

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

FORM 10-K

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

For the fiscal year ended August 31, 1998

OR

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

For the transition period from _____ to _____.
Commission File No. 1 - 11288

APPLIED POWER INC.

(Exact name of Registrant as specified in its charter)

Wisconsin

(State or other jurisdiction of
incorporation or organization)

39-0168610

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

13000 West Silver Spring Drive
Butler, Wisconsin 53007
Mailing address: P.O. Box 325, Milwaukee, Wisconsin 53201

(Address of principal executive offices)

(414) 783-9279

(Registrant's telephone number, including area code)

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

Class A Common Stock,
\$.20 par value per share

(Title of each class)

New York Stock Exchange

(Name of each exchange on
which registered)

Securities registered pursuant to Section 12(g) of the Act: None

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

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

As of October 30, 1998, the aggregate market value of Common Stock held by non-
affiliates was approximately \$1,036.9 million, and there were 38,654,903 shares

of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on January 8, 1999 are incorporated by reference into Part III hereof.

PART I

Item 1. Business

General Development of the Company

Applied Power Inc. (the "Company"), a Wisconsin corporation incorporated in 1910, is a diversified global company engaged in the business of providing tools, equipment, systems and supply items to a variety of end users and original equipment manufacturers ("OEMs") in the manufacturing, computer, semiconductor, telecommunication, datacom, construction, electrical, transportation, recreational vehicle, aerospace, defense and other industries.

The Company's operations are divided into three business segments:

Enclosure Products and Systems

Electronic enclosure products, systems and technical environment solutions sold into the telecommunication, computer networking, semiconductor equipment, medical, electronic and manufacturing environments.

Engineered Solutions

Motion, vibration control and magnetic applications and systems primarily for OEM customers.

Tools and Supplies

Industrial and electrical tools and supplies sold primarily through distributors and mass merchandisers.

Merger and Acquisitions

During the fiscal year, the Company's Enclosure Products and Systems segment acquired several businesses. Substantially all of the assets of Performance Manufactured Products Inc., located in San Jose, California, and a related entity ("PMP") were acquired in January 1998. In February 1998, the Company acquired AA Manufacturing, Inc. ("AA"), located in Garland, Texas. The Company purchased certain assets of Product Technology Inc. ("PTI"), located in Irvine, California, in May 1998. Premier Industries ("Premier"), located in Hudson, New Hampshire, was purchased in May 1998. In June 1998, the Company, through a wholly-owned subsidiary, acquired all of the outstanding shares of VERO Group plc ("VERO"). VERO is a United Kingdom based company that manufactures electronic enclosures, racks, backplanes and power supplies. The Company purchased certain assets of Brown Manufacturing Company ("Brown"), located in Austin, Texas, in June 1998. On July 31, 1998, the Company and ZERO Corporation ("ZERO") completed the merger of a newly created subsidiary of the Company into ZERO following special meetings for both companies at which shareholders voted to approve the merger. ZERO's operations had two business segments: "Enclosures and Accessories" for the electronics industry and "Other" which serves the air cargo and other/consumer markets. The ZERO units have been integrated into the Enclosure Products and Systems and Engineered Solutions segments of the Company.

Following the end of the fiscal year, in September, 1998, the Company announced that the Boards of Directors of the Company and Rubicon Group plc ("Rubicon") had agreed to terms of a recommended cash offer by the Company to acquire the entire issued share capital of Rubicon. Rubicon is comprised of two business divisions. The Electronic Manufacturing Services ("EMS") division is a contract manufacturer of complex electronic enclosures and related system sub-assemblies. The second division is Rubicon's magnetics business, which specializes in the design, prototyping, manufacturing and testing of bonded magnets, using rare earth and ferric magnet materials for applications in the information technology, automotive and consumer electronic industries.

All of the above acquisitions in aggregate relate to electronic enclosures manufacturing, assembly, integration and supporting critical components such as backplanes, thermal management and power supplies.

With respect to the Engineered Solutions segment, in October 1997, the Company, through a wholly-owned subsidiary, acquired all of the outstanding shares of Versa Technologies Inc. ("Versa/Tek"). Versa/Tek, operating out of several locations in Wisconsin, is a value-added manufacturer of custom engineered components and systems for diverse industrial markets, and has been integrated into the Company's Engineered Solutions and Tools and Supplies segments.

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During the year, the Company also made several acquisitions in the Tools and Supplies segment. The outstanding capital stock of Del City Wire Co., Inc. ("Del City") was acquired in February 1998. Headquartered in Oklahoma City, Oklahoma, Del City is a direct catalog supplier of electrical wire, consumables, and accessories to wholesale and OEM customers in the heavy equipment, automotive, trucking, marine and industrial markets. Del City is also a domestic manufacturer of solderless terminals, molded electrical plugs, battery cables and related products. In January 1998, the Company completed the acquisition of all of the outstanding capital stock of Ancor Products, Inc. ("Ancor"). Ancor, headquartered in Cotati, California, is a market leader in electrical products to the marine industry. In October 1997, the Company's CalTerm subsidiary acquired substantially all of the assets of Nylo-Flex Manufacturing Company, Inc. ("Nylo-Flex"). Nylo-Flex, which does business under the TAM name, is headquartered in Mobile, Alabama. Nylo-Flex is a manufacturer, packager, and distributor of high quality battery terminals, battery cables, and battery maintenance accessories to the automotive, marine, farm, fleet and industrial markets.

For further information regarding the Company's acquisitions, see Note B - "Merger and Acquisitions" and Note P - "Subsequent Events" in Notes to Consolidated Financial Statements.

Financial information by segment and geographic area, as well as information related to export sales, is included in Note N - "Segment Information" in Notes to Consolidated Financial Statements, which is included as part of Item 8 of Part II of this report and is incorporated herein by reference.

All dollar amounts are in US\$ thousands unless otherwise indicated.

Description of Business Segments

ENCLOSURE PRODUCTS AND SYSTEMS

Enclosure Products and Systems ("EPS"), formerly known as Technical Environments and Enclosures, provides users and manufacturers of electronic equipment with technical furniture and electronic enclosure products and systems. Technical furniture, sold primarily under the Wright Line brand name, is used to configure the environment in which computers reside, including computer room, manufacturing or technical office environments. Electronic enclosure products are cabinets, racks and subracks that are sold under the Stantron and VERO brand names. Other products include backplanes, power supplies and cases sold under the VERO, Danica and ZERO Halliburton(R) brand names, respectively. In addition to providing standard products, EPS sells customized electronic enclosure systems allowing the Company to provide completely integrated and tested products to a wide array of customers including the telecommunication, computer networking, semiconductor manufacturing equipment and automated teller machines markets. The systems business is driven by the desire of many producers of electronic components to outsource manufacturing and it relies heavily on EPS' skills in new product development, supply chain management, assembly and testing. EPS also has a global drop ship capability.

EPS products are primarily sold direct, with specific standard products going through distribution in selected markets. EPS sales and manufacturing locations are mainly in Europe and North America. EPS' largest single customer, IBM, is expected to account for just under ten percent of total EPS sales in 1999. Sales to the Federal Government, which now average approximately 7% of total EPS net sales, are made pursuant to a contract between EPS and the US Government's General Services Administration ("GSA"). The government sales are primarily for technical furniture. As the enclosure product line grows within EPS, it is expected that the percent of total EPS sales attributable to the GSA contract

will decline considerably in 1999.

ENGINEERED SOLUTIONS

Engineered Solutions ("ES") is a technology based business providing customized solutions to OEM customers in the truck, aerospace, automotive, recreational vehicle, electrical/electronic enclosures and other general industrial markets. ES possesses particular competence in hydraulic, electromechanical, rubber/elastomer molding, magnetic, thermal systems and electronic control techniques. Principle brand names that ES trades under include McLean, Barry Controls, Power Gear, Power Packer, Vlier, Mox-Med and Eder. The segment's sales, engineering and manufacturing activities are primarily in Europe and North America. As an OEM supplier, ES operates as a just-in-time supplier and maintains numerous quality certifications including ISO 9001 and ISO 9000. Most ES sales are diversified by customer and end user industry and are primarily sold through direct sales persons, with sales representatives and distributors used in certain situations.

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TOOLS AND SUPPLIES

Tools and Supplies ("TS") provides a wide array of electrical and industrial tools and supplies to wholesale distributors, catalogs and various retail channels of distribution. TS provides over 10,000 stock keeping units ("SKUs"), most of which are designed and manufactured by the Company in North America. TS has particular expertise in hydraulic design and plastic injection molding. The Company maintains a sophisticated sourcing operation to supply additional products to supplement its own products and meet its customers' needs. Principal brand names used by the Company include Enerpac, GB Gardner Bender, Ancor, Calterm and Del City. End user markets include general industrial, construction, retail marine, retail automotive, do-it-yourself and production automation. To provide its customers with the service levels required, TS maintains a sophisticated warehouse and physical distribution capability in North America, Europe and Asia. Certain products are sold on an OEM basis.

Competition

The Company competes on the basis of product design, quality, availability, performance, customer service and price. The Company believes that its technical skills, global presence, shared technology base, close working relationships with customers as well as patent protection bolster its competitive position.

The Company's businesses face competition to varying degrees in each of their markets. In general, each product line competes with a small group of different competitors. No one company competes directly with the Company across all of its businesses.

Research and Development

The Company maintains engineering staffs at several locations that design new products and make improvements to existing product lines. Expenditures for research and development were \$13,947, \$10,437 and \$10,247 in fiscal years 1998, 1997 and 1996, respectively, the majority of which was expended by the Engineered Solutions segment. Substantially all research, development and product improvement expenditures are Company funded.

Patents and Trademarks

The Company has been issued a number of patents that provide protection for valuable designs and processes primarily in its Tools and Supplies and Engineered Solutions businesses. The Company owns numerous other United States and foreign patents and trademarks. No such individual patent or trademark (or group thereof) is believed to be of sufficient importance that its termination would have a material adverse effect on the Company's businesses.

Manufacturing, Materials and Suppliers

The majority of the Company's manufacturing operations include the assembly of parts and components which have been purchased by the Company from a number of suppliers. In the absence of unusual circumstances, substantially all such parts and components are normally available from a number of local and national suppliers.

Order Backlogs and Seasonality

At August 31, 1998, the Company had approximately \$251,900 in backlog, compared to approximately \$164,200 at August 31, 1997. Substantially all orders are expected to be completed prior to August 31, 1999. The Company's sales are subject to minor seasonal fluctuations, with second quarter sales traditionally being the lowest of the year.

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Employee Relations

As of August 31, 1998, the Company employed approximately 10,150 people on a full-time basis, of which approximately 80 were represented by a collective bargaining agreement. In general, the Company enjoys good relationships with its employees.

Environmental Compliance

The Company has facilities in numerous geographic locations that are subject to a range of environmental laws and regulations. Compliance with these laws has and will require expenditures on a continuing basis. The Company has been identified by the United States Environmental Protection Agency as a "Potentially Responsible Party" regarding various multi-party Superfund sites. Based on its investigations, the Company believes it is a de minimis participant in each case, and that any liability which may be incurred as a result of its involvement with such Superfund sites, taken together with its expenditures for environmental compliance, will not have a material adverse effect on its financial position. Environmental costs are expensed or capitalized depending on their future economic benefits. Expenditures that have no future economic value are expensed. Liabilities are recorded when environmental remediation is probable and the costs can be reasonably estimated. Environmental expenditures over the last three years have not been material. Although the level of future expenditures for environmental remediation is impossible to determine with any degree of certainty, it is management's opinion that such costs are not presently expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. Environmental remediation accruals of \$4,049 and \$1,608 were included in the Consolidated Balance Sheet at August 31, 1998 and 1997, respectively. For further information, refer to Note 0 - "Contingencies and Litigation" in Notes to Consolidated Financial Statements.

Item 2. Properties

The following table summarizes the principal manufacturing, warehouse and office facilities owned or leased by the Company:

Location and Business	Size (sq. feet)	Owned/Leased

ENCLOSURE PRODUCTS AND SYSTEMS		

Anaheim, California	360,000	Leased
Monson, Massachusetts	320,000	Owned
North Salt Lake, Utah	292,000	Owned
Worcester, Massachusetts	240,000	Owned
Dublin, Ireland	205,000	Leased/Owned
Eastleigh, England	186,000	Leased
San Jose, California	177,000	Leased
Middlesex, England	151,000	Leased
Monon, Indiana	150,000	Owned
Hudson, New Hampshire	140,000	Leased
Pacoima, California	113,000	Leased
Southampton, England	95,000	Leased
Garland, Texas	80,000	Leased
El Monte, California	78,000	Leased
Wallingford, Connecticut	76,000	Leased
Cork, Ireland	70,000	Leased

West Boylston, Massachusetts	60,000	Owned
Portsmouth, New Hampshire	55,000	Leased
Bremen, Germany	54,000	Owned
Austin, Texas	51,000	Leased
San Diego, California	49,000	Owned
Garden Grove, California	47,000	Leased
Aarup, Denmark	38,000	Owned
Irvine, California	35,000	Leased
Beauvais, France	32,000	Owned

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Location and Business	Size (sq. feet)	Owned/Leased
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ENGINEERED SOLUTIONS

Champlin, Minnesota	186,000	Owned
Birmingham, England	145,000	Owned/Leased
Brighton, Massachusetts	144,000	Leased
Robbinsville, New Jersey	133,000	Owned
Burbank, California	126,000	Leased
Oldenzaal, Netherlands	126,000	Owned/Leased
Rancho Dominguez, California	110,000	Leased
Waukesha, Wisconsin	83,000	Leased
Pachuca, Mexico	73,000	Leased
Oak Creek, Wisconsin	72,000	Owned
Hartford, Connecticut	65,000	Owned
Portage, Wisconsin	56,000	Owned
Westfield, Wisconsin	40,000	Owned
Hersham, England	39,000	Leased
Beaver Dam, Wisconsin	38,000	Owned
Camarillo, California	36,000	Leased
Tijuana, Mexico	35,000	Leased
Middlesex, England	32,000	Leased
Smethwick, England	29,000	Leased
Sao Paulo, Brazil	22,000	Leased

TOOLS AND SUPPLIES

Glendale, Wisconsin	313,000	Leased
Troyes, France	185,000	Leased
Columbus, Wisconsin	130,000	Leased
Veenendaal, Netherlands	97,000	Owned
Mobile, Alabama	75,000	Leased
Cudahy, Wisconsin	73,000	Owned
San Diego, California	69,000	Leased
Oklahoma City, Oklahoma	56,000	Leased
Reno, Nevada	55,000	Owned
Tecate, Mexico	54,000	Leased
Tokyo, Japan	39,000	Leased
Charlotte, North Carolina	36,000	Leased
Matthews, North Carolina	33,000	Owned
Alexandria, Minnesota	25,000	Owned
Sydney, Australia	23,000	Leased
Cotati, California	20,000	Leased
Taipei, Taiwan	19,000	Leased
Ontario, Canada	18,000	Leased
Corsico, Italy	18,000	Owned
Seoul, South Korea	18,000	Leased
Lancaster, Pennsylvania	16,000	Leased
Dusseldorf, Germany	15,000	Leased
Singapore, Singapore	15,000	Leased

In addition to these properties, the Company utilizes a number of smaller facilities in Spain, Italy, Canada, Brazil, France, Germany, Russia, Taiwan, India, Hong Kong, Malaysia, the Peoples Republic of China, the United Kingdom and the United States. The above table does not include facilities acquired with Rubicon in September 1998. The Company's headquarters are based in a leased

office facility in Butler, Wisconsin.

The Company's strategy is to lease properties when available and economically advantageous. Leases for the majority of the Company's facilities include renewal options. For additional information, see Note J - "Leases" in

Notes to Consolidated Financial Statements. The Company believes its current properties are well maintained and in general are adequately sized to house existing operations.

Item 3. Legal Proceedings

The Company is a party to various legal proceedings that have arisen in the normal course of its business. These legal proceedings typically include product liability, environmental, labor and patent claims. (For further information related to environmental claims, refer to the section titled "Environmental Compliance" in Item 1). The Company has recorded reserves for estimated losses based on the specific circumstances of each case. Such reserves are recorded when the occurrence of loss is probable and can be reasonably estimated. In the opinion of management, the resolution of these contingencies is not expected to have a material adverse effect on the Company's financial condition, results of operations or cash flows. For further information, refer to Note O - "Contingencies and Litigation" in Notes to Consolidated Financial Statements.

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

On July 31, 1998, ZERO Corporation, a Delaware corporation ("ZERO"), became a wholly-owned subsidiary of the Company through the merger of STB Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of the Company ("Acquisition"), with and into ZERO (the "Merger") pursuant to an Agreement and Plan of Merger by and among the Company, ZERO and Acquisition dated as of April 6, 1998 (the "Merger Agreement"). The shareholders of the Company approved the issuance of shares of the Company's common stock pursuant to the Merger Agreement to effect the transactions contemplated by the Merger Agreement by the requisite vote at the special meeting of shareholders of the Company held on July 31, 1998. The voting results were: 22,160,498 for; 77,950 against; 608,361 abstentions; and, no broker non-votes.

Executive Officers of the Registrant

The names, ages and positions of all of the executive officers of the Company are listed below.

Name	Age	Position
Richard G. Sim	54	Chairman, President and Chief Executive Officer; Director
William J. Albrecht	47	Senior Vice President
Philip T. Burkart	41	Senior Vice President
Timothy R. Wightman	52	Senior Vice President
Gustav H.P. Boel	54	Vice President
Theodore M. Lecher	47	Vice President
Robert C. Arzbaecher	38	Senior Vice President and Chief Financial Officer
Richard D. Carroll	35	Treasurer and Controller
Anthony W. Asmuth III	56	Secretary

Richard G. Sim was elected President and Chief Operating Officer in 1985, Chief Executive Officer in 1986 and Chairman of the Board in 1988. From 1982 through

1985, Mr. Sim was a General Manager in the General Electric Medical Systems Business Group. He is also a director of IPSCO Inc. and Oshkosh Truck Corporation.

William J. Albrecht was named Senior Vice President of Engineered Solutions in 1994. Prior to that, he served as Vice President and President of Power-Packer and APITECH since 1991. He joined the Company in 1989 as Director of Marketing of the APITECH Division in the United States and became General Manager shortly

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thereafter. Prior to joining the Company, Mr. Albrecht was Director of National Accounts and Industrial Power Systems at Generac Corp. from 1987 to 1989.

Philip T. Burkart was elected Senior Vice President of the Company in 1998. Prior to that, he served as Vice President of the Company since 1995 and President of Enclosure Products and Systems since 1994. From 1990 to 1994, Mr. Burkart held various positions within Enclosure Products and Systems including: General Manager, Vice President, Marketing and Operations and Director of Marketing. Prior to joining the Company, Mr. Burkart was a Marketing Manager for GE Medical Systems.

Timothy R. Wightman joined the Company in September 1998 with the acquisition of Rubicon Group plc where he was Chief Executive Officer since 1992. Prior to joining Rubicon, Mr. Wightman was Chief Executive of Credit Ancillary Services Ltd from 1987 to 1992.

Gustav H.P. Boel was appointed Vice President with responsibilities for Tools and Supplies in 1998. Prior to that, Mr. Boel was President of Enerpac since 1995. From 1991 to 1995, he managed the Company's Engineered Solutions business in Europe. From 1990 to 1991, Mr. Boel was Technical Director for Groeneveld, located in the Netherlands. Prior to 1990, Mr. Boel worked in Europe in various positions in the industrial tool business.

Theodore M. Lecher was appointed Business Development Leader in 1998. Prior to that, he served as President of GB Electrical, Inc. (Gardner Bender, Inc. prior to its acquisition by the Company in 1988) since 1986. He has been a Company Vice President since 1988. He was Vice President-General Manager of Gardner Bender, Inc. from 1983 to 1986, and prior to that, Director of Sales and Marketing since 1980. Mr. Lecher has been associated with GB Electrical, Inc. since 1977.

Robert C. Arzbaecher was named Vice President and Chief Financial Officer in 1994 and Senior Vice President in 1998. He had served as Vice President, Finance of Tools and Supplies from 1993 to 1994. He joined the Company in 1992 as Corporate Controller. From 1988 through 1991, Mr. Arzbaecher was employed by Grabill Aerospace Industries LTD, where he last held the position of Chief Financial Officer.

Richard D. Carroll joined the Company as Corporate Controller in 1996 and was appointed Treasurer and Controller in 1998. Mr. Carroll was previously employed with the Northwest Indiana Water Company as its Vice President/Controller during 1995. Prior to that, he was Controller for Nypro Chicago from 1993 to 1995.

Anthony W. Asmuth III is a partner in the law firm of Quarles & Brady, Milwaukee, Wisconsin, having joined that firm in 1989. Quarles & Brady performs legal services for the Company and certain of its subsidiaries. Prior to joining Quarles & Brady, he was a shareholder of the law firm of Whyte Hirschboeck Dudek S.C. Mr. Asmuth had previously served as Secretary of the Company from 1986 to 1993. He was re-elected Secretary in 1994.

Each officer is appointed by the Board of Directors and holds office until he resigns, dies, is removed or a different person is appointed to the office. The Board of Directors generally appoints officers at its meeting following the Annual Meeting of Shareholders.

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Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

On February 3, 1998, the Company effected a two-for-one stock split in the form of a 100 percent stock dividend. Unless otherwise indicated, all financial and other data contained in this report have been restated to give retroactive effect to such stock split.

The Company's common stock is traded on the New York Stock Exchange under the symbol APW. At October 30, 1998, the approximate number of record shareholders of common stock was 4,865. The high and low sales prices of the common stock by quarter for each of the past two years (adjusted to reflect the 1998 stock split) are as follows:

FISCAL YEAR	PERIOD	HIGH	LOW
1998	June 1 to August 31	\$ 38	\$ 24 3/4
	March 1 to May 31	40	33 1/2
	December 1 to February 28	35 3/4	34 11/16
	September 1 to November 30	34 1/4	29 1/2
1997	June 1 to August 31	\$ 31 3/4	\$ 21 7/8
	March 1 to May 31	22 9/16	19 9/16
	December 1 to February 28	21 7/16	18 3/16
	September 1 to November 30	18 3/4	14 11/16

Quarterly dividends of \$0.015 per share were declared and paid by the Company for each of the quarters above.

Item 6. Selected Financial Data

The following table sets forth selected consolidated financial information of the Company for the five fiscal years in the period ended August 31, 1998. This selected financial information should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto, included herein. The selected financial data reflect the combined results of operations and financial position of Applied Power Inc. and ZERO Corporation restated for all periods presented pursuant to the pooling of interests method of accounting and includes the results of other acquired companies from their respective effective dates of acquisition in accordance with the purchase method of accounting. See Notes A - "Summary of Significant Accounting Policies" and B - "Merger and Acquisitions" in Notes to Consolidated Financial Statements.

(In Millions, except per share amounts)

	For the years ended August 31,				
	1998/(1)/	1997/(1)/	1996/(1)/	1995/(1)/	1994/(1)/
Net Sales	\$1,230.7	\$ 897.8	\$ 777.5	\$ 706.8	\$ 605.5
Gross Profit	395.0	327.2	290.5	263.0	219.4
Earnings (Loss)					
Continuing Operations	26.7/(2) (3)/	57.9	50.7	39.8	29.7
Discontinued Operations	-	-	-	-	(0.4)
Extraordinary Loss	-	-	-	(4.9)	-
Net Earnings	\$ 26.7	\$ 57.9	\$ 50.7	\$ 34.9	\$ 29.4
Basic Earnings (Loss) Per Share					
Continuing Operations	\$ 0.70/(2) (3)/	\$ 1.53	\$ 1.26	\$ 0.99	\$ 0.75
Discontinued Operations	-	-	-	-	(0.01)
Extraordinary Loss	-	-	-	(0.12)	-
Net Earnings Per Share	\$ 0.70	\$ 1.53	\$ 1.26	\$ 0.87	\$ 0.74
Diluted Earnings (Loss) Per Share					
Continuing Operations	\$ 0.66/(2) (3)/	\$ 1.47	\$ 1.22	\$ 0.97	\$ 0.74
Discontinued Operations	-	-	-	-	(0.01)
Extraordinary Loss	-	-	-	(0.12)	-
Net Earnings Per Share/(4)/	\$ 0.66	\$ 1.47	\$ 1.22	\$ 0.85	\$ 0.73

August 31,

	1998	1997	1996	1995	1994
Total Assets	\$1,174.7	\$ 649.5	\$ 547.1	\$ 504.5	\$ 476.1
Long-term Obligations	\$ 512.6	\$ 153.2	\$ 128.1	\$ 74.2	\$ 78.0
Shareholders' Equity	\$ 341.9	\$ 305.4	\$ 253.3	\$ 277.3	\$ 243.8
Actual Shares Outstanding	38.6	38.0	37.6	40.4	39.8

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- (1) Prior to the Merger, ZERO had a March 31 fiscal year end. The historical results have been combined using an August 31 year end for ZERO for the year ended August 31, 1998. For all prior periods, the results of operations and financial position reflect the combination of ZERO with a March 31 fiscal year end and the Company with an August 31 fiscal year end. Net sales and net income for ZERO for the period April 1, 1997 through August 31, 1997 (which results are not included in the historical combined results) were \$107.2 and \$7.9, respectively.
- (2) Earnings from continuing operations in fiscal 1998 include a gain of approximately \$4.6, \$0.11 per share on a diluted basis, for special items recognized by ZERO.
- (3) Earnings from continuing operations in fiscal 1998 include charges related to merger, restructuring and other non-recurring costs of \$52.6, \$1.31 per share on a diluted basis. See Note G - "Merger, Restructuring and Other Non-recurring Charges" in Notes to Consolidated Financial Statements.

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- (4) Per share amounts for all periods presented have been restated to give effect to the Merger and a two-for-one stock split effected in the form of a 100 percent stock dividend distributed to the Company's shareholders of record as of January 22, 1998. To effect the stock split, a total of 13.9 shares of the Company's common stock were issued on February 3, 1998.
- (5) Prior to the Merger, ZERO declared quarterly dividends of \$0.03 per share in its fiscal years ended March 31, 1998 and 1997, \$0.11 per share in fiscal 1996 and the fourth quarter of fiscal 1995 and \$0.10 per share in the first three quarters of fiscal 1995 and each quarter of fiscal 1994. The Company declared quarterly dividends of \$0.015 per share (as adjusted for the stock split) in its fiscal years ended August 31, 1998, 1997, 1996, 1995 and 1994.

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

of Operations

(Dollars in Millions unless otherwise indicated, except per share amounts)

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in this report.

Business Combination

On July 31, 1998, the Company completed its Merger with ZERO Corporation ("ZERO"), a leading supplier of electrical and electronic system enclosure products and thermal management products. The Merger was accounted for as a pooling of interests. The Company issued approximately 10.6 million shares of its common stock in exchange for all outstanding common stock of ZERO Corporation and assumed outstanding options to purchase ZERO common stock that were converted into options to purchase approximately 0.6 million shares of the Company's common stock pursuant to the terms of the Merger.

All financial data of Applied Power Inc. and its subsidiaries (the "Company" or "APW") presented in this Form 10-K have been restated to include the historical financial information of ZERO Corporation in accordance with generally accepted accounting principles and pursuant to Regulation S-X. Prior to the Merger, ZERO had a March 31 fiscal year end. The historical results have been combined using an August 31 year end for ZERO for the year ended August 31, 1998. For all preceding years, the results of operations and financial position reflect the

combination of ZERO with a March 31 fiscal year end and the Company with an August 31 fiscal year end. Net sales and net income for ZERO for the period April 1, 1997 through August 31, 1997 (which results are not included in the historical combined results) were \$107.2 and \$7.9, respectively.

Results of Operations	Years Ended August 31,			Percentage of Net Sales		
	1998	1997	1996	1998	1997	1996
Net Sales	\$1,230.7	\$897.8	\$777.5	100.0%	100.0%	100.0%
Gross Profit	395.0	327.2	290.5	32.1	36.4	37.4
Operating Expenses	319.2	225.5	206.5	25.9	25.1	26.6
Operating Earnings	75.8	101.7	84.0	6.2	11.3	10.8
Other Expenses	18.4	12.5	6.6	1.5	1.4	0.8
Earnings Before Income Tax Expense	57.4	89.2	77.4	4.7	9.9	10.0
Income Tax Expense	30.7	31.3	26.7	2.5	3.5	3.4
Net Earnings	\$ 26.7	\$ 57.9	\$ 50.7	2.2%	6.4%	6.6%

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Merger, Restructuring and Other Non-recurring Items

The Company recorded restructuring and other one-time charges in the fourth quarter of fiscal 1998 of \$52.6, or \$1.31 per share on a diluted basis. The pre-tax charges of \$69.4 relate to costs associated with the ZERO merger, various plant consolidations principally associated with the enclosure businesses, and other cost reductions and product rationalization efforts of the Company. The pre-tax charges of \$69.4 include \$13.6 for severance payments for a reduction of approximately 400 employees, of which a negligible amount was paid in 1998 and \$9.3 in ZERO merger costs. In addition to the charges above, ZERO recognized a net gain of \$4.6, \$0.11 per share on a diluted basis, for special items relating to a gain from life insurance and sale of property offset by a provision for the estimated loss on the sale of a subsidiary. The following table reconciles reported results to results of operations on an ongoing basis:

Comparative Statement of Earnings	Year Ended August 31, 1998			
	APW As Reported	ZERO Non- recurring Items	Fourth Quarter One-time Charges	APW Excluding One-time Items
(In Thousands, except per share amounts)				
Net sales	\$1,230,689	\$ -	\$ -	\$1,230,689
Cost of products sold	835,716	-	(25,785)	809,931
Gross Profit	394,973	-	25,785	420,758
Engineering, selling and administrative expense	269,227	-	(9,019)	260,208
Amortization of intangible assets	20,353	-	(5,062)	15,291
Restructuring charges	20,298	-	(20,298)	-
Merger related expenses	9,276	-	(9,276)	-
Operating Earnings	75,819	-	69,440	145,259
Other Expense (Income):				
Net financing costs	28,531	-	-	28,531
Other - net	(10,097)	7,024	-	(3,073)
Earnings Before Income Tax Expense	57,385	(7,024)	69,440	119,801
Income Tax Expense	30,698	(2,438)	16,803	45,063
Net Earnings	\$ 26,687	\$ (4,586)	\$ 52,637	\$ 74,738

Basic Earnings Per Share	\$ 0.70	\$ (0.12)	\$ 1.36	\$ 1.94
Weighted Average Common Shares Outstanding (000's)	38,380	38,380	38,380	38,380
Diluted Earnings Per Share	\$ 0.66	\$ (0.11)	\$ 1.31	\$ 1.86
Weighted Average Common and Equivalent Shares Outstanding (000's)	40,174	40,174	40,174	40,174

Reclassifications

Certain prior year amounts have been reclassified to conform to the fiscal 1998 presentation, including, but not limited to, the reclassification of financial data previously reported in Tools and Supplies into Engineered Solutions.

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Net Sales

Net sales increased 37% during fiscal 1998 to \$1,230.7 from \$897.8 in fiscal 1997. The incremental effect of acquisitions was approximately \$256.0 in fiscal 1998. Price changes have not had a significant impact on the comparability of net sales during the last three years. Excluding the unfavorable impact on translated sales from the stronger US Dollar, sales increased approximately 39% over 1997.

Segment Sales	Sales			Percentage Change from Prior Year		
	1998	1997	1996	1998	1997	1996
Enclosure Products and Systems	\$ 482.4	\$296.2	\$190.1	63%	56%	25%
Engineered Solutions	432.0	312.3	308.9	38	1	4
Tools and Supplies	316.3	289.3	278.5	9	4	9
Totals	\$1,230.7	\$897.8	\$777.5	37%	15%	10%

Enclosure Products and Systems increased sales 63% over 1997. The acquisitions of VERO, Brown, Premier, PTI, AA and PMP in 1998 as well as Everest, CFAB and Hormann in 1997 resulted in additional sales of \$133.5. The continued expansion of end user markets in the US and Europe also contributed to the growth. Excluding acquisitions net of the negative impact of the stronger US Dollar, Enclosure Products and Systems sales in 1998 grew 22%. In 1997, sales grew 56% due to the effect of acquisitions, continued demand for its products, the expansion of its direct sales force and geographic expansion in Europe and Asia.

Sales for the Engineered Solutions segment improved 38% compared to 1997. The increase was the result of the acquisition of Versa/Tek in October 1997, which contributed \$91.1, along with growth primarily in European truck and automotive markets. The strengthening US Dollar negatively impacted sales by 2% in 1998. Sales increased 1% in 1997 over 1996, primarily the result of increased sales in the thermal management market.

Sales in the Tools and Supplies segment increased 9% in 1998 to \$316.3 from \$289.3 in 1997. The increase was primarily the result of \$31.4 of increased sales from acquisitions offset by declining Asian sales and the effect of the strengthening US Dollar. The impact of the stronger US Dollar negatively impacted reported sales by approximately 3% for the year. In 1997, sales for Tools and Supplies increased 4% over 1996. The increase for 1997 was attributed to approximately \$11.7 from acquisitions net of product line dispositions. The impact of the stronger US Dollar in 1997 over 1996 negatively impacted sales by approximately 5%.

Geographic Sales	Sales			Percentage Change from Prior Year		
	1998	1997	1996	1998	1997	1996
North America	\$ 895.3	\$653.3	\$547.6	37%	20%	12%
Europe	284.2	181.0	163.2	57	9	9
Japan and Asia Pacific	37.6	52.0	56.8	(28)	(8)	3
Latin America	13.6	11.5	9.9	18	16	(18)
Totals	\$1,230.7	\$897.8	\$777.5	37%	15%	10%

The Company does business in many different geographic regions and is subject to various economic conditions. The improved economic environment in North America and the effect of acquisitions combined to increase sales 37% in this region over 1997. Sales increased 20% in 1997 over 1996 primarily due to the improving US economy and the acquisitions made in the third quarter of 1996 and the first quarter of 1997.

Sales in Europe grew 57% in 1998 compared to 1997. The combination of the VERO acquisition, which contributed \$53.9, along with strong internal growth accounted for the 1998 growth. Sales grew 9% in 1997 compared to 1996, primarily the result of two acquisitions. Sales in Japan and Asia Pacific fell 28% in 1998 due to the general economic down-turn in this region. In 1997, sales decreased 8% in Japan and Asia Pacific, 6% of which was attributable to foreign currency fluctuations. The remaining decrease was caused by weakening economic conditions. The sales growth generated in Latin America during 1998 and 1997 was the result of geographic expansion in this region. As the Company's recent acquisition strategy has focused on North America and Europe, sales from Japan, Asia Pacific and Latin America are expected to become a smaller percentage of the Company's total sales in 1999.

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Gross Profit

Gross profit increased 21% in 1998 to \$395.0 compared to \$327.2 in 1997 and \$290.5 in 1996. The increases in gross profit resulted primarily from increased sales in 1998 and 1997.

Gross Profit Percentages By Segment	1998	1997	1996
Enclosure Products and Systems	32.1%	39.4%	42.4%
Engineered Solutions	31.8	32.5	31.4
Tools and Supplies	32.5	37.6	40.5
Totals	32.1%	36.4%	37.4%

The one-time charges that were recorded in the fourth quarter of fiscal 1998 negatively impacted gross profit by \$25.8. These charges primarily relate to a decision to discontinue certain product lines and SKUs, principally within Tools and Supplies. To a lesser extent, charges were incurred to conform ZERO inventory valuation methods to the Company's. Excluding the impact of these charges, the gross profit percentages by segment would have been:

Gross Profit Percentages By Segment (excluding one-time charges)	1998	1997	1996
Enclosure Products and Systems	33.8%	39.4%	42.4%
Engineered Solutions	32.5	32.5	31.4
Tools and Supplies	37.1	37.6	40.5
Totals	34.2%	36.4%	37.4%

The following discussion addresses the gross profit percentages by segment excluding the effect of the one-time charges discussed above. The overall gross profit percentage for the Company is primarily influenced by the relative sales mix between Enclosure Products and Systems, Engineered Solutions and Tools and Supplies. Engineered Solutions gross profit percentages are lower than either Enclosure Products and Systems or Tools and Supplies because a much higher proportion of its sales are made to OEM customers, which typically generate lower margins than non-OEM customers. The gross profit percentage in Engineered Solutions increased in 1997 versus 1996 as a result of efforts to reduce costs associated with manufacturing. Tools and Supplies gross profit percentage remained relatively flat in 1998 compared to 1997, however, the decline in 1997 compared to 1996 was primarily due to \$2.1 of non-recurring charges recorded in 1997 and competitive pricing pressures. Since 1996, gross profit percentages in Enclosure Products and Systems have been declining. This is the result of the effect of the enclosure related acquisitions that took place during 1998 and 1997. These enclosures are sold primarily to OEM customers and carry a lower gross profit margin. With the recent acquisition of Rubicon and the Company's continued focus on OEM customers, the gross profit percentage within Enclosure Products and Systems is expected to moderately decline in the future. However, as discussed below, these enclosure businesses operate with lower selling, administrative and engineering expenses. The overall gross profit margin of the Company will vary depending on the levels of OEM sales within Engineered Solutions and Enclosure Products and Systems.

Operating Expenses

Operating expenses increased \$93.6 in 1998, of which the fourth quarter one-time charges represented \$43.7. These one-time charges related to costs associated with the ZERO merger, goodwill impairment on two APW business units, and restructuring and downsizing efforts in all three business segments. To a lesser extent, charges were incurred to conform ZERO's accounting policies with the Company's.

Excluding the one-time charges, operating expenses increased 22% and 9% in 1998 and 1997, respectively. During the corresponding periods, sales increased 37% and 15%, respectively. The majority of the increase since 1996 relates to variable selling expenses and increased amortization of goodwill associated with recent acquisitions.

In addition to variable selling expenses, total operating costs have increased as a result of acquisitions, product development programs and expenditures for geographic expansion into emerging markets. Approximately \$40.8 of the increase in fiscal 1998 was attributable to businesses acquired since 1997.

Overall, the lower corporate expenses as a percent of sales are attributed to the effects of the lower operating cost enclosure businesses and the Company's goal to continually identify ways to be more cost efficient and have allowed the Company to reduce operating costs as a percent of sales. Excluding 1998 restructuring and other one-time items, operating costs as a percent of sales were 22%, 25%, and 27% in 1998, 1997 and 1996, respectively.

Other Expense(Income)

	1998	1997	1996
Net financing costs	\$ 28.5	\$16.2	\$ 7.9
Other - net	(10.1)	(3.7)	(1.3)

The trend of increased net financing costs over the last three years is the result of increased debt levels following the Company's acquisitions during this period. For further information, see "Liquidity and Capital Resources" below.

"Other - net" includes foreign exchange gains and losses as well as miscellaneous other income and expenses. The Company recognized gains on the sale of two properties in 1998 totaling \$11.6 and life insurance proceeds of \$1.7. Offsetting these gains was a \$4.5 write-down recorded to reduce a European subsidiary to its estimated realizable value. Additionally, in 1998 and 1997, the US Dollar strengthened against most other major currencies and the Company realized foreign exchange gains due to transactions denominated in currencies outside of the functional currencies of certain of its foreign units.

Income Tax Expense

The Company's effective income tax rate was 53.5%, 35.1% and 34.5% in 1998, 1997 and 1996, respectively. The rate for 1998 is largely impacted by the current non-deductibility of the one-time charges recorded in the fourth quarter. Excluding the one-time items, the 1998 effective income tax rate was 37.6%. The non-deductibility of goodwill on many of the Company's acquisitions over the last three years has led to the gradual increase in the Company's effective tax rate. With the Rubicon acquisition subsequent to year end, this trend is expected to continue in 1999.

New Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 130, "Reporting Comprehensive Income." This Statement establishes standards for the reporting and display of comprehensive income and its components in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income as defined includes all changes in equity (net assets) during a period from nonowner sources. Examples of items to be included in comprehensive income, which are excluded from net income, include foreign currency translation adjustments, unrealized gain(loss) on available-for-sale securities, and mark-to-market adjustments for hedging activities. The disclosures required by this Statement will be made beginning with the Company's first quarter of fiscal 1999.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This Statement establishes standards for the way companies report information about operating segments in financial statements. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company is in the process of reassessing its current business segment reporting to determine if changes in reporting will be required in adopting this new standard, but does not expect that adoption of this Statement will have a significant impact on the Company's disclosures. The disclosures required by this Statement will be adopted in the Company's 1999 annual report and subsequent interim periods.

During February 1998, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," which revises disclosures about pension and other postretirement benefit plans. This Statement is effective for the Company's 1999 fiscal year financial statements and restatement of disclosures for earlier years provided for comparative purposes will be required unless the information is not readily available. The Company is currently evaluating the extent to which its financial statement disclosures will be affected by SFAS No. 132.

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which specifies the

accounting treatment provided to computer software costs depending upon the type of costs incurred. This Statement is effective for the Company's fiscal year 2000 financial statements and restatement of prior years will not be permitted. The Company does not believe that the adoption of this Statement will have a significant impact on its financial position or results of operations.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-up Activities," which requires costs of start-up activities and organization costs to be expensed as incurred. This Statement is effective for the Company's fiscal year 2000 financial statements and initial application will be reported as a cumulative effect of a change in accounting principle. The Company is currently evaluating the extent to which its financial statements will be affected by SOP

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires that an entity recognize derivative instruments, including certain derivative instruments embedded in other contracts, as either assets or liabilities and measure those instruments at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. This Statement is effective for the Company's fiscal year 2000 first quarter financial statements and restatement of prior years will not be permitted. The Company is currently evaluating the extent to which its financial statements will be affected by SFAS No. 133, which is not expected to have a material effect on the Company based on its current derivative and hedging activities.

Liquidity and Capital Resources

Outstanding debt at August 31, 1998 totaled \$512.6, an increase of \$338.0 since the beginning of the year. The increase in debt is a direct result of the business acquisitions that were made during 1998. End of year debt to total capital was 58% in 1998 compared to 35% in 1997. Approximately \$129.7 of cash was generated from operating activities in 1998, a 54% increase over 1997. The Company used \$426.0 of cash to fund acquisitions and \$56.8 was used to fund capital expenditures. In 1997, \$84.0 of cash was generated from operations of which \$77.0 was used to fund acquisitions and \$33.5 was used to fund capital expenditures. The additional cash generated in 1998 originated primarily from increased sales of receivables. Dividends of \$2.6 and \$3.1 were paid during 1998 and 1997, respectively.

On June 18, 1998, the Company and Enerpac B.V., a Netherlands subsidiary of the Company, entered into a Multicurrency Credit Agreement (the "Credit Agreement"), providing for a \$700.0, 5-year revolving credit facility (the "Facility") in order to provide the necessary funds to Applied Power Limited to acquire all of the VERO Group plc shares. In conjunction with the closing of the Facility, the Company terminated its prior \$350.0, 5-year revolving credit facility (the "Prior Facility"), and used certain funds received under the Facility to repay borrowings under the Prior Facility. The Facility was used to finance the remaining expenses of the VERO Group plc acquisition, provide for working capital, capital expenditures and for other general corporate purposes. At August 31, 1998, the Company had borrowings denominated in the US Dollar and the Japanese Yen. The Credit Agreement contains customary restrictions concerning investments, liens on assets, sales of assets, maximum levels of debt and minimum levels of shareholders' equity. In addition, the agreement requires the Company to maintain certain financial ratios. As of August 31, 1998, the Company was in compliance with all debt covenants. For additional information, see Note I - "Long-term Debt" in Notes to Consolidated Financial Statements and "Subsequent Events" below.

To reduce risk of interest rate increases, the Company has entered into interest rate swap agreements which effectively convert \$239.3 of the Company's variable rate debt to a weighted average fixed rate of 5.95% at August 31, 1998. The swap agreements expire on varying dates through 2005.

On August 28, 1998, the Company amended its accounts receivable financing facility by increasing the amount of multi-currency accounts receivable financing from \$80.0 to \$90.0. All other terms of the agreement remain the same. An incremental \$39.7 of receivables was financed in 1998, bringing the total balance financed to \$89.7 at August 31, 1998. Proceeds were used to reduce debt. For additional information, see Note D - "Accounts Receivable Financing" in Notes to Consolidated Financial Statements.

The Company does not purchase or hold any derivative financial instruments for trading purposes.

The following table summarizes the Company's total capitalization over the last three years:

Dollars	Percentage of Total Capitalization
---------	------------------------------------

Total Capitalization	1998	1997	1996	1998	1997	1996
Total Debt	\$512.6	\$174.6	\$144.2	58%	35%	35%
Shareholders' Equity	341.9	305.4	253.3	39	62	61
Deferred Income Taxes	23.1	14.6	15.4	3	3	4
Totals	\$877.6	\$494.6	\$412.9	100%	100%	100%

In order to minimize interest expense, the Company intentionally maintains low cash balances and uses available cash to reduce short-term bank borrowings. Funds available under unused non-committed lines and the \$700.0 multi-currency credit agreement totaled \$34.1 and \$269.0, respectively, as of August 31, 1998. The Company believes that such availability, plus funds generated from operations, will be adequate to fund operating activities, including capital expenditures and working capital, for the next fiscal year.

Year 2000 Considerations

As is the case for most companies, the Year 2000 computer issue creates a risk for the Company. If systems do not correctly recognize date information when the year changes to 2000, there could be a material adverse impact on the Company's operations. However, the impact cannot be quantified at this time.

The Company is taking actions intended to ensure that its computer systems are capable of processing periods for the Year 2000 and beyond. The Company has developed and has clearly articulated a written policy that Year 2000 readiness is an important responsibility for all its business leaders. In addition, the Company is aggressively pursuing a comprehensive set of programs intended to reduce the risk of disruptions due to the Year 2000 problem. Issues addressed in the context of these efforts include, but are not limited to, creating management awareness regarding the Year 2000 problem and the need to become Year 2000 ready, mitigating known Year 2000 readiness problems, communicating the Company's Year 2000 readiness commitment to its customers, conducting a company-wide Year 2000 readiness check, the official designation of Year 2000 readiness contacts within each business unit, comprehensive testing and compliance certification for all of the Company's mission-critical business and manufacturing control systems, proactive Year 2000 compliance certification of key suppliers, and the development of contingency plans to deal with emergent Year 2000 situations. The Company expects to complete the majority of its efforts in this area by the end of its fiscal 1999. This should leave adequate time to perform additional testing and make any further modifications that are deemed necessary.

The Company is continuing an ongoing process of assessing potential Year 2000 risks and uncertainties. However, it is currently premature to define the most reasonably likely worst case scenarios related to the Year 2000 problem. The Company's Year 2000 readiness initiatives are intended to address its critical business functions, and the Company currently expects to successfully mitigate its controllable internal year 2000 issues. However, the Company also relies upon third parties whose failure to identify and remediate their Year 2000 problems could have a material impact on the Company's operations and financial condition. The Company's Year 2000 readiness efforts will include attempting to identify, assess and mitigate third party risks where possible, but the potential impact and related costs and consequences of third party failures have not yet been identified.

Based on the current status of the Company's compliance and readiness efforts, the costs associated with identified Year 2000 issues are not expected to have a material effect on the results of operations or financial condition of the Company. Most of the Company's business units have installed or are in the process of installing new business management systems which go beyond just Year 2000 compliance. The costs of purchased software are capitalized. Some businesses have chosen to upgrade existing systems to be compliant. These costs are being expensed as incurred. Additionally, the Company is developing a contingency plan to deal with any issues that are not resolved on a timely basis. The Company historically has not quantified the costs of Year 2000 compliance and remediation, but believes costs incurred to date were immaterial. The Company estimates remaining costs to range between \$3.0 and \$5.0, which is expected to be funded with cash flow from operations.

At this time, the Company does not expect the reasonably foreseeable consequences of the Year 2000 problem to have material adverse effects on the Company's business, operations or financial condition. However, the Company cannot be certain that it will not suffer business interruptions, either due to

its own Year 2000 problems or those of its customers or

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suppliers whose Year 2000 problems may make it difficult or impossible to fulfill their commitments to the Company. Furthermore, the Year 2000 problem has many elements and potential consequences, some of which may not be reasonably foreseeable, and there can be no assurances that every material Year 2000 problem will be identified and addressed or that unforeseen consequences will not arise and possibly have a material adverse effect on the Company. Unanticipated factors while implementing the changes necessary to mitigate Year 2000 problems, including, but not limited to, the ability to locate and correct all relevant codes in computer and imbedded systems, or the failure of critical third parties to communicate and mitigate their Year 2000 problems could result in unanticipated adverse impacts on the business activities or operations of the Company.

European Economic Monetary Union

On January 1, 1999, eleven of the European Union countries (including eight countries where APW operations are located) are scheduled to adopt the Euro as their single currency, and there will be fixed conversion rates between their existing currencies ("legacy currencies") and the Euro. The Euro will then trade on currency exchanges and be available for noncash transactions. Following the introduction of the Euro, the legacy currencies will remain legal tender in the participating countries during the transition period from January 1, 1999 through January 1, 2002. Beginning on January 1, 2002, the European Central Bank will issue Euro-denominated bills and coins for use in cash transactions. On or before July 1, 2002, the participating countries will withdraw all legacy bills and coins and use the Euro as their legal currency.

The Company's various operating units located in Europe which are affected by the Euro conversion intend to keep their books in their respective legacy currency through a portion of the three year introductory period. At this time, the Company does not expect the reasonably foreseeable consequences of the Euro conversion to have material adverse effects on the Company's business, operations or financial condition.

Inflation

No meaningful measures of inflation are available because the Company has a significant number of small operations which operate in countries with diverse rates of inflation and currency rate movements.

Outlook

The Company expects its trend of increasing sales and earnings per share to continue into fiscal 1999, assuming no significant downturn in the economy in North America or Western Europe. Net sales are expected to be approximately \$1,900.0 with increased sales at all three of the Company's business segments. The strength of its core markets and the incremental effect of recent acquisitions will be the driving forces of the growth. Operating profit is expected to improve as a result of the increased sales and the streamlining and cost reduction efforts initiated in the fourth quarter of 1998. The improved operating profit is expected to be partially offset by higher interest expense and a higher effective income tax rate, generating record earnings per share.

Risk Factors That May Affect Future Results

Certain statements in this Form 10-K, including the above section entitled "Outlook," as well as statements in other Company communications, which are not historical facts, are forward looking statements that involve risks and uncertainties. The terms "anticipate", "believe", "estimate", "expect", "objective", "plan", "project" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements are subject to inherent risks and uncertainties that may cause actual results or events to differ materially from those contemplated by such forward-looking statements. In addition to the assumptions and other factors referred to specifically in connection with such statements, factors that may cause actual results or events

to differ materially from those contemplated by such forward-looking statements include, without limitation, general economic conditions and market conditions in the industrial production, trucking, construction, aerospace, automotive, recreational vehicle, computer, semiconductor, telecommunication, electronic and defense industries in North America, Europe and, to a lesser extent, Asia, market acceptance of existing and new products, successful integration of acquisitions, competitive pricing, foreign currency risk, interest rate risk, unforeseen costs or consequences of Year 2000 issues and other factors that may be referred to in the Company's reports filed with the Securities and Exchange Commission from time to time.

Subsequent Events

On September 29, 1998, the Company, through its wholly-owned subsidiary, APW Enclosure Systems Limited, accepted for payment all shares of Rubicon Group plc ("Rubicon") common stock which had been tendered pursuant to the APW Enclosure Systems Limited tender offer for all outstanding shares of common stock at 2.35 pounds sterling per share and all outstanding shares of cumulative preferred stock at 0.50 pounds sterling per share, which constituted control, and continued with steps to acquire the remaining outstanding shares. Rubicon is a leading provider of electronic manufacturing services and engineered magnetic solutions to major OEMs in the information technology and telecommunication industries. Consideration for the transaction totaled approximately \$365.0, including related fees and expenses. APW Enclosure Systems Limited obtained all of the funds it expended from the Company. To provide the necessary funds, the Company and Enerpac B.V., a Netherlands subsidiary of the Company, as Borrowers, entered into a Multicurrency Credit Agreement, dated as of October 14, 1998, providing for an \$850.0, 5-year revolving credit facility (the "New Facility"). In conjunction with the closing of the New Facility, the Company terminated its prior \$700.0, 5-year revolving credit facility (the "Facility"), and used certain funds received under the New Facility to repay borrowings under the Facility.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in foreign exchange and interest rates and, to a lesser extent, commodities. To reduce such risks, the Company selectively uses financial instruments. All hedging transactions are authorized and executed pursuant to clearly defined policies and procedures, which strictly prohibit the use of financial instruments for trading purposes.

A discussion of the Company's accounting policies for derivative financial instruments is included in Note A - "Summary of Significant Accounting Policies" in Notes to Consolidated Financial Statements, and further disclosure relating to financial instruments is included in Note I - "Long-term Debt."

Currency Risk - The Company has significant international operations. In most instances, the Company's products are produced at manufacturing facilities located near the customer. As a result, significant volumes of finished goods are manufactured in countries for sale into those markets. For goods purchased from other Company affiliates, the Company denominates the transaction in the functional currency of the producing operation.

The Company has adopted the following guidelines to manage its foreign exchange exposures:

- (i) increase the predictability of costs associated with goods whose purchase price is not denominated in the functional currency of the buyer;
- (ii) minimize the cost of hedging through the use of naturally offsetting positions (borrowing in local currency), netting, pooling; and
- (iii) where possible, sell product in the functional currency of the producing operation.

The Company's identifiable foreign exchange exposures result primarily from the anticipated purchase of product from affiliates and third-party suppliers along with the repayment of intercompany loans with foreign subsidiaries denominated in foreign currencies. The Company identifies naturally occurring offsetting positions and then purchases hedging instruments to protect anticipated exposures. The Company's financial position is not materially sensitive to

fluctuations in exchange rates as any gains or losses on foreign currency exposures are generally offset by gains and losses on underlying payables, receivables and net investments in foreign subsidiaries.

Interest Rate Risk - The Company enters into interest rate swaps to stabilize financing costs by minimizing the effect of potential interest rate increases on floating-rate debt in a rising interest rate environment. Under these agreements, the Company contracts with a counter-party to exchange the difference between a fixed rate and a floating rate applied to the notional amount of the swap. The Company's existing swap contracts range between two and seven years in duration. The differential to be paid or received on interest rate swap agreements is accrued as interest rates change and is recognized in net income as an adjustment to interest expense. Credit and market risk is minimized through diversification among counter-parties with high credit ratings.

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Commodity Prices - The Company is exposed to fluctuation in market prices for steel. Therefore, the Company has established a program for centralized negotiation of steel prices. This program allows the Company to take advantage of economies of scale as well as to cap pricing. All business units are able to purchase steel under this arrangement. In general, the contracts lock steel pricing for 18 months and enable the Company to pay less if market prices fall.

See Note I - "Long-term Debt" in Notes to Consolidated Financial Statements for additional information concerning derivative financial instruments.

Item 8. Financial Statements and Supplementary Data

Quarterly financial data for 1998 and 1997 is as follows:
(In Millions, except per share amounts)

	1998			
	FIRST (1)	SECOND	THIRD (2)	FOURTH (3)
Net Sales	\$275.4	\$279.4	\$303.9	\$372.0
Gross Profit	95.7	96.1	106.4	96.8
Net Earnings	19.1	16.5	22.4	(31.3)
Basic Earnings Per Share	\$ 0.49	\$ 0.43	\$ 0.58	\$ (0.81)
Diluted Earnings Per Share	\$ 0.48	\$ 0.41	\$ 0.55	\$ (0.78)
	1997			
	FIRST	SECOND	THIRD	FOURTH
Net Sales	\$207.8	\$210.6	\$232.4	\$247.0
Gross Profit	79.4	77.8	83.8	86.2
Net Earnings	13.3	13.2	15.3	16.1
Basic Earnings Per Share	\$ 0.36	\$ 0.35	\$ 0.40	\$ 0.42
Diluted Earnings Per Share	\$ 0.34	\$ 0.34	\$ 0.39	\$ 0.41

- (1) Includes a \$1.7 gain, after tax, on life insurance proceeds, or \$0.04 per diluted share.
- (2) Includes a \$2.9 net gain, after tax, on the sale of a facility and the writedown of a European subsidiary to its estimated realizable value, or \$0.08 per diluted share.
- (3) Includes restructuring and other one-time charges of \$52.6, after tax, or \$1.31 per diluted share.

The Consolidated Financial Statements are included on pages 27 to 48 and are incorporated by reference herein.

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

Financial Disclosure

A change in the Company's independent public accountants was previously reported in a Current Report on Form 8-K dated November 4, 1997 and filed on November 10, 1997. The information reported in the Form 8-K is also contained in the 1999 Annual Meeting Proxy Statement (identified in Item 10) under the caption "Other Information - Independent Public Accountants," and is set forth below:

On November 3, 1997, the Audit Committee of the Board of Directors recommended the replacement of Deloitte & Touche LLP with Coopers & Lybrand L.L.P. (now PricewaterhouseCoopers LLP) as the Company's independent public accountants for the fiscal year ended August 31, 1998. On November 4, 1997, the Board of Directors of the Company accepted and approved the Audit Committee's recommendation. On the same day, Deloitte & Touche LLP was notified of its dismissal and PricewaterhouseCoopers LLP was notified of its engagement. Through November 4, 1997, there were no

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disagreements with Deloitte & Touche LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Deloitte & Touche LLP, would have caused that firm to make reference to the subject matter of the disagreement in connection with its report. Deloitte & Touche LLP's report on the Company's financial statements for the previous two fiscal years contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this item is incorporated by reference from the "Election of Directors" and "Other Information -- Section 16(a) Beneficial Ownership Reporting Compliance" sections of the Company's Proxy Statement for its Annual Meeting of Shareholders to be held on January 8, 1999 (the "1999 Annual Meeting Proxy Statement"). See also "Executive Officers of the Registrant" in Part I hereof.

Item 11. Executive Compensation

The information required by this item is incorporated by reference from the "Board Meetings, Committees and Director Compensation" section and the "Executive Compensation" section (other than the subsections thereof entitled "Report of the Compensation Committee of the Board of Directors on Executive Compensation" and "Performance Graph") of the 1999 Annual Meeting Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is incorporated by reference from the "Certain Beneficial Owners" and "Election of Directors" sections of the 1999 Annual Meeting Proxy Statement.

Item 13. Certain Relationships and Related Transactions

None.

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PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents filed as part of this report:

1. Consolidated Financial Statements

See "Index to Consolidated Financial Statements and Financial Statement Schedule" on page 23, the Report of Independent Accountants and Independent Auditors' Reports on pages 24 to 26 and the Consolidated Financial Statements on pages 27 to 48, all of which are incorporated herein by reference.

2. Financial Statement Schedules

See "Index to Consolidated Financial Statements and Financial Statement Schedule" on page 23, the Report of Independent Accountants on Financial Statement Schedule on page 49 and the Financial Statement Schedule on page 50, all of which are incorporated herein by reference.

3. Exhibits

See "Index to Exhibits" on pages 52 to 56, which is incorporated herein by reference.

(b) Reports on Form 8-K:

The following reports on Form 8-K were filed during the last quarter of fiscal 1998:

On June 22, 1998, the Company filed a Current Report on Form 8-K dated June 5, 1998 reporting under Item 2 that the Company had accepted for payment all the VERO Group plc shares which had been tendered pursuant to the Company's tender offer to acquire all outstanding shares at a cash price of 192 pence per share. The required Item 7 VERO financial statements and pro forma financial information were also filed. The Company filed an amendment to the Current Report on Form 8-K/A on July 1, 1998.

On August 12, 1998, the Company filed a Current Report on Form 8-K dated July 31, 1998 reporting under Item 2 the merger of ZERO Corporation, a Delaware corporation ("ZERO"), with a wholly-owned subsidiary of the Company. The required Item 7 ZERO financial statements and pro forma financial information were also filed.

On August 12, 1998, the Company filed a Current Report on Form 8-K dated August 12, 1998 for the purpose of updating and superseding (under Item 5) the description of the Class A Common Stock of the Company contained in the Company's Registration Statement on Form 8-A filed on August 11, 1987, as previously updated by the Company's Current Report on Form 8-K dated January 28, 1991.

Subsequent to the end of the fiscal year, on October 14, 1998, the Company filed a Current Report on Form 8-K dated September 29, 1998 reporting under Item 2 that the Company had accepted for payment all the Rubicon Group plc shares tendered pursuant to the Company's tender offer to acquire all outstanding shares, and indicating that the required Item 7 Rubicon financial statements and pro forma financial information would be filed as an amendment to such report.

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

Report of Independent Accountants

To the Shareholders and Directors of Applied Power Inc.:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Applied Power Inc. and its subsidiaries at August 31, 1998, and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles. 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. We conducted our audit of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

The consolidated financial statements of Applied Power Inc. for the years ended August 31, 1997 and 1996, prior to restatement for pooling of interests, and the separate financial statements of ZERO Corporation included in the 1997 and 1996 restated consolidated financial statements, for the years ended March 31, 1997 and 1996, were audited and reported on separately by other independent accountants. We also audited the combination of the accompanying consolidated balance sheet as of August 31, 1997, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the two years in the period then ended, after restatement for the 1998 pooling of interests; in our opinion, such consolidated statements have been properly combined on the basis described in Note A of Notes to Consolidated Financial Statements.

Independent Auditors' Report

To the Shareholders and Directors of Applied Power Inc.:

We have audited the consolidated balance sheet of Applied Power Inc. and subsidiaries as of August 31, 1997 and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the two years in the period ended August 31, 1997 (none of which are presented herein). Our audits also included the consolidated financial statement schedule for the two years in the period ended August 31, 1997 (which is not presented herein) listed in the Index at Item 14. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Applied Power Inc. and subsidiaries at August 31, 1997, and the results of their operations and their cash flows for each of the two years in the period ended August 31, 1997 in conformity with generally accepted accounting principles. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP
Milwaukee, Wisconsin
September 25, 1997
(October 16, 1997 as to Note O)

Independent Auditors' Report

To the Stockholders of ZERO Corporation:

We have audited the consolidated balance sheet of ZERO Corporation and its subsidiaries as of March 31, 1997, and the related statements of consolidated income, stockholders' equity, and cash flows for each of the two years in the period ended March 31, 1997 (none of which are presented herein). Our audit also included the consolidated financial statement schedule of the Company for each of the two years in the period ended March 31, 1997 (which is not presented herein) listed in the Index at Item 14. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ZERO Corporation and its subsidiaries at March 31, 1997, and the results of their operations and their cash flows for each of the two years in the period ended March 31, 1997 in conformity with generally accepted accounting principles. Also in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP
Los Angeles, California
May 11, 1998

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APPLIED POWER INC.
CONSOLIDATED STATEMENT OF EARNINGS
(Dollars in Thousands, except per share amounts)

	Years ended August 31,		
	1998	1997	1996
Net sales	\$1,230,689	\$897,758	\$777,462
Cost of products sold	835,716	570,551	486,991
Gross Profit	394,973	327,207	290,471
Engineering, selling and administrative expenses	269,227	217,522	201,333
Amortization of intangible assets	20,353	8,013	5,140
Restructuring charges	20,298	-	-
Merger related expenses	9,276	-	-
Operating Earnings	75,819	101,672	83,998
Other Expense(Income):			
Net financing costs	28,531	16,158	7,892
Other - net	(10,097)	(3,710)	(1,308)
Earnings Before Income Tax Expense	57,385	89,224	77,414
Income Tax Expense	30,698	31,299	26,735
Net Earnings	\$ 26,687	\$ 57,925	\$ 50,679
Basic Earnings Per Share:			
Earnings Per Share	\$ 0.70	\$ 1.53	\$ 1.26
Weighted Average Common Shares Outstanding (000's)	38,380	37,880	40,318
Diluted Earnings Per Share:			
Earnings Per Share	\$ 0.66	\$ 1.47	\$ 1.22
Weighted Average Common and Equivalent Shares Outstanding (000's)	40,174	39,307	41,453

The accompanying notes are an integral part of these financial statements

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APPLIED POWER INC.

CONSOLIDATED BALANCE SHEET
(Dollars in Thousands, except per share amounts)

	August 31,	
	----- 1998 -----	----- 1997 -----
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,349	\$ 22,047
Accounts receivable, less allowances of \$6,758 and \$4,936, respectively	147,380	120,663
Inventories	164,786	150,771
Deferred income taxes	29,905	11,209
Prepaid expenses	16,144	12,564
	-----	-----
Total Current Assets	364,564	317,254
Property, Plant and Equipment		
Property	6,249	5,063
Plant	74,411	71,982
Machinery and equipment	337,555	211,532
	-----	-----
	418,215	288,577
Less: Accumulated depreciation	(193,045)	(153,622)
	-----	-----
Net Property, Plant and Equipment	225,170	134,955
Goodwill, net of accumulated amortization of \$36,803 and \$17,870, respectively		
	499,973	139,681
Other Intangibles, net of accumulated amortization of \$19,338 and \$14,690, respectively		
	42,896	30,723
Other Assets	42,119	26,933
	-----	-----
Total Assets	\$1,174,722 =====	\$ 649,546 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	\$ 91	\$ 21,463
Trade accounts payable	127,470	63,456
Accrued compensation and benefits	45,457	31,315
Income taxes payable	12,898	7,093
Other current liabilities	74,792	25,955
	-----	-----
Total Current Liabilities	260,708	149,282
Long-term Debt		
	512,557	153,166
Deferred Income Taxes	23,065	14,596
Other Deferred Liabilities	36,510	27,141
Shareholders' Equity		
Class A common stock, \$0.20 par value per share, authorized 80,000,000 shares, issued and outstanding 38,626,068 and 38,046,219 shares, respectively		
	7,725	2,927
Additional paid-in capital	5,817	1,595
Retained earnings	335,805	304,526
Cumulative translation adjustments	(7,465)	(3,687)
	-----	-----
Total Shareholders' Equity	341,882	305,361
	-----	-----
Total Liabilities and Shareholders' Equity	\$1,174,722 =====	\$ 649,546 =====

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Dollars in Thousands)

	Years Ended August 31, 1998, 1997 and 1996			
	Class A Common Stock	Additional Paid-in Capital	Retained Earnings	Cumulative Translation Adjustments
Balance at September 1, 1995, as previously reported	\$2,681	\$ 28,328	\$ 94,285	\$ 6,392
Restatement for pooling of interests with ZERO (as described in Note A)	161	29,418	115,754	261
Balance at September 1, 1995, as restated	2,842	57,746	210,039	6,653
Net earnings for the year	-	-	50,679	-
Cash dividends declared	-	-	(8,681)	-
Exercise of stock options and issuance of treasury stock	26	4,762	(1,461)	-
Issuance of stock in acquisition	25	3,905	-	-
Tax benefit of option exercises	-	568	-	-
Stock repurchase	-	(71,871)	-	-
Currency translation adjustments	-	-	-	(1,946)
Balance at August 31, 1996	2,893	(4,890)	250,576	4,707
Net earnings for the year	-	-	57,925	-
Cash dividends declared	-	-	(3,114)	-
Exercise of stock options and issuance of treasury stock	34	5,656	(861)	-
Tax benefit of option exercises	-	1,052	-	-
Stock repurchase	-	(293)	-	-
Currency translation adjustments and other	-	70	-	(8,394)
Balance at August 31, 1997	2,927	1,595	304,526	(3,687)
Effect of ZERO excluded period (as described in Note A)	1,948	(1,615)	7,156	(34)
Net earnings for the year	-	-	26,687	-
Cash dividends declared	-	-	(2,564)	-
Exercise of stock options	72	7,686	-	-
Tax benefit of option exercises	-	929	-	-
Issuance of stock in 2-for-1 stock split	2,778	(2,778)	-	-
Currency translation adjustments	-	-	-	(3,744)
Balance at August 31, 1998	\$7,725	\$ 5,817	\$335,805	\$ (7,465)

The accompanying notes are an integral part of these financial statements

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APPLIED POWER INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in Thousands)

	Years ended August 31,		
	1998	1997	1996
Operating Activities			
Net Earnings	\$ 26,687	\$ 57,925	\$ 50,679
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	47,570	31,112	27,233
Gain from sale of assets	(11,647)	(511)	(46)
Provision for deferred income taxes	(8,508)	(583)	(2,467)
Provision for loss on sale of subsidiary	4,500	-	-
Restructuring and other one-time charges, net of tax benefit	52,637	-	-
Changes in operating assets and liabilities, excluding the effects of business acquisitions and disposals:			

Accounts receivable	(3,273)	(11,193)	(10,536)
Inventories	10,696	3,410	(16,071)
Prepaid expenses and other assets	486	(6,637)	(3,423)
Trade accounts payable	11,736	6,501	2,254
Other liabilities	(1,217)	4,010	2,517
	-----	-----	-----
Net Cash Provided by Operating Activities	129,667	84,034	50,140
Investing Activities			
Sales of short-term investments, net	-	965	18,937
Proceeds on sale of property, plant and equipment	24,841	5,168	2,491
Additions to property, plant and equipment	(56,827)	(33,463)	(31,391)
Business acquisitions	(426,046)	(76,951)	(45,697)
Product line dispositions	6,000	-	5,181
Other	61	(63)	389
	-----	-----	-----
Net Cash Used in Investing Activities	(451,971)	(104,344)	(50,090)
Financing Activities			
Proceeds from issuance of long-term debt	384,418	77,000	92,433
Principal payments on long-term debt	(129,137)	(50,205)	(38,130)
Net borrowings on short-term credit facilities	16,158	6,691	3,484
Net commercial paper repayments	-	-	(3,276)
Additional receivables financed	39,700	525	13,275
Pre-funding of trusts	(17,801)	-	-
Stock repurchases	-	(293)	(71,871)
Dividends paid on common stock	(2,564)	(3,114)	(8,681)
Stock option exercises and other	6,855	5,156	2,768
	-----	-----	-----
Net Cash Provided by (Used in) Financing Activities	297,629	35,760	(9,998)
Effect of Exchange Rate Changes on Cash	(882)	(1,422)	(76)
	-----	-----	-----
Net (Decrease) Increase in Cash and Cash Equivalents	(25,557)	14,028	(10,024)
Cash and Cash Equivalents - Beginning of Year	22,047	8,019	18,043
Effect of the ZERO excluded period (as described in Note A)	9,859	-	-
	-----	-----	-----
Cash and Cash Equivalents - End of Year	\$ 6,349	\$ 22,047	\$ 8,019
	=====	=====	=====

The accompanying notes are an integral part of these financial statements

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APPLIED POWER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands, except per share amounts)

Note A - Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of Applied Power Inc. and its subsidiaries ("Applied Power," "APW" or the "Company"). The Company consolidates companies in which it owns or controls more than fifty percent of the voting shares unless control is likely to be temporary. The results of companies acquired or disposed of during the fiscal year are included in the consolidated financial statements from the effective date of acquisition or up to the date of disposal except in the case of pooling of interests (see "Basis of Presentation" below). All significant intercompany balances, transactions and profits have been eliminated in consolidation.

Basis of Presentation: The consolidated financial statements have been prepared in United States Dollars in accordance with generally accepted accounting principles in the United States. As described more fully in Note B - "Merger and Acquisitions," on July 31, 1998, ZERO Corporation, a Delaware corporation ("ZERO"), became a wholly-owned subsidiary of Applied Power through the merger of STB Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Applied Power ("Acquisition"), with and into ZERO (the "Merger") pursuant to an Agreement and Plan of Merger by and among Applied Power, ZERO and Acquisition dated as of April 6, 1998 (the "Merger Agreement"). The consolidated financial statements have been prepared following the pooling of interests

method of accounting for the Merger and therefore reflect the combined financial position, operating results and cash flows of ZERO as if they had been combined for all periods presented. In accordance with the pooling of interests method of accounting, the fiscal 1996 beginning balances in the Consolidated Statement of Shareholders' Equity have been restated to record the Merger with ZERO. Prior to the Merger, ZERO had a March 31 fiscal year end. The Consolidated Balance Sheet, Statements of Earnings, Shareholders' Equity and Cash Flows as of and for the year ended August 31, 1998 reflect the combination of an August 31 year end consolidated financial position, results of operations and cash flows for ZERO. The Consolidated Balance Sheets, Statements of Earnings, Shareholders' Equity and Cash Flows as of and for the years ended August 31, 1997 and 1996 reflect the combination of the March 31 fiscal year end financial positions, results of operations and cash flows of ZERO and the August 31 fiscal year end financial positions, results of operations and cash flows of Applied Power Inc. The results of operations and cash flows for ZERO from April 1, 1997 to August 31, 1997, which have been excluded from these consolidated financial statements, are reflected as adjustments in the 1998 Consolidated Statements of Shareholders' Equity and Cash Flows. Net sales and net income for ZERO for the excluded period from April 1, 1997 to August 31, 1997 were \$107,237 and \$7,891, respectively.

Cash Equivalents: The Company considers all highly liquid investments with original maturities of 90 days or less to be cash equivalents.

Inventories: Inventories are comprised of material, direct labor and manufacturing overhead, and are stated at the lower of cost or market.

Property, Plant and Equipment: Property, plant and equipment are stated at cost. Plant and equipment are depreciated over the estimated useful lives of the assets, ranging from two to thirty years, under the straight-line method for financial reporting purposes and both straight-line and accelerated methods for tax purposes. Capital leases and leasehold improvements are amortized over the life of the related assets or the life of the lease, whichever is shorter. Expenditures for maintenance and repairs not expected to extend the useful life of an asset beyond its normal useful life are expensed.

Intangible Assets: Goodwill is amortized on a straight-line basis over periods of fifteen to forty years. Other intangible assets, consisting primarily of purchased patents, trademarks and noncompete agreements, are amortized over periods from two to forty years. The Company periodically evaluates the carrying value of intangible assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." Impairment of goodwill, if any, is measured on the basis of whether anticipated undiscounted operating cash flows generated by the acquired businesses will recover the recorded goodwill balances over the remaining amortization period. For the year ended August 31, 1998, the Company recorded an

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impairment of goodwill of \$5,062. For further information, see Note G - "Merger, Restructuring and Other Non-recurring Charges." No impairment of goodwill was indicated at August 31, 1997

Revenue Recognition: Revenues and costs of products sold are recognized as the related products are shipped.

Research and Development Costs: Research and development costs are expensed as incurred. Such costs incurred in the development of new products or significant improvements to existing products totaled approximately \$13,947, \$10,437 and \$10,247 in 1998, 1997 and 1996, respectively.

Financing Costs: Net financing costs represent interest expense on debt obligations, investment income and accounts receivable financing costs.

Income Taxes: The Company utilizes the liability method to recognize deferred income tax assets and liabilities for the expected future income tax consequences of events that have been recognized in the Company's financial statements. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between financial statement carrying amounts and the income tax basis of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse. For further information, see Note M - "Income Taxes."

Earnings Per Share: During the second quarter of fiscal 1998, the Company adopted the provisions of SFAS No. 128, "Earnings Per Share," which was issued by the Financial Accounting Standards Board ("FASB") in February 1997. Under the new pronouncement, the dilutive effect of stock options is excluded from the calculation of primary earnings per share, now called basic earnings per share. Earnings per share information for all prior periods presented has been restated to conform with the new calculation under SFAS No. 128.

In accordance with SFAS No. 128, earnings per share were computed as follows (1998 results include restructuring charges and other one-time items - see Note G - "Merger, Restructuring and Other Non-recurring Charges"):

	1998	1997	1996

Numerator:			
Net earnings for basic and diluted earnings per share	\$26,687	\$57,925	\$50,679

Denominator:			
Weighted average common shares outstanding for basic earnings per share (000's)	38,380	37,880	40,318
Net effect of dilutive options based on the treasury stock method using average market price (000's)	1,794	1,427	1,135

Weighted average common and equivalent shares outstanding for diluted earnings per share (000's)	40,174	39,307	41,453

Basic Earnings Per Share	\$ 0.70	\$ 1.53	\$ 1.26

Diluted Earnings Per Share	\$ 0.66	\$ 1.47	\$ 1.22

Foreign Currency Translation: Assets and liabilities of the Company's subsidiaries operating outside of the United States which accounts are denominated in a functional currency other than US Dollars are translated into US Dollars using year-end exchange rates. Revenues and expenses are translated at the average exchange rates effective during the year. Foreign currency translation adjustments are generally excluded from the Consolidated Statement of Earnings and are included in cumulative translation adjustments in the Consolidated Balance Sheet and Consolidated Statement of Shareholders' Equity. Gains and losses resulting from foreign currency transactions are included in "Other - net" in the Consolidated Statement of Earnings.

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Derivative Financial Instruments: Derivative financial instruments are primarily utilized by the Company to manage risks associated with interest rate market volatility and foreign exchange exposures. The Company does not hold or issue derivative financial instruments for trading purposes. The Company currently holds only interest rate swap agreements. For interest rate swap agreements, the differential to be paid or received is accrued monthly as an adjustment to interest expense. The Company also utilizes foreign currency forward contracts to hedge existing foreign exchange exposures. Gains and losses resulting from these instruments are recognized in the same period as the underlying transaction. For further information, see Note I - "Long-term Debt."

Use of Estimates: The financial statements have been prepared in accordance with generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the years presented. They also affect the disclosure of contingencies. Actual results could differ from those amounts.

New Accounting Pronouncements: In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." This Statement establishes standards for the reporting and display of comprehensive income and its components in a financial statement that is displayed with the same prominence as other financial

statements. Comprehensive income as defined includes all changes in equity (net assets) during a period from nonowner sources. Examples of items to be included in comprehensive income, which are excluded from net income, include foreign currency translation adjustments, unrealized gain(loss) on available-for-sale securities, and mark-to-market adjustments for hedging activities. The disclosures required by this Statement will be made beginning with the Company's first quarter of fiscal 1999.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This Statement establishes standards for the way companies report information about operating segments in financial statements. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company is in the process of reassessing its current business segment reporting to determine if changes in reporting will be required in adopting this new standard, but does not expect that adoption of this Statement will have a significant impact on the Company's disclosures. The disclosures required by this Statement will be adopted in the Company's 1999 annual report and subsequent interim periods.

During February 1998, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," which revises disclosures about pension and other postretirement benefits plans. This Statement is effective for the Company's 1999 fiscal year financial statements and restatement of disclosures for earlier years provided for comparative purposes will be required unless the information is not readily available. The Company is currently evaluating the extent to which its financial statement disclosures will be affected by SFAS No. 132.

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which specifies the accounting treatment provided to computer software costs depending upon the type of costs incurred. This Statement is effective for the Company's fiscal year 2000 financial statements and restatement of prior years will not be permitted. The Company does not believe that the adoption of this Statement will have a significant impact on its financial position or results of operations.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-up Activities," which requires costs of start-up activities and organization costs to be expensed as incurred. This Statement is effective for the Company's fiscal year 2000 financial statements and initial application will be reported as a cumulative effect of a change in accounting principle. The Company is currently evaluating the extent to which its financial statements will be affected by SOP 98-5.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires that an entity recognize derivative instruments, including certain derivative instruments embedded in other contracts, as either assets or liabilities and measure those instruments at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. This Statement is effective for the Company's fiscal year 2000 first quarter financial statements and restatement of prior years will not be permitted. The Company is currently evaluating the extent to which its financial

statements will be affected by SFAS No. 133, which is not expected to have a material effect on the Company based on its current derivative and hedging activities.

Reclassifications: Certain prior year amounts shown have been reclassified to conform to the fiscal 1998 presentation, including but not limited to, the reclassification of certain financial data previously reported in Tools and Supplies into Engineered Solutions.

Note B - Merger and Acquisitions

- -----

Merger

On July 31, 1998, at special meetings for both companies, shareholders voted to

approve the merger of a newly created subsidiary of the Company into ZERO Corporation. The Merger was completed after the approval of the shareholders of the Company and ZERO at their respective shareholder meetings. Under the terms of the Merger Agreement, ZERO stockholders received 0.85 of a share of the Company's Common Stock for each share of ZERO Common Stock. The Company issued approximately 10.6 million shares of its common stock in exchange for all outstanding common stock of ZERO Corporation and assumed outstanding options to purchase ZERO common stock that were converted into options to purchase approximately .6 million shares of the Company's common stock pursuant to the terms of the Merger. This equates to a purchase price of approximately \$386,000 based on the July 30, 1998 closing stock price of the Company. ZERO's primary business is protecting electronics. ZERO's system packaging, thermal management and engineered cases serve the telecommunication, instrumentation and data-processing markets. ZERO also produces the line of ZERO Halliburton(R) cases for consumers worldwide and cargo containers and proprietary loading systems to the airline industry. The Merger has been accounted for using the pooling of interests method of accounting and therefore reflects the combined financial position, operating results and cash flows of ZERO as if they had been combined for all periods presented. See Note A - "Summary of Significant Accounting Policies - Basis of Presentation."

All fees and expenses related to the ZERO merger and to the integration of the combined companies have been expensed as required under the pooling of interests method of accounting. Such fees and expenses amounted to \$20,129 in 1998. This total includes transaction costs of approximately \$9,276 related to legal, accounting and financial advisory services. The remaining \$10,853 reflects costs associated with organizational realignment, closure of ZERO headquarters, facility consolidation and the conforming of accounting policies.

Acquisitions

Fiscal 1998

On June 5, 1998, Applied Power Limited, a United Kingdom subsidiary of the Company, accepted for payment all of the VERO Group plc ("VERO") stock tendered, which totaled over 72% of the outstanding VERO shares, pursuant to Applied Power Limited's tender offer to acquire the entire issued share capital of VERO at a price of 192 pence per VERO share (the "Offer"). Applied Power Limited had previously acquired approximately 10% of VERO's shares, so that after accepting the shares tendered, Applied Power Limited owned or had accepted over 82% of VERO's shares. On June 19, 1998, Applied Power Limited announced that additional shares tendered brought the total of the shares it owned or had accepted for payment to over 90% of VERO's issued share capital and that it would invoke Section 429 of the U.K. Companies Act of 1985, as amended, to acquire the remaining outstanding shares of VERO stock. After the required procedures were completed, Applied Power Limited owned all of the issued share capital of VERO. Cash paid for the transaction totaled approximately \$191,700. Preliminary allocations of the purchase price resulted in approximately \$172,700 of goodwill. VERO is a United Kingdom based company that manufactures electronic enclosures, racks, backplanes and power supplies. The acquisition has been recorded using the purchase method of accounting. The operating results of VERO subsequent to June 5, 1998 are included in the Consolidated Statement of Earnings.

On October 6, 1997, the Company, through a wholly-owned subsidiary, accepted for payment all shares of Versa Technologies, Inc. ("Versa/Tek") common stock which were tendered pursuant to the Company's tender offer to purchase all outstanding shares at a cash price of \$24.625 net per share. The balance of the outstanding shares was acquired for the same per share cash price in a follow-up merger on October 9, 1997. Cash paid for the transaction

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totalled approximately \$141,000. Preliminary allocations of the purchase price resulted in approximately \$108,000 of goodwill. The transaction was primarily funded with proceeds from a \$140,000, 364-day revolving credit facility from the Company's then existing lenders. Versa/Tek, operating out of several locations in Wisconsin, is a value-added manufacturer of custom engineered components and systems for diverse industrial markets. The acquisition has been recorded using the purchase method of accounting. The operating results of Versa/Tek subsequent to October 6, 1997 are included in the Consolidated Statement of Earnings.

In addition to the above acquisitions made in fiscal 1998, the pro forma data

for fiscal 1997 in the table below give effect to the purchase of the net assets of Everest Electronic Equipment, Inc. ("Everest") on September 26, 1996 for cash consideration of \$52,000, which was funded through borrowings under then existing credit facilities. Approximately \$43,000 of the purchase price was assigned to goodwill. Everest is a manufacturer of custom and standard electronic enclosures used by the computer, telecommunication, datacom and other industries and is headquartered in Anaheim, California. The acquisition has been recorded using the purchase method of accounting. The results of Everest subsequent to the acquisition date are included in the Consolidated Statement of Earnings.

The following unaudited pro forma data summarize the results of operations for the periods indicated as if the acquisitions described above had been completed on September 1, 1996, the beginning of the 1997 fiscal year. The pro forma data give effect to actual operating results prior to the acquisitions and adjustments to interest expense, depreciation, goodwill amortization and income tax expense. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition had occurred on September 1, 1996 or that may be obtained in the future. The following data do not give pro forma effect to the other acquisitions completed subsequent to August 31, 1996, which are discussed below.

	1998	1997
Net Sales	\$1,392,833	\$1,270,045
Net Earnings	\$ 27,556	\$ 57,137
Basic Earnings Per Share	\$ 0.72	\$ 1.51
Shares Used in Basic Computation (000's)	38,380	37,880
Diluted Earnings Per Share	\$ 0.69	\$ 1.45
Shares Used in Diluted Computation (000's)	40,174	39,307

In addition to the Merger and material acquisitions discussed above, in fiscal 1998 the Company acquired eight other companies, primarily in its Enclosure Products and Systems business segment, for an aggregate of approximately \$125,600, including \$118,900 in cash and the assumption of approximately \$6,700 in debt. The cash portion of the acquisitions was paid utilizing borrowings under existing credit facilities. Each of these acquisitions was accounted for using the purchase method of accounting and the results of operations of the acquired companies are included in the Consolidated Statement of Earnings from their respective acquisition dates. As a result of the acquisitions, approximately \$90,700 in goodwill was recorded by the Company.

Fiscal 1997

In addition to the acquisition of Everest discussed above, in fiscal 1997 the Company acquired three other companies for an aggregate of approximately \$22,800 in cash. The cash portion of the acquisitions' purchase price was made utilizing borrowings under then existing credit facilities. Each of these acquisitions was accounted for as a purchase and the results of operations of the acquired companies are included in the Consolidated Statement of Earnings from their respective acquisition dates. As a result of the acquisitions, approximately \$11,200 in goodwill was recorded by the Company.

Fiscal 1996

In fiscal 1996, the Company acquired four companies for an aggregate of approximately \$45,700, including approximately \$33,700 in cash, the assumption of approximately \$7,400 in debt, the forgiveness of accounts receivable outstanding of approximately \$700, and the issuance of Applied Power Inc. Class A Common Stock valued at approximately \$3,900. The cash portion of the acquisitions' purchase price was paid utilizing borrowings under then existing credit facilities. Each of these acquisitions was accounted for as a purchase and the results of operations of the

acquired companies are included in the Consolidated Statement of Earnings from

their respective acquisition dates. As a result of the acquisitions, approximately \$5,300 in goodwill was recorded by the Company.

Note C - Sales of Product Lines

On March 31, 1998, the Company completed the sale of the assets of Moxness Industrial Products, a division of Versa/Tek. Total consideration from the transaction was \$6,000, which approximated book value of the assets.

On January 24, 1996, the Company sold substantially all of the assets and liabilities of its APITECH mobile equipment product line. Total consideration from the transaction, which included future collection of retained accounts receivable, was approximately \$5,200, which approximated the book value of the product line.

On December 13, 1995, the Company's GB Electrical subsidiary sold its HIT spring steel product line for approximately \$2,400 in cash. Proceeds from the sale approximated the book value of the product line.

Note D - Accounts Receivable Financing

On November 20, 1997, the Company replaced its former \$50,000 accounts receivable financing facility with a new facility that provided up to \$80,000 of multi-currency accounts receivable financing. The new agreement expires in November 2000. On August 28, 1998, the Company amended the facility by increasing the amount of multi-currency accounts receivable financing from \$80,000 to \$90,000. All other terms of the agreement remain the same.

Under the terms of this agreement, the Company and certain subsidiaries (collectively, "Originators") sell trade accounts receivable to Applied Power Credit Corporation ("APCC"), a wholly-owned limited purpose subsidiary of the Company. APCC is a separate corporate entity that sells participating interests in its pool of accounts receivable to financial institutions ("Purchasers"). The Purchasers, in turn, receive an ownership and security interest in the pool of receivables. Participation interests in new receivables generated by the Originators are purchased by APCC and resold to the Purchasers as collections reduce previously sold participation interests. The sold accounts receivable are reflected as a reduction of receivables in the Consolidated Balance Sheet. APCC has the risk of credit loss on such receivables up to a maximum recourse amount and, accordingly, the full amount of the allowance for doubtful accounts has been retained on the Company's Consolidated Balance Sheet. The Company retains collection and administrative responsibilities on the participation interests sold as servicer for APCC and the Purchasers.

At August 31, 1998 and 1997, accounts receivable were reduced by \$89,700 and \$50,000, respectively, representing receivable interests sold under this program. The proceeds from the sales were used to reduce debt.

Accounts receivable financing costs totaling \$4,349, \$2,978 and \$2,324 for the years ended August 31, 1998, 1997 and 1996, respectively, are included with net financing costs in the accompanying Consolidated Statement of Earnings.

Note E - Net Inventories

Inventory cost is determined using the last-in, first-out ("LIFO") method for a portion of US owned inventory (approximately 37% and 57% of total inventories in 1998 and 1997, respectively). The first-in, first-out or average cost methods are used for all other inventories. If the LIFO method was not used, inventory balances would be higher than the amounts in the Consolidated Balance Sheet by approximately \$8,239 and \$7,920 at August 31, 1998 and 1997, respectively.

It is not practical to segregate the amounts of raw materials, work-in-process or finished goods at the respective balance sheet dates, since the segregation is possible only as the result of physical inventories which are taken at dates different from the balance sheet dates. The systems at many of the Company's operating units have not been designed to capture this segregation due to the very short production cycle of their products and the minimal amount of work-in-process.

Note F - Shareholders' Equity

The authorized capital stock of the Company as of August 31, 1998 consisted of 80,000,000 shares of Class A Common Stock, \$0.20 par value, of which 38,626,068 shares were issued and outstanding; 7,500,000 shares of Class B Common Stock, \$0.20 par value, none of which were issued and outstanding; and 800,000 shares of Cumulative Preferred Stock, \$1.00 par value ("Preferred Stock"), none of which have been issued. Holders of both classes of the Company's Common Stock are entitled to such dividends as the Company's Board of Directors may declare out of funds legally available, subject to any contractual restrictions on the payment of dividends or other distributions on the Common Stock. If the Company were to issue any of its Preferred Stock, no dividends could be paid or set apart for payment on shares of Common Stock, unless paid in Common Stock, until dividends on all of the issued and outstanding shares of Preferred Stock had been paid or set apart for payment and provision had been made for any mandatory sinking fund payments. In the event of dissolution or liquidation of the Company, the holders of both classes of Common Stock are entitled to share ratably all assets of the Company remaining after payment of the Company's liabilities and satisfaction of the rights of any series of Preferred Stock which may be outstanding. There are no redemption or sinking fund provisions with respect to the Common Stock.

On January 8, 1998, the Board of Directors authorized a two-for-one stock split effected in the form of a 100 percent stock dividend to shareholders of record on January 22, 1998. To effect the stock split, a total of 13,891,578 shares of the Company's Class A Common Stock were issued on February 3, 1998. All references in the accompanying consolidated financial statements to the average number of common shares and related per share amounts have been restated to reflect the stock split.

At the Annual Meeting of Shareholders on January 9, 1998, the shareholders voted to increase the number of authorized shares of Class A Common from 40,000,000 to 80,000,000.

Prior to the Merger, as discussed in Note B - "Merger and Acquisitions," ZERO Corporation repurchased approximately 4,019,000 shares of its common stock at a cost of approximately \$71,871 in a Dutch Auction Tender Offer in February 1996. The source of the funds to repurchase the shares was provided by the issuance of promissory notes totaling \$50,000 by ZERO Corporation (see also Note I - "Long-term Debt"), together with available cash and cash derived from the sale of short-term investments.

Note G - Merger, Restructuring and Other Non-recurring Charges

The Company recorded restructuring and other one-time charges of \$52,637 in the fourth quarter of 1998. The pre-tax charges of \$69,440 relate to costs associated with the ZERO merger, various plant consolidations, and other cost reductions and product rationalization efforts of the Company. The charges were reflected in the financial statements as follows:

Merger, Restructuring and Other Non-recurring Charges

Cost of products sold	\$25,785
Engineering, selling and administrative expenses	9,019
Amortization of intangible assets	5,062
Restructuring charges	20,298
Merger related expenses	9,276
Subtotal	69,440
Less: Income tax benefit	16,803
Total	\$52,637

In connection with the Merger with ZERO consummated in fiscal 1998 (Note B - "Merger and Acquisitions"), the Company recorded transaction costs of approximately \$9,276 related to legal, accounting and financial advisory services. These were expensed as required under the pooling of interests method of accounting. In addition, the Company incurred costs of \$10,853 associated with organizational realignment, closure of ZERO headquarters, facility consolidation and the conforming of accounting policies.

In August 1998, the Company also recorded restructuring and one-time charges of \$49,311 related to the product line rationalization of certain acquired companies, combination of certain production facilities and exiting of several product lines. As of August 31, 1998, there was \$21,471 remaining in the reserve for organizational realignments and other cash related items and \$27,840 for non-cash charges related to inventory rationalization, facility consolidation and goodwill impairment. Of the total charges incurred, \$13,600 was recorded for severance payments of approximately 400 employees of which a negligible amount was paid in fiscal 1998.

Note H - Short-term Borrowings

The Company had borrowings under non-collateralized non-committed lines of credit with banks aggregating approximately \$91 and \$21,463 at August 31, 1998 and 1997, respectively. Interest rates vary depending on the currency being borrowed. The weighted average interest rates on the US and non-US short-term borrowings were 5.24% and 6.22% at August 31, 1998 and 1997, respectively. The amount of unused available borrowings under such lines of credit was approximately \$80,872 at August 31, 1998.

Note I - Long-term Debt

	August 31,	
	1998	1997
Borrowings under:		
Multi-currency revolving credit agreement	\$360,672	\$101,663
Commercial paper	42,930	-
Pound Sterling multi-currency revolving credit agreement	26,218	-
Floating rate unsecured notes, due December 31, 2003	27,386	-
Senior promissory notes, due March 8, 2011	50,000	50,000
Other	5,351	1,503
Total Long-term Debt	\$512,557	\$153,166

On June 18, 1998, the Company and Enerpac B.V., a Netherlands subsidiary of the Company, as Borrowers, entered into a Multicurrency Credit Agreement (the "Credit Agreement"), providing for a \$700,000, 5-year revolving credit facility (the "Facility"). In conjunction with the closing of the Facility, the Company terminated its prior \$350,000, 5-year revolving credit facility (the "Prior Facility"), and used certain funds received under the Facility to repay borrowings under the Prior Facility. The Facility was used to finance expenses related to the acquisition of VERO, provide for working capital, capital expenditures and for other general corporate purposes. At August 31, 1998, direct outstanding borrowings under the Facility were \$360,672 and commercial paper borrowings and certain loan notes, considered a utilization of the Facility, were \$42,930 and \$27,386, respectively. The Company can borrow at a floating rate of LIBOR plus 0.275 to 1.00 basis points annually, depending on the debt-to-EBITDA ratio. Currently, the Company incurs interest at 0.625 basis points above 30-day LIBOR, determined by the underlying currency of the debt which the Company is borrowing. At August 31, 1998, the Company had borrowings denominated in the US Dollar and the Japanese Yen. A non-use fee, currently computed at a rate of 0.175 basis points annually, is payable quarterly on the average unused credit line. The unused credit line at August 31, 1998 was approximately \$269,000.

The Credit Agreement contains customary restrictions concerning investments, liens on assets, sales of assets, maximum levels of debt and minimum levels of shareholders' equity. In addition, the agreement requires the Company to maintain certain financial ratios. As of August 31, 1998, the Company was in compliance with all debt covenants. See also Note P - "Subsequent Events."

Commercial paper outstanding at August 31, 1998 totaled \$42,930, net of discount, and carried an average interest rate of 5.70%. The Company has the ability and intent to maintain these commercial paper obligations, classified as long term, for more than one year. Amounts outstanding as commercial paper

reduce the amount available for borrowings under the Credit Agreement. There was no commercial paper outstanding at August 31, 1997.

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The Pound Sterling multi-currency revolving credit agreement was entered into by the Company's VERO subsidiary in April 1998, prior to the acquisition of VERO by the Company. The facility provides up to 27.5 million Pounds Sterling of multi-currency borrowings and expires in 2003. Any borrowings carry an interest rate of LIBOR plus 0.65 basis points determined by the underlying currency of the debt which the Company is borrowing. At August 31, 1998 the facility had borrowings denominated in Pounds Sterling, German Marks, French Francs, US Dollars, Danish Krone and Italian Lira. The agreement has customary covenants regarding tangible net worth and debt-to-net worth, neither of which were deemed restrictive at August 31, 1998. The total unused line available at August 31, 1998 was 9.1 million Pounds Sterling or approximately \$15,000.

The floating rate unsecured notes were entered into by the Company as a result of its acquisition of VERO. The notes were exchanged with individual shareholders of VERO, at their option, in lieu of receiving cash payment for their tendered shares. The notes carry an interest rate of LIBOR minus 0.50 basis points and can be redeemed at the option of the note holder on various dates through 2003.

The senior promissory notes bear interest at 7.13%, and are payable in 11 annual installments of \$4,545 beginning March 8, 2001. The proceeds from the notes were used solely for the repurchase of ZERO's common stock in a Dutch Auction Tender Offer and for payment of related expenses. See also Note F - "Shareholders' Equity."

Derivative Financial Instruments: As part of its interest rate management program, the Company periodically enters into interest rate swap agreements with respect to portions of its outstanding debt. The purpose of these swaps is to protect the Company from the effect of an increase in interest rates. The interest rate swap agreements in place at August 31, 1998 effectively convert \$239,264 of the Company's variable rate debt to a weighted average fixed rate of 5.95%. The swap agreements expire on varying dates through 2005. The accompanying Consolidated Balance Sheet at August 31, 1998 does not reflect a value for these swap agreements.

The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual US Dollar cash flows resulting from the sale and purchase of products in foreign currencies will be adversely affected by changes in exchange rates. In addition, the Company seeks to manage the impact of foreign currency fluctuations related to the repayment of intercompany borrowings. Fluctuations in the value of hedging instruments are offset by fluctuations in the value of the underlying exposures being hedged. The Company uses forward exchange contracts to hedge certain firm purchase and sales commitments and the related receivables and payables including other third party or intercompany foreign currency transactions. Cross-currency swaps are used to hedge foreign currency denominated payments related to intercompany loan agreements. Hedged transactions are denominated primarily in European currencies. The net realized and unrealized gains or losses on forward contracts deferred at August 31, 1998 were negligible.

The counterparties to these financial instruments consist of major financial institutions with investment grade or better credit ratings. The Company does not expect any losses from nonperformance by these counterparties.

Adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," in fiscal 2000 will require the Company to record these instruments at their fair values. See Note A - "Summary of Significant Accounting Policies - New Accounting Pronouncements."

Fair Values: The fair value of the Company's short-term borrowings and long-term debt approximated book value as of August 31, 1998 and 1997 due to their short-term nature and the fact that the interest rates approximate market rates, respectively. The fair value of debt instruments is calculated by discounting the cash flow of such obligations using the market interest rates for similar instruments. If the Company decided to terminate its interest rate swap agreements, the Company would have had to pay \$4,223 and \$553 as of August 31, 1998 and 1997, respectively. The Company had no foreign currency contracts in place at August 31, 1998.

Aggregate Maturities: Long-term debt outstanding at August 31, 1998 is payable as follows: none in 1999; \$1,572 in 2000; \$6,259 in 2001; \$5,871 in 2002; \$434,950 in 2003 and \$63,905 thereafter.

The Company paid \$24,832, \$15,506 and \$8,202 for financing costs in 1998, 1997 and 1996, respectively.

Note J - Leases

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The Company leases certain facilities, computers, equipment and vehicles under various lease agreements generally over periods of one to twenty years. Under most arrangements, the Company pays the property taxes, insurance, maintenance and expenses related to the leased property. Many of the leases include provisions which enable the Company to renew leases based upon the fair values on the date of expiration of the initial lease.

Future obligations on non-cancelable operating leases in effect at August 31, 1998 are: \$24,484 in 1999; \$20,660 in 2000; \$17,090 in 2001; \$21,984 in 2002; \$12,134 in 2003 and \$101,906 thereafter.

Total rental expense under operating leases was \$20,117, \$14,385 and \$12,798 in 1998, 1997 and 1996, respectively.

Note K - Stock Option Plans

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A total of 8,715,638 shares of Class A Common are authorized for issuance under the Company's employee and director stock option plans (including the assumed ZERO stock options described below), of which a total of 3,080,741 have been issued through exercises of option grants. At August 31, 1998, 5,634,897 shares were reserved for issuance under the plans, consisting of 2,841,706 shares subject to outstanding options and 2,793,191 shares available for further grants.

Employee Plans: On January 8, 1997, shareholders of the Company approved the adoption of the Applied Power Inc. 1996 Stock Plan (the "1996 Plan"). Previously, the Company had three nonqualified stock option plans for employees- the 1985, 1987 and 1990 plans. No further options may be granted under the 1985, 1987 or 1990 plans, although options previously issued and outstanding under these plans remain exercisable pursuant to the provisions of the plans. Under the terms of the 1996 Plan, options may be granted to officers and key employees. Options generally have a maximum term of ten years and an exercise price equal to 100% of the fair market value of a share of the Company's common stock at the date of grant. Options generally vest 50% after two years and 100% after five years.

In connection with the Merger occurring in fiscal 1998 (see Note B - "Merger and Acquisitions"), all of the options outstanding under the former ZERO stock option plans were assumed by the Company and converted into options to purchase shares of the Company's Class A Common Stock on terms adjusted to reflect the Merger exchange ratio. Options to acquire a total of 735,767 ZERO shares were converted into options to acquire a total of 625,402 Company shares. These options, as so adjusted, retain all of the rights, terms and conditions of the respective plans under which they were originally granted.

ZERO's plans provided for the granting of options to purchase shares of ZERO common stock to directors, officers and other key employees at a price not less than the fair market value on the date of grant. Options were granted for terms of five to eight years and become exercisable in annual installments (generally one-third of the total grant) commencing one year from the date of grant, on a cumulative basis.

A summary of option activity under the employee plans is as follows:

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Number of Shares	Weighted Average Exercise Price
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Outstanding at September 1, 1995	3,623,519	\$10.61
Granted	377,183	17.03
Exercised	(457,138)	10.42
Canceled	(345,044)	11.42
Outstanding at August 31, 1996	3,198,520	\$11.37
Granted	642,865	19.61
Exercised	(502,379)	11.16
Canceled	(87,396)	14.51
Outstanding at August 31, 1997	3,251,610	\$12.91
Effect of ZERO excluded period (as described in Note A)	(84,797)	--
Granted	467,644	32.27
Exercised	(721,160)	13.01
Canceled	(133,591)	18.85
Outstanding at August 31, 1998	2,779,706	\$15.72
Exercisable at August 31, 1998	1,616,503	\$10.63

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

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 6.75 - \$ 8.38	632,208	3.6 years	\$ 8.02	632,208	\$ 8.02
\$ 8.56 - \$10.69	690,682	3.2 years	\$ 9.74	588,532	\$ 9.57
\$11.13 - \$16.18	439,542	5.6 years	\$14.57	278,592	\$14.68
\$17.75 - \$26.13	582,029	6.6 years	\$19.51	112,200	\$19.96
\$31.63 - \$36.13	435,245	8.3 years	\$32.46	4,971	\$31.84
	2,779,706		\$15.72	1,616,503	\$10.63

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its employee stock option plans. Accordingly, no compensation expense has been recognized for its stock-based compensation plans other than for the outside director plan discussed below. If the Company had accounted for these stock options issued to employees in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net earnings and earnings per share would have been changed to the pro forma amounts indicated below:

	1998	1997	1996
Net Earnings - as reported	\$26,687	\$57,925	\$50,679
Net Earnings - pro forma	25,592	56,946	50,334
Basic Earnings Per Share - as reported	\$ 0.70	\$ 1.53	\$ 1.26
Basic Earnings Per Share - pro forma	0.67	1.50	1.25
Diluted Earnings Per Share - as reported	\$ 0.66	\$ 1.47	\$ 1.22
Diluted Earnings Per Share - pro forma	0.64	1.45	1.21

The pro forma effects of applying SFAS No. 123 may not be representative of the effects on reported net income and earnings per share for future years since options vest over several years and additional awards are made each year.

The fair value of Applied Power stock options used to compute pro forma net earnings and pro forma earnings per share disclosures is the estimated present value at grant date using the Black-Scholes option-pricing model. The weighted average fair values per share of options granted in 1998, 1997 and 1996 are \$11.54, \$4.90 and \$4.03, respectively. The following weighted average assumptions were used in completing the model:

	1998	1997	1996
Dividend yield	0.24%	0.33%	0.40%
Expected volatility	23.5%	19.0%	18.3%
Risk-free rate of return	5.5%	6.3%	6.3%
Expected life	5.6 years	5.0 years	5.0 years

Outside Director Plan: Annually, each outside director is granted stock options to purchase 3,000 shares of common stock at a price equal to the market price of the underlying stock on the date of grant. The amount of shares granted was increased in 1997, from 2,000 shares, by an amendment to the plan adopted on October 31, 1996. These options are recorded as compensation expense as required by SFAS No. 123. A maximum of 120,000 shares may be issued under this plan. Options vest 100% after 11 months.

A summary of option activity under this plan is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at September 1, 1995	40,000	\$ 9.63
Granted	12,000	13.82
Exercised	(2,000)	8.50
Outstanding at August 31, 1996	50,000	\$10.77
Granted	15,000	19.44
Canceled	(4,000)	8.42
Outstanding at August 31, 1997	61,000	\$13.03
Granted	15,000	34.50
Exercised	(14,000)	10.09
Outstanding at August 31, 1998	62,000	\$18.88
Exercisable at August 31, 1998	47,000	\$13.90

Note L - Employee Benefit Plans

Postretirement Benefit Plans - The Company does not offer postretirement health care and life insurance benefits to employees. However, certain employees of businesses previously acquired by the Company were entitled to such benefits upon retirement. Most individuals receiving health care benefits under these programs are required to make monthly contributions to defray a portion of the cost. Retiree contributions are adjusted annually. Retirees currently do not contribute toward the cost of life insurance. The accounting for retiree health care benefits assumes retirees will continue to contribute toward the cost of such benefits. Net periodic postretirement benefit expense for 1998, 1997 and 1996 was not material. The Company's postretirement benefit obligation is not funded. Benefits paid in 1998, 1997 and 1996 were \$41, \$128 and \$22 higher than that expensed during those years, respectively.

The Company's accumulated postretirement benefit obligation for such benefits is as follows:

	1998	1997
Retirees	\$4,388	\$3,843
Vested former employees	606	748
Active employees	230	174
Subtotal	5,224	4,765
Unrecognized gain	4,445	4,312
Accumulated Postretirement Benefit Obligation	\$9,669	\$9,077

The health care cost trend rate used in the actuarial calculations was 9.8%, trending downward to 6.5% by the year 2009, and remaining level thereafter. The discount rate used in determining the accumulated postretirement benefit obligation was 7.0%, 7.75% and 7.75% for the years 1998, 1997 and 1996, respectively. The effect of a one percentage-point increase in health care cost trend rates would increase the accumulated postretirement benefit obligation by approximately 8%.

Defined Benefit Pension Plans - The Company does not offer defined benefit pensions to employees. However, certain employees of the Versa/Tek businesses acquired by the Company during 1998 were entitled to such benefits upon retirement. Two of the plans cover certain hourly production employees and provide benefits of stated amounts for specified periods of service. Another plan covers certain salaried, administrative and clerical employees and provides benefits based on years of service and compensation. In 1998, the Company amended the plans to freeze the accumulation of benefits. This change resulted in a decrease of approximately \$1,890 in the projected benefit obligation.

The Company makes actuarially determined contributions to a trust fund for these plans which represents the maximum allowable for deduction in determination of Federal taxable income. Trust assets consist primarily of participating units in common stock and bond funds. Net pension cost for fiscal 1998 for the defined benefit plans was not material. Benefits paid in 1998 were approximately \$200 higher than that expensed.

The defined benefit plans' funded status at August 31, 1998 was as follows:

	1998
Actuarial present value of benefit obligations:	
Vested benefit obligation	\$ 10,418
Accumulated benefit obligation	10,778
Projected benefit obligation	10,778
Plan assets at fair value	12,086
Plan assets in excess of accumulated benefits	(1,308)
Unrecognized net actuarial loss	(515)
Prepaid Pension Cost	\$ (1,823)

The projected benefit obligation assumes a 7.0% actuarial discount rate and an expected long-term rate of return on plan assets of 8.5%.

In place of participation in any of the above defined benefit pension plans, the Company makes cash contributions to a labor management (union) multi-employer pension fund based on hours worked in accordance with a negotiated labor contract for tool makers employed at one of the Company's manufacturing facilities.

The Company also assumed an unfunded supplemental pension agreement with a former Versa/Tek key executive officer. The actuarially computed provision for

this agreement was \$41 for 1998.

Defined Contribution Plans - US Employees: Effective January 1, 1998, the Company merged its former Employee Savings Plan with the Applied Power Inc. Employee Stock Ownership Plan to create a single retirement program for eligible employees - the APW 401(k) Plan (the "401(k) Plan"). Substantially all of the Company's full-time US employees are eligible to participate in the 401(k) Plan. Under the provisions of the 401(k) Plan, the plan administrator acquires shares of Class A Common Stock on the open market and allocates such shares to accounts set aside for Company employees' retirements. Company contributions generally equal 3% of each employees' annual cash compensation, subject to IRS limitations. Additionally, employees generally may contribute up to 15% of their base compensation. The Company also matches approximately 25% of each employee's contribution up to the participant's first 6% of earnings. During the years ended August 31, 1998, 1997 and 1996, pre-tax expense related to the defined contribution plans was approximately \$3,800, \$4,100 and \$2,800, respectively.

Non-US Employees: The Company contributes to a number of retirement programs for employees outside the US. Pension expense under these programs amounted to approximately \$2,102, \$1,215 and \$1,046 in 1998, 1997 and 1996, respectively. These plans are not required to report to US governmental agencies under the Employee Retirement Income Security Act of 1974 and, therefore, the Company does not determine the actuarial value of accumulated plan benefits or net assets available for benefits.

Note M - Income Taxes

- - - - -

Income tax expense consists of the following:

	1998	1997	1996

Currently Payable:			
Federal	\$25,323	\$23,607	\$18,941
Foreign	9,626	5,015	6,510
State	4,257	3,260	3,751

Subtotals	39,206	31,882	29,202

Deferred:			
Federal	(8,887)	(488)	(1,451)
Foreign	1,007	87	(780)
State	(628)	(182)	(236)

Subtotals	(8,508)	(583)	(2,467)

Totals	\$30,698	\$31,299	\$26,735

Components of deferred income tax benefits include the following:

	1998	1997	1996

Compensation and other			
employee benefits	\$(1,007)	\$(1,565)	\$ (312)
Inventory items	(7,478)	(747)	(694)
Depreciation and amortization	4,330	684	(1,875)
Restructuring expenses	(4,734)	(65)	373
Deferred income	(88)	526	574
Book reserves and other items	469	584	(533)

The Company's policy is to remit earnings from foreign subsidiaries only to the extent any resultant foreign income taxes are creditable in the US. Accordingly, the Company does not currently provide for the additional US and foreign income taxes which would become payable upon remission of undistributed earnings of foreign subsidiaries. Undistributed earnings on which additional income taxes have not been provided amounted to approximately \$79,000 at August 31, 1998. If all such undistributed earnings were remitted, an additional provision for income taxes of approximately \$3,800 would have been necessary as of August 31, 1998.

Earnings from continuing operations before income taxes from non-US operations were \$15,351, \$10,471 and \$11,928 for 1998, 1997 and 1996, respectively.

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Note N - Segment Information

The Company's operations are classified into three business segments: Enclosure Products and Systems, Engineered Solutions and Tools and Supplies. Enclosure Products and Systems designs, manufactures and sells furnishings and enclosures utilized in technology intensive business environments. Engineered Solutions focuses on developing and marketing value-added, customized solutions for OEMs in the automotive, truck, off-highway equipment, medical, aerospace, defense and industrial markets. Tools and Supplies is involved in the design, manufacture and distribution of tools and supplies to the construction, electrical wholesale, retail do-it-yourself, datacom, retail automotive, industrial and production automation markets.

The following table summarizes financial information by business segment. The information for Earnings Before Income Tax Expense includes the effects of the Merger, restructuring and other non-recurring charges of \$69,440 discussed in Note G - "Merger, Restructuring and Other Non-recurring Charges." Such charges allocated by segment are \$17,730 in Enclosure Products and Systems, \$11,375 in Engineered Solutions, \$24,615 in Tools and Supplies and \$15,720 in General corporate and other.

	1998	1997	1996
Net Sales:			
Enclosure Products and Systems	\$ 482,361	\$296,235	\$190,031
Engineered Solutions	432,070	312,254	308,907
Tools and Supplies	316,258	289,269	278,524
Totals	\$1,230,689	\$897,758	\$777,462
Earnings Before Income Tax Expense:			
Enclosure Products and Systems	\$ 39,318	\$ 46,293	\$ 26,343
Engineered Solutions	56,521	41,783	36,473
Tools and Supplies	13,150	28,717	35,138
General corporate and other	(51,604)	(27,569)	(20,540)
Totals	\$ 57,385	\$ 89,224	\$ 77,414
Depreciation and Amortization:			
Enclosure Products and Systems	\$ 19,409	\$ 9,533	\$ 5,830
Engineered Solutions	17,059	12,344	13,099
Tools and Supplies	10,467	9,049	8,184
General corporate and other	635	186	120
Totals	\$ 47,570	\$ 31,112	\$ 27,233
Capital Expenditures:			
Enclosure Products and Systems	\$ 25,191	\$ 13,822	\$ 11,044
Engineered Solutions	22,328	11,375	10,834

Tools and Supplies	8,914	7,965	9,290
General corporate and other	394	301	223
Totals	\$ 56,827	\$ 33,463	\$ 31,391
August 31,			
	1998	1997	1996
Assets:			
Enclosure Products and Systems	\$ 639,776	\$241,027	\$140,963
Engineered Solutions	324,581	192,476	183,992
Tools and Supplies	202,176	193,605	205,746
General corporate	8,189	22,438	16,377
Totals	\$1,174,722	\$649,546	\$547,078

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The following table summarizes financial information by geographic region. The information for Earnings Before Income Tax Expense includes the effects of the Merger, restructuring and other non-recurring charges of \$69,440 discussed in Note G - "Merger, Restructuring and Other Non-recurring Charges." Such charges allocated by geographic region are \$39,907 in North America, \$7,743 in Europe, \$4,320 in Japan and Asia Pacific, \$1,750 in Latin America and \$15,720 in General corporate and other.

	1998	1997	1996
Net Sales:			
North America	\$ 895,355	\$653,333	\$547,561
Europe	284,189	180,995	163,213
Japan and Asia Pacific	37,588	51,962	56,750
Latin America	13,557	11,468	9,938
Totals	\$1,230,689	\$897,758	\$777,462
Earnings Before Income Tax Expense:			
North America	\$ 91,511	\$103,599	\$ 77,836
Europe	20,474	15,818	17,531
Japan and Asia Pacific	(1,250)	(1,121)	3,772
Latin America	(1,746)	(1,503)	(1,185)
General corporate and other	(51,604)	(27,569)	(20,540)
Totals	\$ 57,385	\$ 89,224	\$ 77,414

	1998	1997	1996
Assets:			
North America	\$ 743,943	\$458,077	\$387,225
Europe	390,588	125,335	93,325
Japan and Asia Pacific	24,412	33,669	38,834
Latin America	7,590	10,027	11,317
General corporate	8,189	22,438	16,377

Totals \$1,174,722 \$649,546 \$547,078

Earnings before income tax expense for each business and geographic segment do not include general corporate expenses, interest expense or currency exchange adjustments. Sales between business segments and geographic areas are insignificant and are accounted for at prices intended to yield a reasonable return to the selling affiliate. No single customer accounted for more than 10% of total sales in 1998, 1997 or 1996. Export sales from domestic operations were less than 10% in each of the periods presented.

Corporate assets, which are not allocated, represent principally cash and deferred income taxes.

Note O - Contingencies and Litigation

The Company had outstanding letters of credit totaling \$6,625 and \$6,396 at August 31, 1998 and 1997, respectively. The letters of credit generally serve as collateral for liabilities included in the Consolidated Balance Sheet.

The Company is a party to various legal proceedings which have arisen in the normal course of its business. These legal proceedings typically include product liability, environmental, labor and patent claims. The Company has recorded reserves for loss contingencies based on the specific circumstances of each case. Such reserves are recorded when the occurrence of loss is probable and can be reasonably estimated. In the opinion of management, the resolution of these contingencies will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

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The Company has facilities at numerous geographic locations which are subject to a range of environmental laws and regulations. Environmental costs are expensed or capitalized depending on their future economic benefits. Expenditures that have no future economic value are expensed. Liabilities are recorded when environmental remediation is probable and the costs can be reasonably estimated. Environmental expenditures over the last three years have not been material. Although the level of future expenditures for environmental remediation is impossible to determine with any degree of certainty, it is management's opinion that such costs will not have a material adverse effect on the Company's financial position, results of operations or cash flows. Environmental remediation accruals of \$4,049 and \$1,608 were included in the Consolidated Balance Sheet at August 31, 1998 and 1997, respectively.

Note P - Subsequent Events

On September 29, 1998, the Company, through its wholly-owned subsidiary, APW Enclosure Systems Limited, accepted for payment all shares of Rubicon Group plc ("Rubicon") common stock which had been tendered pursuant to the APW Enclosure Systems Limited tender offer for all outstanding shares of common stock at 2.35 pounds sterling per share and all outstanding shares of cumulative preferred stock at 0.50 pounds sterling per share, which constituted control, and continued with steps to acquire the remaining outstanding shares. Rubicon is a leading provider of electronic manufacturing services and engineered magnetic solutions to major OEMs in the information technology and telecommunication industries. Consideration for the transaction totaled approximately \$365,000, including related fees and expenses. APW Enclosure Systems Limited obtained all of the funds it expended from the Company. To provide the necessary funds, the Company and Enerpac B.V., a Netherlands subsidiary of the Company, as Borrowers, entered into a Multicurrency Credit Agreement, dated as of October 14, 1998, providing for an \$850,000, 5-year revolving credit facility (the "New Facility"). In conjunction with the closing of the New Facility, the Company terminated its prior \$700,000, 5-year revolving credit facility (the "Facility"), described in Note I - "Long-term Debt," and used certain funds received under the New Facility to repay borrowings under the Facility.

SUPPLEMENTARY DATA

Unaudited quarterly financial data for the Company for 1998 and 1997 is included in Item 8 - "Financial Statements and Supplementary Data."

Report of Independent Accountants on Financial Statement Schedule

To the Directors of Applied Power Inc.:

Our audit of the consolidated financial statements referred to in our report dated September 30, 1998 appearing on page 24 of this Form 10-K also included an audit of the information as of and for the year ended August 31, 1998 in the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. The Financial Statement Schedules for the years ended August 31, 1997 and 1996, prior to the restatement for pooling of interests, and the separate Financial Statement Schedules of ZERO Corporation in the 1997 and 1996 restated consolidated financial statements, for the years ended March 31, 1997 and 1996, were audited and reported on separately by other independent accountants. We also audited the combination of the information for each of the two years in the period ended August 31, 1997, after restatement for the 1998 pooling of interests. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein as of and for the year ended August 31, 1998 when read in conjunction with the related consolidated financial statements, and, in our opinion, the information for each of the two years in the period ended August 31, 1997, has been properly combined on the basis described in Note A of Notes to Consolidated Financial Statements.

PRICEWATERHOUSECOOPERS LLP
Milwaukee, Wisconsin
September 30, 1998

APPLIED POWER INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(Dollars in Thousands)

Description	Balance at Beginning of Period	Effect of Excluded Activity	Additions		Deductions		Balance at End of Period
			Charged to Costs and Expenses	Net Acquired	Accounts Written Off Less Recoveries	Other	

Deducted from assets to which they apply:							

Allowance for losses - trade accounts receivable							
August 31, 1998	\$ 4,936	\$ 74	\$ 3,018	\$ 722	\$1,485	\$507	\$ 6,758
August 31, 1997	\$ 4,938	\$ -	\$ 1,797	\$ 133	\$1,623	\$309	\$ 4,936
August 31, 1996	\$ 4,317	\$ -	\$ 1,439	\$ 100	\$ 863	\$ 55	\$ 4,938
Allowance for losses - inventory							
August 31, 1998	\$13,741	\$415	\$31,118	\$5,612	\$9,004	\$614	\$41,268
August 31, 1997	\$12,164	\$ -	\$ 7,676	\$ 465	\$6,120	\$444	\$13,741
August 31, 1996	\$ 8,437	\$ -	\$ 7,794	\$ 30	\$4,006	\$ 91	\$12,164

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.

APPLIED POWER INC.
(Registrant)

Dated: November 20, 1998

By: /s/ Robert C. Arzbaecher

Robert C. Arzbaecher
Vice President and
Chief Financial Officer

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Richard G. Sim and Robert C. Arzbaecher, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all and any other regulatory authority, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature -----	Title -----
/s/ Richard G. Sim ----- Richard G. Sim	Chairman of the Board, President and Chief Executive Officer; Director
/s/ Robert C. Arzbaecher ----- Robert C. Arzbaecher	Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Richard D. Carroll ----- Richard D. Carroll	Controller and Treasurer (Principal Accounting Officer)
/s/ H. Richard Crowther ----- H. Richard Crowther	Director
/s/ Jack L. Heckel ----- Jack L. Heckel	Director
/s/ Richard A. Kashnow ----- Richard A. Kashnow	Director
/s/ L. Dennis Kozlowski ----- L. Dennis Kozlowski	Director
/s/ John J. McDonough ----- John J. McDonough	Director

* Each of the above signatures is affixed as of November 20, 1998.

APPLIED POWER INC.
(the "Registrant")
(Commission File No. 1-11288)

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED AUGUST 31, 1998
INDEX TO EXHIBITS

Exhibit	Description	Incorporated Herein By Reference To	Filed Herewith
2.1	Agreement and Plan of Merger, dated as of September 2, 1997, among Applied Power Inc., TVPA Corp. and Versa Technologies, Inc.	Exhibit (c)(1) to the Registrant's Tender Offer Statement on Schedule 14D-1 filed on September 5, 1997 (File No. 5-13342)	
2.2	(a) Agreement and Plan of Merger, dated as of April 6, 1998, by and among Applied Power Inc., ZERO Corporation and STB Acquisition Corporation (b) Certified copy of Certificate of Merger of STB Acquisition Corporation with and into ZERO Corporation, dated July 31, 1998	Appendix A to the Joint Proxy Statement/Prospectus contained in the Registrant's Registration Statement on Form S-4 (File No. 333-58267) Exhibit 2.2 to the Registrant's Form 8-K dated July 31, 1998	
3.1	Restated Articles of Incorporation of the Registrant (dated as of February 13, 1998)	Exhibit 4.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-46469)	
3.2	Amended and Restated Bylaws of the Registrant (effective as of January 8, 1997)	Exhibit 3.2 to the Registrant's Form 10-K for the fiscal year ended August 31, 1997 ("1997 10-K")	
4+			
4.1	Articles III, IV and V the Restated	See Exhibit 3.1 above	

Articles of Incorporation

+ Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant agrees to furnish to the Securities and Exchange Commission upon request a copy of any unfiled instruments, or any unfiled exhibits or schedules to filed instruments, defining the rights of security holders.

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Exhibit	Description	Incorporated Herein By Reference To	Filed Herewith
4.2	Agreement for Purchase and Sale, dated August 29, 1990, between Minnesota Mining and Manufacturing Company and Applied Power Inc., and seven related Leases, each dated April 29, 1991, between Bernard Garland and Sheldon Garland, d/b/a Garland Enterprises, as Landlord, and Applied Power Inc., as Tenant	Exhibit 19.2(a)-(g) to the Registrant's Form 10-Q for quarter ended May 31, 1991	
4.3	Multicurrency Credit Agreement, dated as of June 18, 1998, among Applied Power Inc. and Enerpac B.V., as Borrowers, various financial institutions from time to time party thereto, as Lenders, The First National Bank of Chicago, as Syndication Agent, Societe Generale, as Documentation Agent, and Bank of America National Trust and Savings Association, as Administrative Agent, arranged by BancAmerica Robertson Stephens	Exhibit 4.1 to the Registrant's Form 8-K dated June 5, 1998	
4.4	Multicurrency Credit Agreement, dated as of October 14, 1998, among Applied Power Inc. and Enerpac B.V., as Borrowers, various financial institutions from time to time party thereto, as Lenders, The First National Bank of Chicago, as Syndication Agent, Societe Generale, as Documentation Agent, and Bank of America National Trust and Savings Association, as Administrative Agent, arranged by NationsBanc Montgomery Securities LLC (Replaced		X

Exhibit 4.3)

4.5 (a) Receivables Purchase Agreement, dated as of November 20, 1997, among Applied Power Credit Corporation as Seller, Applied Power Inc. individually and as Servicer and Barton Capital Corporation as Purchaser and Societe Generale as Agent

Exhibit 4.1 to the Registrant's Form 10-Q for quarter ended November 30, 1997

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Exhibit	Description	Incorporated Herein By Reference To	Filed Herewith
	(b) First Amendment to Receivables Purchase Agreement dated as of August 28, 1998		X
10.1*	Employment Agreement dated May 9, 1994 between Applied Power Inc. and Richard G. Sim (superseding Employment Agreement dated July 5, 1985, as amended)	Exhibit 10.1 to the Registrant's Form 10-K for fiscal year ended August 31, 1994	
10.2*	(a) Applied Power Inc. 1985 Stock Option Plan adopted by Board of Directors on August 1, 1985 and approved by shareholders on January 6, 1986, as amended ("1985 Plan")	Exhibit 10.2(a) to the Registrant's Form 10-K for fiscal year ended August 31, 1989 ("1989 10-K")	
	(b) Amendment to 1985 Plan adopted by Board of Directors on November 8, 1989 and approved by shareholders on January 13, 1990	Exhibit 10.2(b) to 1989 10-K	
	(c) Amendment to 1985 Plan adopted by Board of Directors on August 9, 1990	Exhibit 10.2(c) to the Registrant's Form 10-K for fiscal year ended August 31, 1990 ("1990 10-K")	
	(d) Amendment to 1985 Plan adopted by Board of Directors on May 8, 1997	Exhibit 10.2(d) to 1997 10-K	
10.3*	(a) Applied Power Inc. 1987 Nonqualified Stock Option Plan adopted by Board of Directors on November 3, 1987 and approved by shareholders on January 7, 1988 ("1987 Plan")	Exhibit 10.8 to the Registrant's Form 10-K for fiscal year ended August 31, 1987	
	(b) Amendment to 1987 Plan adopted by Board of Directors on November 8, 1989 and approved by shareholders on January 13, 1990	See Exhibit 10.2(b)	

* Management contracts and executive compensation plans and arrangements required to be filed as exhibits pursuant to Item 14(c) of Form 10-K.

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Exhibit	Description	Incorporated Herein By Reference To	Filed Herewith
	(c) Amendment to 1987 Plan adopted by Board of Directors on May 8, 1997	Exhibit 10.3(c) to 1997 10-K	
10.4*	(a) Applied Power Inc. 1990 Stock Option Plan adopted by Board of Directors on August 9, 1990 and approved by shareholders on January 7, 1991 ("1990 Plan")	Exhibit A to the Registrant's Proxy Statement dated December 5, 1990 for 1991 Annual Meeting of Shareholders	
	(b) Amendment to 1990 Plan adopted by Board of Directors on August 10, 1992 and approved by shareholders on January 7, 1993	Exhibit 10.5(b) to the Registrant's Form 10-K for fiscal year ended August 31, 1992	
	(c) Amendment to 1990 Plan adopted by Board of Directors on May 8,	Exhibit 10.4(c) to 1997 10-K	

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10.5*	Description of Fiscal 1999 Management Bonus Arrangements		X
10.6*	Description of Fiscal 1998 Management Bonus Arrangements	Exhibit 10.6 to 1997 10-K	
10.7*	(a) Applied Power Inc. 1989 Outside Directors' Stock Option Plan adopted by Board of Directors on November 8, 1989 and approved by shareholders on January 13, 1990 ("1989 Plan")	Exhibit 10.7 to 1989 10-K	
	(b) Amendment to 1989 Plan adopted by Board of Directors on November 9, 1990 and approved by shareholders on January 7, 1991	Exhibit 10.7(b) to 1990 10-K	
	(c) Amendment to 1989 Plan adopted by Board of Directors on October 31, 1996	Exhibit 10.7(c) to the Registrant's Form 10-K for fiscal year ended August 31, 1996 ("1996 10-K")	

* Management contracts and executive compensation plans and arrangements required to be filed as exhibits pursuant to Item 14(c) of Form 10-K.

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Exhibit	Description	Incorporated Herein By Reference To	Filed Herewith
10.8*	Outside Directors' Deferred Compensation Plan adopted by Board of Directors on May 4, 1995	Exhibit 10.8 to the Registrant's Form 10-K for fiscal year ended August 31, 1995	
10.9	Asset Purchase Agreement between Applied Power Inc. and Wright Line Inc., on the one hand and Everest Electronic Equipment, Inc., Wallace H. Twedt, Terry D. Wells and Robert L. Wells, on the other hand dated August 27, 1996	Exhibit 2.1 to the Registrant's Form 8-K dated October 11, 1996	
10.10*	(a) 1996 Stock Plan adopted by Board of Directors on August 8, 1996 and proposed for shareholder approval on January 8, 1997	Annex A to the Registrant's Proxy Statement dated November 19, 1996 for 1997 Annual Meeting of Shareholders	
	(b) Amendment to 1996 Stock Plan adopted by Board of Directors on May 8, 1997	Exhibit 10.10(b) to 1997 10-K	
10.11*	Executive Deferred Compensation Plan adopted by Board of Directors on October 31, 1996	Exhibit 10.11 to 1996 10-K	
21	Subsidiaries of the Registrant		X
23.1	Consent of Deloitte & Touche LLP Milwaukee, Wisconsin		X
23.2	Consent of Deloitte & Touche LLP Los Angeles, California		X
23.3	Consent of PricewaterhouseCoopers LLP		X
24	Power of Attorney	See Signature Page of this report	
27.1	Financial Data Schedule		X
27.2	Restated Financial Data Schedule (fiscal year ended August 31, 1997)		X
27.3	Restated Financial Data Schedule (fiscal year ended August 31, 1996)		X

* Management contracts and executive compensation plans and arrangements required to be filed as exhibits pursuant to Item 14(c) of Form 10-K.

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MULTICURRENCY CREDIT AGREEMENT

dated as of October 14, 1998

among

APPLIED POWER INC.,

ENERPAC B.V.,

VARIOUS FINANCIAL INSTITUTIONS,

THE FIRST NATIONAL BANK OF CHICAGO,
as Syndication Agent,

SOCIETE GENERALE,
as Documentation Agent,

and

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,

as Administrative Agent

Arranged by

NationsBanc Montgomery Securities LLC

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MULTICURRENCY CREDIT AGREEMENT

THIS MULTICURRENCY CREDIT AGREEMENT (this "Agreement") dated as of October

[14], 1998 is among APPLIED POWER INC., a Wisconsin corporation (the "Company"),

ENERPAC B.V., a Netherlands corporation ("Enerpac" or the "Subsidiary

Borrower"), the financial institutions listed on the signature pages hereof
(together with their respective successors and assigns, collectively the "Banks"

and individually each a "Bank"), THE FIRST NATIONAL BANK OF CHICAGO, as

Syndication Agent, SOCIETE GENERALE, as Documentation Agent, and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Administrative Agent for the Banks.

WHEREAS, the Company, Enerpac, certain financial institutions, The First National Bank of Chicago, as syndication agent, Societe Generale, as documentation agent and BofA, as administrative agent, are parties to a Multicurrency Credit Agreement dated as of June 18, 1998 (the "Existing Credit Agreement");

WHEREAS, the Company has offered to cause its Subsidiary, APW Enclosure Systems Limited to purchase the capital stock of Rubicon Group plc pursuant to a recommended cash offer;

WHEREAS, the Company and the Subsidiary Borrower wish to enter into this Credit Agreement for the purpose of financing the acquisition of shares of stock of Rubicon Group plc, repaying the indebtedness under the Existing Credit Agreement (including refinancing risk participations in certain existing bank guarantees) and the Bridge Credit Agreement, hereinafter defined, and to provide for working capital, capital expenditures and other general corporate purposes;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS AND INTERPRETATION

I.1 Defined Terms. When used herein the following terms have the following meanings (such meanings to be applicable to both the singular and plural forms of the terms defined):

"Absolute Rate" has the meaning specified in Section 2.7(c).

"Absolute Rate Bid Loan" means a Bid Loan that bears interest at a rate determined with reference to the Absolute Rate.

"Acquisition" means any transaction or series of related transactions for the purpose of or resulting directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests, membership interests or equity of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary) provided that the Company or the Subsidiary is the surviving entity.

"Administrative Agent" means BofA in its capacity as administrative agent for the Banks hereunder, and any successor administrative agent arising under Section 9.9.

"Administrative Agent's Payment Office" means (a) in respect of payments in Dollars, the address for payments set forth on Schedule 11.2 or such other address as the Administrative Agent may from time to time specify in accordance with Section 11.2, and, (b) in the case of payments in any Offshore Currency, such address as the Administrative Agent may from time to time specify in accordance with Section 11.2.

"Administrative Agent-Related Persons" means BofA in its capacity as Administrative Agent and any successor agent arising under Section 9.9, together with their respective Affiliates (including, in the case of BofA, the Lead Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Affiliate" means, with respect to any Person, any other Person

which, directly or indirectly, controls, is controlled by or is under common control with such Person. For purposes of this definition, "control" (together with the correlative meanings of "controlled by" and "under common control with") means possession, directly or indirectly, of the power (a) to vote 5% or more of the securities (on a fully diluted basis) having ordinary voting power for the directors or managing general partners (or their equivalent) of such Person or (b) to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreed Alternative Currency" has the meaning specified in

Section 2.5(e).

"Agreement" means this Multicurrency Credit Agreement.

"Applicable Currency" means, as to any particular payment or

Loan, Dollars or the Offshore Currency in which it is denominated or is payable.

"Applicable Margin" means, with respect to Offshore Rate Loans,

the rate set forth opposite "Offshore Margin" on the Pricing Grid for the applicable Pricing Level. The Applicable Margin as of the Closing Date shall be 1.125%.

"Applicable Non-Use Fee Rate" means the rate per annum set forth

opposite "Non-Use Fee" on the Pricing Grid for the applicable Pricing Level. The Applicable Non-Use Fee Rate as of the Closing Date shall be 0.325%.

"Applicable Utilization Fee" means on a day the following rate

per annum based on the following percentage of usage of Commitments:

Rate	Usage
----	-----
0%	Less than 33%
0.05%	Greater than or equal to 33% but less than
0.125%	Greater than or equal to 66%.

66%

"Assignee" has the meaning specified in Section 11.8.

"Assignment and Acceptance Agreement" has the meaning specified

in Section 11.8.

"Attorney Costs" means and includes all reasonable fees and

disbursements of any law firm or other external counsel, the reasonable allocated cost of internal legal services and all reasonable disbursements of internal counsel.

"Authorized Officer" means, relative to each Borrower, those of

its officers whose signatures and incumbency shall have been certified to the Banks pursuant to Section 5.1(d).

"Banking Day" means any day other than a Saturday, Sunday or

other day on which commercial banks in New York City, Chicago or San Francisco are authorized or required by law to close and (a) with respect to disbursements and payments in Dollars, a day on which dealings are carried on in the applicable offshore Dollar interbank market, and (b) with respect to any disbursements and payments in and calculations pertaining to any Offshore Currency Loan, a day on which commercial banks are open for foreign exchange business in London, England, and on which dealings in the relevant Offshore Currency are carried on in the applicable offshore

foreign exchange interbank market in which disbursement of or payment in such Offshore Currency will be made or received hereunder (and, if such Offshore Currency is Euros, a day on which commercial banks are open in such financial center as is determined by the Administrative Agent to be suitable for clearing or settlement of Euros).

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"Base Rate" means, for any day, the higher of: (a) 0.50% per

annum above the latest Federal Funds Rate; and (b) the rate of interest in effect for such day as publicly announced from time to time by BofA in San Francisco, California, as its "reference rate." (The "reference rate" is a rate set by BofA based upon various factors including BofA's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate.) Any change in the reference rate announced by BofA shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" means a Committed Loan that bears interest based

on the Base Rate.

"Bid Borrowing" means a Borrowing hereunder consisting of one or

more Bid Loans made to the Company on the same day by one or more Banks.

"Bid Loan" means a Loan by a Bank to the Company under Section

2.6.

"Bid Loan Bank" means, in respect of any Bid Loan, the Bank

making such Bid Loan to the Company.

"Bid Note" means, a promissory note of the Company, substantially

in the form of Exhibit F-1, duly completed, evidencing Bid Loans made to the Company, as such Note may be replaced, amended or otherwise modified from time to time.

"BofA" means Bank of America National Trust and Savings

Association, a national banking association.

"Borrower" means the Company or Enerpac, as applicable.

"Borrowing" means a borrowing hereunder consisting of Loans of

the same Type made to a Borrower on the same day by the Banks or a Bank (in the case of Bid Borrowings) under Article II, and may be a Committed Borrowing or a Bid Borrowing and, other than in the case of Base Rate Loans, having the same Interest Period.

"Borrowing Date" means any date on which a Borrowing occurs under

Section 2.3.

"Bridge Credit Agreement" means the Multicurrency Credit

Agreement dated as of September 4, 1998 among the Company, certain financial institutions and BofA as agent.

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"Business Day" means any day other than a Saturday, Sunday or

other day on which commercial banks in New York City, Chicago or San Francisco are authorized or required by law to close and, if the applicable Business Day relates to any Offshore Rate Loan, means a Banking Day.

"Capital Adequacy Regulation" means any guideline, request or

directive of any central bank or other Governmental Authority, or any other
law, rule or regulation, whether or not having the force of law, in each
case, regarding capital adequacy of any bank or of any corporation
controlling a bank.

"Capital Lease" means, with respect to any Person, any lease of

(or other agreement conveying the right to use) any real or personal
property which, in conformity with GAAP, is accounted for as a capital
lease on the balance sheet of such Person.

"Cash Collateralize" means to pledge and deposit with or deliver

to the Administrative Agent, for the benefit of the Administrative Agent,
the Loan Note Guarantor and the Banks, as collateral for the Loan Note
Guaranty Obligations, cash or deposit account balances pursuant to
documentation in form and substance satisfactory to the Administrative
Agent and the Loan Note Guarantor. Derivatives of such term shall have
corresponding meanings. The Company hereby grants the Administrative Agent,
for the benefit of the Administrative Agent, the Loan Note Guarantor and
the Banks, a security interest in all such cash and deposit account
balances. Cash collateral shall be maintained in blocked, interest bearing
deposit accounts at BofA.

"CERCLA" means the Comprehensive Environmental Response,

Compensation and Liability Act of 1980, as amended.

"Closing Date" means the date on which all conditions precedent

set forth in Section 5.1 are satisfied or waived by all Banks (or, in the
case of Section 5.1(i), waived by any Person entitled to receive such
payment).

"Code" means the Internal Revenue Code of 1986.

"Commitment", as to each Bank, has the meaning specified in

Section 2.1.

"Committed Borrowing" means a Borrowing hereunder consisting of

Committed Loans made on the same day by the Banks ratably according to
their respective Pro Rata Shares and, in the case of Offshore Rate Loans,
having the same Interest Periods.

"Committed Loan" means a Loan by a Bank to a Borrower under

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Section 2.1, and may be an Offshore Rate Loan or a Base Rate Loan (each, a
"Type" of Committed Loan).

"Committed Note" means a promissory note of a Borrower

substantially in the form of Exhibit F-2, duly completed, evidencing
Committed Loans to such Borrower, as such Note may be replaced, amended or
otherwise modified from time to time.

"Company" has the same meaning specified in the Preamble.

"Competitive Bid Request" has the meaning specified in Section

2.7(a).

"Compliance Certificate" means a certificate substantially in the

form of Exhibit C.

"Computation Period" means any period of four consecutive Fiscal

Quarters ending on the last day of a Fiscal Quarter.

"Consolidated Interest Expense" means, for any period, the

consolidated interest expense of the Company and its Subsidiaries for such period, as determined in accordance with GAAP and in any event including, without duplication, all commissions, discounts and other fees and charges owed with respect to letters of credit and banker's acceptances, net costs under interest rate protection agreements, the portion of any Capital Leases allocable to consolidated interest expense and losses and discounts attributable to the sale of receivables and related assets.

"Consolidated Net Income" means, for any period, all amounts

which, in conformity with GAAP, would be included under net income on a consolidated income statement of the Company and its Subsidiaries for such period, exclusive of affiliate equity earnings, inclusive of affiliate cash dividends (to the extent of affiliate equity earnings) and exclusive of extraordinary and nonrecurring gains. For the fiscal quarter ending August 31, 1998, Consolidated Net Income will not be reduced by fees, expenses and write downs related to the Zero Acquisition or the Vero Acquisition or other one-time costs up to a maximum of \$60,000,000, as set forth in Item 1.1 of the Disclosure Schedule.

"Contractual Obligation" means, relative to the Company or any

Subsidiary, any provision of any security issued by the Company or such Subsidiary or of any Instrument or undertaking to which the Company or such Subsidiary is a party or by which it or any of its property is bound.

"Controlled Group" means all members of a controlled group of

corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company, are treated as a single employer under Section 414(b) or

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414(c) of the Code or Section 4001 of ERISA.

"Conversion/Continuation Date" means any date on which, under

Section 2.4, a Borrower (a) converts Committed Loans of one Type to another Type, or (b) continues as Committed Loans of the same Type, but with a new Interest Period, Committed Loans having Interest Periods expiring on such date.

"Debt" of any Person means, without duplication, (a) all

indebtedness of such Person for borrowed money, whether or not evidenced by bonds, debentures, notes or similar instruments (including, without limitation, in the case of Applied Power Limited and APW Enclosure Systems Limited, the Loan Notes), (b) all obligations of such Person as lessee under Capital Leases which have been recorded as liabilities on a balance sheet of such Person, (c) all obligations of such Person to pay the deferred purchase price of property or services (other than current accounts payable in the ordinary course of business), (d) all indebtedness secured by a Lien on the property of such Person, whether or not such indebtedness shall have been assumed by such Person (it being understood that if such Person has not assumed or otherwise become personally liable for any such indebtedness, the amount of the Debt of such Person in connection therewith shall be limited to the lesser of the face amount of such indebtedness or the fair market value of all property of such Person securing such indebtedness), (e) all obligations, contingent or otherwise, with respect to the face amount of all letters of credit (whether or not drawn) and banker's acceptances issued for the account of such Person, (f) all obligations of such Person in respect of Swap Contracts, (g) all Suretyship Liabilities of such Person, (h) all Debt (as defined above) of any partnership in which such Person is a general partner and (i) the outstanding principal amount then owed to investors in connection with the sale of the Company's accounts receivable. The amount of the Debt of any

Person in respect of Swap Contracts shall be deemed to be the unrealized net loss position of such Person thereunder (determined for each counterparty individually, but netted for all Swap Contracts maintained with such counterparty).

"Debt to EBITDA Ratio" means as at the end of any Fiscal Quarter,

the ratio of (a) Funded Debt as at such date to (b) EBITDA for the four Fiscal Quarter period then ending.

"Default" means any event which if it continues uncured will,

with lapse of time or notice or lapse of time and notice, constitute an Event of Default.

"Determination Date" has the meaning specified in Section 2.5(a).

"Deutsche Mark" means lawful money of the Federal Republic of

Germany.

"Disclosure Schedule" means the Disclosure Schedule attached

hereto as

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Schedule 1.1.

"Dollar Equivalent" means, at any time, (a) as to any amount

denominated in Dollars, the amount thereof at such time, and (b) as to any amount denominated in an Offshore Currency, the equivalent amount in Dollars as determined by the Administrative Agent at such time on the basis of the Spot Rate for the purchase of Dollars with such Offshore Currency on the most recent Determination Date provided for in Section 2.5(a).

"Dollar(s)" and the sign "\$" mean lawful money of the United

States of America.

"Domestic Subsidiary" means a Subsidiary that is created or

organized in or under the law of the United States, any State thereof or the Commonwealth of Puerto Rico.

"EBITDA" means, for any Computation Period (or for the purpose of

Section 7.22 for any Fiscal Quarter) the sum of (a) Consolidated Net Income

for such period, plus (b) the aggregate amount deducted with respect to

federal, state, local and foreign income taxes in determining such Consolidated Net Income, plus (c) Consolidated Interest Expense for such

period; plus (d) depreciation and amortization; provided, however, that if

the Company or any of its Subsidiaries shall have made an Acquisition during a Computation Period, EBITDA shall be calculated as if the Acquisition had been made on the first day of such Computation Period.

"Eligible Assignee" means (a) a commercial bank organized under

the laws of the United States, or any state thereof, and having a combined capital and surplus of at least \$250,000,000; (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and having a combined capital and surplus of at least \$250,000,000, provided that such bank is acting through a branch or agency located in the United States; and (c) a Person that is primarily engaged in the business of commercial banking and that is (i) a Subsidiary of a Bank, (ii) a Subsidiary of a Person of which a Bank is a Subsidiary, or (iii) a Person of which a Bank is a Subsidiary.

"Enerpac" has the meaning specified in the preamble.

"Environmental Laws" means all applicable federal, state or local

statutes, laws, ordinances, codes, rules, regulations and guidelines (including consent decrees and administrative orders) relating to public health and safety and protection of the environment.

"ERISA" means the Employee Retirement Income Security Act of

1974, as

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amended, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA also refer to any successor sections.

"Eurodollar Reserve Percentage" has the meaning specified in the

definition of "Offshore Rate".

"Euro" means the single currency of participating member states

of the European Union.

"Event of Default" means any of the events described in Section

8.1.

"Existing Credit Agreement" has the meaning specified in the

recitals.

"Federal Funds Rate" means, for any day, the rate set forth in

the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, "H.15(519)") on the preceding Business Day opposite the caption "Federal Funds (Effective)"; or, if for any relevant day such rate is not so published on any such preceding Business Day, the rate for such day will be the arithmetic mean as determined by the Administrative Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Administrative Agent.

"Fee Letter" has the meaning specified in Section 2.13(a).

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

"Fiscal Year" means the fiscal year of the Company and its

Subsidiaries, which period shall be the 12-month period ending on August 31 of each year.

"Fixed Charge Coverage Ratio" means, for any Computation Period,

the ratio of

(a) the sum of

(i) Consolidated Net Income for such period,

plus

(ii) the aggregate amount deducted in respect of federal, state, local and foreign income taxes in determining such Consolidated Net Income,

plus

(iii) Consolidated Interest Expense for such period,

plus

(iv) the aggregate amount deducted in respect of leases that were not Capital Leases in determining such Consolidated Net Income,

to
--

(b) the sum of

plus

(i) Consolidated Interest Expense for such period,

(ii) the aggregate amount deducted in respect of leases that were not Capital Leases in determining such Consolidated Net Income.

"FRB" means the Board of Governors of the Federal Reserve System, and

any Governmental Authority succeeding to any of its principal functions.

"French Francs" means lawful money of the Republic of France.

"FX Trading Office" means the Foreign Exchange Trading Center #5193,

San Francisco, California, of BofA, or such other of BofA's offices as BofA may designate from time to time.

"Funded Debt" of any Person at any date of determination means the sum

of all Debt described in clauses (a), (b) and (i) of the definition of
----- --- ---
"Debt".

"Further Taxes" means any and all present or future taxes, levies,

assessments, imposts, duties, deductions, fees, withholdings or similar charges (including, without limitation, net income taxes and franchise taxes), and all liabilities with respect thereto, imposed by any jurisdiction on account of Taxes or Other Taxes payable or paid pursuant to Section 4.1.

"GAAP" means generally accepted accounting principles set forth from

time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of

comparable stature and authority within the U.S. accounting profession), which except as provided in Section 1.3 are applicable to the circumstances as of the date of determination.

"Governmental Authority" means any nation or government, any state or

other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or

controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Guilders" means lawful money of the Netherlands.

"Hazardous Material" means

(a) any "hazardous substance", as defined by CERCLA;

(b) any "hazardous waste", as defined by the Resource Conservation and Recovery Act;

(c) any crude oil, petroleum product or fraction thereof (excluding gasoline and oil in motor vehicles, small amounts of cleaners and similar items used in the ordinary course of business); or

(d) any pollutant or contaminant or hazardous, dangerous or toxic chemical, material or substance within the meaning of any Environmental Law.

"Impermissible Change in Control" means at any time,

(a) the failure of the Company to own, directly or indirectly, free and clear of all Liens or other encumbrances, 99% of the issued and outstanding shares of capital stock of the Subsidiary Borrower; or

(b) any Person or group of Persons acting in concert which are unacceptable to the Required Banks have obtained control of more than 50% of the issued and outstanding shares of capital stock of the Company having the power to elect a majority of directors of the Company.

"Indemnified Liabilities" has the meaning specified in Section 11.5.

"Indemnified Person" has the meaning specified in Section 11.5.

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"Instrument" means any contract, agreement, letter of credit,

indenture, mortgage, document or writing (whether by formal agreement, letter or otherwise) under which any obligation is evidenced, assumed or undertaken, or any Lien (or right or interest therein) is granted or perfected.

"Interest Payment Date" means, as to any Loan other than a Base Rate

Loan, the last day of each Interest Period applicable to such Loan and, as to any Base Rate Loan, the last Business Day of each February, May, August and November, provided, however, that (a) if any Interest Period for an

Offshore Rate Loan exceeds three months, the date that falls three months after the beginning of such Interest Period and after each Interest Payment Date thereafter is also an Interest Payment Date, and (b) as to any Bid Loan, such intervening dates prior to the maturity thereof as may be specified by the Company and agreed to by the applicable Bid Loan Bank in the applicable Competitive Bid shall also be Interest Payment Dates.

"Interest Period" means, (a) as to any Offshore Rate Loan, the period

commencing on the Borrowing Date of such Loan, or (in the case of any Offshore Rate Loan in Dollars) on the Conversion/Continuation Date on which the Loan is converted into or continued as an Offshore Rate Loan, and ending on the date one, two, three or, if available for the requested Applicable Currency, six months thereafter as selected by the Borrower in its Notice of Borrowing, Notice of Conversion/Continuation or Competitive Bid Request, as the case may be and (b) as to any Absolute Rate Bid Loan, a period of not less than 7 days and not more than 183 days as selected by

the Company in the applicable Competitive Bid Request;

provided that:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day unless, in the case of an Offshore Rate Loan, the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(ii) any Interest Period pertaining to an Offshore Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period;

(iii) no Interest Period for any Loan shall extend beyond the Termination Date; and

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(iv) no Interest Period shall extend beyond a scheduled commitment reduction date, if the outstanding Loans with Interest Periods extending beyond such scheduled commitment reduction date and Loan Note Guaranty Obligations would exceed the aggregate Commitments, after giving effect to such reduction.

"Investment" means, with respect to any Person:

(a) any loan or advance made by such Person to any other Person; and

(b) any capital contribution made by such Person to, or ownership or similar interest held by such Person in, any other Person.

The amount of any Investment shall be the original principal or capital amount thereof less all returns of principal or equity thereon (and without adjustment by reason of the financial condition of such other Person) and shall, if made by the transfer or exchange of property other than cash, be deemed to have been made in an original principal or capital amount equal to the fair market value of such property.

"Invitation for Competitive Bids" means a solicitation for Competitive

Bids, substantially in the form of Exhibit H.

"Italian Lire" means the lawful currency of the Republic of Italy.

"Lead Arranger" means NationsBanc Montgomery Securities LLC.

"Lending Office" means, as to any Bank, the office or offices of such

Bank specified as its "Lending Office" or "Domestic Lending Office" or "Offshore Lending Office", as the case may be, on Schedule 10.2, or such other office or offices as such Bank may from time to time notify the Company and the Administrative Agent.

"Lien" means, when used with respect to any Person, any interest of

any other Person in any real or personal property, asset or other right owned or being purchased or acquired by such Person which secures payment or performance of any obligation and shall include any mortgage, lien, encumbrance, charge or other security interest of any kind, whether arising by contract, as a matter of law, by judicial process or otherwise.

"Loan" means an extension of credit by a Bank to the Company or the

Subsidiary Borrower under Article II or Article III, and may be a Committed

Loan or (for the Company only) a Bid Loan or a Loan Note Advance. A Loan may be a Base Rate Loan or an Offshore Rate Loan (each a "Type" of Loan).

"Loan Documents" means this Agreement, any Notes, the Fee Letter, the

Loan

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Note Guaranties and all other documents delivered to the Administrative Agent or any Bank in connection herewith.

"Loan Note Advance" means an advance pursuant to Section 3.1.

"Loan Note Guaranties" means (i) a payment guaranty of the Loan Note

Guarantor of the Loan Notes pursuant to the Deed constituting Floating Rate Unsecured Loan Notes due 2003 with respect to the Vero Acquisition and (ii) a payment guaranty of the Loan Note Guarantor of the Loan Notes pursuant to the Deed constituting Floating Rate Unsecured Loan Notes due 2003 with respect to the Rubicon Acquisition.

"Loan Note Guarantor" means Bank of America National Trust and Savings

Association, London branch.

"Loan Note Guaranty Obligations" means at any time the sum of (a) the

aggregate undrawn amount of the Loan Note Guaranties (using an assumed interest rate of the higher of (i) 6% per annum or (ii) the actual rate) plus (b) the amount of all unreimbursed drawings under the Loan Note Guaranties, including all Loan Note Advances.

"Loan Notes" means (i) notes issued by Applied Power Limited to

individual Vero shareholders pursuant to the Deed constituting Floating Rate Unsecured Loan Notes due 2003, as payment for shares tendered and (ii) notes issued by APW Enclosure Systems Limited to individual Rubicon shareholders pursuant to the Deed constituting Floating Rate Unsecured Loan Notes due 2003, as payment for shares tendered.

"Margin Stock" means any "margin stock" as defined in Regulation U of

the Board of Governors of the Federal Reserve System.

"Material Adverse Effect" means a material adverse effect on (a) the

financial condition, operations, business, assets or prospects of the Company and its Subsidiaries taken as a whole or (b) the ability of the Company or the Subsidiary Borrower to timely and fully perform any of its payment or other material obligations under this Agreement or any Note.

"Minimum Tranche" means, in respect of Committed Loans comprising part

of the same Borrowing, or to be converted or continued under Section 2.4, (a) in the case of Base Rate Loans, \$10,000,000 or any multiple of \$1,000,000 in excess thereof, and (b) in the case of Offshore Rate Loans, the Dollar Equivalent amount of \$10,000,000 or any multiple of 1,000,000 units of the Applicable Currency in excess thereof.

"Notes" means, collectively, the Bid Notes and the Committed Notes;

and Note means any individual Bid Note or Committed Note.

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"Notice of Borrowing" means a notice in substantially the form of

Exhibit A.

"Notice of Conversion/Continuation" means a notice in substantially

the form of Exhibit B.

"Obligations" means all advances, debts, liabilities, obligations,

covenants and duties arising under any Loan Document, owing by the Company or the Subsidiary Borrower to any Bank, the Administrative Agent, or any Indemnified Person or by Applied Power Limited or the Company with respect to the Loan Note Guaranty Obligations, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising.

"Offshore Currency" means Guilders, Sterling, Deutsche Marks, Yen,

French Francs, Italian Lire, Swiss Francs and Euros.

"Offshore Currency Loan" means any Offshore Rate Loan denominated in

an Offshore Currency.

"Offshore Rate" means, for any Interest Period, with respect to

Offshore Rate Loans comprising part of the same Borrowing, the rate of interest per annum (rounded upward to the next 1/16th of 1%) determined by the Administrative Agent as follows:

$$\text{Offshore Rate} = \frac{\text{LIBOR}}{\text{-----}} - 1.00 - \text{Eurodollar Reserve Percentage}$$

Where,

"Eurodollar Reserve Percentage" means for any day for any Interest

Period the maximum reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day (whether or not applicable to any Bank) under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"); and

"LIBOR" means the rate of interest per annum determined by the

Administrative Agent to be the arithmetic mean (rounded upward to the next 1/16th of 1%) of the rates of interest per annum notified to the Administrative Agent by BofA as the rate of interest at which deposits in Dollars or other Applicable Currencies in the approximate amount of the amount of the Loan to be made or continued as, or converted into, an Offshore Rate Loan by BofA and having a maturity comparable

to such Interest Period would be offered to major banks in the London interbank market at their request at approximately 11:00 a.m. (London time) two Business Days prior to (or in the case of an Offshore Currency Loan in Euros, on such other date as is customary in the relevant offshore interbank market) the commencement of such Interest Period.

The Offshore Rate shall be adjusted automatically as to all Offshore Rate Loans then outstanding as of the effective date of any change in the Eurodollar Reserve Percentage.

"Offshore Rate Loan" means a Committed Loan that bears interest based

on the Offshore Rate, and may be an Offshore Currency Loan or a Loan denominated in Dollars.

"Organic Document" means, relative to each of the Borrowers, its

certificate of incorporation, its by-laws, any other constituent documents and all shareholder agreements, voting trusts and similar arrangements applicable to any of its capital stock.

"Other Taxes" means any present or future stamp, court or documentary

taxes or any other excise or property taxes, charges or similar levies
which arise from any payment made hereunder or from the execution,
delivery, performance, enforcement or registration of, or otherwise with
respect to, this Agreement or any other Loan Documents.

"Overnight Rate" means, for any day, the rate of interest per annum at

which overnight deposits in the Applicable Currency, in an amount
approximately equal to the amount with respect to which such rate is being
determined, would be offered for such day by BofA's London Branch to major
banks in the London or other applicable offshore interbank market.

"Participant" has the meaning specified in Section 11.8(d).

"PBGC" means the Pension Benefit Guaranty Corporation and any entity

succeeding to any or all of its functions under ERISA.

"Pension Plan" means a "pension plan", as such term is defined in

section 3(2) of ERISA, which is subject to title IV of ERISA (other than a
multiemployer plan as defined in section 4001(a)(3) of ERISA), and to which
the Company or any corporation, trade or business that is, along with the
Company, a member of a Controlled Group may have any liability, including
any liability by reason of having been a substantial employer within the
meaning of section 4063 of ERISA at any time during the preceding five
years, or by reason of being deemed to be a contributing sponsor under
section 4069 of ERISA.

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"Permitted Receivables Securitization" means any receivables purchase

agreement entered into by the Company (as such agreement may be amended,
modified, or refinanced).

"Person" means any natural person, corporation, partnership, trust,

limited liability company, incorporated or unincorporated association,
joint venture, joint stock company, government (or an agency or political
subdivision thereof) or other entity, whether acting in an individual,
fiduciary or other capacity.

"Pricing Grid" means the Pricing Grid set forth on Schedule 1.2.

"Pricing Level" means the Pricing Level on the Pricing Grid which is

applicable from time to time in accordance with Section 2.12.

"Pro Rata Share" means, as to any Bank at any time, the percentage

equivalent (expressed as a decimal, rounded to the ninth decimal place) at
such time of such Bank's Commitment divided by the combined Commitments of
all Banks.

"Release" means a "release", as such term is defined in CERCLA.

"Required Banks" means Banks having an aggregate Pro Rata Share of the

Commitments of 51% or more; provided that after the Commitments have been

irrevocably terminated (through lapse of time, pursuant to Section 7.2 or
otherwise), "Required Banks" shall mean one or more Banks having an

aggregate of 51% or more of the sum of the principal amount of all
outstanding Loans.

"Requirement of Law" means, as to any Person, any law (statutory or

common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"Resource Conservation and Recovery Act" means the Resource

Conservation and Recovery Act, 42 U.S.C. Section 690, et seq., as in effect
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from time to time.

"Rubicon" means Rubicon Group plc.

"Rubicon Acquisition" means the acquisition by APW Enclosure Systems

Limited, a wholly owned Subsidiary of the Company, of all or substantially all the capital stock of Rubicon.

"Same Day Funds" means (a) with respect to disbursements and payments

in Dollars, immediately available funds, and (b) with respect to disbursements and payments

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in an Offshore Currency, same day or other funds as may be determined by the Administrative Agent to be customary in the place of disbursement or payment for the settlement of international banking transactions in the relevant Offshore Currency.

"SEC" means the Securities and Exchange Commission.

"Shareholders' Equity" means, at any date of determination, all

amounts which would be included under shareholders' equity on a consolidated balance sheet of the Company and its Subsidiaries or the Subsidiary Borrower and its Subsidiaries, as the case may be.

"Solvent" means, as to any Person at any time, that (a) the fair value

of the property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(31) of the Bankruptcy Code and, in the alternative, for purposes of the Illinois Uniform Fraudulent Transfer Act; (b) the present fair saleable value of the property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person is able to realize upon its property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital.

"Spot Rate" for a currency means the rate quoted by BofA as the spot

rate for the purchase by BofA of such currency with another currency through its FX Trading Office at approximately 8:00 a.m. (San Francisco time) on the date two Banking Days prior to the date as of which the foreign exchange computation is made.

"Sterling" means lawful money of the United Kingdom.

"Subsidiary" means, with respect to any Person, any corporation of

which such Person and/or its other Subsidiaries own, directly or indirectly, such number of outstanding shares as have more than 50% of the

ordinary voting power for the election of directors. Unless the context otherwise requires, each reference to Subsidiaries herein shall be a reference to Subsidiaries of the Company.

"Subsidiary Borrower" has the meaning specified in the preamble.

"Suretyship Liability" means any agreement, undertaking or other

contractual arrangement by which any Person guarantees, endorses or otherwise becomes or is

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contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to or otherwise to invest in a debtor, or otherwise to assure a creditor against loss) any indebtedness, obligation or other liability (including accounts payable) of any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other Person. The amount of any Person's obligation under any Suretyship Liability shall (subject to any limitation set forth therein) be deemed to be the principal amount of the indebtedness, obligation or other liability guaranteed thereby.

"Swap Contract" means any agreement, whether or not in writing,

relating to any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction, currency swap, cross-currency rate swap, swaption, currency option or any other, similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

"Swiss Francs" means lawful money of Switzerland.

"Tangible Net Assets" means, as of any date, the consolidated total

assets of the Company and its Subsidiaries minus all intangible assets of the Company and its Subsidiaries, as each would be shown on a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with GAAP as of that date.

"Taxes" means any and all present or future taxes, levies,

assessments, imposts, duties, deductions, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding, in the case of each Bank and the Administrative Agent, respectively, taxes imposed on or measured by its net income by the jurisdiction (or any political subdivision thereof) under the laws of which such Bank or the Administrative Agent, as the case may be, is organized or maintains a lending office.

"Termination Date" means the earlier to occur of (a) October 14, 2003,

or (b) the date on which the Commitments terminate pursuant to Section 8.2 or are reduced to zero pursuant to Section 2.8.

"Type" has the meaning specified in the definition of "Loan".

"United States" or "U.S." means the United States of America, its 50

States, the District of Columbia and the Commonwealth of Puerto Rico.

"Vero" means Vero Group plc.

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"Vero Acquisition" means the acquisition by Applied Power Limited, a

wholly owned subsidiary of the Company, of all or substantially all the
capital stock of Vero.

"Welfare Plan" means a "welfare plan", as such term is defined in

section 3(1) of ERISA.

"Yen" means lawful money of Japan.

"Zero" means Zero Corporation, a Delaware corporation.

"Zero Acquisition" means the acquisition by the Company or a wholly

owned Subsidiary of the Company of all or substantially all the capital
stock of Zero.

I.2 Other Interpretive Provisions. (a) The meanings of defined terms are

equally applicable to the singular and plural forms of the defined terms.

(b) The words "hereof", "herein", "hereunder" and similar
words refer to this Agreement as a whole and not to any particular provision of
this Agreement; and Section, Schedule and Exhibit references are to this
Agreement unless otherwise specified.

(c) (i) The term "documents" includes any and all instruments,
documents, agreements, certificates, indentures, notices and other
writings, however evidenced.

(ii) The term "including" is not limiting and means
"including without limitation."

(iii) In the computation of periods of time from a
specified date to a later specified date, the word "from" means "from and
including"; the words "to" and "until" each mean "to but excluding", and
the word "through" means "to and including."

(d) Unless otherwise expressly provided herein, (i) references to
agreements (including this Agreement) and other contractual instruments shall be
deemed to include all subsequent amendments and other modifications thereto, but
only to the extent such amendments and other modifications are not prohibited by
the terms of any Loan Document, and (ii) references to any statute or regulation
are to be construed as including all statutory and regulatory provisions
consolidating, amending, replacing, supplementing or interpreting the statute or
regulation.

(e) The captions and headings of this Agreement are for convenience
of reference only and shall not affect the interpretation of this Agreement.

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(f) This Agreement and other Loan Documents may use several
different limitations, tests or measurements to regulate the same or similar
matters. All such limitations, tests and measurements are cumulative and shall
each be performed in accordance with their terms. Unless otherwise expressly
provided, any reference to any action of the Administrative Agent or the Banks
by way of consent, approval or waiver shall be deemed modified by the phrase "in
its/their sole discretion."

(g) This Agreement and the other Loan Documents are the result of
negotiations among and have been reviewed by counsel to the Administrative
Agent, the Borrowers and the other parties, and are the products of all parties.
Accordingly, they shall not be construed against the Banks or the Administrative
Agent merely because of the Administrative Agent's or Banks' involvement in
their preparation.

I.3 Accounting Principles. References to financial statements include

notes thereto in accordance with GAAP; and accounting terms used but not defined herein shall be construed in accordance with GAAP, and whenever the character or amount of any asset or liability or item of income or expense is required to be determined, or any consolidation or other accounting computation is required to be made, for purposes hereof, such determination or computation shall be made in accordance with GAAP; provided that such determinations and computations with

respect to financial covenants and ratios hereunder shall be made in accordance with GAAP as in effect on the date hereof.

I.4 Currency Equivalents Generally. For all purposes of this Agreement

(but not for purposes of the preparation of any financial statements delivered pursuant hereto), the equivalent in any Offshore Currency or other currency of an amount in Dollars, and the equivalent in Dollars of an amount in any Offshore Currency or other currency, shall be determined at the Spot Rate.

I.5 Introduction of Euro. For the avoidance of doubt, the parties hereto

affirm and agree that neither the fixation of the conversion rate of any Offshore Currency of a country that is a member of the European Union against the Euro as a single currency, in accordance with the Treaty Establishing the European Economic Community, as amended by the Treaty on the European Union (the Maastricht Treaty), nor the conversion of any Obligations under the Loan Documents from an Offshore Currency of a country that is a member of the European Union into Euros, shall require the early termination of this Agreement or the prepayment of any amount due under the Loan Documents or create any liability of one party to another party for any direct or consequential loss arising from any of such events. As of the date that any such Offshore Currency is no longer the lawful currency of its respective country, all payment obligations under the Loan Documents that would otherwise be in such Offshore Currency shall thereafter be satisfied in Euros.

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If more than one currency or currency unit are at the same time recognized by the laws of any country as the lawful currency of that country, then:

(a) any reference in this Agreement to, and any Obligations arising under this Agreement or the Loan Documents in, the currency of that country shall be translated into, or paid into, the lawful currency or currency unit of that country designated by the Administrative Agent; and

(b) any translation from one currency or currency unit to another shall be at the official rate of exchange legally recognized by the central bank of the country issuing such currency for the conversion of that currency or currency unit into the other, rounded up or down by the Administrative Agent acting in accordance with any applicable law on rounding or, if there is no such law, acting reasonably in accordance with its market practice.

If a change in any currency of a country occurs, this Agreement will be amended to the extent the Administrative Agent (acting reasonably) specifies to be necessary to reflect the change in currency and to put the Banks in the same position, so far as possible, that they would have been in if no change in currency had occurred.

ARTICLE II

THE CREDITS

II.1 Amounts and Terms of Commitments. Each Bank severally agrees, on

the terms and conditions set forth herein, to make loans in Dollars, Offshore Currencies and Agreed Alternative Currencies to the Borrowers (each such loan, a "Committed Loan") from time to time on any Business Day during the period

from the Closing Date to the Termination Date, in an aggregate principal Dollar Equivalent amount not to exceed at any time outstanding the amount set forth opposite such Bank's name in Schedule 2.1 under the heading "Commitment" (such amount as the same may be reduced pursuant to Section 2.8 or as a result of one or more assignments pursuant to Section 11.8, the Bank's "Commitment");

provided, however, that, after giving effect to any Borrowing of Committed

Loans, the aggregate principal Dollar Equivalent amount of all outstanding Loans plus Loan Note Guaranty Obligations shall not exceed the combined Commitments; provided further, that in no event shall the aggregate principal Dollar Equivalent of all outstanding Committed Loans of the Subsidiary Borrower exceed the lesser of (x) \$200,000,000 and (y) the combined Commitments. Within the limits of each Bank's Commitment, and subject to the other terms and conditions hereof, the Borrowers may borrow under this Section 2.1, prepay pursuant to Section 2.9 and reborrow pursuant to this Section 2.1.

II.2 Loan Accounts.

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(a) The Committed Loans made by each Bank shall be evidenced by one or more loan accounts or records maintained by such Bank in the ordinary course of business. The Bid Loans made by each Bank shall be evidenced by a Bid Note from the Company payable to the order of such Bank. Each Bank shall record in its records, or at its option on the Schedule attached to its Bid Note all such Bid Loans and any repayment in whole or part thereof. The loan accounts or records or schedules, as the case may be, maintained by the Administrative Agent and each Bank shall be rebuttable presumptive evidence of the amount of the Loans made by the Banks to each Borrower and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrowers hereunder to pay any amount owing with respect to the Loans.

(b) Upon the request of any Bank made through the Administrative Agent, the Committed Loans made by such Bank may be evidenced by one or more Notes. Each such Bank may also endorse on the schedules annexed to its Note(s) the date, amount and maturity of each Committed Loan made by it and the amount of each payment of principal made by the applicable Borrower with respect thereto. Each such Bank is irrevocably authorized by the applicable Borrower to endorse its Note(s) and each Bank's record shall be rebuttable presumptive evidence; provided, however, that the failure of a Bank to make, or an error in

making, a notation thereon with respect to any Loan shall not limit or otherwise affect the obligations of the applicable Borrower hereunder or under any such Note to such Bank.

II.3 Procedure for Committed Borrowing.

(a) Each Committed Borrowing shall be made upon a Borrower's irrevocable written notice delivered to the Administrative Agent in the form of a Notice of Borrowing (which notice must be received by the Administrative Agent prior to 8:30 a.m. (San Francisco time) (i) three Business Days prior to the requested Borrowing Date, in the case of Offshore Rate Loans denominated in Dollars; and (ii) four Business Days prior to the requested Borrowing Date, in the case of Offshore Currency Loans and (iii) on the requested Borrowing Date, in the case of Base Rate Loans, specifying:

(A) the amount of the Committed Borrowing, which shall be in an aggregate amount not less than the Minimum Tranche;

(B) the requested Borrowing Date, which shall be a Business Day;

(C) the Type of Loans comprising the Committed Borrowing;

(D) the duration of the Interest Period applicable to such Committed Loans included in such notice. If the Notice of Borrowing fails to

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specify the duration of the Interest Period for any Committed Borrowing comprised of Offshore Rate Loans, such Interest Period shall be one month; and

(E) in the case of a Borrowing comprised of Offshore Currency Loans, the Applicable Currency;

provided, however, that with respect to the Borrowing to be made on the Closing Date, the Notice of Borrowing for Offshore Rate Loans and an appropriate indemnification letter shall be delivered to the Administrative Agent not later than 8:30 a.m. (San Francisco time) four Business Days before the Closing Date.

(b) The Dollar Equivalent amount of any Borrowing in an Offshore Currency will be determined by the Administrative Agent for such Borrowing on the Determination Date therefor in accordance with Section 2.5(a). Upon receipt of the Notice of Borrowing, the Administrative Agent will promptly notify each Bank thereof and of the amount of such Bank's Pro Rata Share of the Borrowing. In the case of a Borrowing comprised of Offshore Currency Loans, such notice will provide the approximate amount of each Bank's Pro Rata Share of the Borrowing, and the Administrative Agent will, upon the determination of Dollar Equivalent amount of the Borrowing as specified in the Notice of Borrowing, promptly notify each Bank of the exact amount of such Bank's Pro Rata Share of the Borrowing.

(c) Each Bank will make the amount of its Pro Rata Share of each Borrowing available to the Administrative Agent for the account of the Company or the Subsidiary Borrower, as the case may be, at the Administrative Agent's Payment Office on the Borrowing Date requested by the Borrower in Same Day Funds and in the requested currency (i) in the case of a Borrowing comprised of Loans in Dollars, by 11:00 a.m. (San Francisco time), (ii) in the case of a Borrowing comprised of Offshore Currency Loans, by such time as the Administrative Agent may determine to be necessary for such funds to be credited on such date in accordance with normal banking practices in the place of payment. The proceeds of all such Loans will then be made available to the applicable Borrower by the Administrative Agent by wire transfer in accordance with written instructions provided to the Administrative Agent by the applicable Borrower of like funds as received by the Administrative Agent; provided that the Administrative Agent shall disburse such funds as it has received from the Banks to the applicable Borrower (x) in the case of Loans denominated in Dollars, no later than 1:00 p.m. (San Francisco time) and (y) in the case of Offshore Currency Loans, no later than two hours after the funding deadline specified by the Administrative Agent under clause (ii) above.

(d) After giving effect to any Committed Borrowing, there may not be more than ten different Interest Periods in effect in respect of all Committed Loans and Bid Loans together then outstanding.

II.4 Conversion and Continuation Elections for Committed Borrowings.

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(a) The Borrowers may, upon irrevocable written notice to the Administrative Agent in accordance with Section 2.4(b):

(i) elect, as of any Business Day, in the case of Base Rate Loans, or as of the last day of the applicable Interest Period, in the case of any other Type of Committed Loans denominated in Dollars, to convert any such Committed Loans (or any part thereof in an amount not less than the Minimum Tranche) into Committed Loans in Dollars of any other Type; or

(ii) elect, as of the last day of the applicable Interest Period, to continue any Committed Loans having Interest Periods expiring on such day (or any part thereof in an amount not less than the Minimum Tranche);

provided, that if at any time the aggregate amount of Offshore Rate Loans in respect of any Committed Borrowing is reduced, by payment, prepayment, or conversion of part thereof to be less than \$10,000,000, such Offshore Rate Loans shall automatically convert into Base Rate Loans in the Dollar Equivalent of such Offshore Rate Loans, and on and after such date the right of the Borrowers to continue such Committed Loans as, and convert such Committed Loans into, Offshore Rate Loans shall terminate.

(b) The Borrowers shall deliver a Notice of Conversion/Continuation to be received by the Administrative Agent not later than 8:30 a.m. (San Francisco time) at least (i) three Business Days in advance of the

Conversion/Continuation Date, if the Committed Loans are to be converted into or continued as Offshore Rate Loans denominated in Dollars; (ii) four Business Days in advance of the Conversion/Continuation Date, if the Committed Loans are to be converted into or continued as Offshore Currency Loans; and (iii) on the Conversion/Continuation Date, if the Loans denominated in Dollars are to be converted into Base Rate Loans, specifying:

- (A) the proposed Conversion/Continuation Date;
- (B) the aggregate amount of Committed Loans to be converted or continued;
- (C) the Type of Committed Loans resulting from the proposed conversion or continuation;
- (D) other than in the case of conversions into Base Rate Loans, the duration of the requested Interest Period; and
- (E) if applicable, the Applicable Currency.

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(c) If upon the expiration of any Interest Period applicable to Offshore Rate Loans in Dollars, the Borrowers have failed to select timely a new Interest Period to be applicable to such Offshore Rate Loans, as the case may be, or if any Default or Event of Default then exists, the Borrowers shall be deemed to have elected to convert such Offshore Rate Loans into Base Rate Loans denominated in Dollars effective as of the expiration date of such Interest Period. If the Borrowers have failed to select a new Interest Period to be applicable to Offshore Currency Loans prior to the fourth Business Day in advance of the expiration date of the current Interest Period applicable thereto as provided in Section 2.4(b), or if any Default or Event of Default shall then exist, subject to the provisions of Section 2.5(d), the Borrowers shall be deemed to have elected to pay such Offshore Currency Loans and borrow Base Rate Loans denominated in Dollars.

(d) The Administrative Agent will promptly notify each Bank of its receipt of a Notice of Conversion/Continuation, or, if no timely notice is provided by the Company, the Administrative Agent will promptly notify each Bank of the details of any automatic conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Committed Loans with respect to which the notice was given held by each Bank.

(e) Unless the Required Banks otherwise agree, during the existence of a Default or Event of Default, the Borrowers may not elect to have a Committed Loan in Dollars converted into or continued as an Offshore Rate Loan or an Offshore Currency Loan.

(f) After giving effect to any conversion or continuation of Committed Loans, there may not be more than ten different Interest Periods in effect in respect of all Committed Loans and Bid Loans together then outstanding.

II.5 Utilization of Revolving Commitments in Offshore Currencies.

(a) The Administrative Agent will determine the Dollar Equivalent amount with respect to any (i) Borrowing comprised of Offshore Currency Loans as of the requested Borrowing Date and as of any requested continuation date, (ii) outstanding Offshore Currency Loans and Loan Note Guaranty Obligations as of the last Banking Day of each month, and, during the occurrence and continuation of an Event of Default, such other dates as may be requested by the Required Banks (but in no event more frequently than once a week) (each such date under clauses (i) and (ii) a "Determination Date").

(b) In the case of a proposed Borrowing comprised of Offshore Currency Loans, the Banks shall be under no obligation to make Offshore Currency Loans in the requested Offshore Currency as part of such Borrowing if the Administrative Agent has received notice from the Required Banks by 12:30 p.m. (San Francisco time) three Business Days prior to the

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day of such Borrowing that deposits in the relevant Offshore Currency (in the applicable amounts) are not being offered to such Banks in the interbank eurocurrency market for such Interest Period in which event the Administrative Agent will give notice to the applicable Borrower no later than 1:30 p.m. (San Francisco time) on the third Business Day prior to the requested date of such Borrowing that the Borrowing in the requested Offshore Currency is not then available, and notice thereof also will be given promptly by the Administrative Agent to the Banks. If the Administrative Agent shall have so notified the applicable Borrower that any such Borrowing in a requested Offshore Currency is not then available, the Notice of Borrowing relating to such requested Borrowing shall be deemed to be withdrawn, the Borrowing requested therein shall not occur and the Administrative Agent will promptly so notify each Bank.

(c) In the case of a proposed continuation of Offshore Currency Loans for an additional Interest Period pursuant to Section 2.4, the Banks shall be under no obligation to continue such Offshore Currency Loans if the Administrative Agent has received notice from the Required Banks by 12:30 p.m. (San Francisco time) three Business Days prior to the day of such continuation that deposits in the relevant Offshore Currency (in the applicable amounts) are not being offered to such Banks in the interbank eurocurrency market for such Interest Period in which event the Administrative Agent will give notice to the applicable Borrower not later than 1:30 p.m. (San Francisco time) on the third Business Day prior to the requested date of such continuation that the continuation of such Offshore Currency Loans in the relevant Offshore Currency is not then available, and notice thereof also will be given promptly by the Administrative Agent to the Banks. If the Administrative Agent shall have so notified the applicable Borrower that any such continuation of Offshore Currency Loans is not then available, any Notice of Continuation with respect thereto shall be deemed withdrawn and such Offshore Currency Loans shall be repaid on the last day of the Interest Period with respect to any such Offshore Currency Loans.

(d) Notwithstanding anything herein to the contrary, during the existence of a Default or an Event of Default, unless the Required Banks otherwise agree, all outstanding Offshore Currency Loans shall be redenominated and converted into their Dollar Equivalent of Base Rate Loans in Dollars on the last day of the Interest Period applicable to any such Offshore Currency Loans.

(e) The Borrowers shall be entitled to request that Committed Loans hereunder also be permitted to be made in any other lawful currency constituting a eurocurrency (other than Dollars), in addition to the eurocurrencies specified in the definition of "Offshore Currency" herein, that in the opinion of the Administrative Agent and the Banks is at such time freely traded in the offshore interbank foreign exchange markets and is freely transferable and freely convertible into Dollars (an "Agreed Alternative Currency"). The applicable

Borrower shall deliver to the Administrative Agent any request for designation of an Agreed Alternative Currency in accordance with Section 10.2, to be received by the Administrative Agent not later than 10:00 a.m. (San Francisco time) at least ten Business Days in advance of the date of any

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Borrowing hereunder proposed to be made in such Agreed Alternative Currency. Upon receipt of any such request the Administrative Agent will promptly notify the Banks thereof, and each Bank will respond to such request within two Business Days of receipt thereof. Each Bank may grant or decline such request in its sole discretion; provided that no such Loan shall be made unless all the

Banks consent. The Administrative Agent will promptly notify the Borrowers of the acceptance or rejection of any such request and, if accepted, the time requirements for requesting Borrowings in such Agreed Alternative Currency.

II.6 Bid Borrowings. In addition to Committed Borrowings pursuant to

Section 2.3, each Bank severally agrees that the Company may, as set forth in Section 2.7, from time to time request the Banks prior to the Termination Date to submit offers to make Bid Loans in Dollars to the Company; provided,

however, that the Banks may, but shall have no obligation to, submit such offers

and the Company may, but shall have no obligation to, accept any such offers and, if such offers are accepted by the Company, to make such Bid Loans; and

provided, further, that at no time shall (a) the outstanding aggregate principal amount of all Bid Loans made by all Banks, plus the outstanding aggregate principal amount of all Committed Loans made by all Banks, plus the outstanding Loan Note Guaranty Obligations exceed the combined Commitments; or (b) the number of Interest Periods for Bid Loans then outstanding plus the number of Interest Periods for Committed Loans then outstanding exceed ten. The Subsidiary Borrower shall not be entitled to request Bid Loans and the Company shall only be entitled to request Bid Loans in Dollars.

II.7 Procedure for Bid Borrowings.

(a) When the Company wishes to request the Banks to submit offers to make Bid Loans hereunder, it shall transmit to the Administrative Agent by telephone call followed promptly by facsimile transmission a notice in substantially the form of Exhibit I (a "Competitive Bid Request") so as to be received no later than 8:00 a.m. (San Francisco time) one Business Day prior to the date of a proposed Bid Borrowing, specifying:

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

(ii) the aggregate amount of such Bid Borrowing, which shall be a minimum amount of \$5,000,000 or in multiples of \$1,000,000 in excess thereof; and

(iii) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of "Interest Period" herein.

Subject to Section 2.7(c), the Company may not request Competitive Bids for more than three Interest Periods in a single Competitive Bid Request and may not request Competitive Bids more than once in any period of five Business Days.

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(b) Upon receipt of a Competitive Bid Request, the Administrative Agent will promptly send to the Banks by facsimile transmission an Invitation for Competitive Bids, which shall constitute an invitation by the Company to each Bank to submit Competitive Bids offering to make the Bid Loans to which such Competitive Bid Request relates in accordance with this Section 2.7.

(c) (i) Each Bank may at its discretion submit a Competitive Bid containing an offer or offers to make Bid Loans in response to any Invitation for Competitive Bids. Each Competitive Bid must comply with the requirements of this Section 2.7(c) and must be submitted to the Administrative Agent by facsimile transmission at the Administrative Agent's office for notices set forth on the signature pages hereto not later than 6:30 a.m. (San Francisco time) on the proposed date of Borrowing; provided that Competitive Bids submitted by BofA (or any

Affiliate of BofA) in the capacity of a Bank may be submitted, and may only be submitted, if BofA or such Affiliate notifies the Administrative Agent of the terms of the offer or offers contained therein not later than 6:15 a.m. (San Francisco time) on the proposed date of Borrowing.

(ii) Each Competitive Bid shall be in substantially the form of Exhibit J, specifying therein:

(A) the proposed date of Borrowing;

(B) the principal amount of each Bid Loan for which such Competitive Bid is being made, which principal amount (x) may be equal to, greater than or less than the Commitment of the quoting Bank, (y) must be \$5,000,000 or in multiples of \$1,000,000 in excess thereof, and (z) may not exceed the principal amount of Bid Loans for which Competitive Bids were requested;

(C) the rate of interest per annum expressed in multiples of 1/1000th of one basis point (the "Absolute Rate") offered for each such Bid Loan; and

(D) the identity of the quoting Bank.

A Competitive Bid may contain up to three separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Competitive Bids.

(iii) Any Competitive Bid shall be disregarded if it:

(A) is not substantially in conformity with Exhibit H or

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does not specify all of the information required by Section 2.7(c) (ii);

(B) contains qualifying, conditional or similar language;

(C) proposes terms other than or in addition to those set forth in the applicable Invitation for Competitive Bids; or

(D) arrives after the time set forth in Section 2.7(c) (i).

(d) Promptly on receipt and not later than 7:00 a.m. (San Francisco time) on the proposed date of Borrowing of an Absolute Rate Bid Loan, the Administrative Agent will notify the Company of the terms (i) of any Competitive Bid submitted by a Bank that is in accordance with Section 2.7(c), and (ii) of any Competitive Bid that amends, modifies or is otherwise inconsistent with a previous Competitive Bid submitted by such Bank with respect to the same Competitive Bid Request. Any such subsequent Competitive Bid shall be disregarded by the Administrative Agent unless such subsequent Competitive Bid is submitted solely to correct a manifest error in such former Competitive Bid and only if received within the times set forth in Section 2.7(c). The Administrative Agent's notice to the Company shall specify (1) the aggregate principal amount of Bid Loans for which offers have been received for each Interest Period specified in the related Competitive Bid Request; and (2) the respective principal amounts and Absolute Rates so offered. Subject only to the provisions of Sections 4.2, 4.5 and 5.2 hereof and the provisions of this Section 2.7(d), any Competitive Bid shall be irrevocable except with the written consent of the Administrative Agent given on the written instructions of the Company.

(e) Not later than 7:30 a.m. (San Francisco time) on the proposed date of Borrowing, the Company shall notify the Administrative Agent of its acceptance or non-acceptance of the offers so notified to it pursuant to Section 2.7(d). The Company shall be under no obligation to accept any offer and may choose to reject all offers. In the case of acceptance, such notice shall specify the aggregate principal amount of offers for each Interest Period that is accepted. The Company may accept any Competitive Bid in whole or in part; provided that:

(i) the aggregate principal amount of each Bid Borrowing may not exceed the applicable amount set forth in the related Competitive Bid Request;

(ii) the principal amount of each Bid Borrowing must be \$5,000,000 or in any multiple of \$1,000,000 in excess thereof;

(iii) acceptance of offers may only be made on the basis of ascending Absolute Rates within each Interest Period; and

(iv) the Company may not accept any offer that is described in

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Section 2.7(c) (iii) or that otherwise fails to comply with the requirements of this Agreement.

(f) If offers are made by two or more Banks with the same Absolute Rates for a greater aggregate principal amount than the amount in respect of

which such offers are accepted for the related Interest Period, the principal amount of Bid Loans in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Banks as nearly as possible (in such multiples, not less than \$1,000,000, as the Administrative Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determination by the Administrative Agent of the amounts of Bid Loans shall be conclusive in the absence of manifest error.

(g) (i) The Administrative Agent will promptly notify each Bank having submitted a Competitive Bid if its offer has been accepted and, if its offer has been accepted, of the amount of the Bid Loan or Bid Loans to be made by it on the date of the Bid Borrowing.

(ii) Each Bank, which has received notice pursuant to Section 2.7(g)(i) that its Competitive Bid has been accepted, shall make the amounts of such Bid Loans available to the Administrative Agent for the account of the Company at the Administrative Agent's Payment Office, by 11:00 a.m. (San Francisco time) on such date of Bid Borrowing, in funds immediately available to the Administrative Agent for the account of the Company at the Administrative Agent's Payment Office.

(iii) Promptly following each Bid Borrowing, the Administrative Agent shall notify each Bank of the ranges of bids submitted and the highest and lowest Bids accepted for each Interest Period requested by the Company and the aggregate amount borrowed pursuant to such Bid Borrowing.

(h) If, on or prior to the proposed date of Borrowing, the Commitments have not been terminated and if, on such proposed date of Borrowing all applicable conditions to funding referenced in Sections 4.2, 4.5 and 5.2 hereof are satisfied, the Banks whose offers the Company has accepted will fund each Bid Loan so accepted. Nothing in this Section 2.7 shall be construed as a right of first offer in favor of the Banks or to otherwise limit the ability of the Company to request and accept credit facilities from any Person (including any of the Banks), provided that no Default or Event of Default would otherwise arise or exist as a result of the Company executing, delivering or performing under such credit facilities.

II.8 Reduction of Commitments. (a) Voluntary Termination or Reduction of Commitments. The Company may, upon not less than five Business Days' prior notice to the Administrative Agent, terminate the Commitments, or permanently reduce the Commitments by

an aggregate minimum Dollar Equivalent amount of \$5,000,000 or any Dollar Equivalent multiple of \$1,000,000 in excess thereof; unless, after giving effect thereto and to any prepayments of Loans made on the effective date thereof, the then-outstanding principal Dollar Equivalent amount of the Loans plus the Loan Note Guaranty Obligations would exceed the amount of the combined Commitments then in effect. Once reduced in accordance with this Section, the Commitments may not be increased. Any reduction of the Commitments shall be applied to each Bank according to its Pro Rata Share and shall decrease the scheduled reductions in Section 2.8(b) (i) proportionately if such reduction shall be in the amount of \$50,000,000 or more or (ii) in inverse order of maturities if such reduction shall be less than \$50,000,000.

(b) Scheduled Mandatory Reduction of Commitment. The aggregate Commitments shall be reduced quarterly on the last Business Day of each February, May, August and November, commencing November 30, 1999 in the following amounts on each of the following dates:

Date	Amount
----	-----
	Per Date

November 30, 1999	\$10,000,000
February 29, 2000	\$10,000,000
May 31, 2000	\$10,000,000
August 31, 2000	\$10,000,000
November 30, 2000	\$12,000,000
February 28, 2001	\$12,000,000
May 31, 2001	\$12,000,000
August 31, 2001	\$12,000,000
November 30, 2001	\$14,000,000
February 28, 2002	\$14,000,000
May 31, 2002	\$14,000,000
August 31, 2002	\$14,000,000
November 30, 2002	\$18,666,667
February 28, 2003	\$18,666,666
May 31, 2003	\$18,666,666

Upon any such reduction, any outstanding Loans in excess of the reduced Commitments (minus the Loan Note Guaranty Obligations) shall be repaid immediately. Any reduction of the Commitments shall be applied to each Bank's Commitment according to its Pro Rata Share. If the outstanding Loan Note Guaranties exceed the reduced Commitments, the Company shall

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Cash Collateralize the excess.

(c) Issuance of Debt. If at the time of the issuance of any Funded

Debt (other than the Obligations) (in excess of \$20,000,000 over the amount of Funded Debt at the end of the prior Fiscal Year) after the date hereof the ratio of Funded Debt at such time to EBITDA as of the end of the last Fiscal Quarter shall be the following amounts, the Commitments shall be permanently reduced at such time by the amount of the following percentages of net proceeds of such Debt:

Ratio -----	Percentage -----
Greater than 3.0 to 1.0	100%
Less than or equal to 3.0 to 1.0 but greater than 2.5 to 1.0	50%
Less than or equal to 2.5 to 1.0	0%

Any reduction of the Commitments shall be applied to each Bank according to its Pro Rata Share and shall decrease the scheduled reductions under clause (b) proportionately. Upon any such reduction, any outstanding Loans in excess of the reduced Commitments shall be repaid immediately.

II.9 Prepayments.

(a) Subject to Section 3.4, the Borrowers may, at any time or from time to time, by giving the Administrative Agent irrevocable notice not later than (i) 8:30 a.m. (San Francisco time) on the date of the proposed prepayment, in the case of Base Rate Loans and (ii) 8:30 a.m. (San Francisco time) three Business Days prior to the proposed payment date, in the case of Offshore Rate Loans, ratably prepay Committed Loans in whole or in part, in amounts equal to the Minimum Tranche. Such notice of prepayment shall specify the date and amount of such prepayment and the Type(s) of Committed Loans to be prepaid and the Applicable Currency. The Administrative Agent will promptly notify each Bank of its receipt of any such notice, and of such Bank's Pro Rata Share of such prepayment. If such notice is given by a Borrower, such Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest

to each such date on the amount prepaid and any amounts required pursuant to Section 4.4.

(b) Bid Loans may not be voluntarily prepaid.

II.10 Currency Exchange Fluctuations. If on any Determination Date the

Administrative

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Agent shall have determined that the aggregate Dollar Equivalent principal amount of all Loans and Loan Note Guaranty Obligations then outstanding exceeds the combined Commitments of the Banks by more than \$500,000, due to a change in applicable rates of exchange between Dollars and Offshore Currencies, then the

Administrative Agent shall give notice to the Borrowers that a prepayment is required under this Section, and the Borrowers agree thereupon to make prepayments of Loans (and if all Loans shall be fully paid, Cash Collateralize the Loan Note Guaranty Obligations) such that, after giving effect to such prepayment the aggregate Dollar Equivalent amount of all Loans and Loan Note Guaranty Obligations does not exceed the combined Commitments. Prepayments of Loans under this Section 2.10 shall be applied (and, to the extent necessary, made in the Applicable Currency) to repay first, Base Rate Loans and second, Offshore Rate Loans. Any prepayment of an Offshore Rate Loan shall be subject to the provisions of Section 4.4.

II.11 Repayment.

(a) The Borrowers shall repay to the Banks on the Termination Date the aggregate principal amount of all Committed Loans outstanding on such date.

(b) The Company shall repay each Bid Loan on the last day of the relevant Interest Period.

II.12 Interest.

(a) Each Committed Loan shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the Offshore Rate plus the Applicable Margin or the Base Rate, as the case may be (and subject to the Borrower's right to convert to other Types of Loans under Section 2.4). Each Bid Loan shall bear interest on the outstanding principal amount thereof from the relevant Borrowing Date at a rate per annum equal to the Absolute Rate.

(b) Interest on each Loan shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any prepayment of Offshore Rate Loans under Section 2.8, 2.9 or 2.10 for the portion of the Loans so prepaid and upon payment (including prepayment) in full thereof and, during the existence of any Event of Default, interest shall be paid on demand of the Administrative Agent at the request or with the consent of the Required Banks.

(c) Any change in the Applicable Margin or Applicable Non-Use Fee Rate resulting from a change in the Pricing Level in accordance with the Pricing Grid shall be effective 60 days (or, in the case of the last Fiscal Quarter of any Fiscal Year, 90 days, respectively) after the end of each Fiscal Quarter based on the Debt to EBITDA Ratio as of the last day of such Fiscal Quarter; it being understood that if the Company fails to deliver the

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financial statements or certificate required by Section 7.1(a), 7.1(b) or 7.1(c) by the 60th day (or, if applicable, the 90th day) after any Fiscal Quarter, commencing on such 60th or 90th day, as applicable, until the date such financial statements or certificate are delivered, the Pricing Level in effect shall be in Pricing Level VIII.

(d) After maturity of any Loan (whether by acceleration or otherwise),

such Loan shall bear interest on the unpaid principal amount thereof at a rate per annum equal to (i) for any Base Rate Loan the sum of two percent (2%) plus the Base Rate from time to time in effect; and (ii) for any Offshore Rate Loan, the sum of three percent (3%) plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period applicable thereto and, thereafter, if such Loan is denominated in Dollars, at a rate per annum equal to the sum of two percent (2%) plus the Base Rate from time to time in effect or, if such Loan is denominated in another Applicable Currency, at a rate per annum equal to the sum of the Applicable Margin for Offshore Rate Loans plus three percent (3%) plus the rate of interest per annum as determined by the Administrative Agent (rounded upwards, if necessary to the nearest whole multiple of one-sixteenth of one percent (1/16%) at which overnight or weekend deposits of the Applicable Currency (or, if such amount due remains unpaid more than three Business Days, then for such other period of time not longer than one month as the Administrative Agent may elect in its absolute discretion) for delivery in immediately available and freely transferrable funds would be offered by the Administrative Agent to major banks in the interbank market upon request of such major banks for the applicable period as determined above and in an amount comparable to the unpaid principal amount of any such Offshore Rate Loan or, if the Administrative Agent is not placing deposits in such Applicable Currency in the interbank market, then the Administrative Agent's cost of funds in such Applicable Currency for such period).

II.13 Fees.

(a) Arrangement Agency Fees. The Company shall pay an

arrangement fee to the Lead Arranger for the Lead Arranger's own account, and shall pay an agency fee to the Administrative Agent for the Administrative Agent's own account, as required by the letter agreement ("Fee Letter") between

the Company, the Lead Arranger and the Administrative Agent dated September 21, 1998, as supplemented.

(b) Non-Use Fees. The Company shall pay to the Administrative

Agent for the account of each Bank a non-use fee on the daily unused portion of such Bank's Commitment, computed on a quarterly basis in arrears on the last Business Day of each February, May, August and November commencing November 30, 1998 based upon the daily utilization for that quarter as calculated by the Administrative Agent, equal to the Applicable Non-Use Fee Rate. Such non-use fee shall accrue from the Closing Date to the Termination Date and shall be due and payable quarterly in arrears on the last Business Day of each February, May, August and November commencing on November 30, 1998 through the Termination Date, with the final payment to be made on the Termination Date. For purposes of calculating the non-use fee, Loan

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Note Guaranty Obligations shall be deemed usages of the Commitments but Bid Loans shall not be deemed usage of the Commitments. The non-use fees provided in this Section 2.13(b) shall accrue at all times after the above-mentioned

commencement date, including at any time during which one or more conditions in Article V are not met.

(c) Utilization Fees. The Company shall pay to the

Administrative Agent for the account of each Bank a utilization fee on the daily used portion of such Bank's Commitment, computed on a quarterly basis in arrears on the last Business Day of each February, May, August and November commencing November 30, 1998 based upon the daily utilization for that quarter as calculated by the Administrative Agent, equal to the Applicable Utilization Fee Rate. Such utilization fee shall accrue from the Closing Date to the Termination Date and shall be due and payable quarterly in arrears on the last Business Day of each February, May, August and November commencing on November 30, 1998 through the Termination Date, with the final payment to be made on the Termination Date. For purposes of calculating the utilization fee, Bid Loans and Loan Note Guaranty Obligations (except to the extent such Loan Note Guaranty Obligations have been Cash Collateralized) shall be deemed usage of the Commitments by each Bank based on its Pro Rata Share. The utilization fees provided in this Section 2.13(c) shall accrue at all times after the above-mentioned commencement date, including at any time during which one or more

conditions in Article V are not met.

(d) Loan Note Guaranty Fees. The Company shall pay to the

Administrative Agent for the account of each Bank a Loan Note Guaranty fee on the daily amount of such Bank's Pro Rata Share of the Loan Note Guaranty Obligations, computed on a quarterly basis in arrears on the last Business Day of each February, May, August and November commencing November 30, 1998 based upon the daily amount for that quarter as calculated by the Administrative Agent, equal to said Bank's Pro Rata Share of the Loan Note Guaranty Obligations times the Applicable Margin. Such Loan Note Guaranty fee shall accrue from the Closing Date to the Termination Date and shall be due and payable quarterly in arrears on the last Business Day of each February, May, August and November commencing on November 30, 1998 through the Termination Date, with the final payment to be made on the Termination Date.

II.14 Computation of Fees and Interest.

(a) All computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year); provided that if

the Borrowers and the Administrative Agent mutually determine that a different convention or practice arises with respect to Euros in the London interbank market, computation of interest on Loans denominated in Euros shall be made based on such convention or practice. Interest and fees shall accrue during each period during which interest or fees are computed from the first day thereof to the last day thereof.

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(b) For purposes of determining utilization of each Bank's Commitment in order to calculate the non-use fee, the utilization fee and the Loan Note Guaranty fee due under Section 2.13, the amount of any outstanding Offshore Currency Loans and the Loan Note Guaranty Obligations on any date shall be determined based upon the Dollar Equivalent amount as of the most recent Determination Date with respect to such Offshore Currency Loans and the Loan Note Guaranty Obligations.

(c) Each determination of an interest rate or a Dollar Equivalent amount by the Administrative Agent shall be conclusive and binding on the Company and the Banks in the absence of manifest error.

II.15 Payments by a Borrower.

(a) All payments to be made by a Borrower shall be made without set-off, deduction, recoupment or counterclaim. Except as otherwise expressly provided herein, all payments by a Borrower shall be made to the Administrative Agent for the account of the Banks at the Administrative Agent's Payment Office, and, with respect to principal of, interest on, and any other amounts relating to, any Offshore Currency Loan, shall be made in the Offshore Currency in which such Loan is denominated or payable, and, with respect to all other amounts payable hereunder, shall be made in Dollars. Such payments shall be made in Same Day Funds, and (i) in the case of Offshore Currency payments, no later than such time on the dates specified herein as may be determined by the Administrative Agent to be necessary for such payment to be credited on such date in accordance with normal banking procedures in the place of payment, and (ii) in the case of any Dollar payments, no later than 11:00 a.m. (San Francisco time) on the date specified herein. The Administrative Agent will promptly distribute to each Bank its Pro Rata Share (or other applicable share as expressly provided herein) of such principal, interest, fees or other amounts, in like funds as received. Any payment which is received by the Administrative Agent later than 11:00 a.m. (San Francisco time), or later than the time specified by the Administrative Agent as provided in clause (i) above (in the case of Offshore Currency payments), shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue.

(b) Subject to the provisions set forth in the definition of "Interest Period" herein, whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Administrative Agent receives notice from a Borrower prior to the date on which any payment is due to the Banks that said Borrower will not make such payment in full as and when required, the Administrative Agent may assume that such Borrower has made such payment in full to the Administrative Agent on such date in immediately available funds and the Administrative Agent may (but shall not be so required), in reliance upon such

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assumption, distribute to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent such Borrower has not made such payment in full to the Administrative Agent, each Bank shall repay to the Administrative Agent on demand such amount distributed to such Bank, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Bank until the date repaid.

II.16 Payments by the Banks to the Administrative Agent.

(a) Unless the Administrative Agent receives notice from a Bank on or prior to the Closing Date or, with respect to any Borrowing after the Closing Date, at least one Business Day prior to the date of such Committed Borrowing, that such Bank will not make available as and when required hereunder to the Administrative Agent for the account of the applicable Borrower the amount of that Bank's Pro Rata Share of the Committed Borrowing, the Administrative Agent may assume that each Bank has made such amount available to the Administrative Agent in immediately available funds on the Borrowing Date and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, make available to the applicable Borrower on such date a corresponding amount. If and to the extent any Bank shall not have made its full amount available to the Administrative Agent in immediately available funds and the Administrative Agent in such circumstances has made available to the applicable Borrower such amount, that Bank shall on the Business Day following such Borrowing Date make such amount available to the Administrative Agent, together with interest at the Federal Funds Rate for each day during such period. A notice of the Administrative Agent submitted to any Bank with respect to amounts owing under this Section 2.16(a) shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Administrative Agent shall constitute such Bank's Loan on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to the Administrative Agent on the Business Day following the Borrowing Date, the Administrative Agent will notify the applicable Borrower of such failure to fund and, upon demand by the Administrative Agent, such Borrower shall pay such amount to the Administrative Agent for the Administrative Agent's account, together with interest thereon for each day elapsed since the date of such Committed Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Committed Loans comprising such Committed Borrowing.

(b) The failure of any Bank to make any Committed Loan or Loan Note Advance on any Borrowing Date shall not relieve any other Bank of any obligation hereunder to make a Committed Loan on such Borrowing Date, but no Bank shall be responsible for the failure of any other Bank to make the Committed Loan to be made by such other Bank on any Borrowing Date.

II.17 Sharing of Payments, Etc. If, other than as expressly provided

elsewhere herein, any Bank shall obtain on account of the Committed Loans or Loan Note Advances made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or

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otherwise) in excess of its Pro Rata Share, such Bank shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Banks such participations in the Committed Loans or Loan Note Advances made by them as shall be necessary to cause such purchasing Bank to share the excess payment pro rata with each of them; provided, however, that if all or any

portion of such excess payment is thereafter recovered from the purchasing Bank, such purchase shall to that extent be rescinded and each other Bank shall repay to the purchasing Bank the purchase price paid therefor, together with an amount equal to such paying Bank's ratable share (according to the proportion of (i)

the amount of such paying Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrowers agree that any Bank so purchasing a participation from another Bank may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 11.10) with respect to such participation as fully as if such Bank were the direct creditor of such Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Banks following any such purchases or repayments.

ARTICLE III

LOAN NOTE GUARANTIES

III.1 Risk Participations, Drawings and Reimbursements.

(a) Each Bank shall be deemed to, and hereby irrevocably and unconditionally purchases from the Loan Note Guarantor a participation in the Loan Note Guaranties and each drawing thereunder in an amount equal to the product of (i) the Pro Rata Share of such Bank, times (ii) the maximum amount available to be drawn under the Loan Note Guaranties and the amount of such drawing, respectively, in Sterling. For purposes of Section 2.1, the Loan Note

Guaranties shall be deemed to utilize the Commitment of each Bank by an amount equal to the amount of such participation.

(b) In the event of any request for a drawing under the Loan Note Guaranties by the beneficiary or transferee thereof, the Loan Note Guarantor will promptly notify the Administrative Agent and the Company of the request and of the day on which the Loan Note Guarantor is to pay the holders of the Loan Notes (which payment date is not to be less than one day later). The Company agrees to reimburse the Loan Note Guarantor prior to 9:00 a.m. (Chicago time), on each date that any amount is paid by the Loan Note Guarantor under the Loan Note Guaranties (each such date, an "Honor Date"), in an amount equal to

the amount in Sterling of the amount so paid by the Loan Note Guarantor. In the event the Company fails to reimburse the Loan Note Guarantor for the full amount of any drawing under the Loan Note Guaranties by 9:00 a.m. (Chicago time) on the Honor Date, the Loan Note Guarantor will promptly notify the

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Administrative Agent who will in turn promptly notify each Bank. Unless notified by the Company to convert an unreimbursed drawing into Committed Loans or, if the Company requests a conversion of an unreimbursed drawing into Committed Loans but the unreimbursed drawing is not converted because of the Company's failure to satisfy the conditions set forth in Section 5.2, each Bank will be

deemed to be obligated to make a Loan Note Advance to the Company in Dollars in the Dollar Equivalent (determined as of the Honor Date) of such Bank's Pro Rata Share of such drawing and such Loan Note Advances shall bear interest at a rate per annum equal to the Base Rate plus 2% per annum and shall be immediately due and payable by the Company to the Administrative Agent for the benefit of the Banks. If for any reason the Loan Note Advances cannot be made, the Banks should be deemed to have purchased a participation in the Company's obligation to reimburse the amount paid by the Loan Note Guarantor. Any notice given by the Loan Note Guarantor or the Administrative Agent pursuant to this Section 3.1(b)

may be oral if immediately confirmed in writing (including by facsimile); provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(c) With respect to any unreimbursed drawing that the Company requests be converted into a Committed Loan and that satisfies the conditions set forth in Section 5.2, each Bank shall upon any notice make available to the

Administrative Agent for the account of the Loan Note Guarantor an amount in Dollars equal to the Dollar Equivalent Amount (as indicated in such notice) of the amount in Sterling and in immediately available funds equal to its Pro Rata

Share of the amount of such drawing, whereupon the participating Banks shall each be deemed to have made a Committed Loan consisting of a Base Rate Loan to the Company in that amount. If the Banks shall be deemed to have made Loan Note Advances or to have purchased a participation in the Company's reimbursement obligation, each Bank shall make available the amount of its Loan Note Advance or the amount of such reimbursement obligation in Dollars to the Administrative Agent and in immediately available funds. If any Bank so notified fails to make available to the Administrative Agent for the account of the Loan Note Guarantor the amount of such Bank's Pro Rata Share of the amount of such unreimbursed drawing or the amount of its Loan Note Advance by no later than 1:00 p.m. (Chicago time) on the Honor Date, then interest shall accrue on such Bank's obligation to make such payment, from the Honor Date to the date such Bank makes such payment, at a rate per annum equal to the Federal Funds Rate in effect from time to time during such period. The Administrative Agent shall promptly give notice of the occurrence of the Honor Date, but failure of the Administrative Agent to give any such notice on the Honor Date or in sufficient time to enable any Bank to effect such payment on such date shall not relieve such Bank from its obligations under this Section 3.1.

(d) Provided that the Loan Note Guarantor has paid a drawing under the Loan Note Guaranties substantially in accordance with their terms, each Bank's obligation in accordance with this Agreement to make the Committed Loans or Loan Note Advances or to purchase a participation, as contemplated by this Section 3.1, as a result of a drawing under the Loan Note Guaranties, shall

be absolute and unconditional and shall not be affected by any

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circumstance, including (i) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against the Loan Note Guarantor, the Company or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default, an Event of Default or a Material Adverse Effect; or (iii) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; provided, however, that each Bank's obligation

to make Committed Loans under this Section 3.1 is subject to the conditions set forth in Section 5.2. Nothing in this Section 3.1(d) is intended to, and shall

not preclude, any Bank from pursuing, after payment, such rights and remedies as it may have against the Loan Note Guarantor in the event such drawing is wrongfully paid as a result of the Loan Note Guarantor's gross negligence or wilful misconduct.

III.2 Repayment of Participations. (a) Upon (and only upon) receipt by

the Administrative Agent of immediately available funds from the Company (i) in reimbursement of any payment made by the Loan Note Guarantor under the Loan Note Guaranties with respect to which any Bank has paid the Administrative Agent for the account of the Loan Note Guarantor for such Bank's participation in the Loan Note Guaranties pursuant to Section 3.1, (ii) in payment of interest thereon or

(iii) in repayment of Loan Note Advances or payment of the Company's reimbursement obligations hereunder, the Administrative Agent will pay to such Bank, in the same funds as those received by the Administrative Agent, the amount of such Bank's Pro Rata Share of such funds, and the Loan Note Guarantor shall receive the amount of the Pro Rata Share of such funds of any Bank that did not so pay the Administrative Agent for the account of the Loan Note Guarantor.

(b) If the Administrative Agent or the Loan Note Guarantor is required at any time to pay to the Company, or to a trustee, receiver, liquidator, custodian, or any official in any insolvency proceeding, any portion of the payments made by the Company to the Administrative Agent for the account of the Loan Note Guarantor pursuant to Section 3.2(a) in reimbursement of a

payment made under the Loan Note Guaranty or interest thereon, each Bank shall, on demand of the Administrative Agent, forthwith pay to the Administrative Agent or the Loan Note Guarantor the amount of its Pro Rata Share of any amounts so paid by the Administrative Agent or the Loan Note Guarantor plus interest thereon from the date such demand is made to the date such amounts are paid by such Bank to the Administrative Agent or the Loan Note Guarantor at a rate per

annum equal to the Federal Funds Rate in effect from time to time.

III.3 Role of the Loan Note Guarantor. (a) Each Bank and the Company agree

that, in paying any drawing under the Loan Note Guaranties, the Loan Note Guarantor shall not have any responsibility to obtain any document (other than any certificates expressly required by the Loan Note Guaranties) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document.

(b) No Administrative Agent-Related Person nor any of the respective correspondents, participants or assignees of the Loan Note Guarantor shall be liable to any Bank

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for: (i) any action taken or omitted in connection herewith at the request or with the approval of the Required Banks; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document related to the Loan Note Guaranties.

(c) The Company hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of the Loan Note Guaranties; provided, however, that this assumption is not intended to, and

shall not, preclude the Company's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. No Administrative Agent-Related Person, nor any of the respective correspondents, participants or assignees of the Loan Note Guarantor (including the Banks), shall be liable or responsible for any of the matters described in clauses (i) through (vii) of Section 3.4; provided, however, anything in such

clauses to the contrary notwithstanding, that the Company may have a claim against the Loan Note Guarantor, and the Loan Note Guarantor may be liable to the Company, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Company which the Company proves were caused by the Loan Note Guarantor's willful misconduct or gross negligence or the Loan Note Guarantor's willful failure to pay under the Loan Note Guaranties after the presentation to it by the beneficiary of certificate(s) reasonably complying with the terms and conditions of the Loan Note Guaranties. In furtherance and not in limitation of the foregoing: (i) the Loan Note Guarantor may accept documents that appear on their face to be in order, without responsibility for further investigation; and (ii) the Loan Note Guarantor shall not be responsible for the validity or sufficiency of any instrument transferring or purporting to transfer the Loan Note Guaranties or the rights or benefits thereunder or assigning the proceeds thereof, in whole or in part, in accordance with the terms of the Loan Note Guaranties which may prove to be invalid or ineffective for any reason.

III.4 Obligations Absolute. Provided that the Loan Note Guarantor has

paid a drawing under the Loan Note Guaranties substantially in accordance with their terms, the obligations of the Company under this Agreement and any document related to the Loan Note Guaranties to reimburse the Loan Note Guarantor, the Administrative Agent or the Banks for a drawing under the Loan Note Guaranties, and to repay any Loan Note Advances and any drawing under the Loan Note Guaranties converted into Committed Loans, shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and each such other document related to the Loan Note Guaranties under all circumstances, including the following:

(i) any lack of validity or enforceability of this Agreement or any document related to the Loan Note Guaranties;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Company in respect of the Loan Note Guaranties or any other amendment or waiver of or any consent to departure from all or

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any of the documents related to the Loan Note Guaranties, which have been previously agreed to by the Company;

(iii) the existence of any claim, set-off, defense or other right that the Company may have at any time against any beneficiary or any transferee of the Loan Note Guaranties (or any Person for whom any such beneficiary or any such transferee may be acting), the Loan Note Guarantor or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by the documents related to the Loan Note Guaranties or any unrelated transaction;

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

(v) any payment by the Loan Note Guarantor under the Loan Note Guaranties against presentation of a draft or certificate that reasonably complies with the terms of the Loan Note Guaranties; or any payment made by the Loan Note Guarantor under the Loan Note Guaranties to any Person purporting to be (and providing reasonable evidence of its status as) a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, administrator, receiver or other representative of or successor to any beneficiary or any transferee of the Loan Note Guaranties, including any arising in connection with any insolvency proceeding;

(vi) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guarantee, for all or any of the obligations of the Company in respect of the Loan Note Guaranties; or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Company or a guarantor.

III.5 Cash Collateral Pledge. Upon (i) the request of the

Administrative Agent, (A) if the Loan Note Guarantor has honored any full or partial drawing request on the Loan Note Guaranties and such drawing has resulted in a Loan Note Advance hereunder, or (B) if, as of the Termination Date, the Loan Note Guaranties may for any reason remain outstanding and partially or wholly undrawn, or (ii) the occurrence of the circumstances described in Section 2.10 requiring the Company to Cash Collateralize the Loan Note Guaranties, then the Company shall immediately Cash Collateralize the Loan Note Guaranty Obligations in an amount equal to such Loan Note Guaranty Obligations or in the amount required under Section 2.10, respectively. If the Loan Note Guaranties expire without the application of such Cash Collateral in full, or if all Loan Note Advances with respect to the Loan Note Guaranties have been paid in full by the

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Company, then as long as there is no Event of Default in existence and so long as no such application shall be made within 25 days of the expiration of the Loan Note Guaranties, the Administrative Agent shall return to the Company any cash or deposit account balances, together with all interest thereon, that were used by the Company to Cash Collateralize the Loan Note Guaranties pursuant to this Section 3.5 and were not applied to Loan Note Advances.

III.6 Third Party Beneficiary. This Article III has been entered into

for the benefit of the Loan Note Guarantor, which has relied thereon in issuing the Loan Note Guaranties. This Article III shall survive the termination of the Agreement and may not be amended without the consent of the Loan Note Guarantor.

ARTICLE IV

TAXES, YIELD PROTECTION AND ILLEGALITY

IV.1 Taxes.

(a) Any and all payments by the Borrowers to each Bank or the Administrative Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for, any Taxes. In addition, the Borrowers shall pay all Other Taxes and Further Taxes.

(b) If the Company shall be required by law to deduct or withhold any Taxes, Other Taxes or Further Taxes from or in respect of any sum payable hereunder to any Bank or the Administrative Agent, then:

(i) the sum payable shall be increased as necessary so that, after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section) such Bank or the Administrative Agent, as the case may be, receives and retains an amount equal to the sum it would have received and retained had no such deductions or withholdings been made;

(ii) the Borrowers shall make such deductions and withholdings;

(iii) the Borrowers shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law; and

(iv) the Borrowers shall also pay to each Bank or the Administrative Agent for the account of such Bank, at the time interest is paid, Further Taxes in an amount that the respective Bank specifies as necessary to preserve the after-tax yield the

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Bank would have received if such Taxes, Other Taxes or Further Taxes had not been imposed.

(c) Each Borrower agrees to indemnify and hold harmless each Bank and the Administrative Agent for the full amount of (i) Taxes, (ii) Other Taxes, and (iii) Further Taxes in the amount that the respective Bank reasonably specifies as necessary to preserve the after-tax yield the Bank would have received if such Taxes, Other Taxes or Further Taxes had not been imposed, and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes, Other Taxes or Further Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days after the date the Bank or the Administrative Agent makes written demand therefor.

(d) Within 30 days after the date of any payment by the Borrowers of Taxes, Other Taxes or Further Taxes, the Borrowers shall furnish to each Bank or the Administrative Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to such Bank or the Administrative Agent.

(e) If a Borrower is required to pay additional amounts to any Bank or the Administrative Agent pursuant to Section 4.1(b) or (c) then such Bank shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to eliminate any such additional payment by the Borrowers which may thereafter accrue, if such change in the sole judgment of such Bank is not otherwise disadvantageous to such Bank.

IV.2 Illegality.

(a) If any Bank determines that the introduction of any Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for any Bank or its applicable Lending Office to make Offshore Rate Loans (including Offshore Rate Loans in any Applicable Currency), then, on notice thereof by the Bank to the Borrowers through the Administrative Agent, any obligation of that Bank to make Offshore Rate Loans shall be suspended until the Bank notifies the Administrative Agent and the Borrowers that the circumstances giving rise to such determination no longer exist.

(b) If a Bank determines that it is unlawful to maintain any Offshore

Rate Loan, the Borrowers shall, upon its receipt of notice of such fact and demand from such Bank (with a copy to the Administrative Agent), prepay in full such Offshore Rate Loans of that Bank then outstanding, together with interest accrued thereon and amounts required under Section 4.4, either on the last day of the Interest Period thereof, if the Bank may lawfully continue to maintain such Offshore Rate Loans to such day, or immediately, if the Bank may not lawfully continue to

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maintain such Offshore Rate Loan. If a Borrower is required to so prepay any Offshore Rate Loan, then concurrently with such prepayment, such Borrower shall borrow from the affected Bank, in the Dollar Equivalent amount of such repayment, a Base Rate Loan.

(c) If the obligation of any Bank to make or maintain Offshore Rate Loans has been so terminated or suspended, the Company may elect, by giving notice to the Bank through the Administrative Agent that all Loans which would otherwise be made by the Bank as Offshore Rate Loans shall be instead Base Rate Loans.

(d) Before giving any notice to the Administrative Agent under this Section, the affected Bank shall designate a different Lending Office with respect to its Offshore Rate Loans if such designation will avoid the need for giving such notice or making such demand and will not, in the judgment of the Bank, be illegal or otherwise disadvantageous to the Bank.

IV.3 Increased Costs and Reduction of Return.

(a) If any Bank determines that, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation after the Closing Date or (ii) the compliance by that Bank with any guideline or request from any central bank or other Governmental Authority after the Closing Date (whether or not having the force of law), there shall be any increase in the cost to such Bank of agreeing to make or making, funding or maintaining any Offshore Rate Loans, then the Borrowers shall be liable for, and shall from time to time, within 10 days after demand (with a copy of such demand to be sent to the Administrative Agent), pay to the Administrative Agent for the account of such Bank, additional amounts as are sufficient to compensate such Bank for such increased costs.

(b) If any Bank shall have determined that (i) the introduction after the Closing Date of any Capital Adequacy Regulation, (ii) any change after the Closing Date in any Capital Adequacy Regulation, (iii) any change after the Closing Date in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by the Bank (or its Lending Office) or any corporation controlling the Bank with any Capital Adequacy Regulation adopted after the Closing Date, affects or would affect the amount of capital required or expected to be maintained by the Bank or any corporation controlling the Bank and (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy and such Bank's desired return on capital) determines that the amount of such capital is increased as a consequence of its Commitment, loans, credits or obligations under this Agreement, then, upon demand of such Bank to the Borrowers through the Administrative Agent, the Borrowers shall pay to the Bank, from time to time as specified by the Bank, additional amounts sufficient to compensate the Bank for such increase.

IV.4 Funding Losses. each Bank and hold each Bank

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harmless from any loss or expense which the Bank may sustain or incur as a consequence of:

(a) the failure of the Borrowers to make on a timely basis any payment of principal of any Offshore Rate Loan;

(b) the failure of the Borrowers to borrow, continue or convert a Committed Loan after the Borrowers have given (or is deemed to have given) a

Notice of Borrowing or a Notice of Conversion/Continuation;

(c) the failure of the Borrowers to make any prepayment of any Committed Loan in accordance with any notice delivered under Section 2.8;

(d) the prepayment (including pursuant to Section 2.8, 2.9 or 2.10) or other payment (including after acceleration thereof) of any Offshore Rate Loan or Absolute Rate Bid Loan on a day that is not the last day of the relevant Interest Period; or

(e) the automatic conversion under Section 2.4 of any Offshore Rate Loan to a Base Rate Loan on a day that is not the last day of the relevant Interest Period;

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Offshore Rate Loans or from fees payable to terminate the deposits from which such funds were obtained.

IV.5 Inability to Determine Rates. If the Required Banks determine that

for any reason adequate and reasonable means do not exist for determining the Offshore Rate for any requested Interest Period with respect to a proposed Offshore Rate Loan, or that the Offshore Rate for any requested Interest Period with respect to a proposed Offshore Rate Loan does not adequately and fairly reflect the cost to such Banks of funding such Loan, the Administrative Agent will promptly so notify the Company and each Bank. Thereafter, the obligation of the Banks to make or maintain Offshore Rate Loans hereunder shall be suspended until the Administrative Agent upon the instruction of the Required Banks revokes such notice in writing. Upon receipt of such notice, the Borrowers may revoke any Notice of Borrowing or Notice of Conversion/Continuation then submitted by it. If the Borrowers do not revoke such Notice, the Banks shall make, convert or continue the Committed Loans, as proposed by the Borrowers, in the amount specified in the applicable notice submitted by the Borrowers, but such Committed Loans shall be made, converted or continued as Base Rate Loans instead of Offshore Rate Loans. In the case of any Offshore Currency Loans, the Borrowing or continuation shall be in an aggregate amount equal to the Dollar Equivalent amount of the originally requested Borrowing or continuation in the Offshore Currency, and to that end any outstanding Offshore Currency Loans which are the subject of any continuation shall be redenominated and converted into Base Rate Loans in Dollars with effect from the last day of the Interest Period with respect to any such Offshore Currency Loans.

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IV.6 Certificates of Banks. Any Bank claiming reimbursement or

compensation under this Article IV shall deliver to the Borrowers (with a copy to the Administrative Agent) a certificate setting forth in reasonable detail the amount payable to the Bank hereunder and such certificate shall be conclusive and binding on the Borrowers in the absence of manifest error. In determining the amount payable to the Bank pursuant to this Article IV, each Bank shall act reasonably and in good faith and will, to the extent the increased costs or reductions in amounts received or receivable relate to such Bank's loans in general (including the Loans) and are not specifically attributable to the Loans and other amounts due hereunder, use averaging and attribution methods which are reasonable and which cover all loans similar to the Loans made by such Bank.

IV.7 Substitution of Banks. Upon the receipt by either Borrower from any

Bank (an "Affected Bank") of a claim for compensation under Section 4.1, 4.2 or

4.3, the Company may: (i) request the Affected Bank to cooperate with the Company in its efforts to obtain a replacement bank or financial institution satisfactory to the Company to acquire and assume all or a ratable part of all of such Affected Bank's Loans and Commitment (a "Replacement Bank"); (ii)

request one more of the other Banks to acquire and assume all or part of such Affected Bank's Loans and Commitment; or (iii) designate a Replacement Bank. Any such designation of a Replacement Bank under clause (i) or (iii) shall be subject to the prior written consent of the Administrative Agent (which consent shall not be unreasonably withheld).

IV.8 Survival. The agreements and obligations of the Borrowers in this

Article IV shall survive the payment of all other Obligations.

ARTICLE V

CONDITIONS PRECEDENT

V.1 Conditions of Initial Loans. The obligation of each Bank to make its

initial Committed Loan hereunder, and to receive through the Administrative Agent the initial Competitive Bid Request is subject to the condition that the Administrative Agent have received on or before the Closing Date all of the following, in form and substance satisfactory to the Administrative Agent, and in sufficient copies for each Bank:

(a) Credit Agreement. This Agreement executed by each party hereto.

(b) Notes. A Bid Note of the Company payable to the order of each

Bank and, if requested by a Bank, one Committed Note of each Borrower payable to the order of each Bank.

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(c) Resolutions. Certified copies of resolutions of the Board of

Directors of each Borrower authorizing or ratifying the execution, delivery and performance by such Borrower of this Agreement and the other documents provided for in this Agreement to be executed by such Borrower.

(d) Incumbency and Signatures. A certificate of the Secretary or an

Assistant Secretary of each Borrower certifying the names of the officer or officers of each Borrower authorized to sign this Agreement and the other documents provided for in this Agreement to be executed by such Borrower, together with a sample of the true signature of each such officer (it being understood that the Administrative Agent and each Bank may conclusively rely on such certificate until formally advised by a like certificate of any changes therein).

(e) Opinion of Counsel for the Company. The opinion of Quarles &

Brady, counsel for the Company, in the form of Exhibit D-1 and Loeff Claey's Verbeke, counsel for the Subsidiary Borrower, in the form of Exhibit D-2.

(f) Opinion of Counsel for the Administrative Agent. The opinion of

Mayer, Brown & Platt, counsel for the Administrative Agent, in the form of Exhibit G.

(g) Termination of Existing Credit Agreement and Bridge Credit

Agreement. Evidence, reasonably satisfactory to the Administrative Agent, that

all "Commitments" under and as defined in the Existing Credit Agreement and the Bridge Credit Agreement have been terminated and all obligations of the Company thereunder have been, or concurrently with the making of the initial Loans will be, paid in full.

(h) Rubicon Acquisition. The Rubicon Acquisition shall have been

consummated, or shall concurrently be consummated, substantially in compliance with the Recommended Cash Offer by Goldman Sachs International on behalf of APW Enclosure Systems Limited dated September 8, 1998.

(i) Payment of Fees. Evidence of payment by the Company of all

accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with Attorney Costs of BofA to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute BofA's reasonable estimate of Attorney Costs incurred or to

be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude final settling of accounts between the Company and BofA), including any such costs, fees and expenses arising under or referenced in Sections 2.13 and 11.4.

(j) Other Documents. Such other approvals, opinions, documents or materials as the Administrative Agent or any Bank may request.

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V.2 Conditions to All Borrowings. The obligation of each Bank to make any Committed Loan to be made by it and the obligation of any Bank to make any Bid Loan as to which the Company has accepted the relevant Competitive Bid (including its initial Loan) is subject to the satisfaction of the following conditions precedent on the relevant Borrowing Date:

(a) Notice of Borrowing. As to any Committed Loan, the Administrative Agent shall have received (with, in the case of the initial Loan only, a copy for each Bank) a Notice of Borrowing.

(b) Continuation of Representations and Warranties. The representations and warranties in Article VI (excluding, except in the case of the initial Loan hereunder, Sections 6.6 and 6.8) shall be true and correct on and as of such Borrowing Date with the same effect as if made on and as of such Borrowing Date.

(c) No Existing Default. No Default or Event of Default shall exist or shall result from such Borrowing.

Each Notice of Borrowing and Competitive Bid Request submitted by the Company hereunder shall constitute a representation and warranty by the Company hereunder, as of the date of each such notice or request and as of each Borrowing Date that the conditions in Section 5.2 are satisfied.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

To induce the Banks to enter into this Agreement and to make Loans hereunder, each Borrower represents and warrants to the Administrative Agent and the Banks as follows:

VI.1 Organization, etc. Each of the Company and each Subsidiary is a corporation duly incorporated, validly existing and in good standing (or similar concept under applicable state law) under the laws of the jurisdiction of its incorporation. Each of the Company and each Subsidiary is duly qualified to do business, and is in good standing, in all other jurisdictions where failure to so qualify would have a Material Adverse Effect. Each of the Company and each Subsidiary has all requisite corporate power to own or lease the properties used in its business and to carry on its business as now being conducted. Each of the Borrowers has full power and authority as proposed to be conducted, and to execute and deliver this Agreement and the other Loan Documents and to engage in the transactions contemplated by this Agreement.

VI.2 Authorization; No Conflict. The execution and delivery of this Agreement, the borrowings hereunder, the execution and delivery of the other Loan Documents, and the

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performance by each Borrower of its obligations under this Agreement and the other Loan Documents to which it is a party are within each of the Borrower's corporate powers, have been duly authorized by all necessary corporate action, have received all necessary governmental and regulatory approval, and do not and

will not contravene or conflict with, or result in the creation or imposition of a lien under, any provision of law or of the charter or by-laws of such Borrower or of any agreement, instrument, order or decree that is binding upon such Borrower or any Subsidiary.

VI.3 Validity and Binding Nature. This Agreement and each other Loan

Document to which it is a party constitute the legal, valid, and binding obligations of each Borrower enforceable against such Borrower in accordance with their respective terms, except to the extent enforceability thereof is limited by bankruptcy, insolvency or other laws relating to, or affecting the enforcement of, creditors' rights in general, and by general principles of equity.

VI.4 Financial Statements.

(a) All balance sheets, all statements of earnings, stockholders' equity and cash flow, and all other financial information which have been furnished by or on behalf of the Subsidiary Borrower and the Company to the Bank, including (i) the audited consolidated balance sheet at August 31, 1997 and the related audited consolidated statements of earnings, stock holders' equity and cash flow, for the Fiscal Year then ended, of the Company and its Subsidiaries, certified by Deloitte & Touche, LLP, (ii) the unaudited consolidated balance sheet dated May 31, 1998 and the related unaudited consolidated statements of earnings and cash flow, for the Fiscal Quarter then ended, of the Company and its Subsidiaries, as appearing in the report of the Company on Form 10-Q for such Fiscal Quarter filed by the Company with the U.S. Securities and Exchange Commission, and (iii) the unaudited consolidated balance sheet at May 31, 1998 and related consolidated statements of earnings and shareholders equity of the Subsidiary Borrower and its Subsidiaries, have been prepared in accordance with GAAP consistently applied, except where not applicable thereto or as otherwise disclosed therein, throughout the periods involved and present fairly (subject to normal year-end adjustments, if applicable) the financial condition of the Company and its Subsidiaries or the Subsidiary Borrower and Subsidiaries, as the case may be, as at the dates thereof and the results of their operations for the periods then ended. The Company and its Subsidiaries did not have as of such dates any material contingent liability or liabilities for taxes, long-term leases or unusual forward or long-term commitments which are not reflected in the financial statements described above, and which, in accordance with GAAP, should have been reflected in such financial statements.

(b) With respect to any representation and warranty which is deemed to be made after the date hereof by the Subsidiary Borrower or the Company, the balance sheet and statements of earnings, shareholders' equity and cash flow, which as of such date shall most recently have been furnished by or on behalf of the Subsidiary Borrower or the Company to the Banks for the purposes of or in connection with this Agreement shall have been prepared in

accordance with GAAP consistently applied (except as disclosed therein), and shall present fairly the consolidated financial condition of the corporations covered thereby as at the dates thereof for the periods then ended, subject, in the case of quarterly financial statements, to normal year-end audit adjustments.

(c) To the best of the Company's knowledge, all balance sheets, all statements of earnings, stockholders' equity and cash flow, and all other financial information furnished by or on behalf of Rubicon to the Administrative Agent and the Banks, including (i) the audited consolidated balance sheet at May 31, 1998 and audited consolidated statements of earnings, stockholders' equity and cash flow for the fiscal year then ended, of Rubicon and its Subsidiaries, certified by PriceWaterhouseCoopers have been prepared in accordance with United Kingdom generally accepted accounting principles consistently applied, except where not applicable thereto or as otherwise disclosed therein, throughout the period involved and present fairly the financial condition of Rubicon and its Subsidiaries, as at the date thereof and the results of their operations for the period then ended. To the best of the Company's knowledge, Rubicon and its Subsidiaries did not have as of such date any material contingent liability or liabilities for taxes, long-term leases or unusual forward or long-term commitments which are not reflected in the financial statements described above, and which, in accordance with United Kingdom generally accepted accounting

principles, should have been reflected in such financial statements.

(d) To the best of the Company's knowledge, all balance sheets, all statements of earnings, stockholders' equity and cash flow, and all other financial information furnished by or on behalf of VERO to the Administrative Agent and the Banks, including the audited consolidated balance sheet at December 31, 1997 and audited consolidated statements of earnings, stockholders' equity and cash flow for the fiscal year then ended of VERO and its Subsidiaries, certified by Ernst and Young, have been prepared in accordance with United Kingdom generally accepted accounting principles consistently applied, except where not applicable thereto or as otherwise disclosed therein, throughout the period involved and present fairly the financial condition of VERO and its Subsidiaries, as at the date thereof and the results of their operations for the period then ended. To the best of the Company's knowledge, VERO and its Subsidiaries did not have as of such date any material contingent liability or liabilities for taxes, long-term leases or unusual forward or long-term commitments which are not reflected in the financial statements described above, and which, in accordance with United Kingdom generally accepted accounting principles, should have been reflected in such financial statements.

(e) To the best of the Company's knowledge, all balance sheets, all statements of earnings, stockholders' equity and cash flow, and all other financial information furnished by or on behalf of Zero to the Administrative Agent and the Banks, including (i) the audited consolidated balance sheet at March 31, 1998 and audited consolidated statements of earnings, stockholders' equity and cash flow for the fiscal year then ended and (ii) the unaudited consolidated balance sheet dated June 30, 1998 and the related unaudited consolidated statements of earnings, stockholders' equity and cash flow, for the fiscal period then ended, of Zero and its

Subsidiaries, certified in the case of the audited financial statements by Deloitte & Touche, have been prepared in accordance with GAAP consistently applied, except where not applicable thereto or as otherwise disclosed therein, throughout the periods involved and present fairly the financial condition of Zero and its Subsidiaries, as at the dates thereof and the results of their operations for the periods then ended. To the best of the Company's knowledge, Zero and its Subsidiaries did not have as of such dates any material contingent liability or liabilities for taxes, long-term leases or unusual forward or long-term commitments which are not reflected in the financial statements described above, and which, in accordance with GAAP, should have been reflected in such financial statements.

(f) Pro Forma Financial Statement. Preliminary balance sheet and pro

forma financial statements of the Company and its Subsidiaries as of August 31, 1998, giving effect to the Vero Acquisition, the Zero Acquisition and the Rubicon Acquisition, fairly present the financial condition of the Company and its Subsidiaries as of the date thereof.

VI.5 No Material Adverse Effect. No event has occurred or condition has

arisen that has had or is reasonably likely to have a Material Adverse Effect since August 31, 1997 with respect to the Company and its Subsidiaries, and, to the best of the Company's knowledge, since December 31, 1997 with respect to VERO and its Subsidiaries, since March 31, 1998 with respect to Zero and its Subsidiaries and, to the best of the Company's knowledge, since May 31, 1998 with respect to Rubicon and its Subsidiaries.

VI.6 Litigation and Contingent Liabilities. To the best of each Borrower's

knowledge, no litigation (including, without limitation, derivative actions), arbitration proceedings or governmental or regulatory proceedings are pending or threatened against the Company or any Subsidiary that would, if adversely determined, be reasonably likely to have a Material Adverse Effect, except as set forth in Item 6.6 of the Disclosure Schedule. Other than any liability incident to such litigation or proceedings, neither the Company nor any Subsidiary has any contingent liabilities, except as provided for or disclosed in the financial statements referred to in Section 6.4, which would if adversely determined be reasonably likely to have a Material Adverse Effect.

VI.7 Liens. None of the assets of the Company or any Subsidiary is subject

to any Lien, except as permitted by Section 7.9.

VI.8 Subsidiaries. Item 6.8 of the Disclosure Schedule correctly sets

forth the corporate name, jurisdiction of incorporation and ownership of each Subsidiary of the Company. Such Subsidiaries and each corporation becoming a Subsidiary of the Company after the date hereof is and will be a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and each Subsidiary of the Company is and will be duly qualified to do business in each other jurisdiction where failure to so qualify would have a Material Adverse Effect.

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VI.9 Pension and Welfare Plans. During the twelve-consecutive-month period

prior to the date of the execution and delivery of this Agreement or the making of any Loan hereunder, no steps have been taken to terminate any Pension Plan, and no contribution failure has occurred with respect to any Pension Plan sufficient to give rise to a lien under Section 302(f) of ERISA. No condition exists or event or transaction has occurred with respect to any Pension Plan which could result in the incurrence by the Borrowers of any material liability, fine or penalty. Except as disclosed in footnote K of the Company's 1997 annual report, neither the Borrowers nor any of the Subsidiaries have any contingent liability with respect to any post-retirement benefit under a Welfare Plan, other than liability for continuation coverage described in Part 6 of subtitle B of title I of ERISA.

VI.10 Regulated Industry. Neither the Company nor any Subsidiary is (a) an

"investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended, or (b) a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

VI.11 Regulations U and X. Neither the Company nor any Subsidiary is

engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Loan will be used for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock or maintaining or extending credit to others for such purpose.

VI.12 Taxes. Each of the Company and each Subsidiary has filed all federal

and all other material tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing, except any such taxes or charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside on its books.

VI.13 Environmental and Safety Matters. The Company and each Subsidiary is

in substantial compliance with all federal, state and local laws, ordinances and regulations relating to safety and industrial hygiene or to environmental condition, including, without limitation, all Environmental Laws in jurisdictions in which the Company or any Subsidiary owns or operates, or has owned or operated, a facility or site, or arranges or has arranged for disposal or treatment of Hazardous Material, accepts or has accepted for transport any Hazardous Material or holds or has held any interest in real property or otherwise, except as disclosed on Item 6.13 of the Disclosure Schedule. No demand, claim, notice, suit, suit in equity, action, administrative action, investigation or inquiry, whether brought by any governmental authority, private person or entity or otherwise, arising under, relating to or in connection with any Environmental Laws is pending or, to the best of the Borrowers' knowledge, after due investigation, threatened against the

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Company or any of its Subsidiaries, any real property in which the Company or any such Subsidiary holds or has held an interest or any past or present

operation of the Company or any Subsidiary, except as disclosed on Item 6.13 of the Disclosure Schedule. Neither the Company nor any of its Subsidiaries (i) is, to the best of the Borrower's knowledge, after due investigation, the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a Release of any Hazardous Material into the environment, (ii) has received any notice of any Hazardous Material in or upon any of its properties in violation of any Environmental Laws, or (iii) knows of any basis for any such investigation, notice or violation, except as disclosed on Item 6.13 of the Disclosure Schedule. No Release, threatened Release or disposal of Hazardous Material is occurring or has occurred on, under or to any real property in which the Company or any of its Subsidiaries holds any interest or performs any of its operations in violation of any Environmental Law except as disclosed on Item 6.13 of the Disclosure Schedule. None of the matters disclosed on such Schedule has had or is reasonably likely to have a Material Adverse Effect.

VI.14 Compliance with Law. Except as otherwise disclosed in the Disclosure

Schedule, each of the Company and each Subsidiary is in compliance with all statutes, judicial and administrative orders, permits and governmental rules and regulations which are material to its business or the non-compliance with which has had or is reasonably likely to have a Material Adverse Effect.

VI.15 Information. All information heretofore or contemporaneously herewith

furnished by the Borrowers or any Subsidiary to any Bank for purposes of or in connection with this Agreement and the transactions contemplated hereby is, and all information hereafter furnished by or on behalf of the Borrower or any Subsidiary to any Bank pursuant hereto or in connection herewith will be, true and accurate in every material respect on the date as of which such information is dated or certified, and such information, taken as a whole, does not and will not omit to state any material fact necessary to make such information, taken as a whole, not misleading.

VI.16 Ownership of Shares. Not less than ninety-nine percent (99%) of the

issued and outstanding shares of capital stock of the Subsidiary Borrower are directly or indirectly owned by the Company.

VI.17 Ownership of Properties. Each of the Company and each Subsidiary owns

good and marketable title to or holds valid leasehold interests in all of its material properties and assets, real and personal, of any nature whatsoever, free and clear of all Liens except as permitted pursuant to Section 7.9 and none of them are in default beyond the expiration of any applicable grace period of any material obligation under any leases creating any of their leasehold interests in real property, and none of such property is subject to any Lien except as permitted pursuant to Section 7.9.

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VI.18 Patents, Trademarks, etc. Each of the Company and each Subsidiary

owns or licenses and possesses all such patents, patent rights, trademarks, trademark rights, trade names, trade name rights, service marks, service mark rights and copyrights as the Company considers necessary for the conduct of the businesses of the Company and such Subsidiaries as now conducted without, individually or in the aggregate, any infringement upon rights of other persons which would be reasonably likely to have a Material Adverse Effect.

VI.19 Insurance. The Company and its Subsidiaries maintain with responsible

insurance companies insurance (including insurance against claims and liabilities arising out of the manufacture or distribution of any products) with respect to their properties and businesses against such casualties and contingencies and of such types and in such amounts as is customary in the case of similar businesses, except as may be disclosed in Item 6.19 of the Disclosure Schedule.

VI.20 Solvency. Each of the Borrowers is Solvent.

VI.21 Year 2000 Issues. The Company and its Subsidiaries have developed and

implemented a program to address on a timely basis the "Year 2000 Problem" (that is the risk that computer applications used by the Company or its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior and any date after December 31, 1999) and reasonably anticipates that the cost to the Company and its Subsidiaries of resolving the Year 2000 Problem and the reasonably foreseeable consequences of the Year 2000 Problem to the Company and its Subsidiaries, will not result in a Material Adverse Effect.

VI.22 Rubicon. To the best of the Company's knowledge, the representations and warranties set forth in Sections 6.6 through 6.15, Sections 6.17 through 6.19 and 6.21 are true and correct as if Rubicon were a Subsidiary of the Company.

ARTICLE VII

COVENANTS

Until the expiration or termination of the Commitments, and thereafter until all obligations of the Borrowers hereunder are paid in full, each Borrower agrees that, unless at any time the Required Banks shall otherwise expressly consent in writing, it will:

VII.1 Reports, Certificates and Other Information. Furnish to the Administrative Agent and each Bank:

(a) Audit Report. Promptly when available and in any event within 90 days after the close of each Fiscal Year,

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(i) in the case of the Company a copy of the annual audit report of the Company and its Subsidiaries for such Fiscal Year, including therein consolidated balance sheets of the Company and its Subsidiaries as of the end of such Fiscal Year and consolidated statements of earnings and cash flow of the Company and its Subsidiaries for such Fiscal Year certified, without qualification as to going concern or scope, by independent auditors of recognized national standing selected by the Company and reasonably acceptable to the Required Banks, (ii) in the case of the Subsidiary Borrower, unaudited consolidated balance sheet at the close of such Fiscal Year and related consolidated statements of earnings and shareholders equity for such Fiscal Year, of the Subsidiary Borrower and its Subsidiaries certified by the chief financial officer or the Treasurer of the Subsidiary Borrower, and (iii) in the case of the Company, an unaudited consolidating balance sheet and statements of earnings and cash flow of such Fiscal Year, with comparable information at the close of and for the prior Fiscal Year.

(b) Interim Reports. Promptly when available and in any event within 60 days after the end of each Fiscal Quarter (except the last Fiscal Quarter of each Fiscal Year), consolidated balance sheets of the Company and its Subsidiaries and the Subsidiary Borrower and its Subsidiaries as of the end of such Fiscal Quarter, consolidated statements of earnings and (only in the case of the Company) a consolidated statement of cash flow for such Fiscal Quarter and for the period beginning with the first day of such Fiscal Year and ending on the last day of such Fiscal Quarter of the Company or the Subsidiary Borrower, as the case may be, and its respective Subsidiaries, with comparable information at the close of and for the corresponding Fiscal Quarter of the prior Fiscal Year and for the corresponding portion of such prior Fiscal Year, together with a certificate of the chief financial officer or the Treasurer of the Company or the Subsidiary Borrower, as the case may be, to the effect that such financial statements fairly present the financial condition and results of operations of the Company and its Subsidiaries as of the date and periods indicated (subject to normal year-end adjustments).

(c) Compliance Certificate. Concurrently with each set of financial statements delivered pursuant to Section 7.1(a) and 7.1(b), a Compliance

Certificate executed by the chief financial officer or the Treasurer of the Company.

(d) Reports to SEC. Promptly upon the filing or sending thereof, a

copy of any annual, periodic or special report or registration statement
(inclusive of exhibits thereto) filed by the Company or any Subsidiary with the
SEC or any securities exchange.

(e) Notice of Default, Year 2000 Litigation and ERISA Matters.

Immediately upon becoming aware of any of the following, written notice
describing the same and the steps being taken by the Company or the Subsidiary
affected thereby with respect thereto: (i) the occurrence of an Event of
Default or a Default; (ii) any litigation, arbitration or governmental
investigation or proceeding not previously disclosed by the Company to the Banks
which has been instituted or, to the knowledge of the Company, is threatened
against the Company or any

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Subsidiary or to which any of the properties of any thereof is subject which, if
adversely determined, is reasonably likely to have a Material Adverse Effect;
(iii) any event which would cause the Year 2000 Problem not to be resolved on a
timely basis; (iv) the institution of any steps by the Company, any of its
Subsidiaries or any other Person to terminate any Pension Plan, or the failure
to make a required contribution to any Pension Plan if such failure is
sufficient to give rise to a lien under Section 302(f) of ERISA, or the taking
of any action with respect to a Pension Plan which could result in the
requirement that the Company furnish a bond or other security to the PBGC or
such Pension Plan, or the occurrence of any event with respect to any Pension
Plan which could result in the incurrence by the Company of any material
liability, fine or penalty, or any material increase in the contingent liability
of the Company with respect to any post-retirement Welfare Plan benefit; and (v)
any other event or occurrence which has had or is reasonably likely to have a
Material Adverse Effect.

(f) Loan Note Guaranty Obligations. Promptly upon any payment on the

Loan Notes or the setting of any interest rate with respect thereto, a
certificate as to the amount of such payment and such rate and the then amount
of the Loan Note Guaranty Obligations.

(g) Other Information. From time to time such other information

concerning the Company and its Subsidiaries as any Bank or the Administrative
Agent may reasonably request.

VII.2 Books, Records and Inspections. Keep, and cause each Subsidiary to

keep, its books and records reflecting all of its business affairs and
transactions in accordance with sound business practices sufficient to allow the
preparation of financial statements in accordance with GAAP; and permit, and
cause each Subsidiary to permit, any Bank or the Administrative Agent or any
representative thereof, at reasonable times and on reasonable notice, to visit
any or all of its offices, to discuss its financial matters with its officers
and its independent auditors (and the Company hereby authorizes such independent
auditors to discuss such financial matters with any Bank or the Administrative
Agent or any representative thereof), and to examine (and, at the Company's or
such Subsidiary's expense, make copies of) any of its books or other corporate
records.

VII.3 Insurance. Maintain, and cause each Subsidiary to maintain, with

responsible and financially-sound insurance companies or associations, insurance
in such amounts and covering such risks as is usually maintained by companies
engaged in similar businesses and owning similar properties similarly situated,
except as disclosed in Item 6.19 of the Disclosure Schedule.

VII.4 Compliance with Law; Payment of Taxes and Liabilities. (a) Comply,

and cause each Subsidiary to comply, in all material respects with all
applicable laws, rules, regulations and orders; and (b) pay, and cause each
Subsidiary to pay, prior to delinquency, all taxes and other governmental

charges against it or any of its property, provided, however, that the foregoing

shall not require the Company or any Subsidiary to pay any such tax or charge so
long as it shall contest the validity thereof in good faith by appropriate
proceedings and shall set aside on its

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books adequate reserves with respect thereto.

VII.5 Maintenance of Existence, etc. Maintain and preserve, and (subject to

Section 7.7) cause each Subsidiary to maintain and preserve, (a) its existence
and good standing in the jurisdiction of its organization and (b) its foreign
qualification in each other jurisdiction where the nature of its business makes
such qualification necessary (except in those instances in which the failure to
be qualified or in good standing will not have a Material Adverse Effect).

VII.6 Financial Ratios and Restrictions.

(a) Minimum Shareholders Equity. Not permit at any time Shareholders

Equity for any Borrower to be less than \$1.

(b) Fixed Charge Coverage Ratio. Not permit the Fixed Charge

Coverage Ratio of the Company and its Subsidiaries to be less than 1.75 to 1.0.

(c) Debt to EBITDA Ratio. Not permit the Debt to EBITDA Ratio of the

Company and its Subsidiaries to exceed 4.25 to 1.0 at any time through February
28, 1999, 4.00 to 1.0 at any time thereafter through August 31, 1999, 3.75 to
1.0 at any time thereafter through February 29, 2000, 3.50 to 1.0 at any time
thereafter through August 31, 2000 or 3.25 to 1.0 at any time thereafter.

VII.7 Mergers, Consolidations and Purchases. Not, and not permit any

Subsidiary to, be a party to any merger or consolidation, or purchase or
otherwise acquire all or a substantial portion of the business or, assets of, or
any stock of any class of, or any partnership or joint venture interest in, any
other Person, except for:

- (a) The Rubicon Acquisition;
- (b) any such merger or consolidation, by any Subsidiary into or with
the Company or into or with any wholly-owned Subsidiary;
- (c) any such purchase or other acquisition by the Company or a
Subsidiary Borrower of the assets or stock of any wholly-owned Subsidiary;
or

(d) any acquisition if (i) (A) such acquisition is an acquisition of
assets, or (B) such acquisition is by merger and the Company or a wholly-
owned Subsidiary is the surviving corporation, or (C) after such
acquisition the Company (if it is the acquiring entity) or a Subsidiary
owns (x) at least a majority of the securities of each class having
ordinary voting power of, or a majority of the ownership interest in, the
acquired Person which acquisition is approved by the board of directors of
the acquired entity or (y) more than 10% but less than a majority of the
securities of each class having ordinary voting power of, or more than 10%
but less than a majority of the ownership interest in, the

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acquired Person and, immediately after giving effect to any acquisition
described in this subclause (y), the aggregate book value of all such

minority Investments in the equity securities or other ownership interests
of other Persons by the Company and its Subsidiaries does not exceed 10% of
the Tangible Net Assets of the Company and its Subsidiaries, (ii) no Event
of Default or Default exists or would result therefrom, (iii) the Company
would be in compliance on a proforma basis, giving effect to such

acquisition, with all covenants in this Agreement; (iv) prior to the consummation of such acquisition, the Company provides to each Bank notice of such acquisition and, if the purchase price of such acquisition is \$25,000,000 or more, a certificate of the chief financial officer or the treasurer of the Company (attaching computations to demonstrate compliance with all financial covenants hereunder) stating that such acquisition complies with this Section 7.7 and that any other conditions under this Agreement relating to such acquisition have been satisfied and (v) if the acquisition occurs prior to September 1, 1999 and has a purchase price of \$75,000,000 or more and if after giving effect thereto the Debt to EBITDA Ratio on a pro forma basis would exceed 3.0 to 1.0, the Required Banks shall have consented to such acquisition.

VII.8 Commercial Paper Lines. Not, and not permit any of its Subsidiaries

to, create, incur, assume or suffer to exist or otherwise become or be liable in respect of any Debt with respect to unsecured commercial paper except to the extent the Company or such Subsidiary has unused unsecured lines of credit or other availability backing up such commercial paper.

VII.9 Liens. Not, and not permit any Subsidiary to, create or permit to

exist any Lien on any of its real or personal properties, assets or rights of whatsoever nature, whether now owned or hereafter acquired, except (a) Liens for taxes or other governmental charges not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings and, in each case, for which it maintains adequate reserves; (b) Liens arising in the ordinary course of business (such as (i) Liens of carriers, warehousemen, mechanics and materialmen and other similar Liens imposed by law and (ii) Liens incurred in connection with worker's compensation, unemployment compensation and other types of social security (excluding Liens arising under ERISA) or in connection with surety and appeal bonds, bids, performance bonds and similar obligations) for sums not overdue or being contested in good faith by appropriate proceedings and not involving any deposits or advances or borrowed money or the deferred purchase price of property or services, and, in each case, for which it maintains adequate reserves; (c) Liens identified on Item 7.9 of the Disclosure Schedule; (d) Liens in connection with Capital Leases

(in amounts not in excess of \$5,000,000); (e) any Lien arising in connection with the acquisition of fixed assets (whether real or personal property) (other than an acquisition described in clause (i) of this Section) after the date hereof, and attaching only to the property being acquired, provided that the principal amount of the Debt secured by each such Lien shall not exceed the purchase price of the applicable fixed asset and the aggregate amount of all Debt secured by such Liens shall not at any time exceed \$5,000,000; (f) attachments, judgments and other similar Liens, for sums not exceeding \$2,000,000, arising in connection

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with court proceedings, provided the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings; (g) other Liens incidental to the conduct of the business of the Company or a Subsidiary or the ownership of its property or assets, including easements, rights of way, restrictions, minor defects or irregularities in title and other similar Liens, which Liens were not incurred in connection with the borrowing of money and do not, in any case or in the aggregate, interfere in any material respect with the ordinary conduct of the business of the Company or any Subsidiary; (h) building restrictions, zoning laws and other statutes, laws, rules, regulations, ordinances and restrictions, and any amendments thereto, now or at any time hereafter adopted by any governmental authority having jurisdiction; (i) any Lien existing on any asset of any corporation which becomes a Subsidiary of the Company after the date hereof, which Lien was not created in contemplation of such event, provided that (x) Liens on current assets of such corporation shall

be discharged within 120 days after such corporation becomes a Subsidiary of the Company and (y) the aggregate amount of Debt secured by all such Liens does not at any time exceed \$10,000,000; (j) Cash Collateral pursuant to the Loan Documents; and (k) other Liens securing obligations not at any time exceeding \$20,000,000.

VII.10 Use of Proceeds. Use the proceeds of the Loans to repay its Debt

under the Bridge Credit Agreement (if any) and the Existing Credit Agreement and to provide for working capital, capital expenditures and for other general corporate purposes including the Rubicon Acquisition; and not use or permit any proceeds of any Loan to be used, either directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of (a) "purchasing or carrying" any Margin Stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time, or (b) purchasing or otherwise acquiring any stock of any Person if such Person (or its board of directors) has (i) announced that it will oppose such purchase or other acquisition or (ii) commenced any litigation which alleges that such purchase or other acquisition violates, or will violate, any applicable law.

VII.11 Maintenance of Property. Maintain, and cause each Subsidiary to

maintain, its properties which are material to the conduct of its business in good working order and condition (ordinary wear and tear excepted).

VII.12 Employee Benefit Plans. Maintain, and cause each Subsidiary to

maintain, each Pension Plan in compliance in all material respects with all applicable Requirements of Law and regulations.

VII.13 Business Activities. Not make any substantial change in the nature

of the business of the Company and its Subsidiaries, taken as a whole, from that engaged in on the date of this Agreement.

VII.14 Environmental Matters.

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(a) Environmental Obligations. (i) Comply, and cause each Subsidiary

to comply, in a reasonable manner with any applicable Federal or state judicial or administrative order requiring the performance at any real property owned, operated, or leased by the Company or any Subsidiary of activities in response to any Release or threatened Release of any Hazardous Material, except for the period of time that the Company or such Subsidiary is diligently in good faith contesting such order; (ii) use and operate, and cause each Subsidiary to use and operate, all of its facilities and properties in material compliance with all Environmental Laws; (iii) keep, and cause each Subsidiary to keep, all necessary permits, approvals, certificates, licenses and other authorizations relating to environmental matters in effect and remain in material compliance therewith; (iv) handle, and cause each Subsidiary to handle, all Hazardous Materials in material compliance with all applicable Environmental Laws; and (v) not, and not permit any Subsidiary to, commence disposal of any Hazardous Material into or onto any real property owned, operated or leased by the Company or any Subsidiary nor allow any Lien imposed pursuant to any Environmental Law to attach to any such real property.

(b) Environmental Information. Within 60 days of receipt thereof,

notify the Administrative Agent of the receipt by the Company or any Subsidiary of any written claim, demand, proceeding, action or notice of liability by any Person arising out of or relating to the Release or threatened Release of any Hazardous Material, except for any release or threatened release with respect to which the maximum liability of the Company and its Subsidiaries is reasonably expected to be less than \$1,000,000; and within 60 days of any Release, threatened Release, or disposal of any Hazardous Material reported to any governmental regulatory authority at any real property owned, operated or leased by the Company or any Subsidiary notify the Administrative Agent of such release, threat of release or disposal, except for any release, threat of release or disposal with respect to which the maximum liability of the Company and its Subsidiaries is reasonably expected to be less than \$1,000,000.

VII.15 Unconditional Purchase Obligations. Not, and not permit any

Subsidiary to, enter into or be a party to any contract for the purchase of materials, supplies or other property or services, if such contract requires that payment be made by it regardless of whether or not delivery is ever made of such materials, supplies or other property or services.

VII.16 Inconsistent Agreements. Not, and not permit any Subsidiary to,

enter into any agreement containing any provision which would be violated or breached by any borrowing by a Borrower hereunder or by the performance by the Company or any Subsidiary of any of its obligations hereunder.

VII.17 Transactions with Affiliates. Not, and not permit any Subsidiary to, -----
enter into or permit to exist any transaction, arrangement or contract with any of its Affiliates (other than the Company or any wholly-owned Subsidiary) or any officer or director of the Company or any Affiliate which is on terms less favorable than would be available from a Person which is not an Affiliate. Nothing in this Section 7.17 shall prohibit any transaction expressly permitted by

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Section 7.7 or Section 7.21.

VII.18 The Company's and Subsidiaries' Stock. The Company will not, nor -----
will it permit any of its Subsidiaries to, purchase or otherwise acquire any shares of capital stock of the Company; and, except pursuant to transactions permitted by Section 7.7 not take any action, or permit any of its Subsidiaries to take any action, which will, so long as any shares of capital stock or indebtedness of any corporation which is a Subsidiary at the date of this Agreement are owned by the Company or any Subsidiary, result in a decrease in the percentage of the outstanding shares in capital stock of such corporation owned at the date of this Agreement by the Company and Subsidiaries.

VII.19 Negative Pledges; Subsidiary Payments. The Company will not, nor -----
will it permit any Subsidiary to, enter into any agreement (excluding this Agreement) (a) prohibiting the creation or assumption of any Lien upon their respective properties, revenues, or assets, whether now owned or hereafter acquired; (b) which would restrict the ability of any Subsidiary to pay or make dividends or distributions in cash or kind, to make loans, advances or other payments of whatsoever nature, or to make transfers or distributions of all or any part of its assets, in each case to the Company or to any corporation as to which such Subsidiary is a Subsidiary; or (c) which would require the consent or waiver of any third party to any amendment to this Agreement or any other Loan Document.

VII.20 Limitation on Subsidiary Debt. The Company shall not permit the -----
Subsidiaries to create, incur, assume, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to, any Debt (other than Debt of the Subsidiary Borrower under this Agreement, Debt of a Subsidiary to the Company or private placement debt of Zero not in excess of \$50,000,000) in excess at any time outstanding of 17% of the net worth of the Company and the Subsidiaries on a consolidated basis.

VII.21 Sales of Assets. The Company shall not, and shall not permit any -----
Subsidiary to, except in the ordinary course of its business, sell, transfer, convey or lease all or a substantial part of its assets, or sell or assign with or without recourse any receivables, except for:

(a) any such sale, transfer, conveyance, lease or assignment of or by any Subsidiary to the Company or to any wholly-owned Subsidiary; or

(b) so long as no Event of Default or Default exists or would result therefrom, (i) the Permitted Receivables Securitization, (ii) any sale, transfer, conveyance or lease within 18 months after the Zero Acquisition of any assets acquired in the Zero Acquisition so long as the aggregate thereof shall not exceed \$30,000,000 and (iii) any sale, transfer, conveyance or lease of any other asset provided that the aggregate book value (disregarding any write-downs of such book value other than ordinary depreciation and amortization) of all assets disposed of pursuant to this clause (b) (iii) in any Fiscal

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Year do not exceed 8% of Tangible Net Assets (measured as of the last day of the most recently ended Fiscal Year).

VII.22 EBITDA. The Company shall deliver to the Administrative Agent

within 30 days after the date hereof a calculation of EBITDA for the Fiscal Quarters ended November 30, 1997, February 28, 1998, May 31, 1998, August 31, 1998, calculated on a pro forma basis, as if the Vero Acquisition, the Zero Acquisition and the Rubicon Acquisition had taken place on September 1, 1997.

ARTICLE VIII

EVENTS OF DEFAULT AND THEIR EFFECT

VIII.1 Events of Default. Each of the following shall constitute an Event of Default under this Agreement:

(a) Non-Payment of Loans, etc. Default in the payment when due of

the principal of any Loan; or default, and continuance thereof for five Business Days, in the payment when due of any interest on any Loan or any fees or other amounts payable by the Borrowers hereunder or with respect to the Loan Note Guaranty Obligations.

(b) Non-Payment of Other Indebtedness for Borrowed Money. Default

in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any other Debt of, or guaranteed by, the Company or any Subsidiary in excess in the aggregate of \$2,000,000; or default in the performance or observance of any obligation or condition with respect to any such other indebtedness in excess in the aggregate of \$2,000,000 if the effect of such default is to accelerate the maturity of any such indebtedness or to permit the holder or holders thereof, or any trustee or agent for such holders, to cause such indebtedness to become due and payable prior to its expressed maturity.

(c) Warranties. Any representation or warranty made by either

Borrower herein or in any Loan Document is breached, or is false or misleading, in any material respect, or any schedule, certificate, financial statement, report, notice or other writing furnished by the Borrowers to the Administrative Agent or any Bank is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified.

(d) Bankruptcy, Insolvency, etc. The Company or any Subsidiary

becomes insolvent (it being understood that a Subsidiary shall not be deemed to be insolvent solely because it has negative net worth) or generally fails to pay, or admits in writing its inability to pay, debts as they become due; or the Company or any Subsidiary applies for, consents to or acquiesces in the appointment of a trustee, receiver or other custodian for the Company or such

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Subsidiary or any property thereof, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for the Company or any Subsidiary or for a substantial part of its property and is not discharged within 30 days; or any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding (except the voluntary dissolution, not under any bankruptcy or insolvency law, of a Subsidiary), is commenced in respect of the Company or any Subsidiary, and, if such case or proceeding is not commenced by the Company or such Subsidiary, it is consented to or acquiesced in by the Company or such Subsidiary or remains for 30 days undismissed or an order for relief is entered in any such involuntary bankruptcy; or the Company or any Subsidiary takes any corporate action to authorize, or in furtherance of, any of the foregoing.

(e) Non-Compliance with Certain Covenants. Failure by the Borrowers

to comply with or to perform any provision of Section 7.6 through 7.10, 7.16, 7.18, 7.19, 7.20 or 7.21.

(f) Non-Compliance with Other Provisions of this Agreement. Failure

by the Borrowers to comply with or to perform any provision of this Agreement or any other Loan Document (if such failure does not constitute an Event of Default under any of the other provisions of this Section 8.1), and continuance of such failure for 30 days after notice thereof to the Company from the Administrative Agent or any Bank.

(g) Pension Plans. (i) Institution of any steps by the Company or

any other Person to terminate a Pension Plan if as a result of such termination the Company or any Subsidiary could be required to make a contribution to such Pension Plan, or could incur a liability or obligation to such Pension Plan, in excess of \$1,000,000, or (ii) a contribution failure occurs with respect to any Pension Plan sufficient to give rise to a Lien under section 302(f) of ERISA.

(h) Judgments. Final judgments which exceed an aggregate of

\$2,000,000 (excluding any portion thereof which is covered by insurance maintained with a responsible insurance company which has accepted a tender of defense and indemnification without reservation of rights) shall be rendered against the Company or any Subsidiary and shall not have been discharged or vacated or had execution thereof stayed pending appeal within 30 days after entry or filing of such judgments.

(i) Change of Control. An Impermissible Change of Control shall

occur.

(j) Material Adverse Effect. Any event shall occur which, in the

opinion of the Required Banks, has had or is reasonably likely to have a Material Adverse Effect.

(k) Guaranty. The obligations of the Company under Article X shall

cease to be

in full force and effect or the Company shall contest in any manner the validity, binding nature or enforceability of Article X, other than in respect of the full and infeasible payment of the Obligations and the termination of the Commitments.

VIII.2 Effect of Event of Default. If any Event of Default described in

Section 8.1(d) shall occur, the Commitments (if they have not theretofore terminated) shall immediately terminate and all Loans and all interest and other amounts due hereunder shall become immediately due and payable, all without presentment, demand or notice of any kind (all of which are hereby expressly waived by the Borrowers); and, in the case of any other Event of Default, the Administrative Agent may with the consent of the Required Banks, and shall upon written request of the Required Banks, declare the Commitments (if they have not theretofore terminated) to be terminated and/or all Loans and all interest and other amounts due hereunder to be due and payable, whereupon the Commitments (if they have not theretofore terminated) shall immediately terminate and/or all Loans and all interest and other amounts due hereunder shall become immediately due and payable, all without presentment, demand or notice of any kind (all of which are hereby expressly waived by the Borrowers). The Administrative Agent shall promptly advise the Borrowers and each Bank of any such declaration, but failure to do so shall not impair the effect of such declaration. Notwithstanding the foregoing, the effect as an Event of Default of any event described in Section 8.1(a) or Section 8.1(d) may be waived by the written concurrence of all of the Banks, and the effect as an Event of Default of any other event described in Section 8.1 may be waived by the written concurrence of the Required Banks.

IX.1 Appointment and Authorization; Administrative Agent. Each Bank hereby

irrevocably (subject to Section 9.9) appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" in this Agreement with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

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IX.2 Delegation of Duties. The Administrative Agent may execute any of its

duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

IX.3 Liability of Administrative Agent. None of the Administrative Agent-

Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Banks for any recital, statement, representation or warranty made by the Company or any Subsidiary or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Borrowers or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Administrative Agent-Related Person shall be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

IX.4 Reliance by Administrative Agent.

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

request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks.

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(b) For purposes of determining compliance with the conditions specified in Section 5.1, each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Administrative Agent to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Bank.

IX.5 Notice of Default. The Administrative Agent shall not be deemed to

have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Banks, unless the Administrative Agent shall have received written notice from a Bank or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". The Administrative Agent will notify the Banks of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Banks in accordance with Article VIII; provided, however, that unless and until the Administrative Agent

has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Banks.

IX.6 Credit Decision. Each Bank acknowledges that none of the

Administrative Agent-Related Persons has made any representation or warranty to it, and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Company and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Administrative Agent-Related Person to any Bank. Each Bank represents to the Administrative Agent that it has, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrowers hereunder. Each Bank also represents that it will, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrowers. Except for notices, reports and other documents expressly herein required to be furnished to the Banks by the Administrative Agent, the Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrowers which may come into the possession of any of the Agent-Related Persons.

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IX.7 Indemnification of Administrative Agent. Whether or not the

transactions contemplated hereby are consummated, the Banks shall indemnify upon demand the Administrative Agent-Related Persons (to the extent not reimbursed by or on behalf of the Borrowers and without limiting the obligation of the Borrowers to do so), pro rata, from and against any and all Indemnified Liabilities; provided, however, that no Bank shall be liable for the payment to

the Administrative Agent-Related Persons of any portion of such Indemnified Liabilities resulting from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent

in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrowers. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of the Administrative Agent.

IX.8 BofA in Individual Capacity. BofA and its Affiliates may make loans

to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Company and its Subsidiaries and Affiliates as though BofA were not the Administrative Agent hereunder and without notice to or consent of the Banks. The Banks acknowledge that, pursuant to such activities, BofA or its Affiliates may receive information regarding the Company or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Subsidiary) and acknowledge that neither BofA nor the Administrative Agent shall be under any obligation to provide such information to them. With respect to its Loans, BofA shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though BofA were not the Administrative Agent.

IX.9 Successor Administrative Agent. The Administrative Agent may, and at

the request of the Required Banks shall, resign as Administrative Agent upon 30 days' notice to the Banks. If the Administrative Agent resigns under this Agreement, the Required Banks shall appoint from among the Banks a successor agent for the Banks. If no successor agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Banks and the Company, a successor agent from among the Banks. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article VIII and Sections 9.4 and 9.5 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no

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successor agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Banks appoint a successor agent as provided for above.

IX.10 Withholding Tax.

(a) If any Bank is a "foreign corporation, partnership or trust" within the meaning of the Code and such Bank claims exemption from, or a reduction of, U.S. withholding tax under Sections 1441 or 1442 of the Code, such Bank agrees with and in favor of the Administrative Agent, to deliver to the Administrative Agent:

(i) if such Bank claims an exemption from, or a reduction of, withholding tax under a United States tax treaty, two properly completed and executed copies of IRS Forms 1001 before the payment of any interest in the first calendar year and before the payment of any interest in each third succeeding calendar year during which interest may be paid under this Agreement;

(ii) if such Bank claims that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Bank, two properly completed and executed copies of IRS Form 4224 before the payment of any interest is due in the first taxable year of such Bank and in each succeeding taxable year of such Bank during which interest may be

paid under this Agreement; and

(iii) such other form or forms as may be required under the Code or other laws of the United States as a condition to exemption from, or reduction of, United States withholding tax.

Such Bank agrees to promptly notify the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(b) If any Bank claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form 1001 and such Bank sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of either Borrower to such Bank, such Bank agrees to notify the Administrative Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of either Borrower to such Bank. To the extent of such percentage amount, the Administrative Agent will treat such Bank's IRS Form 1001 as no longer valid.

(c) If any Bank claiming exemption from United States withholding tax by filing

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IRS Form 4224 with the Administrative Agent sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of either Borrower to such Bank, such Bank agrees to undertake sole responsibility for complying with the withholding tax requirements imposed by Sections 1441 and 1442 of the Code.

(d) If any Bank is entitled to a reduction in the applicable withholding tax, the Administrative Agent may withhold from any interest payment to such Bank an amount equivalent to the applicable withholding tax after taking into account such reduction. However, if the forms or other documentation required by Section 8.10(a) are not delivered to the Administrative Agent, then the Administrative Agent may withhold from any interest payment to such Bank not providing such forms or other documentation an amount equivalent to the applicable withholding tax imposed by Sections 1441 and 1442 of the Code, without reduction.

(e) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered, was not properly executed, or because such Bank failed to notify the Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Bank shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, together with all costs and expenses (including Attorney Costs). The obligation of the Banks under this Section 9.10(e) shall survive the payment of all Obligations and the resignation or replacement of the Administrative Agent.

IX.11 Documentation and Syndication Agent. None of the Banks identified on

the facing page or signature pages of this Agreement as a "documentation agent" or "syndication agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Banks as such. Without limiting the foregoing, none of the Banks so identified as a "documentation agent" or "syndication agent" shall have or be deemed to have any fiduciary relationship with any Bank. Each Bank acknowledges that it has not relied, and will not rely, on any of the Banks so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE X

GUARANTEE

X.1 Guarantee from the Company. In order to induce the Banks to agree to

make Loans to the Subsidiary Borrower under this Agreement and to induce the Loan Note Guarantor to issue

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the Loan Note Guaranties, the Company hereby unconditionally and irrevocably guarantees (as primary obligor and not merely as surety) to and for the benefit of the Banks and the Administrative Agent the due and punctual payment of all Obligations (whether or not allowed as a claim in a bankruptcy proceeding of the Subsidiary Borrower) of the Subsidiary Borrower (the "Guaranteed Indebtedness").

X.2 Expenses. The Company irrevocably and unconditionally agrees to pay

any and all expenses, including reasonable attorneys' fees and disbursements, incurred by any of the Banks or the Administrative Agent in enforcing its rights under or in connection with this Article X.

X.3 Waivers. The Company agrees that the Guaranteed Indebtedness may be

extended or renewed, in whole or in part, without notice to or further assent from it and without impairing its obligations under this Article X. The Company hereby waives (a) presentation to, demand of payment from, and protest and notice of protest concerning the Guaranteed Indebtedness, (b) protest for nonpayment of principal of or interest on the Guaranteed Indebtedness and (c) all other notices to which it might otherwise be entitled as guarantor of the Guaranteed Indebtedness.

X.4 No Impairment. The obligations of the Company under this Article X

shall not be impaired by reason of any claim or waiver, release, surrender or compromise with respect to the Subsidiary Borrower, and shall not be subject to any defense or set-off by reason of the unenforceability, in whole or in part, of the Guaranteed Indebtedness or any provision of this Agreement with respect to the Subsidiary Borrower. The obligations of the Company hereunder with respect to its guaranty of the obligations of the Subsidiary Borrower hereunder shall not be impaired by (a) any lack of validity or enforceability of this Agreement or any other Loan Document with respect to the Subsidiary Borrower, (b) the failure of any of the Banks or the Administrative Agent to assert any claim or demand or to enforce any right or remedy against the Subsidiary Borrower or any other Person hereunder or under the other Loan Documents or with respect to this Agreement or the other Loan Documents, (c) any extension or renewal, in whole or in part, of this Agreement or any other Loan Documents, (d) any rescission, waiver, release, compromise, amendment or modification of, or any consent to departure from, any of the terms or provisions of this Agreement or the other Loan Documents or any agreement, (e) any failure by any Person in the performance of any obligation with respect to this Agreement or any other Loan Documents, (f) any act by the Administrative Agent or any Bank to obtain or retain a Lien upon or a security interest in any property to secure any Guaranteed Indebtedness, or to release any security for any of the Guaranteed Indebtedness, (g) any exchange, release or nonperfection of any Lien, (h) any bankruptcy of the Subsidiary Borrower or any other Person, or (i) any other act or omission which may or might in any manner vary the risk of the Subsidiary Borrower, or which would otherwise operate as a discharge of or other defense available to the Subsidiary Borrower, as a matter of law.

X.5 Waiver of Resort. The Company agrees that this Section 10 constitutes

a guaranty

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of payment and not merely of collection and waives any right to require that any resort be had by the Administrative Agent or any of the Banks to any security held by it for the payment of the Guaranteed Indebtedness or to any balance or any deposit account or credit on the books of the Administrative Agent or any Bank in favor of the Subsidiary Borrower or any of its Subsidiaries.

X.6 Reinstatement. The Company agrees that this Article X shall continue

to be effective or be reinstated, as the case may be, if at any time any part of any payment of principal of, or interest on, the Guaranteed Indebtedness is stayed, rescinded or must otherwise be returned by any Bank or the

Administrative Agent upon the bankruptcy or reorganization of the Subsidiary Borrower or any other Person.

X.7 Payment. Upon the failure of the Subsidiary Borrower to pay any of

the Guaranteed Indebtedness when and as the same shall become due, whether at maturity, by acceleration or otherwise, the Company hereby promises to, and will, immediately on demand by any Bank or the Administrative Agent, pay or cause to be paid to the Banks or the Administrative Agent, as the case may be, an amount equal to the full amount of the Guaranteed Indebtedness then due. All such payments shall be in the currency in which the Guaranteed Indebtedness is denominated.

X.8 Subrogation, Waivers, etc. The Company hereby agrees that, until such

time as all of the Obligations shall have been finally paid in full in cash and performed in full, all Commitments shall have terminated, and this guarantee shall have been discontinued, no payment made by or on account of the Company pursuant to this Article X shall entitle the Company, by subrogation or otherwise, to any payment by the Subsidiary Borrower or from or out of any property of the Subsidiary Borrower, and the Company shall not exercise any right or remedy against the Subsidiary Borrower or any property of the Subsidiary Borrower by reason of any performance by the Company of its obligations under this Article IX, including any claim or other rights which it may now or hereafter acquire against the Subsidiary Borrower that arise from the existence, payment, performance or enforcement of the guarantee under this Article IX, including any right of subrogation, reimbursement, exoneration, contribution, indemnification, any right to participate in any claim or remedy of the Banks or the Administrative Agent, as the case may be, against the Subsidiary Borrower or any collateral now or hereafter pledged to the Banks, the Administrative Agent or any other Person acting on behalf of the Banks by the Subsidiary Borrower, whether or not such claim, remedy or right arises in equity, at law or under contract, directly or indirectly, is for cash or other property or arises by set-off or in any other manner (as payment or security on account of such claim or other rights). If any amount shall be paid to the Company in violation of the preceding sentence and the Obligations shall not then have been paid in full, all Commitments shall not have terminated, such amount shall be deemed to have been paid to the Company for the benefit of, and held in trust for the benefit of, the Banks or the Administrative Agent, as applicable, and shall forthwith be paid to the Banks or the Administrative Agent, as applicable. The Company acknowledges that it has received and will receive direct and indirect benefits from the financing arrangements contemplated by this

Agreement and the other Loan Documents and that the forbearance set forth in this Section 10.8 is knowingly granted in contemplation of such benefits.

X.9 Delay, etc. No delay on the part of any of the Banks or the

Administrative Agent in exercising any rights under this Article X or failure to exercise the same shall operate as a waiver of such rights. No notice to or demand on the Company shall be deemed to be a waiver of any obligation of any Borrower or the right of the Banks or the Administrative Agent to take further action without notice or demand as provided herein.

ARTICLE XI

MISCELLANEOUS

XI.1 Amendments and Waivers. No amendment or waiver of any provision of

this Agreement or any other Loan Document, and no consent with respect to any departure by either Borrower therefrom, shall be effective unless the same shall be in writing and signed by the Required Banks (or by the Administrative Agent (or in the case of the Loan Note Guaranty, the Loan Note Guarantor) at the written request of the Required Banks) and the Borrowers and acknowledged by the Administrative Agent, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in

writing and signed by all the Banks and the Borrowers and acknowledged by the Administrative Agent, do any of the following:

- (a) increase or extend the Commitment of any Bank (or reinstate any Commitment terminated pursuant to Section 8.2) or increase the amount of the Loan Note Guaranties;
- (b) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Banks (or any of them) hereunder or under any other Loan Document;
- (c) reduce the principal of, or the rate of interest specified herein on any Loan, or (subject to clause (ii) below) any fees or other amounts payable hereunder or under any other Loan Document;
- (d) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans which is required for the Banks or any of them to take any action hereunder;
- (e) release the Company from any of its obligations under Article V or Article X;

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or

- (f) amend this Section or the definition of "Required Banks" or Section 2.17, Article X or any provision herein providing for consent or other action by all Banks;

and, provided further, that (i) no amendment, waiver or consent shall, unless in

writing and signed by the Administrative Agent in addition to the Required Banks or all the Banks, as the case may be, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document, and (ii) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed by the parties thereto.

XI.2 Notices.

(a) All notices, requests, consents, approvals, waivers and other communications shall be in writing (including, unless the context expressly otherwise provides, by facsimile transmission, provided that any matter transmitted by a Borrower by facsimile (i) shall be immediately confirmed by a telephone call to the recipient at the number specified on Schedule 11.2, and (ii) shall be followed promptly by delivery of a hard copy original thereof) and mailed, faxed or delivered, to the address or facsimile number specified for notices on Schedule 11.2; or, as directed to the Company or the Administrative Agent, to such other address as shall be designated by such party in a written notice to the other parties, and as directed to any other party, at such other address as shall be designated by such party in a written notice to the Company and the Administrative Agent.

(b) All such notices, requests and communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered for overnight (next-day) delivery, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon the third Business Day after the date deposited into the U.S. mail, or if delivered, upon delivery; except that notices pursuant to Article II or IX shall not be effective until actually received by the Administrative Agent.

(c) Any agreement of the Administrative Agent and the Banks herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Borrowers. The Administrative Agent and the Banks shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Borrowers to give such notice and the Administrative Agent and the Banks shall not have any liability to the Borrowers or other Person on account of any action taken or not taken by the Administrative Agent or the Banks in reliance upon such telephonic or facsimile notice. The obligation of the Borrowers to repay the Loans shall not be affected in any way or to any extent by any failure by the Administrative Agent and the Banks to receive written confirmation of any telephonic or facsimile notice or the receipt by the Administrative Agent and the Banks of a confirmation which is at

variance with the terms understood by the Administrative Agent and the Banks to be contained in the telephonic or

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facsimile notice.

XI.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay

in exercising, on the part of the Administrative Agent or any Bank, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

XI.4 Costs and Expenses. Each Borrower shall:

(a) whether or not the transactions contemplated hereby are consummated, pay or reimburse BofA (including in its capacity as Administrative Agent) within five Business Days after demand for all reasonable costs and expenses incurred by BofA (including in its capacity as Administrative Agent) in connection with the development, preparation, delivery, administration and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Agreement, any Loan Document and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including reasonable Attorney Costs incurred by BofA (including in its capacity as Administrative Agent) with respect thereto; and

(b) pay or reimburse the Administrative Agent, the Lead Arranger and each Bank within five Business Days after demand for all reasonable costs and expenses (including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Loan Document during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceeding).

XI.5 Borrower Indemnification. Whether or not the transactions

contemplated hereby are consummated, each Borrower shall indemnify, defend and hold the Administrative Agent-Related Persons, and each Bank and each of its respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all

liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans and the termination, resignation or replacement of the Administrative Agent or replacement of any Bank) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any insolvency proceeding or appellate proceeding) related to or arising out of this Agreement or the Loans or the use of the proceeds thereof, or related to any Offshore Currency Transactions entered into in connection herewith, whether or not any Indemnified Person is a

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party thereto (all the foregoing, collectively, the "Indemnified Liabilities");

provided, that the Company shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities resulting from the gross negligence or willful misconduct of such Indemnified Person. The agreements in this Section shall survive payment of all other Obligations.

XI.6 Payments Set Aside. To the extent that a Borrower makes a payment to

the Administrative Agent or the Banks, or the Administrative Agent or the Banks exercise their right of set-off, and such payment or the proceeds of such set-

off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any Insolvency Proceeding or otherwise, then (a) to the extent of such recovery the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Bank severally agrees to pay to the Administrative Agent upon demand its pro rata share of any amount so recovered from or repaid by the Administrative Agent.

XI.7 Successors and Assigns. The provisions of this Agreement shall be

binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that neither Borrower may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and each Bank.

XI.8 Assignments, Participations, etc.

(a) Any Bank may, with the written consent of the Company at all times other than during the existence of an Event of Default and the Administrative Agent and the Loan Note Guarantor, which consents shall not be unreasonably withheld, at any time assign and delegate to one or more Eligible Assignees (provided that no written consent of the Company or the Administrative Agent or the Loan Note Guarantor shall be required in connection with any assignment and delegation by a Bank to an Eligible Assignee that is an Affiliate of such Bank) (each an "Assignee") all, or any ratable part of all, of the

Loans, the Commitments and the other rights and obligations of such Bank hereunder, in a minimum amount of the lesser of (i) \$5,000,000 or (ii) the full amount of the Loans, the Commitments and the other rights and obligations of such Bank; provided, however, that the Borrowers and the Administrative Agent

may continue to deal solely and directly with such Bank in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have been given to the Borrowers and the Administrative Agent by such Bank and the Assignee; (ii) such Bank and its Assignee shall have delivered to the Company and the Administrative Agent an Assignment and Acceptance in the form of Exhibit E ("Assignment and Acceptance")

and (iii) the assignor Bank or Assignee has paid to the Administrative Agent a processing fee in the

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amount of \$5,000.

(b) From and after the date that the Administrative Agent notifies the assignor Bank that it has received (and provided its consent with respect to) an executed Assignment and Acceptance and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Bank under the Loan Documents, and (ii) the assignor Bank shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Documents.

(c) Immediately upon each Assignee's making its processing fee payment under the Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Bank pro tanto.

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(d) Any Bank may at any time sell to one or more commercial banks or other Persons not Affiliates of the Company (a "Participant") participating

interests in any Loans, the Commitment of that Bank and the other interests of that Bank (the "Originating Bank") hereunder and under the other Loan Documents;

provided, however, that (i) the Originating Bank's obligations under this

Agreement shall remain unchanged, (ii) the Originating Bank shall remain solely responsible for the performance of such obligations, (iii) the Borrower and the Administrative Agent shall continue to deal solely and directly with the Originating Bank in connection with the Originating Bank's rights and obligations under this Agreement and the other Loan Documents, and (iv) no Bank shall transfer or grant any participating interest under which the Participant has rights to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment, consent or waiver would require unanimous consent of the Banks as described in the first proviso to Section 11.1. In the case of any such

participation, the Participant shall be entitled to the benefit of Sections 4.1, 4.3 and 11.5 as though it were also a Bank hereunder provided that all amounts payable by the Borrowers hereunder shall be determined as if such Originating Bank had not sold such participation. If amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement.

(e) Notwithstanding any other provision in this Agreement, any Bank may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement in favor of any Federal Reserve Bank in accordance with Regulation A of the

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FRB or U.S. Treasury Regulation 31 CFR (S)203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

XI.9 Confidentiality. Each Bank agrees to take and to cause its Affiliates

to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information identified as "confidential" or "secret" by the Company and provided to it by the Company or any Subsidiary, or by the Administrative Agent on such Company's or Subsidiary's behalf, under this Agreement or any other Loan Document, and neither it nor any of its Affiliates shall use any such information other than in connection with or in enforcement of this Agreement and the other Loan Documents or in connection with other business now or hereafter existing or contemplated with the Company or any Subsidiary; except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by the Bank, or (ii) was or becomes available on a non-confidential basis from a source other than the Company, provided that such source is not bound by a confidentiality agreement with the Company known to the Bank; provided, however, that any Bank

may disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which the Bank is subject or in connection with an examination of such Bank by any such authority; (B) pursuant to subpoena or other court process; (C) when required to do so in accordance with the provisions of any applicable requirement of law; (D) to the extent reasonably required in connection with any litigation or proceeding to which the Administrative Agent, any Bank, or their respective Affiliates may be party; (E) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document; (F) to such Bank's independent auditors and other professional advisors; (G) to any Participant or Assignee, actual or potential, provided that such Person agrees in writing to keep such information confidential to the same extent required of the Banks hereunder; (H) as to any Bank or its Affiliate, as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Company or any Subsidiary is party or is deemed party with such Bank or such Affiliate; and (I) to its Affiliates.

XI.10 Set-off. In addition to any rights and remedies of the Banks

provided by law, if an Event of Default exists or the Loans have been accelerated, each Bank is authorized at any time and from time to time, without prior notice to either Borrower, any such notice being waived by each Borrower

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 by, and other indebtedness at any time owing by, such Bank to or for the credit or the account of each Borrower against any and all Obligations owing to such Bank, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Bank shall have made demand under this Agreement or any Loan Document and although such Obligations may be contingent or unmatured. Each Bank agrees promptly to notify the Company and the Administrative Agent after any such set-off and application made by such Bank; provided, however,

that the failure to give such notice shall not affect the validity of such set-off and application.

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XI.11 Notification of Addresses, Lending Offices, Etc. Each Bank shall

notify the Administrative Agent in writing of any changes in the address to which notices to the Bank should be directed, of addresses of any Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as the Administrative Agent shall reasonably request.

XI.12 Counterparts. This Agreement may be executed in any number of

separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument.

XI.13 Severability. The illegality or unenforceability of any provision

of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

XI.14 No Third Parties Benefited. This Agreement is made and entered into

for the sole protection and legal benefit of the Borrowers, the Banks, the Administrative Agent and the Administrative Agent-Related Persons, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents.

XI.15 Governing Law and Jurisdiction.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF ILLINOIS; PROVIDED THAT THE ADMINISTRATIVE AGENT AND THE BANKS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF ILLINOIS OR OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE BORROWERS, THE ADMINISTRATIVE AGENT AND THE BANKS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE BORROWERS, THE ADMINISTRATIVE AGENT, AND THE BANKS IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON

CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE BORROWERS, THE ADMINISTRATIVE AGENT, AND THE BANKS EACH WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY ILLINOIS

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LAW.

XI.16 Waiver of Jury Trial. THE BORROWERS, THE BANKS, AND THE

ADMINISTRATIVE AGENT EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF

ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY ADMINISTRATIVE AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE BORROWERS, THE BANKS, AND THE ADMINISTRATIVE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

XI.17 Judgment. If, for the purposes of obtaining judgment in any court, it -----

is necessary to convert a sum due hereunder or any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Borrowers in respect of any such sum due from it to the Administrative Agent hereunder or under the other Loan Documents shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent in the Agreement Currency, the Company agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or the Person to whom such obligation was owing against such loss. If the amount of the Agreement currency so purchased is greater than the sum originally due to the Administrative Agent in such currency, the Administrative Agent agrees to return the amount of any excess to the Company (or to any other Person who may be entitled thereto under applicable law).

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XI.18 Entire Agreement. This Agreement, together with the other Loan -----

Documents, embodies the entire agreement and understanding among the Company, the Banks and the Administrative Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

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Delivered at Chicago, Illinois as of the day and year first above written.

APPLIED POWER INC.

By: /s/ James Maxwell IV

Title: Assistant Treasurer

ENERPAC B.V.

By: /s/ James Maxwell IV

Title: Authorized Representative

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION,
as Administrative Agent and a Bank

By: /s/ M. H. Claggett

Title: Vice President

THE FIRST NATIONAL BANK OF CHICAGO, as
Syndication Agent and as a Bank

By: /s/ Robert F. Barnett III

Title: Senior Vice President

SOCIETE GENERALE, CHICAGO BRANCH, as
Documentation Agent and as a Bank

By: /s/ Joseph A. Philbin

Title: Director

FIRST UNION NATIONAL BANK

By: /s/ J. Andrew Phelps

Title: Bank Officer

THE BANK OF TOKYO-MITSUBISHI, LTD.
CHICAGO BRANCH

By: /s/ Hajime Watanabe

Title: Deputy General Manager

BANKBOSTON, N.A.

By: /s/ Jack M. Harcourt

Title: Authorized Officer

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Alan M. Holman

Title: Vice President

HARRIS TRUST & SAVINGS BANK

By: /s/ Catherine C. Ciolek

Title: Vice President

M&I MARSHALL & ILSLEY BANK

By: /s/ James R. Miller

Title: Vice President

By: /s/ James P. McMullen

Title: Vice President

THE SANWA BANK, LIMITED,
CHICAGO BRANCH

By: /s/ Gordon R. Holtby

Title: Vice President & Manager

CREDIT LYONNAIS CHICAGO BRANCH

By: /s/ Nigel R. Carter

Title: Vice President

WACHOVIA BANK, N.A.

By: /s/ Debra L. Coheley

Title: Senior Vice President

CREDIT SUISSE FIRST BOSTON

By: /s/ Joel Glodowski

Title: Managing Director

By: /s/ Chris T. Horgan

Title: Vice President

BANK OF NEW YORK

By: /s/ Mark Familo

 Title: Vice President

NATIONAL WESTMINSTER BANK PLC

By: /s/ Peter J. Stringer

 Title: Senior Vice President

FIRSTAR BANK MILWAUKEE, N.A.

By: /s/ Caroline V. Krider

 Title: Vice President

THE DAI-ICHI KANGYO BANK, LTD.,
 Chicago Branch

By: /s/ Nobuyasu Fukatsu

 Title: Vice President

THE ROYAL BANK OF SCOTLAND plc

By: /s/ Scott W. Barton

 Title: Vice President

SCHEDULE 1.2
 Pricing Grid

	PRICING LEVEL I	PRICING LEVEL II	PRICING LEVEL III	PRICING LEVEL IV	PRICING LEVEL V	PRICING LEVEL VI	PRICING LEVEL VII	PRICING LEVEL VIII
Debt to	less than or equal to 1.50	greater than 1.50	greater than 2.00	greater than 2.50	greater than 3.00	greater than 3.50	greater than 3.75	greater than 4.00
EBITDA		less than or equal to 2.00	less than or equal to 2.50	less than or equal to 3.00	less than or equal to 3.50	less than or equal to 3.75	less than or equal to 4.00	
Offshore Margin	0.275%	0.375%	0.500%	0.625%	0.750%	1.00%	1.125%	1.375%
Non-Use Fee Rate	0.1125%	0.125%	0.150%	0.175%	0.225%	0.275%	0.325%	0.375%

SCHEDULE 2.1

Commitments and
 Pro Rata Shares

Bank ----	Commitment -----	Pro Rata ----- Share -----
BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION	\$145,000,000	17.05882353%
THE FIRST NATIONAL BANK OF CHICAGO	\$100,000,000	11.76470588%
SOCIETE GENERALE, CHICAGO BRANCH	\$ 85,000,000	10.00000000%
CREDIT SUISSE FIRST BOSTON	\$ 60,000,000	7.05882353%
FIRST UNION NATIONAL BANK	\$ 60,000,000	7.05882353%
THE ROYAL BANK OF SCOTLAND PLC	\$ 45,000,000	5.29411765%
NATIONAL WESTMINSTER BANK PLC	\$ 40,000,000	4.70588235%
U.S. BANK, NATIONAL ASSOCIATION	\$ 40,000,000	4.70588235%
BANKBOSTON, N.A.	\$ 35,000,000	4.11764706%
HARRIS TRUST & SAVINGS BANK	\$ 35,000,000	4.11764706%
M&I MARSHALL & ILSLEY BANK	\$ 35,000,000	4.11764706%
WACHOVIA BANK, N.A.	\$ 35,000,000	4.11764706%
BANK OF NEW YORK	\$ 25,000,000	2.94117647%
THE BANK OF TOKYO-MITSUBISHI LTD. CHICAGO BRANCH	\$ 25,000,000	2.94117647%
CREDIT LYONNAIS CHICAGO BRANCH	\$ 25,000,000	2.94117647%
FIRSTAR BANK MILWAUKEE, N.A.	\$ 25,000,000	2.94117647%
THE SANWA BANK LIMITED, CHICAGO BRANCH	\$ 25,000,000	2.94117647%
THE DAI-ICHI KANGYO BANK, LTD.	\$ 10,000,000	1.17647059%
TOTAL	\$850,000,000	100.00%

SCHEDULE 10.2

Offshore and Domestic Lending Offices,
Addresses for Notices

BANK OF AMERICA NATIONAL TRUST

AND SAVINGS ASSOCIATION,

As Administrative Agent

Bank of America National Trust
and Savings Association
Agency Management Services #5596
1850 Gateway Boulevard, 5th Floor
Concord, CA 94520
Attention: Elizabeth Chao
Telephone: (510) 675-8375
Facsimile: (510) 675-8500

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

Bank of America National Trust and Savings Association
231 S. LaSalle Street
Chicago, IL 60201
Attention: M.H. Claggett, Vice President
Telephone: (312) 828-1549
Facsimile: (312) 987-1276

ADMINISTRATIVE AGENT'S PAYMENT OFFICE

Bank of America National Trust
and Savings Association
Agency Management Services #5596
1850 Gateway Boulevard, 5th Floor
Concord, CA 94520
ABA No. 121-000-358
For Credit to Account No.: 12336-14489
Attn: Elizabeth Chao
Ref: Applied Power Inc.

BANK OF AMERICA NATIONAL TRUST

AND SAVINGS ASSOCIATION,

As a Bank

Domestic and Offshore Lending Office:

Bank of America National Trust
and Savings Association
200 West Jackson Boulevard, 9th Floor
Chicago, IL 60606

Attention: Marion Alongi
Telephone: (312) 828-6212
Facsimile: (312) 974-9626

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

Bank of America National Trust
and Savings Association
231 S. LaSalle Street
Chicago, IL 60201

Attention: M.H. Claggett, Vice President
Telephone: (312) 828-6212
Facsimile: (312) 974-9626

The First National Bank of Chicago

as a Bank

Domestic and Offshore Lending Office:

One First National Plaza
Chicago, IL 60670

Attention: Rosario Guzman
Telephone: (312) 732-7874
Facsimile: (312) 732-2715

The First National Bank of Chicago
London Branch

1 Triton Square
London
NW1 3FN

Attention: Dot O'Flaherty
Telephone: (44 171) 903-4150
Facsimile: (44 171) 903-4148

Notices (other than Borrowing Notices and Notices
of Conversion/Continuation):

The First National Bank of Chicago
One First National Plaza
Chicago, IL 60670

Attention: Jerry Kane
Telephone: (312) 732-1614
Facsimile: (312) 732-1117

First Union National Bank

as a Bank

Domestic and Offshore Lending Office:

One First Union Center
301 South College Street
Charlotte, NC 28288-0749

Attention: Lisa VanNote
Telephone: (704) 374-4282
Facsimile: (704) 374-2802

Notices (other than Borrowing Notices and Notices
of Conversion/Continuation):

First Union National Bank
One First Union Center
301 South College Street
Charlotte, NC 28288-0749

Attention: Mark Feller
Telephone: (704) 374-7074
Facsimile: (704) 374-3300

Societe Generale, Chicago Branch

as a Bank

Domestic and Offshore Lending Office:

181 W. Madison St.
Suite 3400
Chicago, IL 60602
Attention: Joseph Philbin
Telephone: (312) 578-5005
Facsimile: (312) 578-5099

Notices (other than Borrowing Notices and Notices
of Conversion/Continuation):

Societe Generale, Chicago Branch
181 W. Madison St.
Suite 3400
Chicago, IL 60602

Attention: Joseph Philbin
Telephone: (312) 578-5005
Facsimile: (312) 578-5099

The Bank of Tokyo-Mitsubishi, Ltd. Chicago Branch

as a Bank

Domestic and Offshore Lending Office:

The Bank of Tokyo-Mitsubishi Ltd. Chicago Branch
227 W. Monroe
Suite 2300
Chicago, IL 60606
Attention: Jean Chaney/Julie Galligan
Telephone: (312) 696-4712/4711
Facsimile: (312) 696-4532

Notices (other than Borrowing Notices and Notices
of Conversion/Continuation):

The Bank of Tokyo-Mitsubishi Ltd. Chicago Branch
227 W. Monroe
Suite 2300
Chicago, IL 60606
Attention: Wayne Yamanaka
Telephone: (312) 696-4664
Facsimile: (312) 696-4535

BankBoston, N.A.

as a Bank

Domestic and Offshore Lending Office:

BankBoston, N.A.
100 Federal Street
Lg. Corp. 01-09-04
Boston, MA 02110
Attention: Jack M. Harcourt
Telephone: (617) 434-7548
Facsimile: (617) 434-0816

Notices (other than Borrowing Notices and Notices
of Conversion/Continuation):

BankBoston, N.A.
100 Federal Street
Lg. Corp. 01-09-04
Boston, MA 02110
Attention: Jack M. Harcourt
Telephone: (617) 434-7548
Facsimile: (617) 434-0816

U.S. Bank National Association

as a Bank

Domestic and Offshore Lending Office:

U.S. Bank National Association
201 W. Wisconsin Avenue
Milwaukee, WI 53259
Attention: Alan Holman, Vice President
Telephone: (414) 227-5505
Facsimile: (414) 227-5881

Notices (other than Borrowing Notices and Notices
of Conversion/Continuation):

U.S. Bank National Association
201 W. Wisconsin Avenue
Milwaukee, WI 53259
Attention: Alan Holman, Vice President
Telephone: (414) 227-5505
Facsimile: (414) 227-5881

Harris Trust & Savings Bank

as a Bank

Domestic and Offshore Lending Office:

Harris Trust & Savings Bank
111 West Monroe Street - 10E
Chicago, IL 60603
Attention: Anita Mei

Telephone: (312) 461-3818
Facsimile: (312) 293-5283

Notices (other than Borrowing Notices and Notices
of Conversion/Continuation):

Harris Trust & Savings Bank
111 West Monroe Street - 10W
Chicago, IL 60603
Attention: Sunny Harnet/Andrew Peterson
Telephone: (312) 461-5724/6537
Facsimile: (312) 293-5040

M&I Marshall & Ilsley Bank

as a Bank

Domestic and Offshore Lending Office:

M&I Marshall & Ilsley Bank
770 North Water Street
Milwaukee, WI 53202
Attention: James R. Miller
Telephone: (414) 765-7779
Facsimile: (414) 765-7625

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

M&I Marshall & Ilsley Bank
770 North Water Street
Milwaukee, WI 53202
Attention: James R. Miller
Telephone: (414) 765-7779
Facsimile: (414) 765-7625

The Sanwa Bank, Limited, Chicago Branch

as a Bank

Domestic and Offshore Lending Offices

The Sanwa Bank, Limited, Chicago Branch
10 S. Wacker Drive
31st Floor
Chicago, IL 60606
Attention: Gordon R Holtby

Telephone: (312) 993-4325
Facsimile: (312) 346-6677

Notices (other than Borrowing Notices and Notices
of Conversion/Continuation):

The Sanwa Bank Limited, Chicago Branch
10 S. Wacker Drive
31st Floor
Chicago, IL 60606
Attention: Gordon R. Holtby
Telephone: (312) 993-4325
Facsimile: (312) 346-6677

Credit Lyonnais Chicago Branch

as a Bank

Domestic and Offshore Lending Office:

Credit Lyonnais Chicago Branch
227 W. Monroe Street, 38th Floor
Chicago, IL 60606
Attention: Michelle Evans
Telephone: (312) 220-7319
Facsimile: (312) 641-5834

Notes (other than Borrowing Notices and
Notices of Conversion/Continuation):

Credit Lyonnais Chicago Branch
227 W. Monroe Street, 38th Floor
Chicago, IL 60606
Attention: Nigel Carter
Telephone: (312) 220-7310
Facsimile: (312) 641-0527

Wachovia Bank, N.A.

as a Bank

Domestic and Offshore Lending Office:

Wachovia Corporate Services, Inc.

70 West Madison Street
Suite 2440
Chicago, IL 60602
Attention: Cynthia Comber
Telephone: (312) 795-4335
Facsimile: (312) 853-0693

Notices (other than Borrowing Notices and
Notices of Conversion/Continuation):

Wachovia Corporate Services, Inc.
70 West Madison Street
Suite 2440
Chicago, IL 60602
Attention: James D. Heinz
Telephone: (312) 795-4343
Facsimile: (312) 853-0693

The Bank of New York

as a Bank

Domestic and Offshore Lending Office:

The Bank of New York
One Wall Street, 19th Floor
New York, NY 10286
Attention: Mark Familo
Telephone: (212) 635-1165
Facsimile: (212) 635-1208/09

Notices (other than Borrowing Notices and
Notices of Conversion/Continuation):

The Bank of New York
One Wall Street, 19th Floor
New York, NY 10286
Attention: Maxine Roach
Telephone: (212) 635-8208
Facsimile: (212) 635-7923/24

Firststar Bank Milwaukee, N.A.

as a Bank

Domestic and Offshore Lending Office:

Firststar Bank Milwaukee, N.A.
777 E. Wisconsin Avenue
Milwaukee, WI 53202
Attention: Caroline Krider/John Reinke
Telephone: (414) 765-5971/(414) 765-4569
Facsimile: (414) 765-4632

Notices (other than Borrowing Notices and
Notices of Conversion/Continuation):

Firststar Bank Milwaukee, N.A.
777 E. Wisconsin Avenue
Milwaukee, WI 53202
Attention: Frank Martins
Telephone: (414) 765-5952
Facsimile: (414) 765-5062

Credit Suisse First Boston

as a Bank

Domestic and Offshore Lending Office:

Credit Suisse First Boston
Client Services - Loan Administrator
Five World Trade Center, 8th Floor
New York, NY 10048
Attention: Ron Davis
Telephone: (212) 322-1865
Facsimile: (212) 335-0593

Notices (other than Borrowing Notices and
Notices of Conversion/Continuation):

Credit Suisse First Boston
11 Madison Avenue
New York, NY 10010-3629
Attention: David W. Kratovil
Telephone: (212) 325-9155

Facsimile: (212) 325-8309

National Westminster Bank Plc

as a Bank

Domestic and Offshore Lending Office:

National Westminster Bank Plc
1 Federal Street
Mail Stop MAOFD06C
Boston, MA 02110
Attention: Peter Stringer
Telephone: (617) 346-4909
Facsimile: (617) 346-4732

Notices (other than Borrowing Notices and
Notices of Conversion/Continuation):

National Westminster Bank Plc
1 Federal Street
Mail Stop MAOFD06C
Boston, MA 02110
Attention: Peter Stringer
Telephone: (617) 346-4909
Facsimile: (617) 346-4732

The Dai-Ichi Kangyo Bank, Ltd., Chicago Branch

as a Bank

Domestic and Offshore Lending Office:

The Dai-Ichi Kangyo Bank, Ltd., Chicago Branch
10 South Wacker Drive
26th Floor
Chicago, IL 60606
Attention: Josie Fugman
Telephone: (312) 715 6451
Facsimile: (312) 828-2011

Notices (other than Borrowing Notices and
Notices of Conversion/Continuation):

The Dai-Ichi Kangyo Bank, Ltd.,
Chicago Branch
10 South Wacker Drive
26th Floor
Chicago, IL 60606
Attention: Ted Sachs
Telephone: (312) 715-8393
Facsimile: (312) 876-0154

The Royal Bank of Scotland plc

Domestic and Offshore Lending Office:

The Royal Bank of Scotland plc
88 Pine Street
Wall Street Plaza
New York, NY 10005
Attention: Fernando Reyes
Telephone: (212) 269-1700
Facsimile: (212) 344-4065

Notices (other than Borrowing Notices and
Notices of Conversion/Continuation):

The Royal Bank of Scotland PLC
88 Pine Street
Wall Street Plaza
New York, NY 10005
Attention: Scott Barton
Telephone: (212) 269-1706

Facsimile: (212) 480-0791

FIRST AMENDMENT TO RECEIVABLES PURCHASE AGREEMENT

THIS FIRST AMENDMENT TO RECEIVABLES PURCHASE AGREEMENT dated as of August 28, 1998 (the "Amendment") is entered into among APPLIED POWER CREDIT CORPORATION, a Nevada corporation ("Seller"), APPLIED POWER INC., a Wisconsin corporation, individually and as the initial Servicer (the "Servicer"), BARTON CAPITAL CORPORATION, a Delaware corporation, as the Purchaser (the "Purchaser"), and SOCIETE GENERALE, a banking corporation organized under the laws of France, acting through its Chicago Branch, as agent for the Purchaser (in such capacity, the "Agent").

R E C I T A L S

- - - - -

A. The Seller, the Servicer, the Purchaser and the Agent have entered into that certain Receivables Purchase Agreement, dated as of November 20, 1997 (the "Receivables Purchase Agreement") pursuant to which Seller will sell to Purchaser certain Undivided Interests in all outstanding Pool Receivables purchased by Seller from the Originators pursuant to the Purchase and Sale Agreement (as defined in the Receivables Purchase Agreement).

B. The parties to the Receivables Purchase Agreement desire to enter into this Amendment to amend the Receivables Purchase Agreement.

1. Certain Defined Terms. Capitalized terms used but not defined herein shall have the meanings set forth for such terms in Schedule I to the Receivables Purchase Agreement.

2. Amendments to Receivables Purchase Agreement. The Receivables Purchase Agreement is hereby amended as follows:

(a) Section 1.03(a) of the Receivables Purchase Agreement is hereby amended by deleting the amount "\$80,000,000" where it appears in such Section and inserting in lieu thereof the amount "\$90,000,000."

(b) The definition of "Demand Note" set forth in Schedule I to the Receivables Purchase Agreement is hereby amended in its entirety as follows:

"Demand Note" means the Amended and Restated Demand Promissory Note, in the original principal amount of \$14,400,000 issued by API to Seller.

3. Effect of Amendment. This Amendment shall become effective upon (i) the execution of such Amendment by all of the parties hereto, and (ii) receipt by the Agent of the

written consent of the Majority Purchasers (as defined in the Stand-By Purchase Agreement). Except as expressly amended and modified by this Amendment, all provisions of the Receivables Purchase Agreement shall remain in full force and effect. After this Amendment becomes effective, all references in each of the Agreements to "this Agreement", "hereof", "herein", or words of similar effect referring to such Agreement shall be deemed to be references to the Receivables Purchase Agreement, as amended by this Amendment. This Amendment shall not be deemed to expressly or impliedly waive, amend or supplement any provision of the Agreements other than as set forth herein.

4. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, and each counterpart shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

5. Governing Law. This Amendment shall be governed by, and construed in accordance with the law of the State of Illinois without regard to any otherwise

applicable principles of conflicts of law.

6. Section Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or the Receivables Purchase Agreement or any provision hereof or thereof.

[signature pages on next page]

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IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

APPLIED POWER CREDIT CORPORATION

By: /s/ Richard Carroll

Name: Richard D. Carroll
Title: Treasurer

APPLIED POWER INC.

By: /s/ James Maxwell IV

Name: James Maxwell IV
Title: Assistant Treasurer

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BARTON CAPITAL CORPORATION

By: /s/ Juliana Johnson

Name: Juliana C Johnson
Title: Vice President

SOCIETE GENERALE,
as the Agent

By: /s/ Bradley P. Summers

Name: Bradley P. Summers
Title: Director

By: /s/ C. Steve Coffman

Name: C. Steve Coffman
Title: Associate

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F'99 Bonus Plan Measurements and Criteria

The fiscal 1999 bonus plan measurements and criteria for the executive staff and business unit leaders has not yet been approved by the Compensation Committee of the Board of Directors. Based on previous years' bonus plan measurements, it is anticipated that the fiscal 1999 bonus plan for executive staff will consist of the following: a) 50% APW Shareholder Value Generated (SVG); and b) 50% APW Earnings Per Share (EPS). Measurements for the multi-business unit leaders' bonuses are expected to consist of the following: a) 80% of the respective units CMM; and b) 20% APW Financial Results (SVG and EPS).

Supporting Definitions:

Earnings Per Share = Net Income / Average Number of Common and Common Equivalent Shares Outstanding during the period.

Shareholder Value Generated = Operating Profit (before amortization) less 8% of Assets Deployed.

Assets Deployed = Adjusted Assets less Operating Liabilities.

CMM = Internal Operating Profit - (20% x Monthly Net Assets)

The fiscal 1999 bonus plan measurements and criteria for the executive staff and business units leaders is expected to be approved by the Compensation Committee of the Board of Directors at the January Board meeting following the Annual Meeting of Shareholders. Details regarding the approved plan will be filed at a later date.

EXHIBIT 21
(1998 10-K)

The following table sets forth the name and jurisdiction of incorporation of the Registrant's significant subsidiaries. All subsidiaries are 100% owned except as noted.

Name of Subsidiary -----	Jurisdiction of Incorporation -----
UNITED STATES: -----	
AA Manufacturing Company, Inc.	Texas
Air Cargo Equipment Corporation	California
Air Cooling Technology, Inc.	California
Ancor Products Inc.	California
Applied Power Credit Corporation	Nevada
Applied Power International Ltd.	Nevada
Applied Power Investments II Inc.	Nevada
Barry Controls Corporation	Delaware
Barry Wright Corporation	Massachusetts
CalTerm, Inc.	Nevada
CalTerm Taiwan, Inc.	Nevada
Cambridge Aeroflo, Inc.	Massachusetts
DCW Holding Inc.	Oklahoma
Del City Wire Inc.	Oklahoma
Eder Inc.	Wisconsin
Electronic Solutions	Nevada
GB Electrical, Inc.	Wisconsin
McLean Midwest Corporation	Minnesota
Milwaukee Cylinder Company, Inc. (Dormant)	Wisconsin
Mox-Med Inc. (formerly known as Moxness Products Inc.)	Wisconsin
New England Controls, Inc.	Connecticut
Nielsen Hardware Corporation	Connecticut
Precision Fabrication Technology Inc.	Indiana
Premier Industries Inc.	New Hampshire
VERO Electronics Inc.	New York
Versa	
Medical Technologies, Inc. (Dormant)	Wisconsin
Versa Technologies, Inc.	Delaware
Wright Line Inc.	Massachusetts
Wright Line International Inc.	Delaware
Zero Corporation	Delaware
Zero - East Corporation	Massachusetts
Zero Enclosures, Inc.	California
Zero Integrated Systems	California
Zero International, Inc.	California
Zero Manufacturing Corporation (Dormant)	California

Name of Subsidiary -----	Jurisdiction of Incorporation -----
OUTSIDE THE UNITED STATES: -----	
AIC (Hong Kong) Ltd. (49%)	Hong Kong
Air Cargo Equipment Ltd.	United Kingdom
AP International Corporation (Dormant)	Barbados
Apitech Europa B.V. (Dormant)	Netherlands
Applied Power Distribution GmbH	Germany
Applied Power Asia Pte. Ltd.	Singapore

Applied Power Australia Limited	Australia
Applied Power Canada Ltd.	Ontario, Canada
Applied Power do Brasil Equipamente Ltda. (Dormant)	Brazil
Applied Power Europa B.V. (Dormant)	Netherlands
Applied Power Europe S.A.	France
Applied Power Export Corp.	US Virgin Islands
Applied Power (Far East) Ltd.	Japan
Applied Power Finance B.V. (Dormant)	Netherlands
Applied Power GmbH	Germany
Applied Power Holding GmbH	Germany
Applied Power Hytec (M) Sdn. Bhd.	Malaysia
Applied Power International, S.A.	France
Applied Power International, S.A.	Switzerland
Applied Power Italiana S.p.A.	Italy
Applied Power Japan, Ltd.	Japan
Applied Power Korea Ltd.	South Korea
Applied Power Ltd. (Dormant)	United Kingdom
Applied Power (Mexico) S. de R.L. de C.V.	Mexico
Applied Power Moscow	CIS
Applied Power New Zealand Limited	New Zealand
APW Enclosures, Ltd.	Ireland
APW Enclosure Systems Ltd.	United Kingdom
APW Finance Ltd.	United Kingdom
APW Holdings B.V.	Netherlands
Barry Controls GmbH	Germany
Barry Controls U.K. Ltd.	United Kingdom
C Fab Manufacturing Ltd.	Ireland
C Fab Developments Ltd.	Ireland
Danica Supplies Limited	United Kingdom
Danica Supply AS	Denmark
Electronics Packaging Limited (Dormant)	United Kingdom
Enerpac Asia Pte. Ltd.	Singapore
Enerpac Canada Ltd.	Canada
Enerpac Nederland B.V.	Netherlands
Enerpac Hydraulic Technology (India) Pte. Ltd.	India
Enerpac Ltd.	United Kingdom
Enerpac S.A.	France
Grupo Industrial Baja Tec S.A.	Mexico
Hormann Electronics Ltd.	Ireland
Hormann Security Systems Ltd.	Ireland
Imhof-Bedco Limited (Dormant)	United Kingdom
Imhof-Bedco Special Products Ltd. (Dormant)	United Kingdom
Imhof-Bedco Standard Products Ltd. (Dormant)	United Kingdom
Norelem S.A.	France
Pertesco Ltd. (Dormant)	United Kingdom
Power-Packer do Brasil Ltd.	Brazil
Power-Packer Espana, S.A.	Spain
Power-Packer Europa B.V.	Netherlands
Power Packer France, S.A.	France

Name of Subsidiary - - - - -	Jurisdiction of Incorporation - - - - -
Productos Aeros, S.A.	Mexico
Samuel Groves and Company Ltd.	United Kingdom
Shanghai Blackhawk Machinery Co. Ltd.	China
VERO Austin Electronics (China) Limited	Hong Kong
VERO Circuitboards Limited (Dormant)	United Kingdom
VERO Connectors Limited (Dormant)	United Kingdom
VERO Distribution Limited (Dormant)	United Kingdom
VERO Electronics AB	Sweden
VERO Electronics (Exports) Ltd. (Dormant)	United Kingdom
VERO Electronics GmbH	Germany
VERO Electronics Ltd.	United Kingdom
VERO Electronics Overseas Investments Ltd.	United Kingdom
VERO Electronics Pte Limited	Singapore
VERO Electronics S.A.	France
VERO Electronics SrL	Italy
VERO Group plc	United Kingdom

VERO President Systems Limited
Wright Line Europe, B.V.
Zero McLean Europe Ltd.

India
Netherlands
United Kingdom

All of the foregoing subsidiaries are included in the consolidated financial statements filed herewith.

INDEPENDENT AUDITORS' CONSENT

Exhibit 23.1
(1998 10-K)

We consent to the incorporation by reference in the following Registration Statements of Applied Power Inc. of our report dated September 25, 1997 (October 16, 1997 as to Note O), appearing in the Annual Report on Form 10-K of Applied Power Inc. for the year ended August 31, 1998: Form S-8 Nos. 33-18140, 33-21250, 33-24197, 33-38719, 33-38720, 33-62658, 333-42353, 333-46469, 333-61279, 333-61281, 333-61389 and Form S-3 No. 333-47493.

DELOITTE & TOUCHE LLP
Milwaukee, Wisconsin
November 20, 1998

INDEPENDENT AUDITORS' CONSENT

Exhibit 23.2
(1998 10-K)

We consent to the incorporation by reference in Registration Statements Nos. 33-18140, 33-21250, 33-24197, 33-38719, 33-38720, 33-62658, 333-42353, 333-46469, 333-61279, 333-61281 and 333-61389 on Form S-8 and No. 333-47493 on Form S-3 of Applied Power Inc. of our report dated May 11, 1998 (related to the consolidated financial statements of ZERO Corporation and subsidiaries not presented separately herein), appearing in this Annual Report on Form 10-K of Applied Power Inc.

DELOITTE & TOUCHE LLP
Los Angeles, California
November 20, 1998

CONSENT OF INDEPENDENT ACCOUNTANTS

Exhibit 23.3
(1998 10-K)

We consent to the incorporation by reference in Registration Statements of Applied Power Inc. on Form S-3 No. 333-47493, Form S-8 No. 33-18140, No. 33-21250, No. 33-24197, No. 33-38719, No. 33-38720, No. 33-62658, No. 333-42353, No. 333-46469, No. 333-61279, No. 333-61281 and No. 333-61389 of our report dated September 30, 1998, appearing in this Annual Report on Form 10-K of Applied Power Inc. for the year ended August 31, 1998.

PRICEWATERHOUSECOOPERS LLP
Milwaukee, Wisconsin
November 20, 1998

<ARTICLE> 5

<LEGEND> This schedule contains summary financial information extracted from the audited financial statements of Applied Power Inc. for the year ended August 31, 1998 and is qualified in its entirety by reference to such financial statements.

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<LEGEND> This schedule contains summary financial information extracted from the audited financial statements of Applied Power Inc. for the year ended August 31, 1997 and is qualified in its entirety by reference to such financial statements.

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<LEGEND> This schedule contains summary financial information extracted from the audited financial statements of Applied Power Inc. for the year ended August 31, 1996 and is qualified in its entirety by reference to such financial statements.

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