

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

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): June 5, 1998

APPLIED POWER INC.

-----  
(Exact name of Registrant as specified in its charter)

WISCONSIN                      1-11288                      39-0168610  
-----                      -----                      -----  
(State of incorporation)      (Commission File No.)      (I.R.S. Employer Id. No.)

13000 WEST SILVER SPRING DRIVE  
BUTLER, WISCONSIN 53007  
MAILING ADDRESS: P. O. BOX 325, MILWAUKEE, WISCONSIN 53201  
-----

(Address of principal executive offices) (Zip Code)

(414) 781-6600  
-----

(Registrant's telephone number, including area code)

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ITEM 2 ACQUISITION OR DISPOSITION OF ASSETS  
-----

ACQUISITION OF VERO

On April 23, 1998, Applied Power Inc. ("Applied Power") announced that it had reached agreement with the Board of Directors of VERO Group plc ("VERO") on the terms of a recommended cash offer (with a guaranteed loan note alternative) to be made by Applied Power Limited, a United Kingdom subsidiary of Applied Power (the "Purchaser"), to acquire the entire issued share capital of VERO. VERO stock is publicly traded on the London Stock Exchange. Pursuant to the tender offer, which would be made by Schroders, an investment banking firm, on behalf of the Purchaser would pay 157 pence in cash for each of VERO's approximately 60 million issued shares. On May 5, 1998, Pentair, Inc. ("Pentair") announced the terms of a competing cash offer (with a guaranteed loan note alternative), to be made through a wholly owned subsidiary, to acquire the entire issued share capital of VERO at a price of 170 pence per VERO share.

On May 12, 1998, Applied Power announced that the Purchaser would increase the amount of its tender offer to 192 pence for each VERO share (the "Offer"). Pentair subsequently withdrew its offer. On May 15, 1998, the Purchaser's offering documents were sent to the VERO shareholders.

On June 5, 1998, the initial tender period expired, and Applied Power announced that the Purchaser had accepted for payment all the VERO shares which had been tendered pursuant to the Offer at a price of 192 pence per share, net to the seller in cash. The Offer price values VERO's entire issued share capital at approximately (Pounds)115.5 million, or approximately \$193 million. The tendered shares accepted for payment on June 5, 1998 totaled over 72% of the outstanding VERO shares. The Purchaser had previously acquired approximately 10% of VERO's shares, so that after accepting the shares tendered, the Purchaser owned or had accepted over 82% of VERO's shares. The shares accepted were paid for on June 19, 1998.

The Offer remained open. On June 19, 1998, the Purchaser announced that the 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. The Purchaser also announced 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, so that after the required procedures are completed, the Purchaser will own all of the issued share capital of VERO.

VERO is a United Kingdom company that manufactures electronic enclosures,

racks, backplanes and power supplies. The acquisition of VERO will broaden Applied Power's electronic enclosures capabilities in Europe, and VERO's backplanes and power supplies products will strengthen Applied Power's overall product offerings. In calendar year 1997, VERO earned (Pounds)10.3 million of operating profit (approximately \$17 million) on sales of (Pounds)101.2 million (approximately \$170 million). Of those 1997 sales, 19% were outside Europe.

VERO's Annual Report for the year ended December 31, 1997 described VERO's business as follows:

VERO is a leading international supplier of three inter-related product lines-racks, subracks and enclosures, which house electronic equipment both indoors and outdoors; plug-in power supplies, which convert AC or DC voltages to that required by electronic equipment; and multi-layer circuit board backplanes, which interconnect a number of sophisticated electronic units within a single subrack or enclosure.

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Applied Power is undertaking a thorough review of VERO's operations and studying the manner in which its operations can best be optimized within Applied Power, and intends to take such actions as a result of this review as may be deemed appropriate under the circumstances. Applied Power currently intends to continue the primary business operations of VERO, and to continue to use the physical assets of VERO's primary business operations for that purpose, while integrating such operations with its own.

#### FINANCING OF THE OFFER

The total amount of funds required if all of the VERO shares are acquired is currently estimated to be approximately \$195 million, including related fees and expenses. The Purchaser obtained all of the funds it expended from Applied Power. To provide the necessary funds, Applied Power and Enerpac B.V., a Netherlands subsidiary of Applied Power, as Borrowers, entered into a Multicurrency Credit Agreement, dated as of June 18, 1998 (the "Credit Agreement") with Bank of America National Trust and Savings Association as Administrative Agent, The First National Bank of Chicago, as Syndication Agent, Societe Generale, as Documentation Agent, and various financial institutions from time to time party thereto as Lenders, providing for a \$700 million 5-year revolving credit facility (the "Facility"). The Credit Agreement was arranged by BancAmerica Robertson Stephens.

In conjunction with the closing of the Facility, Applied Power terminated its prior \$350 million 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 is to be used to finance the remaining expenses of the Offer, provide for working capital, capital expenditures, and for other general corporate purposes.

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#### ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

##### (a) Financial Statements of Businesses Acquired:

The following financial statements of VERO prepared in accordance with generally accepted accounting principles in the United Kingdom are included herein from pages 17 through 35 of VERO's 1997 Annual Report which is filed herewith as Exhibit 99.1. These financial statements are not the statutory accounts of VERO. The statutory accounts for the years ended December 31, 1997 and 1996 have been delivered to the Registrar of Companies for England and Wales and the auditors' reports thereon were unqualified:

Report of Independent Auditors

Consolidated Profit and Loss Account for the years ended December 31, 1997 and 1996

Consolidated Balance Sheet as of December 31, 1997 and 1996

Consolidated Cash Flow Statement for the years ended December 31, 1997 and 1996

Consolidated Statement of Total Recognized Gains and Losses for the years ended December 31, 1997 and 1996

Reconciliation of Movements in Consolidated Shareholders' Fund for the years ended December 31, 1997 and 1996

Company Balance Sheet as of December 31, 1997 and 1996

Accounting Policies

(b) Pro Forma Financial Information:

The following unaudited pro forma condensed consolidated financial statements of Applied Power Inc. and subsidiaries, reflecting the acquisition of VERO, are filed herewith:

Introduction to Pro Forma Condensed Consolidated Financial Statements of Applied Power Inc. and VERO Group plc.

Applied Power Inc. and VERO Group plc Pro Forma Condensed Consolidated Balance Sheet as of February 28, 1998 and the related Pro Forma Condensed Consolidated Statement of Earnings for the six months then ended (unaudited)

Pro Forma Condensed Consolidated Statement of Earnings for the year ended August 31, 1997. (unaudited)

Notes to Pro Forma Condensed Consolidated Financial Statements (unaudited).

(c) Exhibits:

See the Exhibit Index following the Signature page of this Report, which is incorporated herein by reference.

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SIGNATURE

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

APPLIED POWER INC.

Date: June 22, 1998

By: /s/Robert C. Arzbaecher  
 -----  
 Robert C. Arzbaecher,  
 Vice President and  
 Chief Financial Officer

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APPLIED POWER INC.

EXHIBIT INDEX  
 TO  
 FORM 8-K CURRENT REPORT  
 Date of Report: June 5, 1998

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Exhibit Number	Description	Filed Herewith
- - - - -	- - - - -	- - - - -
<S>	<C>	<C>
4.1	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 Americ National Trust and Savings Association, as Administrative Agent, arranged by BancAmerica Robertson Stephens	X
23	Consent of Ernst & Young	X
99.1	Consolidated balance sheet of VERO Group plc and subsidiaries as of December 31, 1997 and 1996 and related consolidated profit and loss account and	X

cash flow for each of the two years in the period ended December 31, 1997, and the notes thereto and auditors' report thereon, included herein in Item 7(a) of this report

</TABLE>

MULTICURRENCY CREDIT AGREEMENT

dated as of June 18, 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

BancAmerica Robertson Stephens

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Exhibit I	Form of Competitive Bid Request
Exhibit J	Form of Competitive Bid

(v)

MULTICURRENCY CREDIT AGREEMENT

THIS MULTICURRENCY CREDIT AGREEMENT (this "Agreement") dated as of June 18, 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, Applied Power Europe S.A., certain financial institutions and BofA, as Agent, are parties to a Multicurrency Credit Agreement dated as of October 23, 1997 (the "Existing Credit Agreement");

WHEREAS, the Company has offered to purchase the capital stock of VERO Group plc pursuant to a recommended increased cash offer;

WHEREAS, the Company and the Subsidiary Borrower wish to enter into this Credit Agreement for the purpose of repaying the indebtedness under the Existing Credit Agreement 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 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.

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

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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.

"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 Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Agreed Alternative Currency" has the meaning specified in Section

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2.5(e).

"Agreement" means this Multicurrency Credit Agreement.

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

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

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

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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 0.75%.

"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 0.225%.

"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%

"Arranger" means BancAmerica Robertson Stephens, a Delaware

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corporation.

"Assignee" has the meaning specified in Section 11.8.

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"Assignment and Acceptance Agreement" has the meaning specified in

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Section 11.8.

"Attorney Costs" means and includes all reasonable fees and

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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

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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

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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).

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

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above

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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

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on the Base Rate.

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

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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.

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

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such Bid Loan to the Company.

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

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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

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Association, a national banking association.

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

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Borrowing means a borrowing hereunder consisting of Loans of the

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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

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Section 2.3.

"Bridge Credit Agreement" means the Multicurrency Credit Agreement

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dated as of April 30, 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

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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

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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  
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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  
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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.  
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"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 Section  
-----  
2.1, and may be an Offshore Rate Loan or a Base Rate Loan (each, a

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"Type" of Committed Loan).  
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"Committed Note" means a promissory note of a Borrower  
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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.  
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"Competitive Bid Request" has the meaning specified in Section  
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2.7(a).

"Compliance Certificate" means a certificate substantially in the  
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form of Exhibit C.  
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"Computation Period" means any period of four consecutive Fiscal  
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Quarters ending on the last day of a Fiscal Quarter.

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

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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 up to a maximum of \$15,000,000.

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

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"Conversion/Continuation Date" means any date on which, under  
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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  
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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, 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,  
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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  
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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).  
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"Deutsche Mark" means lawful money of the Federal Republic of  
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Germany.

"Disclosure Schedule" means the Disclosure Schedule attached hereto  
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as Schedule 1.1.

7

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

"Domestic Subsidiary" means a Subsidiary that is created or  
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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 the sum of (a)  
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Consolidated Net Income for such period, plus (b) the aggregate amount  
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deducted with respect to federal, state, local and foreign income taxes in determining such Consolidated Net Income, plus (c) Consolidated Interest  
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Expense for such period; plus (d) depreciation and amortization; provided,  
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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  
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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.  
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"Environmental Laws" means all applicable federal, state or local  
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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,  
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as 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

8

also refer to any successor sections.

"Eurodollar Reserve Percentage" has the meaning specified in the  
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definition of "Offshore Rate".

"Euro" means the single currency of participating member states of  
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the European Union.

"Event of Default" means any of the events described in Section  
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8.1.

"Existing Credit Agreement" has the meaning specified in the  
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recitals.

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

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(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  
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(b) the sum of

(i) Consolidated Interest Expense for such period,

plus

(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

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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

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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

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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.

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"Hazardous Material" means

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(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,

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(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.

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

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

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indenture, mortgage, document or writing (whether by formal agreement, letter or otherwise) under which any

11

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

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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

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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

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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:

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(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; and

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

"Investment" means, with respect to any Person:

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(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 Lira" means the lawful currency of the Republic of Italy.

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"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 Note Guaranty 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.

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"Loan Note Guarantor" means Bank of America National Trust and Savings  
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Association, London branch.

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"Loan Note Guaranty" means a payment guaranty of the Loan Note  
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Guarantor of the Loan Notes pursuant to the Deed constituting Floating Rate  
Unsecured Loan Notes due 2003.

"Loan Note Guaranty Obligations" means at any time the sum of (a) the  
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aggregate undrawn amount of the Loan Note Guaranty (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  
Guaranty, including all Loan Note Advances.

"Loan Notes" means notes issued by Applied Power Limited to individual  
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Vero 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  
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the Board of Governors of the Federal Reserve System.

"Material Adverse Effect" means a material adverse effect on (a) the  
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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  
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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;  
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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  
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Exhibit A.

"Notice of Conversion/Continuation" means a notice in substantially  
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the form of Exhibit B.

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

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"Offshore Currency" means Guilders, Sterling, Deutsche Marks, Yen,  
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French Francs, Italian Lira and Swiss Francs.

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

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

Offshore Rate = LIBOR  
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1.00 - Eurodollar Reserve Percentage

Where,

"Eurodollar Reserve Percentage" means for any day for any Interest  
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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  
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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  
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on the Offshore Rate, and may be an Offshore Currency Loan or a Loan denominated in Dollars.

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"Organic Document" means, relative to each of the Borrowers, its  
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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  
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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  
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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).  
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"PBGC" means the Pension Benefit Guaranty Corporation and any entity  
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succeeding to any or all of its functions under ERISA.

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

"Permitted Receivables Securitization" means any receivables purchase  
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agreement entered into by the Company (as such agreement may be amended, modified, or refinanced).

"Person" means any natural person, corporation, partnership, trust,  
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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.  
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"Pricing Level" means the Pricing Level on the Pricing Grid which is  
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applicable from time to time in accordance with Section 2.12.

16

"Pro Rata Share" means, as to any Bank at any time, the percentage  
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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.  
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"Required Banks" means Banks having an aggregate Pro Rata Share of the  
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Commitments of 51% or more; provided that after the Commitments have been  
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irrevocably terminated (through lapse of time, pursuant to Section 7.2 or  
otherwise), "Required Banks" shall mean one or more Banks having an  
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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  
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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  
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Conservation and Recovery Act, 42 U.S.C. Section 690, et seq., as in effect  
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from time to time.

"Same Day Funds" means (a) with respect to disbursements and payments  
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in Dollars, immediately available funds, and (b) with respect to  
disbursements and payments 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.  
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"Shareholders' Equity" means, at any date of determination, all  
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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  
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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

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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  
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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.

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

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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.

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"Suretyship Liability" means any agreement, undertaking or other

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

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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.

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"Swiss Francs" means lawful money of Switzerland.

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

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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,

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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) June 18, 2003, or

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(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".

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

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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

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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  
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section 3(1) of ERISA.

"Yen" means lawful money of Japan.  
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"Zero" means Zero Corporation, a Delaware corporation.  
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"Zero Acquisition" means the acquisition by the Company or a wholly  
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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  
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equally applicable to the singular and plural forms of the defined terms.

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(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.

(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  
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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.

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computation is required to be made, for purposes hereof, such determination or  
computation shall be made in accordance with GAAP; provided that such  
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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  
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(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

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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.

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

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have been in if no change in currency had occurred.

## ARTICLE II

### THE CREDITS

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

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

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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 the 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");

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

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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

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Equivalent of all outstanding Committed Loans of the Subsidiary Borrower exceed the lesser of (x) \$100,000,000 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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The Committed Loans made by each Bank shall be evidenced by a Committed Note from each Borrower payable to the order of such Bank. 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 Committed Note or Bid Note, as the case may be, all such Committed Loans or Bid Loans, as the case may be, 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.

### II.3 Procedure for Committed Borrowing.

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(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)

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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 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

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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

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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

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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, 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:

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- (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.

(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.  
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(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").

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(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 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 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

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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 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

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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

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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;

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(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.

(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

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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 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:

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(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 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.

(b) Mandatory Reduction of Commitments. If as of May 31, 2001, the

Debt to EBITDA Ratio is more than 2.0 to 1.0, the aggregate Commitments then in effect shall be permanently reduced by the amount of \$75,000,000. If as of May 31, 2002, the Debt to EBITDA Ratio is more than 2.0 to 1.0, the aggregate Commitments then in effect shall be permanently reduced by \$75,000,000. Upon any such reduction, any outstanding Loans in excess of the reduced Commitments shall be repaid immediately. Any reduction of the Commitments shall be applied to each Bank's Commitment according to its Pro Rata Share.

(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 (i) at the end of the prior Fiscal Year or (ii) in the case of Funded Debt issued prior to August 31, 1998, the amount of Funded Debt at May 31, 1998) 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 by the amount of the following percentages of net proceeds of such Debt:

<TABLE>  
<CAPTION>

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%

</TABLE>  
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. 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 minimum Dollar Equivalent amounts of \$10,000,000 or any multiple of \$1,000,000 in excess thereof. 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

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the Administrative 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

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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.

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(a) The Borrowers shall repay to the Banks on the Termination Date the

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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.

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(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 and, at the Company's option, five Business Days after the receipt of a certificate by the Administrative Agent that the Zero Acquisition has been completed and calculating the Debt to EBITDA Ratio giving effect to the Zero Acquisition; it being understood that if the Company fails to deliver the 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 VI.

(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

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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.

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

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to the Arranger for the 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 Arranger and the

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Administrative Agent dated June 8, 1998, as supplemented.

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

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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 August 31, 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 August 31, 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 Note Guaranty Obligation 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

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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

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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 August 31, 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 August 31, 1998 through the Termination Date, with the final payment to be made on the Termination Date. For purposes of calculating the utilization fee, Bid

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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

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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 August 31, 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 outstanding Loan Note Guaranty 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 August 31, 1998 through the Termination Date, with the final payment to be made on the Termination Date.

II.14 Computation of Fees and Interest.

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(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

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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.

(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 Loan and the outstanding 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 Loan and the outstanding amount of the Loan Note Guaranty.

(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.

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(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

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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 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.

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(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

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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

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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 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

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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 GUARANTY

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III.1 Risk Participations, Drawings and Reimbursements.

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(a) Each Bank shall be deemed to, and hereby irrevocably and unconditionally purchases from the Loan Note Guarantor a participation in the Loan Note Guaranty 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 Guaranty and the amount of such drawing, respectively, in Sterling. For purposes of Section 2.1, the Loan Note Guaranty 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 Guaranty 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 Guaranty (each such date, an "Honor Date"), in an amount equal to the amount in

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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 Guaranty by 9:00 a.m. (Chicago time) on the Honor Date, the Loan Note Guarantor will promptly notify the 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

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obligated to make a Loan Note Advance 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. Any notice given by the Loan Note Guarantor or the Agent pursuant to this Section 3.1(b) may be oral if immediately confirmed in

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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

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Administrative Agent for the account of the

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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, each Bank shall make available the amount of its Loan Note Advance in Dollars to the Administrative Agent and in immediately available funds. If any Bank so notified fails to make available to the 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.

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

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under the Loan Note Guaranty, shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any set-off, counterclaim, recoupment, defense or other right which such 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

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Bank's obligation to make Committed Loans under this Section 3.1 is subject to

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the conditions set forth in Section 5.2. Nothing in this Section 3.1(d) is

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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

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by the Administrative Agent for the account of the Loan Note Guarantor of immediately available funds from the Company (i) in reimbursement of any payment made by the Loan Note Guarantor under the Loan Note Guaranty 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 Guaranty pursuant to Section 3.1 or (ii) in payment of interest thereon, the Administrative Agent

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will pay to such Bank, in the same funds as those received by the Administrative Agent for the account of the Loan Note Guarantor, 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.

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(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

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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

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agree that, in paying any drawing under the Loan Note Guaranty, the Loan Note Guarantor shall not have any responsibility to obtain any document (other than any certificates expressly required by the Loan Note Guaranty) 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 Agent-Related Person nor any of the respective correspondents, participants or assignees of the Loan Note Guarantor shall be liable to any Bank 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 Guaranty.

(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 Guaranty; provided, however, that this assumption is not intended to, and shall not,

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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 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

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Section 3.4; provided, however, anything in such clauses to the contrary

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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 Guaranty after the presentation to it by the beneficiary of certificate(s) reasonably complying with the terms and conditions of the Loan Note Guaranty. 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

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sufficiency of any instrument transferring or purporting to transfer the Loan Note Guaranty 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 Guaranty which may prove to be invalid or ineffective for any reason.

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

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paid a drawing under the Loan Note Guaranty substantially in accordance with its terms, the obligations of the Company under this Agreement and any document related to the Loan Note Guaranty to reimburse the Loan Note Guarantor for a drawing under the Loan Note Guaranty, and to repay any Loan Note Advances and any drawing under the Loan Note Guaranty 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 Guaranty under all circumstances, including the following:

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

(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 Guaranty or any other amendment or waiver of or any consent to departure from all or any of the documents related to the Loan Note Guaranty, 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 Guaranty (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 Guaranty or any unrelated transaction;

(iv) any draft, demand, certificate or other document presented under the Loan Note Guaranty 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 Guaranty;

(v) any payment by the Loan Note Guarantor under the Loan Note Guaranty against presentation of a draft or certificate that reasonably complies with the terms of the Loan Note Guaranty; or any payment made by the Loan Note Guarantor under the Loan Note Guaranty 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

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or successor to any beneficiary or any transferee of the Loan Note Guaranty, 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 Guaranty; 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

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Agent, (A) if the Loan Note Guarantor has honored any full or partial drawing request on the Loan Note Guaranty and such drawing has resulted in a Loan Note Advance hereunder, or (B) if, as of the Termination Date, the Loan Note Guaranty 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 Guaranty, 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 Guaranty expires without the application of such Cash Collateral in full, or if all Loan Note Advances with respect to the Loan Note Guaranty have been paid in full by the 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 Guaranty, 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 Guaranty pursuant to this Section 3.5 and were not applied to Loan Note Advances.  
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III.6 Third Party Beneficiary. This Article III has been entered into for

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the benefit of the Loan Note Guarantor, which has relied thereon in issuing the Loan Note Guaranty. 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.

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(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

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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 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

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such Bank.

#### IV.2 Illegality.

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(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 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 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

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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. The Borrowers shall reimburse each Bank and hold

each Bank 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.

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#### 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.

IV.6 Certificates of Banks. Any Bank claiming reimbursement or  
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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  
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Bank (an "Affected Bank") of a claim for compensation under Section 4.1, 4.2 or  
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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)

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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).

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IV.8 Survival. The agreements and obligations of the Borrowers in this  
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Article IV shall survive the payment of all other Obligations.

ARTICLE V

CONDITIONS PRECEDENT  
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V.1 Conditions of Initial Loans. The obligation of each Bank to make its  
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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  
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hereto.

(b) Notes. A Bid Note of the Company payable to the order of each  
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Bank and one Committed Note of each Borrower payable to the order of each Bank.

(c) Resolutions. Certified copies of resolutions of the Board of  
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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  
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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 &  
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Brady, counsel for the Company, in the form of Exhibit D-1 and Loeffl Claeys

Verbeke, counsel for the Subsidiary Borrower, in the form of Exhibit D-2.

(f) Opinion of Counsel for the Administrative Agent. The opinion  
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of Mayer, Brown & Platt, counsel for the Administrative Agent, in the form of  
Exhibit G.

(g) Termination of Existing Credit Agreement and Bridge Credit  
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Agreement. Evidence, reasonably satisfactory to the Administrative Agent, that  
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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

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making of the initial Loans will be, paid in full.

(h) VERO Acquisition. The Vero Acquisition shall have been  
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consummated, or shall concurrently be consummated, substantially in compliance  
with the Recommended Increased Cash Offer by J. Henry Schroeder & Co. Limited on  
behalf of Applied Power Limited dated May 15, 1998.

(i) Payment of Fees. Evidence of payment by the Company of all  
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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  
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materials as the Administrative Agent or any Bank may request.

V.2 Conditions to All Borrowings. The obligation of each Bank to make any  
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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  
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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  
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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  
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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.

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#### ARTICLE VI

#### REPRESENTATIONS AND WARRANTIES

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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  
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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

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Agreement, the borrowings hereunder, the execution and delivery of the other Loan Documents, and the 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

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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.

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(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 February 28, 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

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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 February 28, 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 Vero to the Administrative Agent and the Banks, including the audited consolidated balance sheet at December 31, 1997 and the related 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 periods 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.

(d) Pro Forma Financial Statement. The pro forma financial

statement and compliance certificate of the Company and its Subsidiaries as of May 31, 1998, giving effect to the Vero Acquisition, fairly presents the financial condition of the Company and its Subsidiaries as of the date thereof.

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VI.5 No Material Adverse Change. 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 or December 31, 1997 with respect to Vero 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.

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 L of the Company's 1996 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

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"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, and none of the matters disclosed on such Schedule has had or is reasonably likely to have a Material Adverse Effect. 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 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, and none of the matters disclosed on such Schedule has had or is reasonably likely to have a Material Adverse Effect. 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 on any basis for any such investigation, notice or violation, 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. 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

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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.

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

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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

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Schedule.

VI.20 Solvency. Each of the Borrowers is Solvent.  
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VI.21 Year 2000 Issues. The Company and its Subsidiaries have developed  
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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.

ARTICLE VII

COVENANTS  
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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  
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Administrative Agent and each Bank:

(a) Audit Report. Promptly when available and in any event within  
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90 days after the close of each Fiscal Year,

(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 cashflow 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  
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within 60 days after the end of each Fiscal Quarter (except the last Fiscal Quarter of each Fiscal Year),

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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  
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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

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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.

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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 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) Other Information. From time to time such other information

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concerning the Company and its Subsidiaries as any Bank or the Administrative Agent may reasonably request.

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VII.2 Books, Records and Inspections. Keep, and cause each Subsidiary to

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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

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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,

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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

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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 books adequate reserves with respect thereto.

VII.5 Maintenance of Existence, etc. Maintain and preserve, and (subject

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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.

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(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 3.75 to 1.0 at any time through August 31, 1999, 3.50 to 1.0 at any time thereafter through August 31, 2000 or 3.25 to 1.0 at any time thereafter.

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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 Zero Acquisition and the Vero 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 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 and (iii) 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.

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

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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 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

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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 \$8,000,000 prior to the Zero Acquisition or \$12,000,000 after the Zero Acquisition.

VII.10 Use of Proceeds. Use the proceeds of the Loans to repay its Debt

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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 Vero Acquisition and the Zero 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, other than stock of Zero which shall be retired upon such purchase, or (b) purchasing or otherwise acquiring any

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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

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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

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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

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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

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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,  
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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 \$750,000; 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

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and its Subsidiaries is reasonably expected to be less than \$750,000.

VII.15 Unconditional Purchase Obligations. Not, and not permit any  
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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,  
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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  
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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 Section 7.7 or Section 7.21.

VII.18 The Company's and Subsidiaries' Stock. The Company will not, nor  
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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  
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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  
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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

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\$50,000,000) in excess at any time outstanding of (a) 23% of the net worth of the Company and the Subsidiaries on a consolidated basis prior to the acquisition of Zero or (b) 17% of the net worth of the Company and the Subsidiaries on a consolidated basis after the acquisition of Zero.

VII.21 Sales of Assets. Not, and not permit any Subsidiary to, except in  
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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 Year do not exceed 10% of

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Tangible Net Assets (measured as of the last day of the most recently ended Fiscal Year).

ARTICLE VIII

EVENTS OF DEFAULT AND THEIR EFFECT  
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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.

(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

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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 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 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

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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

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\$2,000,000

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(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

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occur.

(j) Material Adverse Effect. Any event shall occur which, in the

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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

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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 indefeasible payment of the Obligations and the termination of the Commitments.

VIII.2 Effect of Event of Default. If any Event of Default described in

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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.

#### ARTICLE IX

##### THE ADMINISTRATIVE AGENT

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IX.1 Appointment and Authorization; Administrative Agent. Each Bank

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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

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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.

IX.2 Delegation of Duties. The Administrative Agent may execute any of  
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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 Agent-Related Persons  
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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.  
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(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,

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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.

(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  
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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

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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 Agent-

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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 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

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and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this 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.

IX.7 Indemnification of Administrative Agent. Whether or not the

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transactions contemplated hereby are consummated, the Banks shall indemnify upon demand the 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,

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however, that no Bank shall be liable for the payment to the Agent-Related

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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

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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

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the request of the Required Banks shall, resign as Administrative Agent upon 30 days' notice to the Banks.

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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 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.

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(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

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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 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

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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

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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

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X.1 Guarantee from the Company. In order to induce the Banks to agree to

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make Loans to the Subsidiary Borrower under this Agreement and to induce the Loan Note Guarantor to issue the Loan Note Guaranty, 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").

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X.2 Expenses. The Company irrevocably and unconditionally agrees to pay

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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

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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

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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

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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

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a guaranty 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

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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

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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

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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

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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

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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

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XI.1 Amendments and Waivers. No amendment or waiver of any provision of

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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

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,

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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);

(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;

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(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

(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

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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

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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 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:

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(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 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

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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

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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 party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided, that

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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

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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

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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.

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(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

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Loans, the Commitments and the other rights and obligations of such Bank hereunder, in a minimum amount of the lesser of (i)

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\$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

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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

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Acceptance") and (iii) the assignor Bank or Assignee has paid to the

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Administrative Agent a processing fee in the amount of \$3,000.

(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

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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;

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provided, however, that (i) the Originating Bank's obligations under this

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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

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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

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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 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

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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

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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

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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

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(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

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failure to give such notice shall not affect the validity of such set-off and application.

XI.11 Notification of Addresses, Lending Offices, Etc. Each Bank shall

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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

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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

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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

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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.  
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(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  
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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 LAW.

XI.16 Waiver of Jury Trial. THE BORROWERS, THE BANKS, AND THE  
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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,  
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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).

XI.18 Entire Agreement. This Agreement, together with the other Loan  
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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.

APPLIED POWER INC.

By: /s/ Donald Cleveland

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Title: Assistant Treasurer  
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ENERPAC B.V.

By: /s/ Donald Cleveland

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Title: Authorized Representative  
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S-1

BANK OF AMERICA NATIONAL TRUST AND  
SAVINGS ASSOCIATION,  
as Administrative Agent and a Bank

By: /s/ M. H. Claggett

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Title: Vice President  
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S-2

THE FIRST NATIONAL BANK OF CHICAGO, as  
Syndication Agent and as a Bank

By: /s/ Kevin Gillen

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Title: Vice President  
-----

S-3

SOCIETE GENERALE, CHICAGO BRANCH, as  
Documentation Agent and as a Bank

By: /s/ Eric E. O. Siebert Jr.

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Title: Director  
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S-4

FIRST UNION NATIONAL BANK

By: /s/ Mark B. Pelle

-----  
Title: Senior Vice President  
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S-5

PNC BANK, NATIONAL ASSOCIATION

By: /s/ G. Gashler

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Title: Vice President  
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S-6

THE BANK OF TOKYO-MITSUBISHI, LTD.  
CHICAGO BRANCH

By: /s/ Hajime Watanabe

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Title: Deputy General Manager  
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S-7

BANK ONE, WISCONSIN

By: /s/ Ronald Carey

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Title: Vice President  
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S-8

BANKBOSTON, N.A.

By: /s/ Robert MacElhiney

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Title: Vice President  
-----

S-9

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Alan Holman

-----  
Title: Vice President  
-----

S-10

THE FUJI BANK, LIMITED

By: /s/ Peter L. Chinnici

-----  
Title: Joint General Manager  
-----

S-11

HARRIS TRUST & SAVINGS BANK

By: /s/ Andrew Peterson

-----  
Title: Vice President  
-----

S-12

M&I MARSHALL & ILSLEY BANK

By: /s/ James P. McMullen

-----  
Title: Vice President  
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By: /s/ James R. Miller

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Title: Vice President  
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S-13

NATIONSBANK, N.A.

By: /s/ Mary Carol Daly

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Title: Vice President  
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S-14

THE SANWA BANK, LIMITED,  
CHICAGO BRANCH

By: /s/ Gordon Holtby  
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Title: Vice President & Manager  
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S-15

CREDIT LYONNAIS CHICAGO BRANCH

By: /s/ Nigel R. Carter  
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Title: Vice President  
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S-16

WACHOVIA BANK, N.A.

By: /s/ John A. Robertson  
-----

Title: Senior Vice President  
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S-17

SUNTRUST BANK, CENTRAL FLORIDA, N.A.

By: /s/ Janet P. Sammons  
-----

Title: Vice President  
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CREDIT SUISSE FIRST BOSTON

By: /s/ David W. Kratovil  
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Title: Director  
-----

By: /s/ Todd C. Morgan  
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Title: Director  
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SUMITOMO BANK, LIMITED, CHICAGO BRANCH

By: /s/ Ken Ioihiro Kobayashi  
-----

Title: Joint General Manager  
-----

S-20

BANK OF NEW YORK

By: /s/ Steve Wilson  
-----

Title: Assistant Vice President  
-----

S-21

NATIONAL WESTMINSTER BANK PLC

By: /s/ Peter Stringer

Title: Senior Vice President

S-22

FIRSTAR BANK MILWAUKEE, N.A.

By: /s/ Caroline V. Krider

Title: Vice President

S-23

SCHEDULE 1.2  
PRICING GRID

<TABLE>  
<CAPTION>

PRICING	PRICING	PRICING	PRICING	PRICING	PRICING
LEVEL VI	LEVEL I	LEVEL II	LEVEL III	LEVEL IV	LEVEL V
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
Debt to EBITDA less than 3.50	more than 1.50	less than 1.50 more than 2.00	less than 2.00 more than 2.50	less than 2.50 more than 3.00	less than 3.00 more than 3.50
Offshore Margin 1.00%	0.275%	0.375%	0.500%	0.625%	0.750%
Non-Use Fee Rate 0.275%	0.1125%	0.125%	0.150%	0.175%	0.22%

</TABLE>

SCHEDULE 2.1

Commitments and  
Pro Rata Shares

<TABLE>  
<CAPTION>

Bank	Commitment	Pro Rata Share
<S>	<C>	<C>
BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION	\$50,000,000	7.14285714%
THE FIRST NATIONAL BANK OF CHICAGO	\$50,000,000	7.14285714%
SOCIETE GENERALE, CHICAGO BRANCH	\$50,000,000	7.14285714%
FIRST UNION NATIONAL BANK	\$40,000,000	5.71428572%
PNC BANK, NATIONAL ASSOCIATION	\$40,000,000	5.71428572%
U.S. BANK, NATIONAL ASSOCIATION	\$40,000,000	5.71428572%
CREDIT SUISSE FIRST BOSTON	\$40,000,000	5.71428572%
NATIONSBANK, N.A.	\$40,000,000	5.71428572%
HARRIS TRUST & SAVINGS BANK	\$30,000,000	4.28571428%
THE BANK OF TOKYO-MITSUBISHI LTD. CHICAGO BRANCH	\$25,000,000	3.57142857%
BANKBOSTON, N.A.	\$25,000,000	3.57142857%
THE FUJI BANK, LIMITED	\$25,000,000	3.57142857%
M&I MARSHALL & ILSLEY BANK	\$25,000,000	3.57142857%
THE SANWA BANK LIMITED, CHICAGO BRANCH	\$25,000,000	3.57142857%

FIRSTAR BANK MILWAUKEE, N.A.	\$25,000,000	3.57142857%
SUMITOMO BANK, LTD.	\$25,000,000	3.57142857%
SUNTRUST BANK, CENTRAL FLORIDA, N.A.	\$25,000,000	3.57142857%
BANK OF NEW YORK	\$25,000,000	3.57142857%
NATIONAL WESTMINSTER BANK PLC	\$25,000,000	3.57142857%
WACHOVIA BANK, N.A.	\$25,000,000	3.57142857%
CREDIT LYONNAIS CHICAGO BRANCH	\$25,000,000	3.57142857%
BANK ONE, WISCONSIN	\$20,000,000	2.85714286%
	-----	
TOTAL	\$700,000,00	100.00%

</TABLE>

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

PNC Bank, National Association  
- - - - -  
as a Bank

Domestic and Offshore Lending Office:

PNC Bank, National Association  
249 Fifth Avenue  
Pittsburgh, PA 15222

Notices (other than Borrowing Notices and Notices  
of Conversion/Continuation):

PNC Bank, National Association  
500 West Madison Street  
Suite 3140  
Chicago, IL 60661  
Attention: Richard T. Jander/Tina Johnson  
Telephone: (312) 906-3440/906-3403  
Facsimile: (312) 906-3420

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

Bank One, Wisconsin

-----  
as a Bank

Domestic and Offshore Lending Office:

Bank One, Wisconsin  
111 East Wisconsin Avenue  
Milwaukee, WI 53201  
Attention: Ron Carey  
Telephone: (414) 765-2932  
Facsimile: (414) 765-2288

Notices:

Bank One, Wisconsin  
111 East Wisconsin Avenue  
Milwaukee, WI 53201  
Attention: Ron Carey  
Telephone: (414) 765-2932  
Facsimile: (414) 765-2288

BankBoston, N.A.

-----  
as a Bank

Domestic and Offshore Lending Office:

BankBoston, N.A.  
100 Federal Street  
Lg. Corp. 01-09-05  
Boston, MA 02110  
Attention: Robert W. MacElhiney  
Telephone: (617) 434-7068  
Facsimile: (617) 434-6685

Notices (other than Borrowing Notices and Notices  
of Conversion/Continuation):

BankBoston, N.A.  
100 Federal Street  
Lg. Corp. 01-09-05  
Boston, MA 02110  
Attention: Robert W. MacElhiney  
Telephone: (617) 434-7068

Facsimile: (617) 434-6685

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

The Fuji Bank, Limited

-----  
as a Bank

Domestic and Offshore Lending Office:

The Fuji Bank, Limited

225 West Wacker Drive

Suite 2000

Chicago, IL 60606

Attention: Stephen Peca

Telephone: (312) 621-9484

Facsimile: (312) 621-0539

Notices (other than Borrowing Notices and Notices  
of Conversion/Continuation):

The Fuji Bank, Limited

225 West Wacker Drive

Suite 2000

Chicago, IL 60606

Attention: Stephen Peca

Telephone: (312) 621-9484

Facsimile: (312) 621-0539

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

NationsBank, N.A.

-----  
as a Bank

Domestic and Offshore Lending Offices:

NationsBank, N.A.  
101 N. Tryon St.  
15th Floor  
Charlotte, NC 28201  
Attention: Carole Greene  
Telephone: (704) 386-5181  
Facsimile: (704) 386-8694

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

NationsBank, N.A.  
233 South Wacker Drive  
Suite 2800  
Chicago, IL 60614  
Attention: Mary Carol Daly  
Telephone: (312) 234-5618  
Facsimile: (312) 234-5601

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

SunTrust Bank, Central Florida, N.A.

-----  
as a Bank

Domestic and Offshore Lending Office:

SunTrust Bank, Central Florida, N.A.  
200 South Orange Avenue, MC-1108  
Orlando, FL 32801  
Attention: Lois Keezel  
MC-2046  
Telephone: (407) 237-4855  
Facsimile: (407) 237-5342

Notices (other than Borrowing Notices and  
Notices of Conversion/Continuation):

SunTrust Bank, Central Florida, N.A.  
200 South Orange Avenue  
Orlando, FL 32801  
Attention: Joseph B. Kabourek  
MC-1108  
Telephone: (407) 237-4284  
Facsimile: (407) 237-6894

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

The Sumitomo Bank, Limited

-----  
as a Bank

Domestic and Offshore Lending Office:

The Sumitomo Bank, Limited  
Chicago Branch  
233 South Wacker Drive, Suite 4800  
Chicago, IL 60606-6448  
Attention: Dan Casey

Telephone: (312) 879-7672  
Facsimile: (312) 876-6436

Notices (other than Borrowing Notices and  
Notices of Conversion/Continuation):

The Sumitomo Bank, Limited

Chicago Branch  
233 South Wacker Drive, Suite 4800  
Chicago, IL 60606-6448  
Attention: Hideyo Hasagawa  
Telephone: (312) 879-7695  
Facsimile: (312) 876-1490

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  
11 Madison Avenue  
New York, NY 10010-3629  
Attention: David W. Kratovil  
Telephone: (212) 325-9155  
Facsimile: (212) 325-8309

Notices (other than Borrowing Notices and  
Notices of Conversion/Continuation):

Credit Suisse First Boston  
11 Madison Avenue  
New York, NY 10010-3629  
Attention: Ron Davis  
Telephone: (212) 322-1865  
Facsimile: (212) 335-0593

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



CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-18140, 33-21250, 33-24197, 33-38719, 33-38720, 33-62658, 333-42353, and 333-46469 pertaining to the employee share plans named on the facing sheets thereof and Form S-3 No. 333-47493) of Applied Power Inc. and in the related prospectuses, of our report dated March 23, 1998, on the consolidated financial statements of VERO Group plc as at December 31, 1997 and for the year then ended included in the Current Report (Form 8-K) of Applied Power Inc. dated June 5, 1998, filed with the Securities and Exchange Commission.

/s/Ernst & Young

-----

ERNST & YOUNG  
Chartered Accountants

Southampton, England  
June 22, 1998

VERO GROUP PLC  
REPORT OF INDEPENDENT AUDITORS

EXHIBIT 99.1

The Board of Directors  
VERO Group plc

We have audited the consolidated balance sheet of VERO Group plc as at December 31, 1997 and the related consolidated profit and loss accounts and consolidated statements of total recognized gains and losses and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to form an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with United Kingdom auditing standards which do not differ in any significant respect from United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of VERO Group plc at December 31, 1997 and the consolidated results of its operations and its consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in the United Kingdom.

/s/Ernst & Young  
-----  
ERNST & YOUNG  
Chartered Accountants

Southampton, England  
March 23, 1998

VERO GROUP PLC  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
for the year ended 31 December 1997

<TABLE>  
<CAPTION>

	Notes	YEAR TO 31 DECEMBER 1997 (Pounds) 000	Year to 31 December 1996 (Pounds) 000
<S>	<C>	<C>	<C>
TURNOVER - CONTINUING OPERATIONS	1	101,219	106,062
Cost of sales		(68,524)	(68,280)
Gross profit		32,695	37,782
Distribution costs		(13,749)	(14,411)
Administration expenses		(8,619)	(9,257)
Income from interests in associated undertakings		7	39
OPERATING PROFIT - CONTINUING OPERATIONS	2	10,334	14,153
Net interest payable	5	(312)	(562)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10,022	13,591
Taxation	6	(3,422)	(4,926)
Profit on ordinary activities after taxation		6,600	8,665
Minority interest		5	-
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		6,605	8,665
Dividends	7	(3,454)	(3,434)
Retained profit for the year	17	3,151	5,231
EARNINGS PER ORDINARY SHARE - BASIC	8	11.1P	14.7p
EARNINGS PER ORDINARY SHARE - FULLY DILUTED	8	10.9P	14.3p

</TABLE>

NOTE OF HISTORICAL COST PROFITS AND LOSSES. There is no difference between the historical cost profit and the retained profit for the year ended 31 December 1997 or 31 December 1996.

VERO GROUP PLC  
 CONSOLIDATED BALANCE SHEET  
 as at 31 December 1997

<TABLE>  
 <CAPTION>

	Notes	1997 (Pounds) 000	1996 (Pounds) 000
<S>	<C>	<C>	<C>
FIXED ASSETS			
Tangible assets	9	17,121	15,467
Investments	10	823	543
		17,944	16,010
CURRENT ASSETS			
Stocks	11	13,791	12,735
Debtors	12	18,096	17,982
Cash at bank and in hand		4,093	6,619
		35,980	37,336
CREDITORS: amounts falling due within one year			
Bank and other borrowings	13	(510)	(493)
Other creditors	13	(22,706)	(24,254)
		(23,216)	(24,747)
NET CURRENT ASSETS		12,764	12,589
TOTAL ASSETS LESS CURRENT LIABILITIES		30,708	28,599
CREDITORS: amounts falling due after more than one year			
Bank and other borrowings	14	(6,210)	(6,221)
Provision for liabilities and charges	15	(252)	(142)
		24,246	22,236
MINORITY INTERESTS		(10)	-
		24,236	22,236
CAPITAL AND RESERVES			
Called up share capital	16	3,007	3,007
Share premium account	17	18,231	18,231
Capital redemption reserve	17	9	9
Goodwill reserve	17	(11,471)	(11,301)
Profit and loss account	17	14,460	12,290
Shareholders' funds		24,236	22,236

</TABLE>

VERO GROUP PLC  
 CONSOLIDATED CASH FLOW STATEMENT  
 for the year ended 31 December 1997

<TABLE>  
 <CAPTION>

	Notes	YEAR TO 31 DECEMBER 1997 (Pounds) 000	YEAR TO 31 DECEMBER 1996 (Pounds) 000
<S>	<C>	<C>	<C>
Net cash inflow from operating activities	18 (a)	11,957	15,561
Returns on investments and servicing of finance	18 (b)	(310)	(644)
Taxation		(4,802)	(2,498)
Capital expenditure	18 (c)	(5,054)	(5,354)
Acquisitions and disposals	18 (d)	(1,057)	(1,230)
Equity dividend paid		(3,442)	(1,179)
		(2,708)	4,656
Cash (outflow)/inflow before use of liquid resources and financing		15	(2,009)
Financing increase/(decrease) in debt		(2,693)	2,647
(Decrease)/increase in cash in the year			

</TABLE>

<TABLE>  
 <CAPTION>

	Notes	YEAR TO 31 DECEMBER 1997 (Pounds) 000	YEAR TO 31 DECEMBER 1996 (Pounds) 000
<S>	<C>	<C>	<C>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
(Decrease)/increase in cash in the year		(2,693)	2,647
Cash (inflow)/outflow from movements in debt		(15)	2,009

Change in net debt resulting from cash flows		(2,708)	4,656
Exchange adjustment		176	(79)
		-----	-----
Movement in net debt in the year		(2,532)	4,577
Net debt at 1 January		(95)	(4,672)
		-----	-----
Net debt at 31 December	18 (e)	(2,627)	(95)
		-----	-----

</TABLE>

4

VERO GROUP PLC  
ADDITIONAL STATEMENTS  
for the year ended 31 December 1997

<TABLE>  
<CAPTION>

	YEAR TO 31 DECEMBER 1997 (Pounds) 000	Year to 31 December 1996 (Pounds) 000
CONSOLIDATED STATEMENT OF TOTAL RECOGNIZED GAINS AND LOSSES		
	<C>	<C>
Profit for the financial year	3,151	5,231
Exchange loss on retranslation of net assets of subsidiary undertakings	(981)	(1,872)
	-----	-----
Total recognized gains relating to the year	2,170	3,359
	-----	-----

	YEAR TO 31 DECEMBER 1997 (Pounds) 000	Year to 31 December 1996 (Pounds) 000
RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUND		
	<C>	<C>
Total recognized gains and losses	2,170	3,359
Other movements:		
Goodwill written off	(432)	(718)
Adjustment to goodwill (note 17)	262	-
	-----	-----
Net addition to shareholders' funds	2,000	2,641
Opening shareholders' funds	22,236	19,595
	-----	-----
Closing shareholders' funds	24,236	22,236
	-----	-----

</TABLE>

5

VERO GROUP PLC  
COMPANY BALANCE SHEET  
as at 31 December 1997

<TABLE>  
<CAPTION>

	Notes	1997 (Pounds) 000	1996 (Pounds) 000
	<C>	<C>	<C>
FIXED ASSETS			
Tangible assets	9	72	101
Investments	10	22,008	22,008
		-----	-----
		22,080	22,109
CURRENT ASSETS			
Debtors	12	14,368	14,000
Cash at bank and in hand		700	53
		-----	-----
		15,068	14,053
CREDITORS: amounts falling due within one year			
Bank and other borrowings	13	(3,074)	-
Other creditors	13	(8,381)	(8,512)
		-----	-----
		(11,455)	(8,512)
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		3,613	5,541
		-----	-----
		25,693	27,650
CREDITORS: amounts falling due after more than one year			
Bank and other borrowings	14	(1,500)	(3,700)
		-----	-----
		24,193	23,950
		-----	-----
CAPITAL AND RESERVES			
Called up share capital	16	3,007	3,007
Share premium account	17	18,231	18,231
Capital redemption reserve	17	9	9
Profit and loss account	17	2,946	2,703
		-----	-----
Shareholders' funds		24,193	23,950

</TABLE>

6

VERO GROUP PLC  
ACCOUNTING POLICIES  
for the year ended 31 December 1997

A summary of the principal accounting policies, which have been consistently applied throughout the year, is set out below:

- a) **BASIS OF PREPARATION** The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.
- b) **BASIS OF CONSOLIDATION** The Group accounts consolidate the accounts of VERO Group plc and all its subsidiary undertakings drawn up to 31 December each year. Undertakings, other than subsidiary undertakings, in which the Group has an investment and over which it is in a position to exercise a significant influence are treated as associated undertakings. The Group accounts include the appropriate share of associated undertakings' results and reserves.

No profit and loss account is presented for VERO Group plc as permitted by section 230 of the Companies Act 1985.

- c) **GOODWILL** Purchased goodwill is set off directly against reserves.
- d) **DEPRECIATION** Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

<TABLE>	<S>	<C>
	Freehold buildings	- over 25 years
	Leasehold buildings: more than 40 years unexpired	- over 40 years
	Leasehold buildings: less than 40 years unexpired	- equally over the life of the lease
	Plant and machinery	- over 3 years to 10 years

Assets in the course of construction are stated at cost. No depreciation is provided until the asset is brought into use.

- e) **STOCKS** Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realizable value, as follows:

<TABLE>	<S>	<C>
	Raw materials, consumables and goods for resale	- purchase cost on a first-in, first-out basis.
	Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on the normal level of activity.

Net realizable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

- f) **RESEARCH AND DEVELOPMENT** Expenditure on research and development is written off as incurred.
- g) **DEFERRED TAXATION** Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.
- h) **ADVANCE CORPORATION TAX** Advance corporation tax is carried forward only to the extent that it is recoverable in the foreseeable future.

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VERO GROUP PLC  
ACCOUNTING POLICIES  
for the year ended 31 December 1997

- i) **FOREIGN CURRENCIES** Assets and liabilities in overseas currencies are translated into sterling at the rates ruling at 31 December. Profit and loss accounts in foreign currencies are translated into sterling at the average rates applicable during the year. Exchange differences arising on opening net assets, less any loans hedging those investments, are taken directly to reserves, as are the differences arising between the translation of revenue items at average and closing rates. Exchange differences arising on trading transactions are taken to the profit and loss account.
- j) **LEASING AND HIRE PURCHASE COMMITMENTS** Assets held under finance leases and

hire purchase contracts, which are those where substantially all the risks and rewards of ownership have passed to the Group, are capitalized in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

- k) PENSIONS The Group operates defined benefit pension schemes in the UK which require contributions to be made to separately administered funds. Contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Group. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortized over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

The Group also operates defined contribution pension schemes in some overseas countries. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

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VERO GROUP PLC  
NOTES TO THE ACCOUNTS  
for the year ended 31 December 1997

1. TURNOVER AND SEGMENTAL ANALYSIS

-----  
Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of value added tax and similar taxes. Turnover and pre-tax profit are attributable to one continuing activity: the manufacture and sale of mechanical and electronic components for the electronics and telecommunications industries. Turnover, profit before taxation and net assets are analyzed as follows:

<TABLE>  
<CAPTION>

	Year to 31 December 1997 (Pounds) 000	Year to 31 December 1996 (Pounds) 000
	<C>	<C>
-----		
<S>		
TURNOVER BY GEOGRAPHICAL DESTINATION		
Sales to third parties:		
United Kingdom	36,280	33,876
Continental Europe	45,486	55,576
Rest of World	19,453	16,610
	-----	-----
	101,219	106,062
-----		
TURNOVER BY GEOGRAPHICAL ORIGIN		
Total sales (including inter-Group):		
United Kingdom	68,630	70,794
Continental Europe	44,356	50,964
Rest of World	14,310	12,849
	-----	-----
	127,296	134,607
-----		
Inter-Group sales:		
United Kingdom	1,345	2,445
Continental Europe	18,949	21,180
Rest of World	5,783	4,920
	-----	-----
	26,077	28,545
-----		
Sales to third parties:		
United Kingdom	67,285	68,349
Continental Europe	25,407	29,784
Rest of World	8,527	7,929
	-----	-----
	101,219	106,062
-----		
PROFIT BEFORE TAXATION		
United Kingdom	10,507	11,944
Continental Europe	1,999	4,188
Rest of World	307	718
	-----	-----
	12,813	16,850
-----		
Common costs	(2,479)	(2,697)
Net interest payable	(312)	(562)
	-----	-----
Profit on ordinary activities before taxation	10,022	13,591
-----		

</TABLE>

VERO GROUP PLC  
 NOTES TO THE ACCOUNTS  
 for the year ended 31 December 1997

<TABLE>  
 <CAPTION>

	YEAR TO 31 DECEMBER 1997 (Pounds) 000	Year to 31 December 1996 (Pounds) 000
1. TURNOVER AND SEGMENTAL INFORMATION continued		
<S>	<C>	<C>
NET ASSETS		
United Kingdom	15,893	14,052
Continental Europe	11,606	11,187
Rest of World	4,552	3,671
Unallocated net liabilities	(7,815)	(6,674)
	24,236	22,236
Unallocated net assets/(liabilities) comprise:		
Cash at bank and in hand	4,093	6,619
Bank overdrafts	(334)	(231)
Loans	(6,386)	(6,483)
Net tax liabilities	(2,659)	(4,182)
Deferred taxation	(252)	(142)
Dividend payable	(2,267)	(2,255)
Minority interests	(10)	-
Unallocated net liabilities	(7,815)	(6,674)

</TABLE>

<TABLE>  
 <CAPTION>

	YEAR TO 31 DECEMBER 1997 (Pounds) 000	Year to 31 December 1996 (Pounds) 000
2. OPERATING PROFIT		
Operating profit is stated after charging:		
<S>	<C>	<C>
Auditors' remuneration - audit services - UK	50	38
- audit services - overseas	53	38
- non-audit services - UK	59	58
- non-audit services - overseas	43	58
Depreciation	3,290	2,956
Research and development expenditure	1,293	1,218
Operating lease rentals - land and buildings	2,189	1,959
- other	793	579

</TABLE>

<TABLE>  
 <CAPTION>

	YEAR TO 31 DECEMBER 1997 NUMBER	Year to 31 December 1996 number
3. EMPLOYEE INFORMATION		
The average monthly number of persons (including executive directors) employed by the Group was:		
<S>	<C>	<C>
Management and administration	147	133
Manufacturing, sales and distribution	1,520	1,431
	1,667	1,564
Aggregate staff costs (for the above persons)	(Pounds) 000	(Pounds) 000
Wages and salaries	30,653	29,886
Social Security costs	4,107	4,177
Other pension costs	1,414	1,450
	36,174	35,513

</TABLE>

<TABLE>  
 <CAPTION>

	YEAR TO 31 DECEMBER 1997 (Pounds) 000	Year to 31 December 1996 (Pounds) 000
4. DIRECTORS' EMOLUMENTS		
<S>	<C>	<C>
Fees - paid to directors	48	39
- paid to third parties	18	18



<CAPTION>

9. TANGIBLE FIXED ASSETS GROUP	Land and buildings (Pounds) 000	Assets in course of construction (Pounds) 000	Plant machinery & motor vehicles (Pounds) 000	Total (Pounds) 000
<S>	<C>	<C>	<C>	<C>
COST				
At 1 January 1997	3,504	1,369	14,346	19,219
Additions	76	584	4,828	5,488
Disposals	(87)	-	(628)	(715)
Reclassifications	115	(1,022)	907	-
Exchange adjustment	(458)	(89)	(937)	(1,484)
At 31 December 1997	3,150	842	18,516	22,508
DEPRECIATION				
At 1 January 1997	504	-	3,248	3,752
Charge for the year	127	-	3,163	3,290
Disposals	(85)	-	(598)	(683)
Reclassifications	1	-	(1)	-
Exchange adjustment	(195)	-	(777)	(972)
At 31 December 1997	352	-	5,035	5,387
NET BOOK VALUE				
At 31 December 1997	2,798	842	13,481	17,121
At 31 December 1996	3,000	1,369	11,098	15,467

</TABLE>

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<TABLE>  
<CAPTION>

9. TANGIBLE FIXED ASSETS CONTINUED COMPANY	Land and buildings (Pounds) 000	Assets in course of construction (Pounds) 000	Plant machinery & motor vehicles (Pounds) 000	Total (Pounds) 000
<S>	<C>	<C>	<C>	<C>
COST				
At 1 January 1997	-	-	158	158
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 1997	-	-	158	158
DEPRECIATION				
At 1 January 1997	-	-	57	57
Charge for the year	-	-	29	29
Disposals	-	-	-	-
At 31 December 1997	-	-	86	86
NET BOOK VALUE				
At 31 December 1997	-	-	72	72
At 31 December 1996	-	-	101	101

</TABLE>

<TABLE>  
<CAPTION>

The net book value of land and building comprises:	GROUP 1997 (Pounds) 000	Group 1996 (Pounds) 000
<S>	<C>	<C>
Freehold	2,109	2,487
Long leasehold	-	-
Short leasehold	689	513
	2,798	3,000

</TABLE>

<TABLE>  
<CAPTION>

10. INVESTMENTS Group - associated undertakings	Share of net tangible assets (Pounds) 000
<S>	<C>
At 1 January 1997	543
Exchange adjustment	(25)
Second call on shares in VERO President Systems Limited	262
Investment in VERO Austin Electronics (China) Limited	39

At 31 December 1997

823

&lt;/TABLE&gt;

Income of (Pounds)7,000 and tax of (Pounds)3,000 have been dealt with in the profit and loss account for the year in respect of associated undertakings.

During the year a second call was made on the shares issued by VERO President Systems Limited at the time of its flotation. The Group did not subscribe for any such shares and therefore is not required to make a further payment. The Group only recognizes its share of the increased net assets on a received basis. During the year, the Group's share of net tangible assets increased by (Pounds)262,000 with an appropriate adjustment to goodwill (note 17).

The shares of the associated undertaking, VERO President Systems Limited, are listed on the Pune and Bangalore stock exchanges in India. As at 31 December 1997 the market value of those shares was (Pounds)1,300,000.

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VERO GROUP PLC  
NOTES TO THE ACCOUNTS  
for the year ended 31 December 1997

## 10. INVESTMENTS CONTINUED

During the year the Group set up VERO Austin Electronics (China) Limited, a company registered in Hong Kong. VERO Austin Electronics (China) Limited is a distributor of networking products into the Hong Kong Chinese region. The Group's interest in the company is 50%.

<TABLE>  
<CAPTION>

Company	Subsidiary undertaking (Pounds) 000	Associated undertaking (Pounds) 000	Total (Pounds) 000
<S>	<C>	<C>	<C>
At 1 January and 31 December 1997	20,778	1,230	22,008

Details of the principal investments in which the Group or the Company holds more than 10% of the nominal value of any class of share capital are as follows:

<TABLE>  
<CAPTION>

NAME OF SUBSIDIARY UNDERTAKINGS	Holding	Country of Registration (or incorporation) and operation
<S>	<C>	<C>
VERO Electronics Limited	100%	England
VERO Electronics Overseas Investments Limited	100%	England
*VERO Electronics SA	100%	France
*VERO Electronics GmbH	100%	Germany
*VERO Electronics SrL	100%	Italy
*VERO Electronics AB	100%	Sweden
*VERO Electronics Inc.	100%	USA
*VERO Electronics Pte Limited	60%	Singapore

During the year the Group set up VERO Electronics Pte Limited, a company registered in Singapore. VERO Electronics Pte Limited is a distributor of electronic components into the ASEAN region. The Group's interest in the company is 60%.

<TABLE>  
<CAPTION>

NAME OF ASSOCIATED UNDERTAKINGS	Holding	Country of Registration (or incorporation) and operation
<S>	<C>	<C>
VERO President Systems Limited	35%	India
*VERO Austin Electronics (China) Limited	50%	Hong Kong

VERO Electronics Overseas Investments Limited acts as the intermediate holding company for overseas subsidiary undertakings. All other subsidiary and associated undertakings are principally engaged in the manufacture and sale of mechanical and electronic components for the electronics and telecommunications industries (\*denotes that shares are held through an intermediate holding company).

The issued share capital of VERO President Systems Limited is 5,040,000 ordinary shares of Rs 10 each.

The issued share capital of VERO Austin Electronics (China) Limited is 1,010,000

<TABLE>  
<CAPTION>

	GROUP 1997 (Pounds) 000	Group 1996 (Pounds) 000
11. STOCKS		
<S>	<C>	<C>
Raw materials	3,228	3,126
Work in progress	3,891	2,959
Finished goods and goods for resale	6,672	6,650
	13,791	12,735

</TABLE>

The difference between purchase price or production cost of stock and their replacement cost is not significant.

<TABLE>  
<CAPTION>

	GROUP		COMPANY	
	1997 (Pounds) 000	1996 (Pounds) 000	1997 (Pounds) 000	1996 (Pounds) 000
12. DEBTORS				
<S>	<C>	<C>	<C>	<C>
Trade debtors	16,126	16,569	-	-
Amounts owed by subsidiary undertakings	-	-	11,603	11,234
Overseas tax	239	129	-	-
Advance corporation tax	130	346	567	564
Deferred tax (note 15)	-	-	29	26
Other debtors	377	214	70	103
Prepayments and accrued income	1,224	724	22	14
Dividends receivable	-	-	2,077	2,059
	18,096	17,982	14,368	14,000

</TABLE>

<TABLE>  
<CAPTION>

	GROUP		COMPANY	
	1997 (Pounds) 000	1996 (Pounds) 000	1997 (Pounds) 000	1996 (Pounds) 000
Amounts falling due after more than one year included above are:				
<S>	<C>	<C>	<C>	<C>
Overseas tax	110	129	-	-
Advance corporation tax	130	346	864	564
Deferred taxation	-	-	29	26
Other debtors	4	-	-	-
Prepayments and accrued income	62	-	-	-
	306	475	893	590

</TABLE>

<TABLE>  
<CAPTION>

	GROUP		COMPANY	
	1997 (Pounds) 000	1996 (Pounds) 000	1997 (Pounds) 000	1996 (Pounds) 000
13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
<S>	<C>	<C>	<C>	<C>
Current installments due on loans (note 14)	176	262	-	-
Bank overdraft (note 14)	334	231	3,074	-
Trade creditors	9,083	7,152	-	-
Amounts owed to subsidiary undertakings	-	-	4,870	4,840
Current corporation tax	2,018	3,327	-	119
Overseas tax	146	471	-	-
Advance corporation tax	864	859	864	859
Other taxes and social security costs	1,609	1,885	24	27
Other creditors	2,984	3,525	208	115
Accruals	3,735	4,780	148	297
Dividend payable	2,267	2,255	2,267	2,255
	23,216	24,747	11,455	8,512

</TABLE>

Included in other creditors is an amount of (Pounds)525,000 (1996: (Pounds)567,000) in respect of the German pension scheme.

<TABLE>  
<CAPTION>

14. BANK AND OTHER BORROWINGS	GROUP		COMPANY	
	1997 (Pounds) 000	1996 (Pounds) 000	1997 (Pounds) 000	1996 (Pounds) 000
<S>	<C>	<C>	<C>	<C>
Secured borrowings	-	-	-	-
Unsecured borrowings	6,386	6,483	1,500	3,700
Total loans	6,386	6,483	1,500	3,700
Bank overdrafts	334	231	3,074	-
	6,720	6,714	4,574	3,700

</TABLE>

Unsecured borrowings include certain borrowings on which rates of interest vary in accordance with market rates. As at 31 December 1997, these borrowings bear interest at rates of between 4.4375% and 8.5250%.

CURRENCY ANALYSIS The outstanding loans are repayable in the following currencies:	GROUP		COMPANY	
	1997 (Pounds) 000	1996 (Pounds) 000	1997 (Pounds) 000	1996 (Pounds) 000
<S>	<C>	<C>	<C>	<C>
Sterling	1,676	3,962	1,500	3,700
Deutsche Marks	1,689	889	-	-
French Francs	1,263	-	-	-
US Dollars	1,758	1,632	-	-
	6,386	6,483	1,500	3,700
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Repayable other than by installments	176	262	-	-
Repayable by installments	-	-	-	-
	176	262	-	-
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Repayable other than by installments				
Between one and two years	-	-	-	-
Between two and five years	6,210	6,221	1,500	3,700
In five years or more	-	-	-	-
	6,210	6,221	1,500	3,700

</TABLE>

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15. PROVISION FOR LIABILITIES AND CHARGES DEFERRED TAXATION	GROUP (Pounds) 000	COMPANY (Pounds) 000
<S>	<C>	<C>
At 1 January 1997	(142)	26
ACT movement	219	-
Arising during the year	(340)	3
Prior year adjustment	11	-
At 31 December 1997	(252)	29

</TABLE>

DEFERRED TAX PROVIDED IN THE ACCOUNTS	GROUP AMOUNT PROVIDED		COMPANY AMOUNT PROVIDED	
	1997 (Pounds) 000	1996 (Pounds) 000	1997 (Pounds) 000	1996 (Pounds) 000
<S>	<C>	<C>	<C>	<C>
Tax effect of timing differences:				
Excess of tax allowances over depreciation	(684)	(563)	-	-
Other short term timing differences	(5)	203	29	26
	(689)	(360)	29	26
Less: advance corporation tax recoverable	437	218	-	-
	(252)	(142)	29	26

</TABLE>

No provision has been made in respect of the tax which might become payable if the retained profits of overseas subsidiary undertakings were fully distributed to the United Kingdom because there is no current intention that such profits be remitted. There is no unprovided deferred tax.

<TABLE>  
<CAPTION>

16. SHARE CAPITAL AUTHORIZED	1997 NO.	1996 No.	1997 (Pounds)	1996 (Pounds)
<S> Ordinary shares of 5p each	<C> 75,000,000	<C> 75,000,000	<C> 3,750,000	<C> 3,750,000

</TABLE>

<TABLE>  
<CAPTION>

ALLOTTED, CALLED UP AND FULLY PAID	1997 NO.	1996 No.	1997 (Pounds)	1996 (Pounds)
<S> Ordinary shares of 5p each	<C> 60,131,827	<C> 60,131,827	<C> 3,006,591	<C> 3,006,591

</TABLE>

The Company operates a savings related share option scheme under which options to subscribe for the Company's shares have been granted to subscribing employees. At 1 January 1997 options under this scheme were outstanding over 731,633 shares at (Pounds)2.22 each, exercisable between February 2001 and August 2001. During the year options were granted over 558,116 shares at (Pounds)1.525 each, exercisable between June 2000 and June 2002. As at 31 December 1997 the total number of shares over which options were outstanding was 901,962 shares.

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VERO GROUP PLC  
NOTES TO THE ACCOUNTS  
for the year ended 31 December 1997

<TABLE>  
<CAPTION>

17. RESERVES GROUP	Share premium account (Pounds) 000	Goodwill reserve (Pounds) 000	Capital redemption reserve (Pounds) 000	Profit and loss account (Pounds) 000
<S> At 1 January 1997	<C> 18,231	<C> (11,301)	<C> 9	<C> 12,290
Retained profit for the year	-	-	-	3,151
Exchange adjustment	-	-	-	(981)
Arising on acquisition	-	(432)	-	-
Adjustment to goodwill	-	262	-	-
At 31 December 1997	18,231	(11,471)	9	14,460

COMPANY	Share premium account (Pounds) 000	Goodwill reserve (Pounds) 000	Capital redemption reserve (Pounds) 000	Profit and loss account (Pounds) 000
At 1 January 1997	18,321	-	9	2,703
Retained profit for the year	-	-	-	243
At 31 December 1997	18,321	-	9	2,946

</TABLE>

The Company's profit for the financial year amounted to (Pounds)3,697,000 (1996: (Pounds)3,589,000).

On 10 January 1997 the Group acquired the assets and liabilities of a French company, Societe de Realisations Metallurgiques SA ("SRM"). Net assets at the date of acquisition were:

<TABLE>  
<CAPTION>

	Book value (Pounds) 000	Fair value to Group (Pounds) 000
<S> Tangible fixed assets	<C> 557	<C> 557
Stock	29	29
Net assets	586	586
Goodwill arising on acquisition		432
		1,018
Discharged in cash		1,018

</TABLE>

The goodwill arising on acquisition of (Pounds)432,000 has been written off against reserves.

The adjustment to goodwill in the year reflects the increase in the Group's share of the net assets of VERO President Systems Limited following a second call on the shares it issued at the time of its flotation (note 10).

As at 31 December 1997 accumulated goodwill on acquisitions written off to reserves amounted to (Pounds)11,471,000 (1996: (Pounds)11,301,000).

Shareholders' funds are attributable to equity interests only. As at 31 December 1997 and 31 December 1996 there were no non-equity interests.

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<TABLE>  
<CAPTION>

	YEAR TO 31 DECEMBER 1997 (Pounds) 000	Year to 31 December 1996 (Pounds) 000
18. CASHFLOW		
(A) RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS		
<S>	<C>	<C>
Operating profit	10,334	14,153
Depreciation charges	3,290	2,956
Profit on disposal of tangible fixed assets	(50)	(142)
Share of profits of associated undertakings	(7)	(39)
Increase in stock	(1,456)	(125)
Increase in debtors	(921)	(278)
Increase/(decrease) in creditors and provisions	767	(964)
NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES	11,957	15,561

</TABLE>

<TABLE>  
<CAPTION>

	YEAR TO 31 DECEMBER 1997 (Pounds) 000	Year to 31 December 1996 (Pounds) 000
(B) RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
<S>	<C>	<C>
Interest received	230	200
Interest paid	(540)	(844)
	(310)	(644)

</TABLE>

<TABLE>  
<CAPTION>

	YEAR TO 31 DECEMBER 1997 (Pounds) 000	Year to 31 December 1996 (Pounds) 000
(C) CAPITAL EXPENDITURE		
<S>	<C>	<C>
Purchase of tangible fixed assets	(5,136)	(6,065)
Proceeds from sale of tangible fixed assets	82	711
	(5,054)	(5,354)

</TABLE>

<TABLE>  
<CAPTION>

	YEAR TO 31 DECEMBER 1997 (Pounds) 000	Year to 31 December 1996 (Pounds) 000
(D) ACQUISITIONS AND DISPOSALS		
<S>	<C>	<C>
Payment to acquire trade business (note 17)	1,018	-
Investments in associated undertakings	39	1,230
	1,057	1,230

</TABLE>

<TABLE>  
<CAPTION>

	1 January 1997 (Pounds) 000	Cash flow (Pounds) 000	Exchange movement (Pounds) 000	31 DECEMBER 1997 (Pounds) 000
(E) ANALYSIS OF DEBT				
<S>	<C>	<C>	<C>	<C>
Cash in hand and at bank	6,619	(2,596)	70	4,093
Overdrafts	(231)	(97)	(6)	(334)
	6,388	(2,693)	64	3,759
Debt due after 1 year	(6,221)	(101)	112	(6,210)
Debt due within 1 year	(262)	86	-	(176)
	(95)	(2,708)	176	(2,627)

</TABLE>

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<TABLE>  
 <CAPTION>

19. FINANCIAL COMMITMENTS	GROUP		COMPANY	
	1997 (Pounds) 000	1996 (Pounds) 000	1997 (Pounds) 000	1996 (Pounds) 000
CAPITAL COMMITMENTS				
-----				
<S>	<C>	<C>	<C>	<C>
Capital expenditure that has been contracted for but has not been provided for in the accounts	1,076	782	-	-
-----				

</TABLE>

<TABLE>  
 <CAPTION>

LEASING COMMITMENTS	1997		1996	
	LAND AND BUILDINGS (Pounds) 000	OTHER (Pounds) 000	Land and buildings (Pounds) 000	Other (Pounds) 000
At 31 December the Group had annual commitments under non-cancelable operating leases as follows:				
-----				
<S>	<C>	<C>	<C>	<C>
Expiring within one year	30	169	37	151
Expiring between two and five years	89	537	179	566
Expiring in over five years	2,073	-	1,947	-
-----				
	2,192	706	2,163	717
-----				

</TABLE>

<TABLE>  
 <CAPTION>

At 31 December the Company had annual commitments under non-cancelable operating leases as follows:	1997		1996	
	LAND AND BUILDINGS (Pounds) 000	OTHER (Pounds) 000	Land and buildings (Pounds) 000	Other (Pounds) 000
-----				
<S>	<C>	<C>	<C>	<C>
Expiring within one year	-	-	-	-
Expiring between two and five years	-	14	-	11
Expiring in over five years	-	-	-	-
-----				
	-	14	-	11
-----				

</TABLE>

20. PENSION COMMITMENTS

-----  
 The Group operates a number of pension schemes around the world.

The pension cost in respect of the UK pension schemes for the year ended 31 December 1997 amounted to (Pounds)1,196,000 (1996: (Pounds)1,178,000). Contributions are charged to the profit and loss account so as to spread the costs of pensions over employees' working lives within the Group.

The major scheme (which is operated in the UK) covers the majority of the Group's UK employees and is a defined benefit scheme. The assets of the scheme are held in a separately administered trust and managed by independent professional investment managers. Contributions are determined by a professionally qualified actuary on the basis of triennial actuarial valuations using the projected unit credit funding method. The latest valuation was at 1 January 1995. The most significant actuarial assumptions made were that the rate of return on investments would be 10% per annum and the rate of increase in salaries would be 8% per annum. The actuarial valuation as at 1 January 1995 showed that the market value of the scheme's assets, ignoring any net current assets which were assumed to be negligible, was (Pounds)12,154,773 and that the actuarial value of those assets represented 102% of the benefits that had accrued to members, after allowing for expected increases in salaries. In accordance with the Actuary's recommendation the contributions of the Group are currently 9.1% of pensionable salaries per annum. Employees' contributions at the rate of 5% of pensionable salaries per annum are payable in addition.

A valuation as at 1 January 1998 is due to be undertaken by the Actuary, the results of which will be available later this year, whereupon the Actuary's recommendations regarding the funding rate will be reviewed.

The Group also operates a number of smaller pension schemes in the UK, Continental Europe and the United States. These are set up in accordance with local conditions and practices in the countries concerned.

21. CONTINGENT LIABILITIES

-----  
 The Company has guaranteed bank loan facilities to certain Group undertakings. As at 31 December 1997 the maximum potential liability under these guarantees was (Pounds)4,710,000 (1996: (Pounds)2,521,000).

As at 31 December 1997, the Company has given guarantees and indemnities in the ordinary course of business in respect of certain Group undertakings.

22. RELATED PARTY TRANSACTIONS

The Group recharges the VERO Group pension schemes with the costs of administration and independent advisors borne by the Group. The total amount recharged during the year to 31 December 1997 was (Pounds)210,000 (1996: (Pounds)146,000).

During the year VERO Group plc made sales of (Pounds)3,000 (1996: (Pounds)40,000) to VERO President Systems Limited and sales of (Pounds)68,000 to VERO Austin Electronics (China) Limited. The balances owing to the Group at 31 December 1997 were respectively (Pounds)13,000 (1996: (Pounds)40,000) and (Pounds)68,000.

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APPLIED POWER INC. AND VERO GROUP PLC

INTRODUCTION TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

As described under Item 2 of this report, Applied Power Inc. (the "Company" or "API"), through Applied Power Limited, a wholly owned subsidiary, acquired by means of a tender offer and market purchases of shares over 90% of the outstanding shares of common stock of VERO Group plc ("VERO") at a price of 192 pence per share in cash.

The following unaudited pro forma condensed consolidated balance sheet and statements of earnings (the "pro forma statements") give effect to the acquisition of VERO using the purchase method of accounting and are based on the estimates and assumptions set forth in the notes to such pro forma statements. The pro forma statements have been prepared by the Company utilizing the historical financial statements of the Company and notes thereto which were contained in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1997 and the unaudited condensed consolidated interim financial information contained in the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1998 and the audited financial statements and notes thereto of VERO, included as Item 7(a) of this report and VERO's unaudited interim results for the six months ended June 30, 1997. VERO's reporting currency is the United Kingdom pound sterling and its financial information in the accompanying pro forma combined financial statements has been translated to the U.S. dollar in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." VERO's historic financial statements are prepared in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP"). Under UK GAAP purchased goodwill may be written off on acquisition directly against reserves. Under generally accepted accounting principles in the United States goodwill is capitalized and amortized by charges against income over the period during which it is estimated it will be of benefit subject to a maximum of 40 years. Goodwill previously written off directly to reserves in the Unaudited Pro Forma Combined Balance Sheet at February 28, 1998 was approximately \$18,900,000.

These pro forma statements have been prepared and included herein as required by the rules and regulations of the Securities and Exchange Commission and are provided for comparative purposes only. The pro forma statements are not necessarily indicative of the future consolidated financial position and results of operation or those which would have occurred had the acquisition been consummated as of the dates reflected in the pro forma statements. In reviewing the pro forma statements, the reader should consider the following;

1. The historical amounts of VERO were compiled to conform, as closely as possible, to the fiscal year of the Company. The historical income statement for VERO covers the twelve month period beginning January 1 through December 31. For pro forma purposes, the VERO income statement has been adjusted to cover the twelve month period beginning July 1, 1996 through June 30, 1997.
2. The following pro forma financial statements do not reflect any adjustments for the various synergies or cost reductions the Company expects to achieve as a result of the acquisition.

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APPLIED POWER INC. AND VERO GROUP PLC

UNAUDITED PRO FORMA COMBINED STATEMENT OF EARNINGS

<TABLE>  
<CAPTION>

	API SIX MONTHS ENDED	VERSA/TEK SEPTEMBER 1, TO	ZERO SIX MONTHS ENDED		VERO SIX MONTHS ENDED	
TOTAL	FEBRUARY 28,	OCTOBER 6,	DECEMBER 31,		DECEMBER 31,	PRO
FORMA	1998 (1)	1997 (1)	1997 (1)	ADJUSTMENTS	1997 (1)	ADJUSTMENTS
COMBINED						
				SUB-TOTAL		
				PRO FORMA		
				COMBINED		

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Sales.....	\$425,834	\$9,330	\$131,375		\$566,539	\$83,927		
\$650,466								
Cost of products sold..	276,677	6,637	87,731	24 (4)	371,069	58,204		
429,273								
-----								
Gross profit.....	149,157	2,693	43,644	(24)	195,470	25,723		
221,193								
Engineering, selling and administrative expenses.....	97,594	1,302	25,570	(706) (3)	123,760	17,987		
141,747								
Amortization of intangible assets.....	5,201	--	--	706 (3)	6,144	--	2,540 (5)	
8,684								
				237 (4)				
-----								
Operating earnings....	46,362	1,391	18,074	(261)	65,566	7,736	(2,540)	
70,762								
Other Expenses (Income):								
Net financing costs...	9,470	(11)	1,964	763 (4)	12,186	201	6,493 (5)	
18,880								
Other--net.....	(195)	100	(2,232) (10)		(2,327)	--		
(2,327)								
-----								
Net Earnings from Continuing Operations Before Income Tax Expense.....	37,087	1,302	18,342	(1,024)	55,707	7,535	(9,033)	
54,209								
Income Tax Expense(11).	12,981	--	6,636	(201) (4)	19,416	2,541	(2,155) (5)	
19,802								
-----								
Net Earnings from Continuing Operations..	\$ 24,106	\$1,302	\$ 11,706 (10)	\$ (823)	\$ 36,291	\$ 4,994	\$ 6,878	\$
34,407								
=====								
Net earnings from continuing operations per common and equivalent share:								
Basic.....	\$ 0.87		\$ 0.95 (10)		\$ 0.95			\$
0.90								
Diluted.....	\$ 0.82		\$ 0.93 (10)		\$ 0.90			\$
0.86								
Common and equivalent shares used in computing per share amounts:								
Basic.....	27,728		12,344	(1,852) (2)	38,220			
38,220								
Diluted.....	29,371		12,649	(1,897) (2)	40,123			
40,123								

See Notes to Unaudited Pro Forma Combined Financial Statements

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APPLIED POWER INC. AND VERO GROUP PLC

UNAUDITED PRO FORMA COMBINED STATEMENT OF EARNINGS

<TABLE>	<CAPTION>									
	API YEAR ENDED AUGUST 31, 1997 (1)	EVEREST SEPTEMBER 1, TO SEPTEMBER 26, 1996 (1)	VERSA/TEK YEAR ENDED JUNE 30, 1997 (1)	ZERO YEAR ENDED JUNE 30, 1997 (1)	ADJUST- MENTS	SUB-TOTAL PRO FORMA COMBINED	VERO YEAR ENDED JUNE 30, 1997 (1)	ADJUST- MENTS	TOTAL PRO FORMA COMBINED	
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Sales.....	\$672,316	\$3,496	\$95,288	\$235,330	\$ 5,701 (7)	\$1,012,131	\$163,270		\$1,175,401	
Cost of products sold.....	419,420	2,663	69,773	158,195	20 (6) 4,597 (7)	654,668	106,492		761,160	
-----										
Gross profit.....	252,896	833	25,515	77,135	1,084	357,463	56,778		414,241	
Engineering, selling and administrative expenses.....	173,200	304	14,552	46,377	(1,194) (3)	233,994	37,233		271,227	

Amortization of intangible assets..	6,813	125	--	--	755 (7) 1,194 (3) 145 (6) 3,012 (7)	11,289	--	5,079 (8)	16,368
--	-----	-----	-----	-----	-----	-----	-----	-----	-----
Operating earnings.	72,883	404	10,963	30,758	(2,828)	112,180	19,545	(5,079)	126,646
Other Expenses (Income):									
Net financing costs.....	12,003	(23)	(32)	4,095	282 (6) 9,507 (7)	25,832	653	12,986 (8)	39,471
Other--net.....	(1,863)	(47)	607	(1,393)	(3) (7)	(2,699)	--		
(2,699)	-----	-----	-----	-----	-----	-----	-----	-----	-----
--									
Net Earnings from Continuing Operations Before Income Tax Expense.	62,743	474	10,388	28,056	(12,614)	89,047	18,892	(18,605)	89,874
Income Tax Expense (11).....	20,705	--	4,216	11,165	62 (6) (3,735) (7)	32,413	6,649	(4,464) (8)	34,598
--	-----	-----	-----	-----	-----	-----	-----	-----	-----
Net Earnings from Continuing Operations.....	\$ 42,038	\$ 474	\$ 6,172	\$ 16,891	\$ (8,941)	\$ 56,634	\$ 12,243	\$ (13,601)	\$ 55,276
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Net earnings from continuing operations per common and equivalent share:									
Basic.....	\$ 1.53			\$ 1.38		\$ 1.49			\$
1.46									
Diluted.....	\$ 1.46			\$ 1.36		\$ 1.44			\$
1.41									
Common and equivalent shares used in computing per share amounts:									
Basic.....	27,530			12,213	(1,832) (2)	37,911			
37,911									
Diluted.....	28,754			12,450	(1,868) (2)	39,337			
39,336									

See Notes to Unaudited Pro Forma Combined Financial Statements

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APPLIED POWER INC. AND VERO GROUP PLC

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

ASSETS	API FEBRUARY 28, 1998 (1)	ZERO DECEMBER 31, 1997 (1)	ADJUSTMENTS	SUB-TOTAL PRO FORMA COMBINED	VERO DECEMBER 31, 1997 (1)	ADJUSTMENTS	TOTAL PRO FORMA COMBINED
			(IN THOUSANDS,	EXCEPT SHARE	AMOUNTS)		
	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Current Assets							
Cash and cash equivalents.....	\$ 7,010	\$ 22,051		\$ 29,061	\$ 6,756		\$ 35,817
Short-term investments.....	--	4,918		4,918	--		4,918
Accounts receivable, net.....	76,908	37,537		114,445	27,851		142,296
Inventories.....	130,190	34,137		164,327	22,765		187,092
Prepaid income tax.....	12,453	--		12,453	--		12,453
Prepaid expenses.....	11,116	3,736		14,852	2,020		16,872
Total Current Assets.	237,677	102,379		340,056	59,392		399,448
Investment in VERO Group, PLV.....	--	--		--	--	192,384 (9a) (192,384) (9b)	--
Other Assets.....	10,397	17,259	(2,718) (3)	24,938	1,359		26,297
Goodwill.....	260,361	37,391		297,752	--	152,377 (9b)	450,129
Other Intangibles.....	46,688	--	2,718 (3)	49,406	--		49,406
Property, Plant and Equipment.....	257,259	106,776		364,035	37,154		401,189
Less: Accumulated depreciation.....	(133,019)	(57,444)		(190,463)	(8,892)		(199,355)
Net Property, Plant and Equipment.....	124,240	49,332		173,572	28,262		201,834

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total Assets.....	\$ 679,363	\$206,361	\$ --	\$ 885,724	\$89,013	\$ 152,377	\$1,127,114
<CAPTION>							
LIABILITIES AND SHAREHOLDERS' EQUITY							
-----							
Current Liabilities							
Short-term borrowings..	\$ 15,585	\$ --		\$ 15,585	\$ 842		\$ 16,427
Trade accounts payable.....	62,335	7,827		70,162	14,993		85,155
Accrued compensation and benefits.....	28,207	7,246		35,453	--		35,453
Income taxes payable...	4,118	573		4,691	4,757		9,448
Other current liabilities.....	24,975	8,420		33,395	17,747		51,142
Total Current Liabilities.....	135,220	24,066		159,286	38,339		197,625
Long-term Debt.....	272,262	51,573		323,835	10,251	192,384 (9a)	526,470
Deferred Income Tax.....	16,913	--		16,913	416		17,329
Other Deferred Liabilities.....	27,241	13,084		40,325	--		40,325
Shareholders' Equity							
Common stock (API: 27,836,656 shares; ZERO 12,391,197 shares; and 38,369,173 shares on a pro forma combined basis).....	5,567	166	--	5,733	4,964	(4,964)	5,733
Additional paid-in capital.....	38,538	39,289	--	77,827	30,094	(30,094)	77,827
Retained earnings.....	190,049	151,899	--	341,948	6,568	(4,949)	343,567
Cumulative translation adjustments.....	(6,427)	100		(6,327)	(1,619)		(7,946)
Treasury stock.....	--	(73,816)		(73,816)	--		(73,816)
Total Shareholders' Equity.....	227,727	117,638		345,365	40,007	(40,007) (9b)	345,365
Total Liabilities and Shareholders' Equity.....	\$ 679,363	\$206,361	\$ --	\$ 885,724	\$89,013	\$152,377	\$1,127,114

</TABLE>  
See Notes to Unaudited Pro Forma Combined Financial Statements

APPLIED POWER INC. AND VERO GROUP PLC

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

NOTE 1--PERIODS COMBINED

The Company's consolidated statements of earnings for the six months ended February 28, 1998 (unaudited) and for the fiscal year ended August 31, 1997, have been combined with the VERO consolidated statements of income for the six months ended December 31, 1997 and for the twelve months ended June 30, 1997 (both unaudited) respectively. The Company's February 28, 1998 unaudited consolidated balance sheet has been combined with VERO's December 31, 1997 audited consolidated balance sheet.

On April 6, 1998, the Company and ZERO Corporation ("ZERO") jointly announced that they had entered a definitive strategic merger agreement in which a newly created subsidiary of the Company will be merged into ZERO. Under the terms of the merger, ZERO stockholders will receive .85 shares of the Company's common stock for each share of ZERO. Approved by the boards of directors of both companies, consummation of the Merger is subject to approval by the stockholders of both companies and satisfaction of certain other condition. The Merger would be accounted for as a pooling of interests and is expected to be completed in July 1998. The unaudited pro forma combined financial data for the six months ended February 28, 1998 includes the operating results of Versa Technologies, Inc. ("Versa/Tek"), which was acquired by the Company on October 6, 1997, for the period from September 1 to October 6, 1997 and the operating results of ZERO for the six months ended December 31, 1997. The unaudited pro forma combined financial data for the year ended August 31, 1997 includes the operating results of Everest Electronics Equipment, Inc. ("Everest"), which was acquired by the Company on September 26, 1996, for the period from September 1 to September 26, 1996, and the operating results of Versa/Tek and ZERO for their respective twelve months ended June 30, 1997. The operating results of Versa/Tek and Everest subsequent to their acquisition dates, are included in the Company's historic results (presented in the first column of the accompanying combined financial statements) for the six months ended February 28, 1998 and the year ended August 31, 1997.

VERO's reporting currency is the pound sterling and its financial information in the accompanying pro forma combined financial statements has been translated to the U.S. dollar in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." VERO's historic financial statements are prepared in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP"). Under UK GAAP purchased goodwill may be written off on acquisition directly against

reserves. Under generally accepted accounting principles in the United States goodwill is capitalized and amortized by charges against income over the period during which it is estimated it will be of benefit subject to a maximum of 40 years. Goodwill previously written off directly to reserves in the Unaudited Pro Forma Combined Balance Sheet at February 28, 1998 was approximately \$18,900,000.

APPLIED POWER INC. AND VERO GROUP PLC

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

NOTE 1--PERIODS COMBINED

The Company's consolidated statements of earnings for the six months ended February 28, 1998 (unaudited) and for the fiscal year ended August 31, 1997 have been combined with the VERO consolidated statements of income for the six months ended December 31, 1997 and for the twelve months ended June 30, 1997 (both unaudited) respectively. The Company's February 28, 1998 unaudited consolidated balance sheet has been combined with VERO's December 31, 1997 audited consolidated balance sheet.

On April 6, 1998 the Company and ZERO Corporation ("ZERO") jointly announced that they had entered a definitive strategic merger agreement in which a newly created subsidiary of the Company will be merged into ZERO. Under the terms of the Merger, ZERO stockholders will receive 0.85 shares of the Company's common stock for each share of ZERO. Approved by the boards of directors of both companies, consummation of the Merger is subject to approval by the stockholders of both companies and satisfaction of certain other conditions. The Merger would be accounted for as a pooling of interests and is expected to be completed in July 1998. The unaudited pro forma combined financial data for the six months ended February 28, 1998 includes the operating results of Versa Technologies, Inc. ("Versa/Tek"), which was acquired by the Company on October 6, 1997, for the period from September 1 to October 6, 1997 and the operating results of ZERO for the six months ended December 31, 1997. The unaudited pro forma combined financial data for the year ended August 31, 1997 includes the operating results of Everest Electronics Equipment, Inc. ("Everest"), which was acquired by the Company on September 26, 1996, for the period from September 1 to September 26, 1996, and the operating results of Versa/Tek and ZERO for their respective twelve months ended June 30, 1997. The operating results of Versa/Tek and Everest subsequent to their acquisition dates, are included in the Company's historic results (presented in the first column of the accompanying combined financial statements) for the six months ended February 28, 1998 and the year ended August 31, 1997.

VERO's reporting currency is the pound sterling and its financial information in the accompanying pro forma combined financial statements has been translated to the U.S. dollar in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." VERO's historic financial statements are prepared in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP"). Under UK GAAP purchased goodwill may be written off on acquisition directly against reserves. Under generally accepted accounting principles in the United States goodwill is capitalized and amortized by charges against income over the period during which it is estimated it will be of benefit subject to a maximum of 40 years. Goodwill previously written off directly to reserves in the Unaudited Pro Forma Combined Balance Sheet at February 28, 1998 was approximately \$18,900,000.

NOTE 2--PRO FORMA NET EARNINGS PER SHARE

The unaudited pro forma combined net earnings per common share and per common and equivalent share is based upon the weighted average number of common and equivalent shares of API and ZERO outstanding for each period at the Exchange Ratio of 0.85 shares of API Common Stock for each share of ZERO Common Stock.

NOTE 3--RECLASSIFICATIONS (ZERO)

Certain reclassifications, none of which affect income from continuing operations, have been made to the ZERO statements of income in the pro forma combined statements of earnings to conform classifications of "Amortization of intangible assets" and to ZERO's balance sheet in the pro forma combined balance sheet to conform classifications of "Other intangibles."

NOTE 4--PRO FORMA ADJUSTMENTS (VERSA/TEK)

The following pro forma adjustments are incorporated in the pro forma condensed consolidated statement of earnings for the six months ended February 28, 1998 as a result of the Versa/Tek acquisition.

<TABLE>	
<S>	<C>
1. Incremental interest expense on acquisition debt at a rate of 6.5%.....	\$ (763)
2. Increase in depreciation expense resulting from adjustment	

to carrying amount of plant and equipment being depreciated over a 7 year life.....	(24)
3. Reflect amortization of increase in goodwill and intangible assets arising from this transaction, over periods of 10 to 40 years.....	(237)
4. Decrease in income taxes (net benefit) applying a 39% effective US and Wisconsin state income tax rate to the earnings of Versa/Tek, less the effect of pro forma adjustments in 1, 2 and 3 above (with the exception of non-deductible amortization).....	201
	-----
	\$ (823)
	=====

</TABLE>

NOTE 5--PRO FORMA ADJUSTMENTS (VERO)

The following pro forma adjustments are incorporated in the pro forma condensed consolidated statement of earnings for the six months ended February 28, 1998 as a result of the pending VERO acquisition.

<S>	<C>
1. Incremental interest expense on acquisition debt at a rate of 6.75%.....	\$ (6,493)
2. Reflect amortization of goodwill arising from this transaction, over a 30 year life.....	(2,540)
3. Decrease in income taxes (net benefit) applying a 37% effective income tax rate to the earnings of VERO, less the effect of pro forma adjustments in 1 and 2 above (with the exception of non-deductible amortization).....	2,155
	-----
	\$ (6,878)
	=====

</TABLE>

NOTE 6--PRO FORMA ADJUSTMENTS (EVEREST)

The following pro forma adjustments are incorporated in the pro forma condensed consolidated statement of earnings for the year ended August 31, 1997 as a result of the Everest acquisition.

<S>	<C>
1. Incremental interest expense on acquisition debt at a rate of 6.5%.....	\$ (282)
2. Increase in depreciation expense resulting from adjustment to carrying amount of plant and equipment being depreciated over a 7 year life.....	(20)
3. Reflect amortization of goodwill arising from this transaction, over a 25 year life.....	(145)
4. Increase in income taxes applying a 41% effective U.S. and California state income tax rate to the earnings of Everest, less the effect of pro forma adjustments in 1, 2 and 3 above.....	(62)
	-----
	\$ (509)
	=====

</TABLE>

NOTE 7--PRO FORMA ADJUSTMENTS (VERSA/TEK)

The following pro forma adjustments are incorporated in the pro forma condensed consolidated statement of earnings for the year ended August 31, 1997 to reflect a full year of Eder Industries in Versa/Tek (Eder was acquired by Versa/Tek on October 31, 1996).

<S>	<C>
1. Add historical operating results of Eder for the four-month period July 1, 1996 to 10/31/96 (date of Versa/Tek's acquisition)	
Net Sales.....	\$ 6,338
Cost of Products Sold.....	(4,924)
Engineering, Selling and Administrative Expenses.....	(755)
Financing Costs.....	(19)
Other Income.....	3
2. Eliminate intercompany sales and purchases between Eder and Versa/Tek.....	637
	(637)
3. Incremental interest expense/elimination of interest income relating to the cash borrowed/used in the acquisition at a rate of 6.5%.....	(333)
4. Increase in depreciation expense resulting from adjustment to carrying amount of plant and equipment being depreciated over periods of 10 to 30 years.....	(24)
5. Reflect additional amortization of goodwill and other intangibles arising from the Eder transaction over periods of 3 to 40 years.....	(163)
	-----

</TABLE>

The following pro forma adjustments are incorporated in the pro forma condensed consolidated statement of earnings for the year ended August 31, 1997 as a result of the Versa Tek acquisition.

<S>	<C>
6. Incremental interest expense on acquisition debt at a rate of 6.5%.....	\$ (9,155)
7. Increase in depreciation expense resulting from adjustment to carrying amount of plant and equipment being depreciated over a 7 year life.....	(286)
8. Reflect amortization of increase in goodwill and intangible assets arising from this transaction over periods of 10 to 40 years.....	(2,849)
9. Decrease in income taxes (net benefit) applying a 39% effective US and Wisconsin state income tax rate to the earnings of Versa/Tek, less the effect of pro forma adjustments in 1 through 8 above (with the exception of non-deductible amortization).....	3,735
	-----
	\$ (8,555)
	=====

</TABLE>

NOTE 8--PRO FORMA ADJUSTMENTS (VERO)

The following pro forma adjustments are incorporated in the pro forma condensed consolidated statement of earnings for API's year ended August 31, 1997 as a result of the pending VERO acquisition.

<S>	<C>
1. Incremental interest expense on acquisition debt at a rate of 6.75%.....	\$ (12,986)
2. Reflect amortization of goodwill arising from this transaction, over a 30 year life.....	(5,079)
3. Decrease in income taxes (net benefit) applying a 37% effective income tax rate to the earnings of VERO, less the effect of pro forma adjustments 1 and 2 above (with the exception of non-deductible amortization).....	4,464
	-----
	\$ (13,601)
	=====

</TABLE>

NOTE 9--PRO FORMA ADJUSTMENTS (VERO)

(a) The following pro forma adjustments are incorporated in the pro forma combined balance sheet at February 28, 1998 as a result of the pending VERO acquisition.

<S>	<C>
Purchase price of outstanding shares.....	\$192,384

</TABLE>

(b) The following pro forma adjustments are made to reflect estimated fair value adjustments and to eliminate the investment in VERO:

<S>	<C>
VERO net assets--as reported.....	\$ 40,007
Fair value adjustments:	
Record goodwill acquired.....	152,377
	-----
Investment in VERO.....	\$192,384
	=====

</TABLE>

NOTE 10--SPECIAL ITEM (ZERO)

Other Income--net for the six months ended December 31, 1997 includes life insurance proceeds of \$1,709 (\$0.14 per share).

NOTE 11--INCOME TAX EXPENSE

Effective tax rates are higher than the statutory federal income tax rates primarily due to state income taxes, net of federal benefit.