay Loans under this Agreement, without the written consent of the Majority Facility Lenders under each Facility, (vi) amend, modify or waive any provision of this Agreement in any manner that would change the application of mandatory prepayments hereunder without the written consent of the Majority Facility Lenders in respect of each Facility adversely affected thereby, (vii) amend, modify or waive any provision of Section 2.12 without the written consent of the Majority Facility Lenders in respect of each Facility adversely affected thereby, (viii) change any of the provisions of this Section or the definition of “Required Lenders” or any other provision of any Loan Document specifying the number or percentage of Lenders (or Lenders of any Class) required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender (or each Lender of such Class, as the case may be), (ix) release or subordinate all or substantially all of the Guarantees from the Guarantors under the Guarantee and Collateral Agreement (except as expressly provided in the Loan Documents), without the written consent of each Lender, or (x) release or subordinate all or substantially all of the Liens of the Security Documents on the Collateral (except as expressly provided in the Loan Documents), without the written consent of each Lender.

(c) In addition, notwithstanding the foregoing, this Agreement may be amended with the written consent of the Administrative Agent, the Parent Borrower and the Lenders providing the relevant Replacement Term Loans (as defined below) to permit the refinancing of all outstanding Tranche B Term Loans or all outstanding Tranche C Term Loans (“Refinanced Term Loans”) with a replacement “B” or “C” term loan tranche hereunder (“Replacement Term Loans”), provided that (a) the aggregate principal amount of such Replacement Term Loans shall not exceed the aggregate principal amount of such Refinanced Term Loans, (b) the Applicable Rate for such Replacement Term Loans shall not be

higher than the Applicable Rate for such Refinanced Term Loans, (c) the weighted average life to maturity of such Replacement Term Loans shall not be shorter than the weighted average life to maturity of such Refinanced Term Loans at the time of such refinancing and (d) all other terms applicable to such Replacement Term Loans shall be substantially identical to, or less favorable to the Lenders providing such Replacement Term Loans than, those applicable to such Refinanced Term Loans, except to the extent necessary to provide for covenants and other terms applicable to any period after the latest final maturity of the Term Loans in effect immediately prior to such refinancing.

SECTION 9.3. Expenses; Indemnity; Damage Waiver. (a) The Parent Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), including the reasonable fees and disbursements of counsel to the Administrative Agent, with statements with respect to the foregoing to be submitted to the Parent Borrower prior to the Amendment/Restatement Effective Date (in the case of amounts to be paid on the Amendment/Restatement Effective Date) and from time to time thereafter on a quarterly basis or such other periodic basis as the Administrative Agent shall deem appropriate, (ii) all reasonable out-of-pocket expenses incurred by any Issuing Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Parent Borrower shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution, delivery, enforcement, performance and administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated hereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by an Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Parent Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Parent Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) To the extent that the Parent Borrower fails to pay any amount required to be paid by it to the Administrative Agent, any Issuing Lender or the Swingline Lender under paragraph (a) or

(b) of this Section, each Lender severally agrees to pay to the Administrative Agent, such Issuing Lender or the Swingline Lender, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, such Issuing Lender or the Swingline Lender in its capacity as such. For purposes hereof, a Lender's "pro rata share" shall be determined based upon its share of the sum of the total Revolving Exposures, outstanding Term Loans and unused Commitments at the time; provided that in the case of amounts owing to any Issuing Lender or the Swingline Lender, in each case in its capacity as such, a Lender's "pro rata" share shall be determined based solely upon its share of the sum of Domestic Revolving Exposures and unused Domestic Revolving Commitments at the time.

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

(e) All amounts due under this Section shall be payable not later than 15 days after written demand therefor. Statements payable by the Parent Borrower pursuant to this Section shall be sent to Attention of Treasurer and Chief Financial Officer (Telephone No. 704-752-4400) (Telecopy No. 704-752-7487), at the address of the Parent Borrower set forth in Section 9.1, or to such other Person or address as may be hereafter designated by the Parent Borrower in a written notice to the Administrative Agent.

SECTION 9.4. Successors and Assigns; Participations and Assignments. (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 permitted hereby, except that a Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by a Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or a Lender Affiliate, each of the Parent Borrower and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld or delayed), provided that the consent of the Administrative Agent (which consent shall not be unreasonably withheld or delayed) shall be required for any assignment to an assignee in respect of any Revolving Facility which does not have a commitment in respect of such Revolving Facility immediately prior to giving effect to such assignment, (ii) except in the case of an assignment to a Lender or a Lender Affiliate or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not (x) in the case of an assignment of a Revolving Commitment, Revolving Loan or Tranche A Term Loan, be less than $5,000,000, and (y) in the case of an assignment of a Tranche B Term Loan or a Tranche C Term Loan, be less than $1,000,000, unless the Parent Borrower and the Administrative Agent otherwise consent, (iii) the parties to each assignment shall execute and deliver to the Administrative Agent an

Assignment and Acceptance, together with a processing and recordation fee of $3,500, (iv) the assignee, if not already a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire, (v) no assignment of Global Revolving Commitments or Global Revolving Loans may be made to an assignee that cannot make Loans in each of the Qualified Global Currencies (other than Canadian dollars) and (vi) no assignment of Canadian Commitments or Canadian Dollar Loans may be made to an assignee that cannot make Loans in each of the Qualified Global Currencies; and provided further that any consent of any Borrower otherwise required under this paragraph shall not be required if an Event of Default under paragraph (a), (b), (h) or (i) of Article VII has occurred and is continuing. Any such assignment need not be ratable as among the Facilities. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.16, 2.17, 2.18 and 9.3). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Parent Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans (whether or not evidenced by a promissory note) and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and each Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee is already a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph. Any assignment or transfer of all or part of a Loan evidenced by a promissory note shall be registered as to both principal and interest on the Register only upon surrender for registration of assignment or transfer of the promissory note evidencing such loan, accompanied by a duly executed Assignment and Acceptance, and thereupon one or more new promissory notes in the same aggregate principal amount shall be issued to the designated Assignee and the old promissory notes shall be returned by the Administrative Agent to the Parent Borrower marked "cancelled".

(e) Any Lender may, without the consent of any Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) each Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. In no event shall any Participant under any such participation have any right to approve

any amendment or waiver of any provision of any Loan Document, or any consent to any departure by any Loan Party therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Loans or any fees payable hereunder, or postpone the date of the final maturity of the Loans, in each case to the extent subject to such participation. Subject to paragraph (f) of this Section, each Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.16, 2.17 and 2.18 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section, provided that, in the case of Section 2.18, such Participant shall have complied with the requirements of said section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.8 as though it were a Lender, provided such Participant agrees to be subject to Section 2.19(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.16 or 2.18 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Parent Borrower's prior written consent.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that any foreclosure or similar action by such pledgee or assignee shall be subject to the provisions of this Section 9.4 concerning assignments; and provided, further that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto. In the case of any Lender that is a fund that invests in bank loans, such Lender may, without the consent of any Borrower or the Administrative Agent, assign or pledge all or any portion of its rights under this Agreement and/or pledge all or any portion of any instrument evidencing its rights as a Lender under this Agreement to any trustee for, or any other representative of, holders of obligations owed or securities issued, by such fund, as security for such obligations or securities; provided that any foreclosure or similar action by such trustee or representative shall be subject to the provisions of this Section 9.4 concerning assignments.

SECTION 9.5. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.16, 2.17, 2.18 and 9.3 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.6. Counterparts; Integration. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Document and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and

all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall be binding upon and inure to the benefit of the parties hereto (including the Lenders) and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.7. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.8. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of a Borrower against any of and all the obligations of a Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.9. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Borrower or its properties in the courts of any jurisdiction.

(c) Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, (i) any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section, (ii) the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court and (iii) any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages (as opposed to direct or actual damages).

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.1. In addition, each Foreign Subsidiary Borrower agrees that service of process may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Parent Borrower at its address for notices in

Section 9.1. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. Acknowledgements. Each Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to any Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between Administrative Agent and Lenders, on one hand, and the Borrowers, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrowers and the Lenders.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Related Parties, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any Governmental Authority or rating agency, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) to any direct or indirect contractual counterparty in Hedging Agreements or other swap agreements relating to this Agreement or such counterparty's professional advisor, (h) with the consent of the Parent Borrower, and (i) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than a Borrower. For the purposes of this Section, "Information" means all information received from any Borrower relating to a Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by such Borrower; provided that such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT

OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.14. Release of Collateral. On the first date (the "Release Date") on which the outstanding Indebtedness under this Agreement is rated "Baa3" or better by Moody's and "BBB-" or better by S&P, so long as no Event of Default exists on such date, all Collateral (other than Pledged Stock (as defined in each of the Guarantee and Collateral Agreement)) shall be released from the Liens created by the Guarantee and Collateral Agreement (all such released Collateral being the "Released Collateral"), all without delivery of any instrument or performance of any act by any party, and all rights to the Released Collateral shall revert to the Loan Parties. At the request and sole expense of any Loan Party following any such release, the Collateral Agent shall deliver to such Loan Party any Released Collateral held by the Collateral Agent under the Guarantee and Collateral Agreement, and execute and deliver to such Loan Party such documents as such Loan Party shall reasonably request to evidence such release.

SECTION 9.15. Amendment of Guarantee and Collateral Agreement. Each party hereto, by its execution and delivery of this Agreement or an Addendum in the form of Exhibit E, hereby consents to the amendment to the Guarantee and Collateral Agreement provided for in the Consent and Confirmation.

SECTION 9.16. Judgment Currency. (a) The Borrowers' obligations hereunder and under the other Loan Documents to make payments in a specified currency (the "Obligation Currency") shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than the Obligation Currency, except to the extent that such tender or recovery results in the effective receipt by the Administrative Agent or a Lender of the full amount of the Obligation Currency expressed to be payable to the Administrative Agent or such Lender under this Agreement or the other Loan Documents. If, for the purpose of obtaining or enforcing judgment against any Loan Party in any court or in any jurisdiction, it becomes necessary to convert into or from any currency other than the Obligation Currency (such other currency being hereinafter referred to as the "Judgment Currency") an amount due in the Obligation Currency, the conversion shall be made, at the rate of exchange (as quoted by the Administrative Agent or if the Administrative Agent does not quote a rate of exchange on such currency, by a known dealer in such currency designated by the Administrative Agent) determined, in each case, as of the Business Day immediately preceding the date on which the judgment is given (such Business Day being hereinafter referred to as the "Judgment Currency Conversion Date").

(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due, the Borrowers covenant and agree to pay, or cause to be paid, such additional amounts, if any (but in any event not a lesser amount), as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange prevailing on the Judgment Currency Conversion Date.

(c) For purposes of determining any rate of exchange or currency equivalent for this Section, such amounts shall include any premium and costs payable in connection with the purchase of the Obligation Currency.

SECTION 9.17. Effect of Amendment and Restatement of the Existing Credit Agreement. On the Amendment/Restatement Effective Date, the Existing Credit Agreement shall be amended and restated in its entirety. The parties hereto acknowledge and agree that (a) this Agreement and the other Loan Documents, whether executed and delivered in connection herewith or otherwise, do not constitute a novation, payment and reborrowing, or termination of the "Obligations" (as defined in the Existing Credit Agreement) under the Existing Credit Agreement as in effect prior to the Amendment/Restatement Effective Date and which remain outstanding, (b) such "Obligations" are in all respects continuing (as amended and restated hereby), (c) the Liens and security interests as granted under the Security Documents securing payment of such "Obligations" are in all respects continuing and in full force and effect and (d) references in the Security Documents to the "Credit Agreement" shall be deemed to be references to this Agreement, and to the extent necessary to effect the foregoing, each such Security Document is hereby deemed amended accordingly.

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

SPX CORPORATION

By /s/ Christopher J. Kearney

Name: Christopher J. Kearney
Title: Vice President

JPMORGAN CHASE BANK,
as Administrative Agent

By /s/ Marian N. Schulman

Name: Marian N. Schulman
Title: Vice President

THE BANK OF NOVA SCOTIA,
as Syndication Agent

By /s/ William E. Zarrett

Name: William E. Zarrett
Title: Managing Director

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

By /s/ Timothy H. Spanos

Name: Timothy H. Spanos
Title: Managing Director

BANK ONE, NA,
as Documentation Agent

By /s/ Steven P. Sullivan

Name: Steven P. Sullivan
Title: Associate Director

WACHOVIA BANK N.A.,
as Documentation Agent

By /s/ Shawn Young

Name: Shawn Young
Title: Vice President

THE BANK OF NOVA SCOTIA,
as Canadian Administrative Agent

By /s/ R. Lockie

Name: R. Lockie
Title: Managing Director

CHARLES A. BOWMAN

STOCK OPTION AWARD

THIS AGREEMENT is made on and as of August 26, 1998, by and between SPX CORPORATION, a Delaware Corporation (“SPX” or the “Company”) and CHARLES A. BOWMAN (“Executive”).

1. Grant of Options. In recognition of his performance as Director of Corporate Finance of the Corporation, and as an inducement to his continuing in the employ of the Company, SPX hereby grants to Executive Options to purchase 45,000 Shares of the Company’s Common Stock, par value $10.00 (“Common Stock”) at Option Prices set forth below and in the manner and subject to the terms and conditions hereinafter provided:

Number of Shares	Option Price Per Share
15,000	$60.00
15,000	$75.00
15,000	$90.00

These Options are granted to Executive by the Board of Directors of the Company and are in addition to the stock options granted to Executive under the Company’s 1992 Stock Compensation Plan. The Options granted under this Agreement are outside of and not granted pursuant to said Plan. To the extent that shares of Common Stock are held by the Company as treasury shares at the time that the Options (or any portion thereof) are exercised, the Company will use treasury shares as the source of the Common Stock issued to the Executive in connection with such exercise. The Board of Directors has delegated to its Compensation Committee (the “Committee”) the authority to make such determinations and interpretations of this Agreement as it deems necessary and appropriate to carry out its intent and terms.

2. Nonqualified Replacement Options. This Option is granted with the right to receive “Nonqualified Replacement Options” in accordance with the terms of this Agreement. A Nonqualified Replacement Option shall be granted upon the exercise of the Option (including any Options granted under this paragraph 2) if either (i) previously-owned shares of Mature Common Stock (defined below) are surrendered (whether by delivery or attestation) in payment of the Option Price or tax withholding, or (ii) shares of Common Stock otherwise issuable upon such exercise are withheld to satisfy minimum tax withholding, subject to the following:

a. The number of shares of Common Stock subject to the Nonqualified Replacement Option shall be the number of shares of Common Stock surrendered or withheld.

b. The Option Price of the Nonqualified Replacement Option shall be the fair market value of a share of Common Stock on the date the Nonqualified Replacement Option is granted.

c. The Nonqualified Replacement Option shall be fully vested and shall expire on the Expiration Date set forth in paragraph 3.

Upon exercise, a Nonqualified Replacement Option shall also be eligible to receive a Nonqualified Replacement Option. A Nonqualified Replacement Option will not be granted upon the exercise of an Option, including a Nonqualified Replacement Option, unless the fair market value of a share of Common Stock on the date of exercise is at least 25% higher than the Option Price of such Option or Nonqualified Replacement Option, as applicable. "Mature Shares" means, for purposes of this Agreement, Common Stock that has been acquired by the Executive on the open market or that has been acquired pursuant to an employee benefit arrangement of the Company and held for at least six months. For purposes of this paragraph 2, fair market value shall be determined in accordance with paragraph 4d. For purposes of the following provisions of this Agreement, the term Option shall also refer to Nonqualified Replacement Options.

3. Time of Exercise of Options/Vesting. The Options granted hereunder may be exercised in whole or in part at any time and from time to time on or after the Vesting Date and prior to or on the Expiration Date. The Vesting Date is the earliest of: (i) August 26, 2003, (ii) the date on which a Change of Control (as defined in paragraph 7) of the Company occurs or (iii) the date on which Executive's employment with the Company terminates by reason of his disability or death. The Expiration Date is August 25, 2008, except as otherwise provided herein.

4. Manner of Exercise. The Options may be exercised by written notice which shall:

a. State the election to exercise the Options and the number of shares and Option Price in respect of which they are being exercised;

b. Be signed by Executive or such other person or persons entitled to exercise the Options;

c. Be in writing and delivered to SPX's Secretary;

d. Be accompanied by payment in full of the Option Price for the shares to be purchased. Payment may be made by: (i) check, bank draft, money order or other cash payment, or (ii) delivery (or deemed delivery by attestation) of previously acquired shares of Common Stock with a fair market value as of the exercise date equal to the aggregate Option Price for the shares to be purchased (or a combination of (i) and (ii)). The fair market value of the Common Stock for this purpose shall be the closing price of a share of Common Stock as reported in the "NYSE-Composite Transactions" section of the Midwest Edition of The Wall Street Journal for the exercise date or, if no prices are quoted for such date, on the next preceding date on which such prices of Common Stock are so quoted;

e. Be accompanied by payment of any Federal, state or local taxes required by law to be withheld by the Company with respect to the exercise of the Options unless other satisfactory arrangements are made between the Company and the Executive to satisfy such withholding obligations; and

f. Unless a Registration Statement under the Securities Act of 1933 is in effect with respect to the shares of Common Stock to be issued, contain a representation by the Executive or other person or persons entitled to exercise the Options that the shares of Common Stock are being acquired for investment and with no present intention of selling or transferring them and that the person acquiring them will not sell or otherwise transfer the shares except in compliance with all applicable securities laws and requirements of any stock exchange upon which the shares may then be listed.

If the Options shall have been exercised in full, this Agreement shall be canceled and retained by the Company, otherwise it shall be appropriately endorsed to reflect partial exercise and returned to the Executive or other person entitled to exercise the Options.

5. Termination of Employment for Disability or Death. If without having fully exercised the Options granted hereunder, the Executive's employment with the Company is terminated by reason of disability, then the Vesting Date shall be the date of his termination and the Expiration Date shall be the date 90 days after termination. If without having fully exercised the Options granted hereunder, the Executive's employment with the Company is terminated by reason of death, the Options granted hereunder shall be fully vested and shall be exercisable by the person or persons who shall have acquired the Executive's rights hereunder by will or the laws of descent and distribution and the Expiration Date shall be the earlier of: (i) the date which is twelve months following the date of the Executive's death, or (ii) August 25, 2008.

6. Other Termination of Employment. If the Executive's employment with the Company is terminated for reasons other than death or disability and prior to the Vesting Date, this Agreement and the Executive's Options shall terminate. If the Executive's employment with the Company is terminated for reasons other than death or disability and subsequent to the Vesting Date, then the Expiration Date shall be the earlier of: (i) the date which is 90 days following the date of termination of his employment, or (ii) August 25, 2008.

7. Change of Control. For purposes of this Agreement, a "Change of Control" shall be deemed to have occurred if:

   a. Any "person" (as defined in Section 13(d) and 14(d) of the Exchange Act), excluding for this purpose, the Company or any subsidiary of the Company, or any employee benefit plan of the Company or any subsidiary of the Company, or any person or entity organized, appointed or established by the Company for or pursuant to the terms of such plan which acquires beneficial ownership of voting securities of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company's then outstanding securities;

   b. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such two-year period constitute the Board of Directors of the Company and any new director (except for a director designated by a person who has entered into an agreement with the Company to effect a transaction described elsewhere in this section) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof; or

   c. The shareholders of the Company approve a plan of complete liquidation of the Company, an agreement for the sale or disposition of the Company of all or substantially all of the Company's assets, or a plan of merger or consolidation of the Company with any other corporation, except for a merger or consolidation in which the security owners of the Company immediately prior to the merger or consolidation continue to own at least eighty percent (80%) of the voting securities of the new (or continued) entity immediately after such merger or consolidation.

d. Any person, other than the Company, purchases securities pursuant to an exchange or tender offer for securities of the Company representing twenty-five percent (25%) or more of the combined voting power of the Company's then outstanding securities.

8. Rights Prior to Exercise of Option. The Options may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. The Options shall be exercisable during the Executive's lifetime only by him. Executive shall not have any rights as a stockholder with respect to the shares of Common Stock optioned hereunder until exercise of the Options and delivery of the shares as herein provided.

9. Adjustment in the Event of Changes Affecting Common Stock. In the event of any change in the outstanding shares of Common Stock that occurs by reason of a stock dividend or split, recapitalization, merger, consolidation, combination, exchange of shares, or other similar corporate change, the aggregate number of shares of Common Stock subject to the Options, and the Option Prices, shall be appropriately adjusted by the Committee, whose reasonable determination shall be conclusive, provided, however, that fractional shares shall be rounded to the nearest whole share.

10. No Contract of Employment. Nothing contained in this Agreement shall be construed as a contract of employment between SPX and Executive, or as creating a right of Executive to be continued in the employment of SPX, or as a limitation of SPX's right to discharge Executive with or without cause. Except as expressly provided herein, this Agreement shall not be construed as a term or condition of his employment and, in particular, it shall neither confer upon Executive any additional rights or privileges relative to his existing terms and conditions of employment nor shall it entitle Executive to additional compensation or damages upon any termination of employment.

11. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective executors, administrators, legal representatives, successors and assigns. This Agreement may be amended only by further written agreement of the Company and Executive.

12. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Michigan.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

SPX CORPORATION		EXECUTIVE
By:	/s/ John B. Blystone	/s/ Charles A. Bowman
	John B. Blystone	Charles A. Bowman
Title:	Chairman, President & CEO	

Exhibit 21.1

SPX Corporation
Domestic Subsidiaries

Subsidiary	Jurisdiction of Organization
A. R. Brasch Marketing Inc.	Michigan
Advanced Industrial Technologies, Inc.	Michigan
Advanced Test Products International, Inc.	Delaware
Advanced Test Products, Inc.	Florida
AG Equipment Co.	Kansas
Air Gage Company	Michigan
AMCA International Corporation	Delaware
AMCA International Finance Corporation	Delaware
AMCA/Brookfield International Sales Corporation	Delaware
AMCA/Koehring Company	Delaware
AMCA/Monroe Holdings Corp.	Delaware
Asset Protection Team, Inc.	Delaware
Aurora/Hydromatic Pumps Inc.	Delaware
Bran & Luebbe (U.S.) Inc.	Delaware
Bran & Luebbe, Inc.	Delaware
CII Tustin, Inc.	California
Cofimco USA, Inc.	Virginia
Compaction America, Inc.	Delaware
Core Industries Inc.	Nevada
Cormac Trustee Corp.	Indiana
Cryonix, Inc.	Maryland
Data Switch Subsidiary Stock Corporation	Delaware
Decision Strategies LLC	Delaware
Decisions Strategies/Fairfax International UK, LLC	Delaware
DESA Industries, Inc.	Delaware
Dollinger Corporation	North Carolina
Domestic Subsidiary Corporation	Delaware
Dominion Building Products, Inc.	Texas
Dynamic Acquisition Corporation	California
Edwards Systems Technology, Inc.	Connecticut
Engineering Analysis Associates, Inc.	Michigan
Fairbanks Morse Pump Corporation	Kansas
Fairfax Consultants, Ltd.	Delaware
Filtran Aftermarket Products	Illinois
Flair Corporation	Delaware
Fluid Technologies, Inc.	Oklahoma
GCA International Corporation	New Jersey
General Farebox Service of Atlanta, Inc.	Delaware
General Signal Corporation	South Dakota
General Signal Environmental Risk Management Company	Delaware
General Signal Healthcare Management, Inc.	Delaware
General Signal International Corporation	Delaware
GS Development Corporation	Delaware
GSBS Development Corporation	Delaware
GSLE Development Corporation	Delaware
GSPS Development Corporation	Delaware
GSR Merger Sub, Inc.	Delaware
GSTC Development Corporation	Delaware
Imagexpo, L.L.C.	Delaware
Inrange Development Corporation	Delaware
Inrange Financial Corporation	Delaware
Inrange Global Consulting, Inc.	Delaware
Inrange Technologies Corporation	Delaware
International Subsidiary Corporation	Delaware
Kayex China Holdings, Inc.	Delaware
Kelley Company, Inc.	Wisconsin
Kendro Laboratory Products (GP), Inc.	Delaware
Kendro Laboratory Products, L.P.	Delaware
Key Scientific, Inc.	Maryland
Kodiak Partners Corp.	Delaware
Kodiak Partners II Corp.	Delaware
Labor Crisis Group, Inc.	Delaware

SPX Corporation
Domestic Subsidiaries

Subsidiary	Jurisdiction of Organization
LDN, Ltd.	Delaware
LDS North America LLC	Delaware
Ling Dynamic Systems Inc.	Connecticut
Lunaire Limited	Pennsylvania
Marley Cooling Technologies, Inc.	Delaware
Marley Engineered Products LLC	Delaware
Marley Pan American Cooling Tower Corporation	Delaware
MCT Services LLC	Delaware
Medical Equipment Maintenance Company	Maryland
MF Development Corporation	Delaware
Michigan Airhouse Company, Inc.	Michigan
New Signal, Inc.	Delaware
P.S.D., Inc.	Ohio
Pearpoint Inc.	California
Pel Inc.	Delaware
Pneumatic Products Corporation	Delaware
PST, Inc.	Delaware
Radiodetection Corporation	New Jersey
Recold, Inc.	California
ROSS Holding, Inc.	Delaware
SGS Service Partnership	Delaware
Sorvall, L.L.C.	Delaware
SPX Development Corporation	Delaware
SPX Financial Corporation	Delaware
SPX Minnesota Properties, Inc.	Michigan
SPX Risk Management Co.	Delaware
SPX Subco One, Inc.	Delaware
SPX Subco Three, Inc.	Delaware
SPX Subco Two, Inc.	Delaware
TCI International, Inc.	Delaware
The Litwin Corporation	Kansas
The Marley Company LLC	Delaware
The Marley-Wylain Company	Delaware
The Potomac Group & Associates, Inc.	Delaware
Toledo Trans-Kit, Inc.	Ohio
Transyn Corp.	New Jersey
United Dominion Industries, Inc.	Delaware
Vance Executive Protection, Inc.	Delaware
Vance International Consulting, Inc.	Delaware
Vance International, Inc.	Delaware
Vance Uniformed Protection Services, Inc.	Delaware
Variant Holding, LLC	Delaware
Waukesha Electric Systems, Inc.	Wisconsin
Workforce Staffing Team, Inc.	Delaware
XCEL Erectors, Inc.	Delaware

SPX Corporation
Foreign Subsidiaries

Subsidiary	Jurisdiction of Organization
9084-8227 QUÉBEC INC.	QUEBEC, CANADA
AIA COMMERCIAL, S.A.	SPAIN
AMCA INTERNATIONAL CANADA CORPORATION	CANADA
AMPROBE TEST MEASUREMENT GmbH	GERMANY
AUTOMOTIVE DIAGNOSTICS UK LIMITED	UK
BALCKE BALTOGAR, S.A.	SPAIN
BALCKE DURR FRANCE S.A.	FRANCE
BALCKE DURR GMBH	GERMANY
BALCKE-DUERR ITALIANA S.r.l.	ITALY
BDT LTD.	INDIA
BEIJING UNITED AUTO PARTS & METAL PRODUCTS CO., LTD.	CHINA
BEST POWER TECHNOLOGY LIMITED	TAIWAN
BICOTEST LIMITED	UK
BOMAG (CANADA), INC.	CANADA
BOMAG (GREAT BRITAIN) LIMITED	UK
BOMAG (SHANGHAI) COMPACTION MACHINERY CO. LTD.	CHINA
BOMAG FINANCE UK	UK
BOMAG FINCO GmbH	GERMANY
BOMAG GmbH	GERMANY
BOMAG HOLDING GMBH	GERMANY
BOMAG ITALIA S.r.l.	ITALY
BOMAG JAPAN CO., LTD.	JAPAN
BOMAG KENT (UK) LIMITED	UK
BOMAG MASCHINENHANDELSGESELLSCHAFT m.b.H.	AUSTRIA
BOMAG S.A.F.	FRANCE
BOMAG U.L.M. GmbH	GERMANY
BOMAG UNTERNEHMENSVERWALTUNG GmbH	GERMANY
BOMAG VERWALTUNG GmbH	GERMANY
BRAN & LUEBBE	NORWAY
BRAN & LUEBBE B.V.	HOLLAND
BRAN & LUEBBE Electronics GmbH & Co.	GERMANY
BRAN & LUEBBE Electronics Verwaltungs-GmbH	GERMANY
BRAN & LUEBBE GmbH	GERMANY
BRAN & LUEBBE INTERNATIONAL GmbH	GERMANY
BRAN & LUEBBE KK	JAPAN
BRAN & LUEBBE Ltd.	UK
BRAN & LUEBBE Ltd.	SINGAPORE
BRAN & LUEBBE Pty. Ltd	AUSTRALIA
BRAN & LUEBBE S.L.	SPAIN
BRAN & LUEBBE S.p.A.	ITALY
BRAN & LUEBBE SA	BRAZIL
BRAN & LUEBBE Sarl.	FRANCE
BRITISH ELECTRONIC CONTROL LIMITED	UK
COFIMCO SPA	ITALY
COX FLUIDPOWER LIMITED	UK
COXMAC HOLDINGS LIMITED	UK
COX'S MACHINERY LIMITED	UK
DATA SWITCH (UK) LIMITED	UK
DATA SWITCH GMBH ELEKTRONISCHE SYSTEME	GERMANY
DECA S.r.L.	ITALY
DECISION STRATEGIES/FAIRFAX INTERNATIONAL (UK) LIMITED	UK
DECISIONS ESTRATÉGICAS de MÉXICO, S.A. de C.V.	MEXICO
DECISIONS ITALIA S.R.L.	ITALY
DELAIR B.V.	NETHERLANDS
DELAIR LIMITED	UK
DELTECH B.V.	NETHERLANDS
DELTECH ENGINEERING LTD. (UK)	UK
DEUTSCHE BABCOCK BALCKE-DURR (ZHANGJIAKOU) HEAT EXCHANGER CO., LTD.	CHINA
DEZURIK INTERNATIONAL LIMITED	UK
DEZURIK OF AUSTRALIA PROPRIETARY LIMITED	AUSTRALIA
DEZURIK VERTRIEBS GMBH	AUSTRIA
DIRECT CALIBRATION SERVICES LIMITED	UK

SPX Corporation
Foreign Subsidiaries

Subsidiary	Jurisdiction of Organization
DISTRIBUIDORA DE AGITADORES INDUSTRIALES, S.A. de C.V.	MEXICO
DOCK PRODUCTS CANADA INC.	ONTARIO, CANADA
DOLLINGER IRELAND LIMITED	IRELAND
DOLLINGER WORLD LIMITED	IRELAND
ELECTROLOCATION LIMITED	UK
EST DONGGUAN	CHINA
FCD (CANADA) Inc.	ONTARIO, CANADA
FENN LIMITED	UK
FLAIR FILTER-UND TROCKNERTECHNIK GmbH	GERMANY
FLAIR FILTRATION & DRYING B.V.	NETHERLANDS
FLAIR FILTRATION PRODUCTS INC.	CANADA
FLAIR LIMITED	UK
G.C. EVANS (Holdings) LIMITED	UK
G.S. IONA LIMITED	UK
GENERAL SIGNAL (CHINA) CO., LTD.	CHINA
GENERAL SIGNAL (EUROPE) LIMITED STOCKPORT (ENGLAND), KINDHAUSEN BRANCH	UK
GENERAL SIGNAL (S.E.G.) ASIA LIMITED	HONG KONG
GENERAL SIGNAL (UK) LIMITED	UK
GENERAL SIGNAL ENTERPRISES	IRELAND
GENERAL SIGNAL EUROPE LIMITED	UK
GENERAL SIGNAL FSC, INC.	VIRGIN ISLANDS
GENERAL SIGNAL GMBH & CO. KG	GERMANY
GENERAL SIGNAL INDIA PRIVATE LIMITED	INDIA
GENERAL SIGNAL IRELAND B.V.	NETHERLANDS
GENERAL SIGNAL NETWORKS (GERMANY) GMBH	GERMANY
GENERAL SIGNAL S.E.G. LIMITED	UK
GENERAL SIGNAL VERWALTUNGSGESELLSCHAFT GMBH	GERMANY
GSE SCALE SYSTEMS GMBH	GERMANY
HANGZHOU KAYEX ZHEDA ELECTROMECHANICAL CO., LTD	CHINA
HIGH RIDGE IRELAND LTD.	IRELAND
IBS FILTRAN KUNSTOFF-/METALLERZEUGNISSE GMBH	GERMANY
IDENTICAM SYSTEMS CANADA LTD.	ONTARIO, CANADA
INRANGE TECHNOLOGIES CANADA INC.	ONTARIO, CANADA
INRANGE TECHNOLOGIES GMBH	GERMANY
INRANGE TECHNOLOGIES HOLDING S.A.S.	FRANCE
INRANGE TECHNOLOGIES ITALIA S.R.L.	ITALY
INRANGE TECHNOLOGIES LIMITED	UK
INRANGE TECHNOLOGIES S.A.	BELGIUM
INRANGE TECHNOLOGIES S.A.	SWITZERLAND
INRANGE TECHNOLOGIES S.A.S.	FRANCE
ISS INTEGRATED SECURITY SOLUTIONS (UK) LIMITED	UK
ISS INTEGRATED SECURITY SOLUTIONS INC.	CANADA
JACK HYDRAULICS	UK
JATEK, LIMITED	JAPAN
JURUBATECH TECHNOLOGIA AUTOMOTIVA LTDA.	BRAZIL
KELLEY COMPANY FSC, INC.	BARBADOS
KELLEY INTERNATIONAL LIMITED	GIBRALTAR
KEMP LIMITED	UK
KENDRO LABORATORY PRODUCTS (HK) LTD.	HONG KONG
KENDRO LABORATORY PRODUCTS Gesmbh	AUSTRIA
KENDRO LABORATORY PRODUCTS GmbH	GERMANY
KENDRO LABORATORY PRODUCTS INDIA PVT. LTD.	INDIA
KENDRO LABORATORY PRODUCTS PLC	UK
KENDRO LABORATORY PRODUCTS PTY., LTD.	AUSTRALIA
KENDRO LABORATORY PRODUCTS, AB	SWEDEN
KENDRO LABORATORY PRODUCTS, AG	SWITZERLAND
KENDRO LABORATORY PRODUCTS, SAS	FRANCE
KENT MOORE UK LIMITED	UK
KENT-MOORE DO BRASIL INDUSTRIA E COMMERCIO LTDA.	BRAZIL
LAB IMPEX RESEARCH LIMITED	UK
LDS LIMITED	UK
LEEDS & NORTHRUP (FRANCE) S.A.R.L.	FRANCE

SPX Corporation
Foreign Subsidiaries

Subsidiary	Jurisdiction of Organization
LEEDS & NORTHRUP GMBH	GERMANY
LEEDS & NORTHRUP ITALY, Srl	ITALY
LEEDS & NORTHRUP LIMITED	UK
LEEDS & NORTHRUP MEXICANA, S.A.	MEXICO
LEEDS & NORTHRUP S.A.	SPAIN
LEEDS & NORTHRUP SINGAPORE PTE. LIMITED	SINGAPORE
LIGHTNIN (EUROPE) LIMITED	UK
LIGHTNIN MIXERS LIMITED	UK
LIGHTNIN MIXERS PTY. LTD.	AUSTRALIA
LING DYNAMIC SYSTEMS GmbH	GERMANY
LING DYNAMIC SYSTEMS LIMITED	UK
LING DYNAMIC SYSTEMS SARL	FRANCE
LÖWENER OTC TOOL GMBH	GERMANY
MACTEK PTY LIMITED	AUSTRALIA
MARLEY (DAVENPORT) LIMITED	UK
MARLEY ASIA PACIFIC (SEA) Sdn Bhd (289809-U)	MALAYSIA
MARLEY ASIA PACIFIC PTE LTD	SINGAPORE
MARLEY CANADIAN INC.	ONTARIO, CANADA
MARLEY COOLING TOWER (HOLDINGS) LIMITED	UK
MARLEY COOLING TOWER COMPANY (EUROPE) LIMITED	UK
MARLEY COOLING TOWER COMPANY (FRANCE) SNC	FRANCE
MARLEY COOLING TOWER COMPANY (U.K.) LIMITED	UK
MARLEY COOLING TOWER EUROPE SPA	ITALY
MARLEY COOLING TOWER INTERNATIONAL LIMITED	ONTARIO, CANADA
MARLEY DO BRAZIL PARTICIPACOES Ltd.	BRAZIL
MARLEY MEXICANA S.A. de C.V.	MEXICO
MARLEY PELLUX HOLDINGS LTD.	TORTOLA, BVI
MARLEY PUMP ASIA Pte. Ltd.	SINGAPORE
MARLEY PUMP AUSTRALIA Pty. Ltd.	AUSTRALIA
MARLEY TEMCEL AUSTRALIA PTY. LIMITED	AUSTRALIA
MARLEY TORRAVAL, S.A.	SPAIN
MARLEY WATER-LINE SDN. BHD.	MALAYSIA
MARLEY-SINRO COOLING TOWER COMPANY, LTD.	CHINA
MAXIVOX INC.	QUÉBEC, CANADA
MELTRACE LIMITED	UK
NEMA AIRFIN GmbH	GERMANY
NIPPON KENDRO KK	JAPAN
PEARPOINT (INTERNATIONAL) LIMITED	UK
PEARPOINT HOLDINGS LIMITED	UK
PEARPOINT LIMITED	UK
PEARPOINT OVERSEAS LIMITED	UK
PIPCO INDUSTRIAL SUPPLIES LTD.	BRITISH COLUMBIA, CANADA
PNEUMATIC PRODUCTS LIMITED	UK
PURIFLAIR INDIA PRIVATE LIMITED	INDIA
RADIODETECTION (CANADA) LTD.	ONTARIO, CANADA
RADIODETECTION AUSTRALIA PTY LIMITED	AUSTRALIA
RADIODETECTION B.V.	NETHERLANDS
RADIODETECTION GmbH	GERMANY
RADIODETECTION HOLDINGS LIMITED	UK
RADIODETECTION JV SDN BHD	MALAYSIA
RADIODETECTION LIMITED	CHINA
RADIODETECTION LIMITED	UK
RADIODETECTION LIMITED	JAPAN
RADIODETECTION OVERSEAS LIMITED	UK
RADIODETECTION S.L.	SPAIN
RADIODETECTION SARL	FRANCE
RADIODETECTION Sp z.o.o.	POLAND
RADIODETECTION Srl	ITALY
RADIODETECTION SRL	ROMANIA
SERCO CANADA LTD.	CANADA
SORVALL UK LTD.	UK

SPX Corporation
Foreign Subsidiaries

Subsidiary	Jurisdiction of Organization
SPAN INTERNATIONAL LIMITED	BAHAMAS
SPX (SCHWEIZ) A.G.	SWITZERLAND
SPX (SHANGHAI) TRADING CO. LTD.	CHINA
SPX AUSTRALIA PTY., LTD.	AUSTRALIA
SPX CANADA INC.	CANADA
SPX DE MEXICO, S.A de C.V.	MEXICO
SPX EUROPE GMBH	GERMANY
SPX EUROPE HOLDING GMBH	GERMANY
SPX FILTRAN BEIJING	CHINA
SPX FRANCE S.R.L.	FRANCE
SPX IBERICA S.A.	SPAIN
SPX INTERNATIONAL, LTD.	BARBADOS
SPX ITALIA S.R.L.	ITALY
SPX NETHERLANDS B.V.	NETHERLANDS
SPX SINGAPORE PTE. LTD.	SINGAPORE
SPX SPECIALTY ENGINEERED PRODUCTS SHANGHAI	CHINA
SPX UNITED KINGDOM LTD.	UK
SPX VALVES SHANGHAI	CHINA
SRE ELECTRONICS LIMITED	UK
STOCK JAPAN, LTD.	JAPAN
TECNOTEST S.R.L.	ITALY
TELESPEC LIMITED	UK
TOMAL AB	SWEDEN
U.D.I. FINANCE LIMITED	IRELAND
U.D.I. FOREIGN SALES CORPORATION	BARBADOS, W.I.
U.D.I. MAURITIUS LIMITED	REPUBLIC OF MAURITIUS
UDI (THAILAND) CO. LTD	THAILAND
UD-RD HOLDING COMPANY LIMITED	UK
UNITED DOMINION HOLDING LIMITED	ONTARIO, CANADA
UNITED DOMINION HUNGARY FINANCING GROUP COMPANY LIMITED BY SHARES	HUNGARY
UNITED DOMINION INDUSTRIES (ITALY) SRL	ITALY
UNITED DOMINION INDUSTRIES CORPORATION	NOVA SCOTIA, CANADA
UNITED DOMINION INDUSTRIES SPAIN, S.L.	SPAIN
UNITED DOMINION PTE, LTD	SINGAPORE
UPPER VALLEY FIRE PROTECTION LTD.	BRITISH COLUMBIA, CANADA
V L CHURCHILL LIMITED	UK
VALLEY FORGE TECHNICAL INFORMATION SERVICES GMBH	GERMANY
VANCE INTERNATIONAL DE MEXICO, S.A. DE C.V.	MEXICO
VANCE INTERNATIONAL OF CANADA, INC.	CANADA
VANCE INTERNATIONAL OF SOUTH AMERICA LTDA.	BRAZIL
VARUN FLAIR FILTRATION PRIVATE LTD.	INDIA
VIBRATION SALES AND SERVICE LTD.	UK
WCB ICE CREAM A/S	DENMARK
WCB ICE CREAM ITALY S.R.L.	ITALY
WCB MEXICO, S.A. de C.V.	MEXICO
WINTCLEAN AIR (UK) LIMITED	UK
WUXI AIR-XI GAGE COMPANY., LTD.	CHINA
ZITON (PTY) LIMITED	REPUBLIC OF SOUTH AFRICA
ZITON LIMITED	UK

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the following registration statements of SPX Corporation: Form S-8 (File No.'s 33-24043, 333-29843, 333-29851, 333-29857, 333-29855, 333-38443, 333-70245, 333-82645, 333-82647, 333-61766, 333-69250, and 333-69252), Form S-4 (File No.'s 333-68650) and Form S-3 (Files No.'s 333-56364, 333-68648, 333-68652, 333-76978 and 333-86538) of our report dated March 13, 2003 relating to the consolidated financial statements of SPX Corporation and subsidiaries as of and for the year ended December 31, 2002 (which report expresses an unqualified opinion and includes explanatory paragraphs relating to (i) the adoption of new accounting principles and (ii) the application of procedures relating to certain other disclosures and reclassifications of financial statement amounts related to the 2001 and 2000 consolidated financial statements that were audited by other auditors who have ceased operations and for which we have expressed no opinion or other form of assurance other than with respect to such disclosures and reclassifications) appearing in this Annual Report on Form 10-K of SPX Corporation for the year ended December 31, 2002.

/s/ Deloitte & Touche LLP
Charlotte, North Carolina
March 13, 2003

Exhibit 23.2

The Board of Members
EGS Electrical Group, LLC:

We consent to the incorporation by reference in the registration statements on Form S-3 (Nos. 333-56364, 333-68648, 333-68652, 333-76978, and 333-86538), on Form S-4 (No. 333-68650) and on Form S-8 (Nos. 33-24043, 333-29843, 333-29851, 333-29857, 333-29855, 333-38443, 333-70245, 333-82645, 333-82647, 333-61766, 333-69250, and 333-69252) of SPX Corporation of our report dated December 18, 2000, with respect to the consolidated balance sheet of EGS Electrical Group, LLC and subsidiaries as of September 30, 2000, and the related consolidated statements of income, members' equity and comprehensive income, and cash flows for the year ended September 30, 2000, which report appears in the December 31, 2002 annual report on Form 10-K of SPX Corporation.

/s/ KPMG LLP

Chicago, Illinois
March 14, 2003

The following statement is being made to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1349), which carries with it certain criminal penalties in the event of a knowing or willful misrepresentation.

Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: SPX Corporation

Ladies and Gentlemen:

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1349), each of the undersigned hereby certifies that:

(i) this Annual Report on Form 10-K, for the period ended December 31, 2002, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of SPX Corporation.

Dated as of this 17th day of March, 2003.

John B. Blystone Chairman, President and Chief Executive Officer	Patrick J. O'Leary Vice President, Finance, Treasurer and Chief Financial Officer