

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): April 1, 1999

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) 783-9279

(Registrant's telephone number, including area code)

Item 5. Other Events.

On April 1, 1999, the Company sold \$200,000,000 aggregate principal amount of its 8.75% Senior Subordinated Notes due 2009 (the "Notes") in an underwritten public offering pursuant to Registration Statement No. 333-47493, as amended. The purpose of this report is to file certain exhibits in connection with the offering of the Notes.

Item 7. Financial Statement and Exhibits.

(c) Exhibits. The following exhibits are filed with this Report:

- 1.1 Underwriting Agreement.
- 4.1 Indenture for Debt Securities of Applied Power Inc. dated as of April 1, 1999.
- 4.2 Securities Resolution No. 1 pursuant to the Indenture relating to the 8.75% Senior Subordinated Notes due 2009.

SIGNATURES

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 hereunto duly authorized.

APPLIED POWER INC.

(Registrant)

Date: April 13, 1999

By: /s/ Robert C. Arzbaecher

Robert C. Arzbaecher
Senior Vice President and
Chief Financial Officer

APPLIED POWER INC.

INDEX TO EXHIBITS

FORM 8-K CURRENT REPORT

(Date of Report: April 1, 1999)

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APPLIED POWER INC.
(a Wisconsin corporation)

UNDERWRITING AGREEMENT

March 26, 1999

To the Underwriters set forth
on Schedule A hereto

Ladies and Gentlemen:

Applied Power Inc., a Wisconsin corporation (the "Company"), proposes to issue and sell certain of its debt securities (the "Securities") to one or more underwriters (the "Underwriters") named in Schedule A to this purchase agreement (this "Agreement"). The Securities will be issued under an indenture, dated as of April 1, 1999 (the "Indenture"), between the Company and The First National Bank of Chicago, as Trustee (the "Trustee"), in one or more series, which series may vary as to interest rates, maturities, redemption provisions, selling prices and other terms, with all such terms for any particular series of the Securities being determined at the time of sale.

The Company understands that the Underwriters propose to make a public offering of the Securities as soon as their representative or representatives (the "Representatives") deem advisable after this Agreement has been executed and delivered.

The Company and the Underwriters, in accordance with the requirements of Rule 2710 (c) (8) and Rule 2720 ("Rule 2720") of the National Association of Securities Dealers, Inc. (the "NASD") and subject to the terms and conditions stated herein, also hereby confirm the engagement of the services of Goldman, Sachs & Co. (the "Independent Underwriter") as a "qualified independent underwriter" within the meaning of Section (b) (15) of Rule 2720 in connection with the offering and sale of the Securities.

SECTION 1. Representations and Warranties.

(a) Representations and Warranties by the Company. The Company

represents and warrants to each Underwriter and the Independent Underwriter as of the date hereof and as of the Closing Time referred to in Section 2(b) hereof, and agrees with each Underwriter, as follows:

(i) Compliance with Registration Requirements. A registration

statement on Form S-3 (File No. 333-47493), as amended by two pre-effective amendments

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thereto, in respect of the Securities and certain other securities of the Company and related business trusts, has been filed with the Securities and Exchange Commission (the "Commission") pursuant to Rule 415 under the Securities Act of 1933, as amended (the "1933 Act"), and delivered to the Representatives; such registration statement and any post-effective amendment thereto, each in the form heretofore delivered to the Representatives, have been declared effective by the Commission in such form; and no stop order suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or threatened by the Commission; the various parts of such registration statement, including (i) all exhibits thereto, (ii) the information contained in the form of prospectus filed with the Commission pursuant to Rule 424(b) under the 1933 Act ("Rule 424(b)") in accordance with Section 3(a) hereof and (iii) the documents incorporated by reference in the prospectus contained in the registration statement at the time such part of such registration statement became effective, each as amended at the time such part of such registration statement became effective, are referred to herein collectively as the "Registration Statement"; the final prospectus, as supplemented by the related prospectus supplement, in the form first filed with respect to the Securities pursuant to Rule 424(b), is referred to herein collectively as the "Prospectus"; any preliminary form of the Prospectus which has heretofore been filed pursuant to Rule 424(b) is hereinafter called the "Preliminary Prospectus"; any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be; and any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the

Securities Exchange Act of 1934, as amended (the "1934 Act"), and incorporated by reference in such Preliminary Prospectus or Prospectus, as the case may be; and any reference to any amendment to the Registration Statement shall be deemed to refer to and include the Company's most recent annual report on Form 10-K, quarterly reports on Form 10-Q or current reports on Form 8-K, if any, filed pursuant to Section 13 or 15(d) of the 1934 Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement. No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission. The Registration Statement and any amendment thereto heretofore filed, at the time of filing thereof and at the time it became effective, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the 1933 Act and the rules and regulations of the Commission thereunder (the "1933 Act Regulations"), and did not contain an untrue statement of a material fact or omit to state a

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material fact required to be stated therein or necessary to make the statements therein not misleading; when (a) the Prospectus is first filed or transmitted for filing pursuant to Rule 424, (b) prior to the Closing Time, any amendment to the Registration Statement becomes effective (including the filing of any document incorporated by reference in the Registration Statement), (c) any amendment or supplement to the Prospectus is hereafter filed with the Commission and (d) at the Closing Time, (i) the Registration Statement as then amended as of any such time, and the Prospectus, as then amended or supplemented as of such time, and the Indenture will comply in all material respects with the applicable requirements of the 1933 Act and the 1933 Act Regulations, the Trust Indenture Act of 1939, as amended (the "1939 Act"), and the rules and regulations of the Commission thereunder and (ii) neither the Registration Statement, as then amended as of such time, nor the Prospectus, as then amended or supplemented, as of such time, will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the Company makes no representations or warranties as to (i) that part of the Registration Statement which shall constitute the Statement of Eligibility (Form T-1) under the 1939 Act of the Trustee or (ii) any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representatives expressly for use therein. Each of the Preliminary Prospectus and the Prospectus delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("EDGAR"), except to the extent permitted by the rules and regulations governing EDGAR.

All references in this Agreement to financial statements and schedules and other information which is "contained," "described," "disclosed," "included," "referred to" or "stated" in the Registration Statement, any Preliminary Prospectus or the Prospectus or any amendment or supplement to any thereof (or other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which is incorporated by reference in the Registration Statement, any Preliminary Prospectus or the Prospectus, or any amendment or supplement to any thereof, as the case may be, and each such reference to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to EDGAR and Regulation S-T.

(ii) Incorporated Documents. The documents incorporated by reference

in the Prospectus, when they were filed with the Commission, complied in all material respects to the requirements of the 1934 Act and the rules and regulations of the

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Commission thereunder (the "1934 Act Regulations"), and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the 1934 Act and the 1934 Act Regulations and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(iii) Independent Accountants. The accountants who certified the

financial statements and supporting schedules included in the Registration Statement are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iv) Financial Statements. The financial statements included in

the Registration Statement and the Prospectus, together with the related schedules and notes, present fairly the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statements of operations, shareholders' equity and cash flows of the Company and its consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The pooling of interests method of accounting has been properly applied under GAAP to the combination of the financial statements of the Company and ZERO Corporation. The supporting schedules, if any, included in the Registration Statement present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement. The pro forma financial statements, if any, and the related notes thereto included in the Registration Statement and the Prospectus present fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein.

(v) No Material Adverse Change in Business. Since the respective

dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects

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of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise, and (C) except for regular quarterly dividends on the Company's common stock in amounts per share that are consistent with past practice, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(vi) Status of the Company. The Company has been duly organized

and is validly existing as a corporation in active status under the laws of the State of Wisconsin and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing (or equivalent status) in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing (or equivalent status) would not result in a Material Adverse Effect.

(vii) Status of Subsidiaries. Each significant subsidiary of the

Company listed on Schedule C hereto (each a "Subsidiary" and, collectively, the "Subsidiaries") has been duly organized and is validly existing as a corporation in good standing (or equivalent status) under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing (or equivalent status) in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing (or equivalent status) would not result in a Material Adverse Effect; except as otherwise disclosed in the Registration Statement, all of the issued and outstanding capital stock of each such Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable (except as otherwise provided in Section 180.0622(2)(b) of the Wisconsin Business Corporation Law, as judicially interpreted) and is owned by the Company, directly or through Subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; none of the outstanding shares of capital stock of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary.

(viii) Capitalization. The authorized, issued and outstanding

capital stock of the Company is as set forth in the Prospectus in the Company's consolidated financial

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statements (except for subsequent issuances, if any, pursuant to this Agreement, pursuant to reservations, agreements or employee benefit plans referred to in the Prospectus or pursuant to the exercise of convertible securities or options referred to in the Prospectus). The shares of issued and outstanding capital stock have been duly authorized and validly issued and are fully paid and non-assessable (except as otherwise provided in Section 180.0622(2)(b) of the Wisconsin Business Corporation Law, as judicially interpreted); none of the outstanding shares of capital stock was issued in violation of the preemptive or other similar rights of any securityholder of the Company.

(ix) Authorization of Agreement. This Agreement has been duly

authorized, executed and delivered by the Company.

(x) Authorization of the Indenture. The Indenture has been duly

authorized by the Company and duly qualified under the 1939 Act and, when duly executed and delivered by the Company and the Trustee, will constitute a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

(xi) Authorization of the Securities. The Securities have been

duly authorized and, at the Closing Time, will have been duly executed by the Company and, when authenticated, issued and delivered in the manner provided for in the Indenture and delivered against payment of the purchase price therefor as provided in this Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law), and will be in the form contemplated by, and entitled to the benefits of, the Indenture.

(xii) Description of the Securities and the Indenture. The

Securities and the Indenture will conform in all material respects to the respective statements relating thereto contained in the Prospectus and will be in substantially the respective forms filed or incorporated by reference, as the case may be, as exhibits to the Registration Statement.

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(xiii) Absence of Defaults and Conflicts. Neither the Company nor

any of its Subsidiaries is in violation of its charter or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any Subsidiary is subject (collectively, "Agreements and Instruments") except for such defaults as would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and in the Registration Statement (including the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described in the Prospectus under the caption "Use of Proceeds") and compliance by the Company with its obligations hereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches, Repayment Events or defaults or liens, charges or encumbrances that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any Subsidiary or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government

instrumentality or court, domestic or foreign, having jurisdiction over the Company or any Subsidiary or any of their assets, properties or operations. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment (through acceleration or otherwise) of all or a portion of such indebtedness by the Company or any Subsidiary other than the intended repayment of indebtedness described under "Use of Proceeds" in the Prospectus.

(xiv) Absence of Labor Disputes. No labor dispute with the

employees of the Company or any Subsidiary exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any Subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, could reasonably be expected to result in a Material Adverse Effect.

(xv) Absence of Proceedings. There is no action, suit,

proceeding, inquiry or investigation before or brought by any court or governmental agency or body, do-

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mestic or foreign, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any Subsidiary, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to materially and adversely affect the properties or assets thereof or the consummation of the transactions contemplated in this Agreement or the performance by the Company of its obligations hereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any Subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to the business, could not reasonably be expected to result in a Material Adverse Effect.

(xvi) Accuracy of Exhibits. There are no contracts or documents

which are required to be described in the Registration Statement, the Prospectus or the documents incorporated by reference therein or to be filed as exhibits thereto which have not been so described and filed as required.

(xvii) Possession of Intellectual Property. The Company and its

Subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, and neither the Company nor any of its Subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its Subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would result in a Material Adverse Effect.

(xviii) Absence of Further Requirements. No filing with, or

authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions contemplated by this Agreement, except such as have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations or state securities laws.

(xix) Registration Rights. There are no contracts, agreements or

understandings between the Company and any person granting such person the right to

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require the Company to file a registration statement under the 1933 Act

with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the 1933 Act.

(xx) Possession of Licenses and Permits. The Company and its

Subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them; the Company and its Subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except where the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xxi) Title to Property. The Company and its Subsidiaries have

good and marketable title to all real property owned by the Company and its Subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (a) are described in the Prospectus or (b) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its Subsidiaries; and all of the leases and subleases material to the business of the Company and its Subsidiaries, considered as one enterprise, and under which the Company or any of its Subsidiaries holds properties described in the Prospectus, are in full force and effect, and neither the Company nor any Subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any Subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such Subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease, except in any such case as could not reasonably be expected to result in a Material Adverse Effect.

(xxii) Investment Company Act. The Company is not, and upon the

issuance and sale of the Securities as herein contemplated and the application of the net pro-

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ceeds therefrom as described in the Prospectus will not be, an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "1940 Act").

(xxiii) Environmental Laws. Except as described in the

Registration Statement and except as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its Subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, ground-water, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its Subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its Subsidiaries and (D) there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its Subsidiaries relating to Hazardous Materials or any Environmental Laws.

(xxiv) The Company is taking reasonable measures to update and upgrade its operating systems and software to correct for any dating system flaws which may potentially cause errors in such systems or software due to the advent of the year 2000 and the description with respect thereto in the Prospectus is accurate and complete in all material respects.

(b) Officer's Certificates. Any certificate signed by any

officer of the Company or any of its Subsidiaries delivered to the Representatives or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

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SECTION 2. Sale and Delivery to Underwriters; Closing.

(a) Securities. On the basis of the representations and warranties

herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each Underwriter, severally and not jointly, and each Underwriter, severally and not jointly, agrees to purchase from the Company, at the price and with the terms set forth in Schedule B, the aggregate principal amount of Securities set forth in Schedule A opposite the name of such Underwriter, plus any additional amount of Securities which such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

(b) Payment. Payment of the purchase price for, and delivery of

certificates for, the Securities shall be made at the offices of the Representatives, or at such other place as shall be agreed upon by the Representatives and the Company, at 9:00 A.M. (Eastern time) on the third (fourth, if the pricing occurs after 4:30 P.M. (Eastern time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 10), or such other time not later than ten business days after such date as shall be agreed upon by the Representatives and the Company (such time and date of payment and delivery being herein called "Closing Time").

Payment shall be made to the Company by wire transfer of immediately available or next day funds as set forth in Schedule B to a bank account(s) designated by the Company against delivery to the Representatives for the respective accounts of the Underwriters of certificates for the Securities to be purchased by them. It is understood that each Underwriter has authorized the Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Securities which it has agreed to purchase.

(c) Denominations; Registration. Certificates for the Securities

shall be in such principal amounts and registered in such names as the Representatives may request in writing at least one full business day before the Closing Time. The certificates for the Securities will be made available for examination and packaging by the Representatives in The City of New York not later than 10:00 A.M. (Eastern time) on the business day prior to the Closing Time.

(d) Engagement of Independent Underwriter. (i) The Company hereby

confirms its engagement of the services of the Independent Underwriter as, and the Independent Underwriter hereby confirms its agreement with the Company to render services as, a "qualified independent underwriter" within the meaning of Section (b) (15) of Rule 2720 with respect to the offering and sale of the Securities.

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(ii) The Independent Underwriter hereby represents and warrants to, and agrees with, the Company and the Underwriters that with respect to the offering and sale of the Securities as described in the Prospectus:

(A) The Independent Underwriter constitutes a "qualified independent underwriter" within the meaning of Section (b) (15) of Rule 2720;

(B) The Independent Underwriter has participated in the preparation of the Registration Statement and the Prospectus and has exercised the usual standards of "due diligence" in respect thereto;

(C) The Independent Underwriter has undertaken the legal responsibilities and liabilities of an underwriter under the 1933 Act specifically including those inherent in Section 11 thereof;

(D) Based upon (I) a review of the Company, including an examination

of the Registration Statement, information regarding the earnings, assets, capital structure and growth rate of the Company and other pertinent financial and statistical data, (II) inquiries of and conferences with the management of the Company and its counsel and independent public accountants regarding the business and operations of the Company, (III) consideration of the prospects for the industry in which the Company competes, estimates of the business potential of the Company, assessments of its management, the general condition of the securities markets, market prices of the capital stock and debt securities of, and financial and operating data concerning, companies believed by the Independent Underwriter to be comparable to the Company with debt securities of maturity and seniority similar to the Securities and the demand for securities of comparable companies similar to the Securities, and (IV) such other studies, analyses and investigations as the Independent Underwriter has deemed appropriate, and assuming that the offering and sale of the Securities is made as contemplated herein and in the Prospectus, the Independent Underwriter recommends, as of the date of the execution and delivery of this Agreement, that the yield on the Securities be not less than 8.75% (corresponding to an initial public offering price of 100.00%), which minimum yield should in no way be considered or relied upon as an indication of the value of the Securities; and

(E) Subject to the provisions of Section 5 hereof, the Independent Underwriter will furnish to the Underwriters at the Closing Time a letter, dated the Closing Time, in form and substance satisfactory to the Underwriters, to the effect of clauses (A) through (D) above.

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(iii) The Independent Underwriter hereby agrees with the Company and the Underwriters that, as part of its services hereunder, in the event of any amendment or supplement to the Prospectus, the Independent Underwriter will render services as a "qualified independent underwriter" within the meaning of Section (b) (15) of Rule 2720 with respect to the offering and sale of the Securities as described in the Prospectus as so amended or supplemented that are substantially the same as those services being rendered with respect to the offering and sale of the Securities as described in the Prospectus (including those described in subsection (ii) above).

(iv) The Company, the Underwriters and the Independent Underwriter agree to comply in all material respects with all of the requirements of Rule 2720 applicable to them in connection with the offering and sale of the Securities. The Company agrees to cooperate with the Underwriters and the Independent Underwriter to enable the Underwriters to comply with Rule 2720 and the Independent Underwriter to perform the services contemplated by this Agreement.

(v) As compensation for the services of the Independent Underwriter hereunder, the Company agrees to pay the Independent Underwriter \$10,000 at the Closing Time. In addition, the Company agrees promptly to reimburse the Independent Underwriter for all out-of-pocket expenses, including fees and disbursements of counsel, reasonably incurred in connection with this Agreement and the services to be rendered hereunder as the Independent Underwriter.

SECTION 3. Covenants of the Company. The Company covenants with each Underwriter as follows:

(a) Compliance with Securities Regulations and Commission Requests.

The Company, subject to Section 3(b), will prepare the Prospectus in a form approved by the Representatives and file such Prospectus pursuant to Rule 424(b) within the time prescribed under Rule 424(b) and will notify the Representatives immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectus or any amended Prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes. The Company will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems neces-

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sary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof

at the earliest possible moment.

(b) Filing of Amendments. The Company will give the Representatives

notice of its intention to file or prepare any amendment to the Registration Statement or any amendment, supplement or revision to the Prospectus, whether pursuant to the 1933 Act, the 1934 Act or otherwise, will furnish the Representatives with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Representatives or counsel for the Underwriters shall reasonably object.

(c) Delivery of Registration Statements. The Company has furnished or

will deliver to the Representatives and counsel for the Underwriters, without charge, signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated or deemed to be incorporated by reference therein) and signed copies of all consents and certificates of experts, and will also deliver to the Representatives, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) Delivery of Prospectuses. The Company has delivered to each

Underwriter, without charge, as many copies of each Preliminary Prospectus relating to the Securities as such Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each Underwriter, without charge, during the period when the Prospectus is required to be delivered under the 1933 Act or the 1934 Act, such number of copies of the Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) Continued Compliance with Securities Laws. The Company will

comply with the 1933 Act and the 1933 Act Regulations and the 1934

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Act and the 1934 Act Regulations so as to permit the completion of the distribution of the Securities as contemplated in this Agreement and in the Prospectus. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or for the Company, to amend the Registration Statement or amend or supplement the Prospectus in order that the Prospectus will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement the Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectus comply with such requirements, and the Company will furnish to the Underwriters such number of copies of such amendment or supplement as the Underwriters may reasonably request.

(f) Blue Sky Qualifications. The Company will use its best efforts,

in cooperation with the Underwriters, to qualify the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Representatives may designate and to maintain such qualifications in effect for a period of not less than one year from the later of the effective date of the Registration Statement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the effective date of the Registration Statement.

(g) Rule 158. The Company will timely file such reports pursuant to

the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(h) Use of Proceeds. The Company will use the net proceeds received

by it from the sale of the Securities in the manner specified in the Prospectus under "Use of Proceeds."

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(i) Listing. The Company will use its best efforts to effect the

listing of the Securities on any such stock exchange or exchanges as are set forth in Schedule B hereto.

(j) Restriction on Sale of Securities. During a period of 90 days

following the Closing Time, the Company will not, without the prior written consent of Goldman, Sachs & Co., sell or contract to sell or announce the offering of, any debt securities of the Company with characteristics and terms similar to those of the Securities.

(k) Reporting Requirements. The Company, during the period when the

Prospectus is required to be delivered under the 1933 Act or the 1934 Act, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and the 1934 Act Regulations.

SECTION 4. Payment of Expenses.

(a) Expenses. The Company will pay or cause to be paid all expenses

incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits and the Form T-1) as originally filed and of each amendment thereto, (ii) the preparation, printing, reproduction and delivery to the Underwriters of this Agreement, any Agreement among Underwriters, the Indenture and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Securities, (iii) the preparation, issuance and delivery of the certificates for the Securities to the Underwriters, including any transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to the Underwriters, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith, (vi) the printing and delivery to the Underwriters of copies of each Preliminary Prospectus and of the Prospectus and any amendments or supplements thereto, (vii) the fees and expenses of the Trustee, including the fees and disbursements of counsel for the Trustee in connection with the Indenture and the Securities, (viii) any fees payable in connection with the rating of the Securities, (ix) the fees and expenses incurred in connection with the listing, if applicable, of the Securities on any such exchange or exchanges as are listed on Schedule B hereto, and (x) the fees and expenses of the Independent Underwriter.

(b) Termination of Agreement. If this Agreement is terminated by the

Representatives in accordance with the provisions of Section 5 or Section 9(a) (i) hereof, the Company shall reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters.

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SECTION 5. Conditions of Underwriters' Obligations. The obligations

of the several Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company contained in Section 1(a) hereof or in certificates of any officer of the Company or any Subsidiary of the Company delivered pursuant to the provisions hereof, to the performance by the Company of its covenants and other obligations hereunder, and to the following further conditions:

(a) Effectiveness of Registration Statement. The Prospectus shall

have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the 1933 Act

Regulations and in accordance with Section 3(a) hereof; and no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission.

(b) Opinion of Counsel for Company. At Closing Time, the

Representatives shall have received the favorable opinion, dated as of Closing Time, of Quarles & Brady LLP, counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters and addressed to the Underwriters to the effect set forth in Exhibit A hereto and to such further effect as counsel to the Underwriters may reasonably request. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of Wisconsin and the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to the Representatives, or may arrange for the Representatives to receive separate opinions of counsel satisfactory to the Representatives as to such matters. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its Subsidiaries and certificates of public officials.

(c) Opinion of Counsel for Underwriters. At Closing Time, the

Representatives shall have received the favorable opinion, dated as of Closing Time, of Cahill Gordon & Reindel, the counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters and addressed to the Underwriters with respect to such matters as the Representatives may reasonably request. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York and the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to the Representatives. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent

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they deem proper, upon certificates of officers of the Company and its Subsidiaries and certificates of public officials.

(d) Officers' Certificate. At Closing Time, there shall not have

been, since the date hereof or since the respective dates as of which information is given in the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the Representatives shall have received a certificate of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1(a) hereof are true and correct with the same force and effect as though expressly made at and as of Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are, to the knowledge of such officers, contemplated by the Commission.

(e) Accountant's Comfort Letter. At the time of the execution of this

Agreement, the Representatives shall have received from the Company's independent public accountants a letter dated such date, in form and substance satisfactory to the Representatives (substantially in the form of Exhibit B hereto), together with signed or reproduced copies of such letter for each of the other Underwriters and addressed to the Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus.

(f) Bring-down Comfort Letter. At Closing Time, the Representatives

shall have received from the Company's independent public accountants a letter, dated as of Closing Time, together with signed or reproduced copies of such letter for each of the other Underwriters and addressed to the Underwriters, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (e) of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(g) Maintenance of Rating. At Closing Time, the Securities shall be

rated by each of Moody's Investor's Service Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. as set forth in Schedule B hereto. Since the date of this Agreement, there shall not have occurred a downgrading in the rating

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assigned to the Securities or any of the Company's other debt securities by any "nationally recognized statistical rating agency," as that term is defined by the Commission for purposes of Rule 436(g) (2) under the 1933 Act, and no such organization shall have publicly announced that it has under surveillance or review its rating of the Securities or any of the Company's other debt securities.

(h) Approval of Listing. At Closing Time, the Securities shall have

been approved for listing on such exchange or exchanges, if any, as are listed on Schedule B hereto, subject only to official notice of issuance.

(i) Additional Documents. At Closing Time counsel for the

Underwriters shall have been furnished with such documents and opinions as they reasonably may require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Securities as herein contemplated shall be satisfactory in form and substance to the Representatives and counsel for the Underwriters.

(j) Termination of Agreement. If any condition specified in this

Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Representatives by notice to the Company at any time at or prior to Closing Time and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6, 7 and 8 shall survive any such termination and remain in full force and effect.

SECTION 6. Indemnification.

(a) Indemnification of Underwriters. The Company agrees to indemnify

and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included in any Preliminary Prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to

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make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission; provided that (subject to Section 6(d) below) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the reasonable fees and disbursements of counsel chosen by the Representatives), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that (i) this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in

reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives expressly for use in the Registration Statement (or any amendment thereto) or any Preliminary Prospectus or the Prospectus (or any amendment or supplement thereto) and (ii) the Company shall not be liable to any Underwriter (or any person controlling such Underwriter) under the indemnity agreement in this subsection (a) with respect to any Preliminary Prospectus to the extent that any such loss, claim, damage or liability of such Underwriter results from the fact that such Underwriter sold Securities to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the Prospectus (excluding documents incorporated by reference) or of the Prospectus as then amended or supplemented (excluding documents incorporated by reference) in any case where such delivery is required by the 1933 Act, if the Company had previously furnished copies thereof to such Underwriter in the quantity requested, and the loss, claim, damage or liability of such Underwriter arises from an untrue statement or omission of a material fact or an allegedly untrue statement or omission of a material fact contained in the Preliminary Prospectus which was corrected in the Prospectus (excluding documents incorporated by reference) or in the Prospectus as then amended or supplemented (excluding documents incorporated by reference) and all changes from the Preliminary Prospectus made to such Prospectus were made known to the Underwriters by the Company. In addition to and without limitation of the Company's obligation to indemnify the Independent Underwriter as an Underwriter, the Company also agrees to indemnify and hold harmless the Independent Underwriter and each person who controls the Independent Underwriter within the meaning of either Section 15 of the 1933 Act or Section 20 of the

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1934 Act, from and against any and all loss, liability, claim, damage and expense whatsoever, as incurred, incurred as a result of the Independent Underwriter's participation in connection with the offering of the Securities as such, if any, to the extent not already indemnified as an Underwriter. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Indemnification of Company, Directors and Officers. Each

Underwriter and the Independent Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto) or any Preliminary Prospectus or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives or by the Independent Underwriter, as the case may be, expressly for use in the Registration Statement (or any amendment thereto) or such Preliminary Prospectus or the Prospectus (or any amendment or supplement thereto).

(c) Actions Against Parties; Notification. Each indemnified party

shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 6(a) above, counsel to the indemnified parties shall be selected by the Representatives, and, in the case of parties indemnified pursuant to Section 6(b) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances; provided that, if indemnity is sought by the Independent Underwriter pursuant to Section 6(a), then, in addition to the fees and expenses of such counsel for the indemnified parties, the indemnifying party shall be liable for the reasonable fees and expenses of not more than one counsel (in addition to any local counsel) separate from its own counsel and that of the other indemnified

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parties for the Independent Underwriter in its capacity as a "qualified independent underwriter" and all persons, if any, who control the Independent Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general

allegations or circumstances if, in the judgment of the Independent Underwriter, there may exist a conflict of interest between the Independent Underwriter and the other indemnified parties. Any such separate counsel for the Independent Underwriter and such control persons of the Independent Underwriter shall be designated in writing by the Independent Underwriter. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) Settlement Without Consent if Failure to Reimburse. If at any

time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a) (ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

SECTION 7. Contribution. If the indemnification provided for in

Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters or the Independent Underwriter, as the case may be, on the other hand from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Underwriters or the Independent Underwriter, as the case

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may be, on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company on the one hand and the Underwriters or the Independent Underwriter, as the case may be, on the other hand in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the Underwriters, in each case as set forth on the cover of the Prospectus, and the fee payable to the Independent Underwriter pursuant to the first sentence of Section 2(d) (v) hereof, respectively, bear to the aggregate initial public offering price of the Securities as set forth on such cover.

The relative fault of the Company on the one hand and the Underwriters or the Independent Underwriter, as the case may be, on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by an Underwriter in writing through the Representatives or by the Independent Underwriter, as the case may be, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Underwriters and the Independent Underwriter agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Underwriters and the Independent Underwriter were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any

investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, neither the Underwriters nor the Independent Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which any such Underwriter or the Independent Underwriter, as the case may be, has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission.

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No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, each person, if any, who controls an Underwriter or the Independent Underwriter, as the case may be, within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such Underwriter, or the Independent Underwriter, as the case may be, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the number of Securities set forth opposite their respective names in Schedule A hereto and not joint.

SECTION 8. Representations, Warranties and Agreements to Survive

Delivery. All representations, warranties and agreements contained in this

Agreement or in certificates of officers of the Company or any of its Subsidiaries submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or controlling person, or by or on behalf of the Company, and shall survive delivery of the Securities to the Underwriters.

SECTION 9. Termination of Agreement.

(a) Termination; General. The Representatives may terminate this

Agreement, by notice to the Company, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Representatives, impracticable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the New York Stock Exchange, or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq Stock Market has been suspended or materially limited (other than to provide for an orderly market), or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said ex-

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changes or by such system or by order of the Commission, the National Association of Securities Dealers, Inc. or any other governmental authority, or (iv) if a banking moratorium has been declared by either Federal or New York authorities.

(b) Liabilities. If this Agreement is terminated pursuant to this

Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6, 7 and 8 shall survive such termination and remain in full force and effect.

SECTION 10. Default by One or More of the Underwriters. If one or

more of the Underwriters shall fail at Closing Time to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Representatives shall have the right, within 24 hours

thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such principal amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representatives shall not have completed such arrangements within such 24-hour period, then:

(a) if the aggregate principal amount of the Defaulted Securities does not exceed 10% of the aggregate principal amount of the Securities to be purchased on such date, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, or

(b) if the aggregate principal amount of the Defaulted Securities exceeds 10% of the aggregate principal amount of the Securities to be purchased on such date, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement either (i) the Representatives or (ii) the Company shall have the right to postpone Closing Time for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements. As used herein, the term "Underwriter" includes any person substituted for an Underwriter under this Section 10.

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SECTION 11. Notices. All notices and other communications hereunder

shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Representatives at the address set forth on Schedule B; notices to the Company shall be directed to it at P.O. Box 325, Milwaukee, Wisconsin 53201, attention of Chief Financial Officer.

SECTION 12. Parties. This Agreement shall each inure to the benefit

of and be binding upon the Underwriters, the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters, the Company and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters, the Company and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 13. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED

BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. EXCEPT AS OTHERWISE SET FORTH HEREIN, SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 14. Effect of Headings. The Article and Section headings

herein are for convenience only and shall not affect the construction hereof.

SECTION 15. Counterparts. This Agreement may be executed in one or

more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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If the foregoing correctly sets forth our understanding, please indicate your acceptance thereof in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between the Company and the Underwriters.

Very truly yours,

APPLIED POWER INC.

By: /s/ Robert C. Arzbaeher

Name: Robert C. Arzbaeher
Title: Senior Vice President and
Chief Financial Officer

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

Goldman, Sachs & Co.
Credit Suisse First Boston Corporation
NationsBanc Montgomery Securities LLC

By: /s/ Goldman, Sachs & Co.

(Goldman, Sachs & Co.)

SCHEDULE A

APPLIED POWER INC.
Debt Securities

<TABLE>
<CAPTION>

UNDERWRITER -----	PRINCIPAL AMOUNT -----
<S>	<C>
Goldman, Sachs & Co.	\$120,000,000
Credit Suisse First Boston Corporation	50,000,000
NationsBanc Montgomery Securities LLC	30,000,000

Total.....	\$200,000,000
	=====

</TABLE>

SCHEDULE B

APPLIED POWER INC.
Debt Securities

TITLE: 8.75% Senior Subordinated Notes due 2009.

PRINCIPAL AMOUNT: \$200,000,000.

INTEREST: 8.75% per annum, from April 1, 1999, payable semiannually on April 1 and October 1, commencing October 1, 1999, to holders of record on the preceding March 15 or September 15, as the case may be.

MATURITY: April 1, 2009.

OPTIONAL REDEMPTION: Three year equity claw for 35% at 108.75% on or before April 1, 2002.

CALLABLE: April 1, 2004 at 104.375%,
April 1, 2005 at 102.916%,
April 1, 2006 at 101.458%, and
April 1, 2007 at 100.000%.

SINKING FUND: None.

LISTING: None.

RATING: Moody's Investor's Service Inc.: B1
Standard & Poor's Ratings Services: B+

PURCHASE PRICE: 97.50% of principal amount, plus accrued interest, if any, from April 1, 1999.

EXPECTED REOFFERING PRICE: 100% of principal amount, subject to change by the Representatives.

CLOSING: 9:00 A.M. on April 1, 1999, at the offices of Cahill Gordon & Reindel, in New York, in Federal (same day) funds.

SETTLEMENT AND TRADING: Book-Entry Only via the Depository Trust Company ("DTC"). The Securities will trade in DTC's Same Day Funds Settlement System.

NOTICES: Notices to be given to the Underwriters should be directed to the Representatives as follows:

Goldman, Sachs & Co.
Credit Suisse First Boston Corporation
NationsBanc Montgomery Securities LLC

c/o Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

The respective principal amounts of the Securities to be purchased by each of the Underwriters are set forth opposite their names in Schedule A hereto.

SCHEDULE C

APPLIED POWER INC.
Debt Securities

List of Significant Subsidiaries

Name of Subsidiary -----	Jurisdiction of Incorporation -----
Applied Power Investments II Inc.	Nevada
Versa Technologies, Inc.	Delaware
Wright Line, Inc.	Massachusetts
Zero Corporation	Delaware
High Speed Production Limited	United Kingdom
Vero Electronics Ltd.	United Kingdom

EXHIBIT A

FORM OF OPINION OF COMPANY'S COUNSEL
TO BE DELIVERED PURSUANT TO
SECTION 5(b)

Defined terms used herein shall have the same definitions as set forth in the underwriting agreement (the "Agreement") to which this Exhibit A is attached.

(i) The Company has been duly incorporated and is validly existing as a corporation in active status under the laws of the State of Wisconsin.

(ii) The Company has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under the Agreement.

(iii) Each Subsidiary is validly existing as a corporation in good standing (or equivalent status) under the laws of the jurisdiction of its incorporation, and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus; except as otherwise disclosed in the Registration Statement, all of the issued and outstanding capital stock of each Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable (except as otherwise provided in Section 180.0622(2)(b) of the Wisconsin Business Corporation Law, as judicially interpreted) and, to the best of our knowledge, is owned by the Company, directly or through Subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; none of the outstanding shares of capital stock of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary.

(iv) The Agreement has been duly authorized, executed and delivered by the Company.

(v) The Indenture has been duly authorized, executed and delivered by the Company, has been duly qualified under the 1939 Act and (assuming the due authorization, execution and delivery thereof by the Trustee) constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

(vi) The Securities are in the form contemplated by the Indenture, have been duly authorized by the Company and, assuming that the Securities have been duly

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authenticated by the Trustee in the manner described in its certificate delivered to you today (which fact such counsel need not determine by an inspection of the Securities), the Securities have been duly executed, issued and delivered by the Company and constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization,

moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law), and are entitled to the benefits of the Indenture.

(vii) The Securities and the Indenture conform as to legal matters in all material respects to the descriptions thereof contained in the Prospectus.

(viii) The Registration Statement has been declared effective under the 1933 Act; any required filing of the Prospectus pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); and, to the best of our knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or threatened by the Commission.

(ix) The Registration Statement, the Prospectus, excluding the documents incorporated by reference therein, and each amendment or supplement to the Registration Statement and Prospectus, excluding the documents incorporated by reference therein, as of their respective effective or issue dates (other than the financial statements, including any pro forma financial information, and supporting schedules included therein or omitted therefrom and the Statement of Eligibility on Form T-1 of the Trustee, as to which we express no opinion) complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and the 1939 Act.

(x) The documents incorporated by reference in the Prospectus (other than the financial statements, including any pro forma financial information, and supporting schedules included therein or omitted therefrom, as to which we express no opinion), when they became effective or were filed with the Commission, as the case may be, complied as to form in all material respects with the requirements of the 1933 Act or the 1934 Act, as applicable, and the rules and regulations of the Commission thereunder.

(xi) The information in the Registration Statement under Item 15, to the extent that it constitutes matters of law, summaries of legal matters, the Company's charter and bylaws or legal proceedings, or legal conclusions, has been reviewed by us and is correct in all material respects.

(xii) To the best of our knowledge, there are no statutes or regulations that are required to be described in the Prospectus that are not described as required.

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(xiii) All descriptions in the Registration Statement of written contracts and other documents to which the Company or its Subsidiaries are a party are accurate in all material respects; to the best of our knowledge, there are no franchises, contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Registration Statement or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto, and the descriptions thereof or references thereto are correct in all material respects.

(xiv) To the best of our knowledge, neither the Company nor any Subsidiary is in violation of its charter or by-laws and no default by the Company or any Subsidiary exists in the due performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument that is described or referred to in the Registration Statement or the Prospectus or filed or incorporated by reference as an exhibit to the Registration Statement.

(xv) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency, domestic or foreign (other than under the 1933 Act and the 1933 Act Regulations and the 1939 Act, which have been obtained, or as may be required under the securities or blue sky laws of the various states, as to which we express no opinion) is necessary or required in connection with the due authorization, execution and delivery of the Agreement or for the offering, issuance, sale or delivery of the Securities.

(xvi) To the best of our knowledge, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the 1933 Act with respect to any securities of the company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the 1933 Act.

(xvii) The execution, delivery and performance of the Agreement, the Indenture and the Securities and the consummation of the transactions

contemplated in the Agreement and in the Registration Statement (including the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described in the Prospectus under the caption "Use Of Proceeds") and compliance by the Company with its obligations under the Agreement, the Indenture and the Securities do not and will not, whether with or without the giving of notice or lapse of time or both, conflict with or constitute a breach of, or default or Repayment Event under or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to any written contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or any other agreement or instrument, known to us, to which the Company or any Subsidiary is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any Subsidiary is subject (except for such conflicts, breaches, Repayment Events

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or defaults or liens, charges or encumbrances that would not have a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any Subsidiary, or any applicable law, statute, rule, regulation, judgment, order, writ or decree, known to us, of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any Subsidiary or any of their respective properties, assets or operations.

(xviii) The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the 1940 Act.

We have participated in conferences with officers and other representatives of the Company, representatives of the Underwriters and representatives of the independent public accountants for the Company at which conferences the contents of the Prospectus and the Registration Statement and related matters were discussed and, although we have not independently verified, are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus, we advise you that, on the basis of the foregoing (relying as to materiality to a certain extent upon the opinions of officers and other representatives of the Company), no facts have come to our attention that lead us to believe that the Registration Statement or any amendment thereto, at the time such Registration Statement or any such amendment became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, as of its date or as of the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that we express no comment with respect to the Statement of Eligibility on Form T-1 by the Trustee or the financial statements, including the notes thereto, or any other financial data found in or derived from the internal accounting and other records of the Company and its Subsidiaries set forth or referred to in the Registration Statement or the Prospectus).

In rendering such opinion, such counsel may rely as to matters of fact (but not as to legal conclusions), to the extent they deem proper, on certificates of responsible officers of the Company and public officials. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of Wisconsin and the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to the Representatives. Such opinion shall not state that it is to be governed or qualified by, or that it is otherwise subject to, any treatise, written policy or other document relating to legal opinions, including, without limitation, the Legal Opinion Accord of the ABA Section of Business Law (1991).

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EXHIBIT B

FORM OF ACCOUNTANTS' COMFORT LETTER PURSUANT TO SECTION 5(e)

We are independent public accountants with respect to the Company within the meaning of the 1933 Act and the applicable published 1933 Act Regulations

(i) in our opinion, the audited financial statements and the related financial statement schedules included or incorporated by reference in the Registration Statement and the Prospectus comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the published rules and regulations thereunder; []

(ii) on the basis of procedures (but not an examination in accordance with generally accepted auditing standards) consisting of a reading of the unaudited interim consolidated financial statements of the Company for the

three month periods ended _____ and _____, the three and six month periods ended _____ and _____ and the three and nine month periods ended _____ and _____, included or incorporated by reference in the Registration Statement and the Prospectus (collectively, the "10-Q Financials"), a reading of the unaudited interim consolidated financial statements of the Company for the _____-month periods ended _____ and _____, included in the Registration Statement and the Prospectus (the "_____-month financials"), a reading of the latest available unaudited interim consolidated financial statements of the Company, a reading of the minutes of all meetings of the stockholders and directors of the Company and its subsidiaries and the _____ and _____ Committees of the Company's Board of Directors and any subsidiary committees since day after end of last audited period, inquiries of certain officials of the Company and its subsidiaries responsible for financial and accounting matters, a review of interim financial information in accordance with standards established by the American Institute of Certified Public Accountants in Statement on Auditing Standards No. 71, Interim Financial Information ("SAS 71"), with respect to the description of relevant periods and such other inquiries and procedures as may be specified in such letter, nothing came to our attention that caused us to believe that:

(A) the 10-Q Financials incorporated by reference in the Registration Statement and the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the 1934 Act and the 1934 Act Regulations applicable to unaudited financial statements included in Form 10-Q or any material modifications should be made to the 10-Q Financials incorporated by reference in the Registration Statement and the Prospectus for them to be in conformity with generally accepted accounting principles;

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(B) the _____-month financials included in the Registration Statement and the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations applicable to unaudited interim financial statements included in registration statements or any material modifications should be made to the _____-month financials included in the Registration Statement and the Prospectus for them to be in conformity with generally accepted accounting principles;

(C) at _____ and at a specified date not more than five days prior to the date of this Agreement, there was any change in the Shareholders' Equity of the Company and its subsidiaries or any decrease in the Total Current Assets of the Company and its subsidiaries or any increase in the Long -term Debt of the Company and its subsidiaries, in each case as compared with amounts shown in the latest balance sheet included in the Registration Statement, except in each case for changes, decreases or increases that the Registration Statement discloses have occurred or may occur; or

(D) for the period from _____ to _____ and for the period from _____ to a specified date not more than five days prior to the date of this Agreement, there was any decrease in Net Sales, Earnings Before Extraordinary Loss or Net Earnings, in each case as compared with the comparable period in the preceding year, except in each case for any decreases that the Registration Statement discloses have occurred or may occur;

(iii) based upon the procedures set forth in clause (ii) above and a reading of the Selected Financial Data included in the Registration Statement and a reading of the financial statements from which such data were derived, nothing came to our attention that caused us to believe that the Selected Financial Data included in the Registration Statement do not comply as to form in all material respects with the disclosure requirements of Item 301 of Regulation S-K, that the amounts included in the Selected Financial Data are not in agreement with the corresponding amounts in the audited consolidated financial statements for the respective periods or that the financial statements not included in the Registration Statement from which certain of such data were derived are not in conformity with generally accepted accounting principles;

(iv) we have compared the information in the Registration Statement under selected captions with the disclosure requirements of Regulation S-K and, on the basis of limited procedures specified herein, nothing came to our attention that caused us to believe that this information does not comply as to form in all material respects with the disclosure requirements of Items 302, 402 and 503(d), respectively, of Regulation S-K;

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(v) based upon the procedures set forth in clause (ii) above, a reading of the unaudited financial statements of the Company for the most recent period that have not been included in the Registration Statement and a review of such financial statements in accordance with SAS No. 71, nothing came to our

attention that caused us to believe that the unaudited amounts for Net Sales, Net Earnings or Shareholders' Equity for the most recent period do not agree with the amounts set forth in the unaudited consolidated financial statements for those periods or that such unaudited amounts were not determined on a basis substantially consistent with that of the corresponding amounts in the audited consolidated financial statements;

(vi) we are unable to and do not express any opinion on the Pro Forma Combining Statement of Operations (the "Pro Forma Statement") included in the Registration Statement or on the pro forma adjustments applied to the historical amounts included in the Pro Forma Statement; however, for purposes of this letter we have:

(A) read the Pro Forma Statement;

(B) performed a review in accordance with SAS No. 71 of the financial statements to which the pro forma adjustments were applied;

(C) made inquiries of certain officials of the Company who have responsibility for financial and accounting matters about the basis for their determination of the pro forma adjustments and whether the Pro Forma Statement complies as to form in all material respects with the applicable accounting requirements of Rule 11-02 of Regulation S-X;

(D) proved the arithmetic accuracy of the application of the pro forma adjustments to the historical amounts in the Pro Forma Statement;

on the basis of such procedures and such other inquiries and procedures as specified herein, nothing came to our attention that caused us to believe that the Pro Forma Statement included in the Registration Statement does not comply as to form in all material respects with the applicable requirements of Rule 11-02 of Regulation S-X or that the pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements;] and

(vii) in addition to the procedures referred to in clause (ii) above, we have performed other procedures, not constituting an audit, with respect to certain amounts, percentages, numerical data and financial information appearing in the Registration Statement, which are specified herein, and have compared certain of such items with, and have found such items to be in agreement with, the accounting and financial records of the Company.

APPLIED POWER INC.

DEBT SECURITIES

INDENTURE

DATED AS OF APRIL 1, 1999

THE FIRST NATIONAL BANK OF CHICAGO, TRUSTEE

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PARTIAL CROSS-REFERENCE TABLE

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INDENTURE dated as of April 1, 1999 between APPLIED POWER INC., a corporation organized and existing under the laws of the State of Wisconsin (hereinafter called the "Company"), and THE FIRST NATIONAL BANK OF CHICAGO ("Trustee").

Each party agrees as follows for the benefit of the Holders of the Company's debt securities issued under this Indenture:

ARTICLE 1 -- DEFINITIONS

SECTION 1.01. Definitions.

"AFFILIATE" means any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company.

"AGENT" means any Registrar, Transfer Agent, Paying Agent, Conversion Agent or other Agent appointed by the Company.

"APPLIED POWER TRUST" means a statutory business trust created under Delaware law pursuant to a trust agreement executed by the Company, as depositor of such Applied Power Trust, and the trustees of such Applied Power Trust named therein and pursuant to a certificate of trust filed with the Delaware Secretary of State, which Applied Power Trust exists for the purposes of (i) issuing and selling its trust securities, (ii) using the proceeds from the sale of such trust securities to acquire a series of Securities issued by the Company under this Indenture and (iii) engaging in only those other activities necessary, convenient or incidental thereto.

"AUTHORIZED NEWSPAPER" means a newspaper that is:

(1) printed in the English language or in an official language of the country of publication;

(2) customarily published on each business day in the place of publication; and

(3) of general circulation in the relevant place or in the financial community of such place.

Whenever successive publications in an Authorized Newspaper are required, they may be made on the same or different business days and in the same or different Authorized Newspapers.

"BEARER SECURITY" means a Security payable to bearer.

"BOARD" means the Board of Directors of the Company or any authorized committee of the Board.

"CAPITAL STOCK" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of any person and all warrants or options to acquire such capital stock.

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"COMMON STOCK" means the Class A Common Stock, par value \$.20 per share, of the Company.

"COMPANY" means the party named as such above until a successor replaces it and thereafter means the successor.

"CONVERSION RATE" means such number or amount of shares of Common Stock or other equity or debt securities for which \$1,000 aggregate principal amount of Securities of any series is convertible, initially as stated in the Securities Resolution authorizing the series and as adjusted pursuant to the terms of this Indenture and the Securities Resolution.

"COUPON" means an interest coupon for a Bearer Security.

"DEFAULT" means any event which is, or after notice or passage of time would be, an Event of Default (as defined below).

"DISCOUNTED DEBT SECURITY" means a Security where the amount of principal due upon acceleration is less than the stated principal amount.

"HOLDER" or "SECURITYHOLDER" means the person in whose name a Registered Security is registered and the bearer of a Bearer Security or coupon.

"INDENTURE" means this Indenture and any Securities Resolution as amended from time to time.

"LIEN" means any mortgage, pledge, security interest or other lien.

"OFFICER" means the Chairman, any Vice-Chairman, the President, any Executive or Senior Vice President, any Vice-President, the Treasurer or any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed by two Officers of the Company, and delivered to the Trustee.

"OPINION OF COUNSEL" means a written opinion from legal counsel who is acceptable to the Trustee, and delivered to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"PRINCIPAL" of a debt security means the principal of the security plus the premium, if and when applicable, on the security.

"REGISTERED SECURITY" means a Security registered as to principal and interest by the Registrar.

"SEC" means the Securities and Exchange Commission.

"SECURITIES" means the debt securities issued under this Indenture.

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"SECURITIES RESOLUTION" means a resolution adopted by the Board or by a committee of Officers or an Officer pursuant to Board delegation authorizing a series or a supplemental indenture authorizing a series executed by an authorized Officer.

"SERIES" means a series of Securities or the Securities of the series.

"SUBSIDIARY" means a corporation a majority of whose Voting Stock is owned by the Company or a Subsidiary.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code ss. 77aaa-77bbb), as amended.

"TRADING DAY" means each day on which the securities exchange or quotation system which is used to determine the Market Price is open for trading or quotation.

"TRUSTEE" means the party named as such above until a successor replaces it and thereafter means the successor.

"TRUST OFFICER" means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"TRUST SECURITIES" means securities issued by an Applied Power Trust.

"UNITED STATES" means the United States of America, its territories and possessions and other areas subject to its jurisdiction.

"VOTING STOCK" means capital stock having voting power under ordinary circumstances to elect directors.

"YIELD TO MATURITY" means the yield to maturity on a Security at the time of its issuance or at the most recent determination of interest on the Security.

SECTION 1.02. Other Definitions.

TERM	DEFINED IN SECTION
"ACTUAL KNOWLEDGE"	7.01
"BANKRUPTCY LAW"	6.01
"CONDITIONAL REDEMPTION"	3.04
"CONVERSION AGENT"	2.03
"CONVERSION DATE"	9.02
"CONVERSION NOTICE"	9.02
"CONVERSION RIGHT"	9.01
"CUSTODIAN"	6.01
"EVENT OF DEFAULT"	6.01
"LEGAL HOLIDAY"	11.06
"MARKET PRICE"	9.07
"PAYING AGENT"	2.03
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"REGISTRAR"	2.03
"TRANSFER AGENT"	2.03
"TREASURY REGULATIONS"	2.04
"U.S. GOVERNMENT OBLIGATIONS"	8.02

SECTION 1.03. Rules of Construction.

Unless the context otherwise requires:

- (1) a term has the meaning assigned to it;
- (2) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles in the United States;
- (3) generally accepted accounting principles are those applicable from time to time;
- (4) all terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings assigned to them by such definitions;
- (5) "or" is not exclusive; and
- (6) words in the singular include the plural, and in the plural include the singular.

ARTICLE 2 -- THE SECURITIES

SECTION 2.01. Issuable in Series.

The aggregate principal amount of Securities that may be issued under this Indenture is unlimited. The Securities may be issued from time to time in one or more series. Each series shall be created by a Securities Resolution that establishes the terms of the series, which may include the following:

- (1) the title of the series;

- (2) the aggregate principal amount of the series;
- (3) the interest rate or rates, if any, or method of calculating the interest rate or rates;
- (4) the date from which interest will accrue;
- (5) the record dates for interest payable on Registered Securities;
- (6) the dates when principal and interest are payable;
- (7) the manner of paying principal and interest;

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- (8) the places where principal and interest are payable;
- (9) the Registrar, Transfer Agent and Paying Agent;
- (10) the terms of any mandatory or optional redemption by the Company including any sinking fund;
- (11) the terms of any redemption at the option of Holders;
- (12) the denominations in which Securities are issuable;
- (13) whether Securities will be issuable as Registered Securities, Bearer Securities or uncertificated Securities;
- (14) whether and upon what terms Registered Securities, Bearer Securities and uncertificated Securities may be exchanged;
- (15) whether any Securities will be represented by a Security in global form;
- (16) the terms of any global Security;
- (17) the terms of any tax indemnity;
- (18) the currencies (including any composite currency) in which principal or interest may be paid;
- (19) if payments of principal or interest may be made in a currency other than that in which Securities are denominated, the manner for determining such payments;
- (20) if amounts of principal or interest may be determined by reference to an index, formula or other method, the manner for determining such amounts;
- (21) provisions for electronic issuance of Securities or for Securities in uncertificated form;
- (22) the portion of principal payable upon acceleration of a Discounted Debt Security;
- (23) whether any Events of Default or covenants in addition to or in lieu of those set forth in this Indenture apply;
- (24) whether and upon what terms Securities may be defeased;
- (25) the forms of the Securities or any coupon, which may be in the form of Exhibit A or B;
- (26) any terms that may be required by or advisable under U.S. or other applicable laws or regulations;

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- (27) whether and upon what terms the Securities will be convertible into or exchangeable for Common Stock of the Company or other equity or debt securities, which may include the terms provided in Article 9;
- (28) the ranking of the Securities, including the relative degree, if any, to which the Securities of such series shall be subordinated to one or more other series of Securities in right of payment, whether outstanding or not;

- (29) any provisions relating to extending or shortening the date on which the principal and premium, if any, of the Securities of such series is payable;
- (30) any provisions relating to the deferral of payment of any interest;
- (31) if such Securities are to be issued to an Applied Power Trust, the forms of the related trust agreement and guarantee agreement relating thereto;
- (32) the additions or changes, if any, to this Indenture with respect to the Securities of such series as shall be necessary to permit or facilitate the issuance of such Securities to an Applied Power Trust; and
- (33) any other terms not inconsistent with this Indenture.

All Securities of one series need not be issued at the same time and, unless otherwise provided, a series may be reopened for issuances of additional Securities of such series.

The creation and issuance of a series and the authentication and delivery thereof are not subject to any conditions precedent.

SECTION 2.02. Execution and Authentication.

Two Officers shall sign the Securities by manual or facsimile signature. The Company's seal shall be reproduced on the Securities. An Officer shall sign any coupons by facsimile signature.

If an Officer whose signature is on a Security or its coupons no longer holds that office at the time the Security is authenticated or delivered, the Security and coupons shall nevertheless be valid.

A Security and its coupons shall not be valid until the Security is authenticated by the manual or facsimile signature of the Registrar. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

Each Registered Security shall be dated the date of its authentication. Each Bearer Security shall be dated the date of its original issuance or as provided in the Securities Resolution.

Securities may have notations, legends or endorsements required by law, stock exchange rule, agreement or usage.

In the event Securities are issued in electronic or other uncertificated form, such Securities may be validly issued without the signatures or seal contemplated by this Section 2.02.

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SECTION 2.03. Registrar and Transfer, Paying and Conversion Agents and Other Agents.

The Company shall maintain an office or agency where Securities may be authenticated ("Registrar"), where Securities may be presented for registration of transfer or for exchange ("Transfer Agent"), where Securities may be presented for payment ("Paying Agent") and where Securities may be presented for conversion ("Conversion Agent"). Whenever the Company must issue or deliver Securities pursuant to this Indenture, the Registrar shall authenticate the Securities at the Company's request. The Transfer Agent shall keep a register of the Securities and of their transfer and exchange.

The Trustee shall be, and is hereby appointed as, Registrar. The Company may appoint more than one Transfer Agent, Paying Agent or Conversion Agent or other Agent for a series. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture. If the Company does not appoint or maintain a Transfer Agent, Paying Agent or Conversion Agent for a series, the Trustee shall act as such.

SECTION 2.04. Bearer Securities.

U.S. laws and Treasury Regulations restrict sales or exchanges of and payments on Bearer Securities. Therefore, except as provided below:

- (1) Bearer Securities will be offered, sold or delivered only outside the United States and will be delivered in connection with their original issuance only upon presentation of a certificate in a form prescribed by the Company to comply with U.S. laws and regulations.
- (2) Bearer Securities will not be issued in exchange for

Registered Securities.

- (3) All payments of principal and interest (including original issue discount) on Bearer Securities will be made outside the United States by a Paying Agent located outside the United States unless the Company determines that:
 - (A) such payments may not be made by such Paying Agent because the payments are illegal or prevented by exchange controls as described in Treasury Regulation ss. 1.163-5(c) (2) (v); and
 - (B) making the payments in the United States would not have an adverse tax effect on the Company.

If there is a change in the relevant provisions of U.S. laws or Treasury Regulations or the judicial or administrative interpretation thereof, a restriction set forth in paragraph (1), (2) or (3) above will not apply to a series if the Company determines that the relevant provisions no longer apply to the series or that failure to comply with the relevant provisions would not have an adverse tax effect on the Company or on Securityholders or cause the series to be treated as "registration-required" obligations under U.S. law.

The Company shall notify the Trustee of any determinations by the Company under this Section.

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"TREASURY REGULATIONS" means regulations of the U.S. Treasury Department under the Internal Revenue Code of 1986, as amended.

SECTION 2.05. Paying Agent to Hold Money in Trust.

The Company shall require each Paying Agent for a series other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of the persons entitled thereto all money held by the Paying Agent for the payment of principal of or interest on the series, and will notify the Trustee of any default by the Company in making any such payment.

While any such default continues, the Trustee may require a Paying Agent to pay all money so held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent shall have no further liability for the money.

If the Company or an Affiliate acts as Paying Agent for a series, it shall segregate and hold as a separate trust fund all money held by it as Paying Agent for the series.

The Company may elect not to exchange or register the transfer of any Security for a period of 15 days before a selection of Securities to be redeemed.

SECTION 2.06. Securityholder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Transfer Agent, the Company shall furnish to the Trustee semiannually and at such other times as the Trustee may request a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders of Registered Securities and Holders of Bearer Securities whose names are on the list referred to below.

The Transfer Agent shall keep a list of the names and addresses of Holders of Bearer Securities who file a request to be included on such list. A request will remain in effect for two years but successive requests may be made.

Whenever the Company or the Trustee is required to mail a notice to all Holders of Registered Securities of a series, it also shall mail the notice to Holders of Bearer Securities of the series whose names are on the list.

Whenever the Company is required to publish a notice to all Holders of Bearer Securities of a series, it also shall mail the notice to such of them whose names are on the list.

SECTION 2.07. Transfer and Exchange.

Where Registered Securities of a series are presented to the Transfer Agent with a request to register a transfer or to exchange them for an equal principal amount of Registered Securities of other denominations of the same series, the Transfer Agent shall register the transfer or make the exchange

if its requirements for such transactions are met. Where Bearer Securities of a series are presented to the Transfer Agent with a request to exchange them for an equal principal amount of Bearer Securities of other denominations of the same series, the Transfer Agent shall make the exchange if its requirements for such transactions are met.

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The Transfer Agent may require a Holder to pay a sum sufficient to cover any taxes imposed on a transfer or exchange.

If a series provides for Registered and Bearer Securities and for their exchange, Bearer Securities may be exchanged for Registered Securities and Registered Securities may be exchanged for Bearer Securities as provided in the Securities or the Securities Resolution if the requirements of the Transfer Agent for such transactions are met and in the case of the exchange of registered securities for bearer securities if Section 2.04 permits the exchange.

SECTION 2.08. Replacement Securities.

If the Holder of a Security or coupon claims that it has been lost, destroyed or wrongfully taken, then, in the absence of notice to the Company or the Trustee that the Security or coupon has been acquired by a bona fide purchaser, the Company shall issue a replacement Security or coupon if the Company and the Trustee receive:

- (1) evidence satisfactory to them of the loss, destruction or taking;
- (2) an indemnity bond satisfactory to them; and
- (3) payment of a sum sufficient to cover their expenses and any taxes for replacing the Security or coupon.

A replacement Security shall have coupons attached corresponding to those, if any, on the replaced Security.

Every replacement Security or coupon is an additional obligation of the Company.

SECTION 2.09. Outstanding Securities.

The Securities outstanding at any time are all the Securities authenticated by the Registrar except for those cancelled by it, those delivered to it for cancellation, and those described in this Section as not outstanding.

If a Security is replaced pursuant to Section 2.08, it ceases to be outstanding unless the Trustee and the Company receive proof satisfactory to them that the replaced Security is held by a bona fide purchaser.

If Securities are considered paid under Section 4.01, they cease to be outstanding and interest on them ceases to accrue.

A Security does not cease to be outstanding because the Company or an Affiliate holds the Security.

SECTION 2.10. Discounted Debt Securities.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, the principal amount of a Discounted Debt Security shall be the amount of principal that would be due as of the date of such determination if payment of the Security were accelerated on that date.

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SECTION 2.11. Treasury Securities.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or an Affiliate shall be disregarded, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which the Trustee knows are so owned shall be so disregarded.

SECTION 2.12. Global Securities.

If the Securities Resolution so provides, the Company may issue some or all of the Securities of a series in temporary or permanent global form. A global Security may be in registered form, in bearer form with or without coupons or in uncertificated form. A global Security shall represent that amount of Securities of a series as specified in the global Security or as endorsed thereon from time to time. At the Company's request, the Registrar shall endorse a global Security to reflect the amount of any increase or decrease in the

Securities represented thereby.

The Company may issue a global Security only to a depository designated by the Company. A depository may transfer a global Security only as a whole to its nominee or to a successor depository.

The Securities Resolution may establish, among other things, the manner of paying principal and interest on a global Security and whether and upon what terms a beneficial owner of an interest in a global Security may exchange such interest for definitive Securities.

The Company, an Affiliate, the Trustee and any Agent shall not be responsible for any acts or omissions of a depository, for any depository records of beneficial ownership interests or for any transactions between the depository and beneficial owners.

SECTION 2.13. Temporary Securities.

Until definitive Securities of a series are ready for delivery, the Company may use temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Temporary Securities may be in global form. Temporary Bearer Securities may have one or more coupons or no coupons. Without unreasonable delay, the Company shall deliver definitive Securities in exchange for temporary Securities.

SECTION 2.14. Cancellation.

The Company at any time may deliver Securities to the Registrar for cancellation. The Transfer Agent and the Paying Agent shall forward to the Registrar any Securities and coupons surrendered to them for payment, exchange or registration of transfer. The Registrar shall cancel all Securities or coupons surrendered for payment, registration of transfer, exchange or cancellation. The Registrar also will cancel all Bearer Securities and unmatured coupons unless the Company requests the Registrar to hold the same for redelivery. Any Bearer Securities so held shall be considered delivered for cancellation under Section 2.09. The Registrar shall destroy cancelled Securities and coupons unless the Company otherwise directs.

Unless the Securities Resolution otherwise provides, the Company may not issue new Securities to replace Securities that the Company has paid or that the Company has delivered to the Registrar for cancellation.

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SECTION 2.15. Defaulted Interest.

If the Company defaults in a payment of interest on Registered Securities, it need not pay the defaulted interest to Holders on the regular record date. The Company may fix a special record date for determining Holders entitled to receive defaulted interest, or the Company may pay defaulted interest in any other lawful manner.

ARTICLE 3 -- REDEMPTION

SECTION 3.01. Notices to Trustee.

Securities of a series that are redeemable before maturity shall be redeemable in accordance with their terms and, unless the Securities Resolution otherwise provides, in accordance with this Article.

In the case of a redemption by the Company, the Company shall notify the Trustee of the redemption date and the principal amount of Securities to be redeemed. The Company shall notify the Trustee at least 45 days before the redemption date unless a shorter notice is satisfactory to the Trustee.

If the Company is required to redeem Securities, it may reduce the principal amount of Securities required to be redeemed to the extent that it is permitted a credit against such redemption requirement by the terms of the Securities Resolution and notifies the Trustee of the amount of such credit and the basis for it. If the reduction is based on a credit for acquired or redeemed Securities that the Company has not previously delivered to the Registrar for cancellation, the Company shall deliver the Securities at the same time as the notice.

SECTION 3.02. Selection of Securities to Be Redeemed.

If less than all the Securities of a series are to be redeemed, the Trustee shall select the Securities to be redeemed by a method the Trustee considers fair and appropriate. The Trustee shall make the selection from Securities of the series outstanding not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities having denominations larger than the minimum denomination for the series. Securities and portions thereof selected for redemption shall be in amounts equal to the

minimum denomination for the series or an integral multiple thereof. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption.

SECTION 3.03. Notice of Redemption.

At least 30 but not more than 60 days before a redemption date, the Company shall mail a notice of redemption by first-class mail to each Holder of Registered Securities whose Securities are to be redeemed.

If Bearer Securities are to be redeemed, the Company shall publish a notice of redemption in an Authorized Newspaper as provided in the Securities.

A notice shall identify the Securities of the series to be redeemed and shall state:

- (1) the redemption date;
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- (2) the redemption price;
 - (3) the name and address of the Paying Agent;
 - (4) that Securities called for redemption, together with all coupons, if any, maturing after the redemption date, must be surrendered to the Paying Agent to collect the redemption price;
 - (5) that interest on Securities called for redemption ceases to accrue on and after the redemption date;
 - (6) whether the redemption by the Company is mandatory or optional; and
 - (7) whether the redemption is conditional as provided in Section 3.04, and if so, the terms of the conditions, and that, if the conditions are not satisfied or are not waived by the Company, the Securities will not be redeemed and such a failure to redeem will not constitute an Event of Default.

A redemption notice given by publication need not identify Registered Securities to be

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense.

SECTION 3.04. Effect of Notice of Redemption.

Except as provided below, once notice of redemption is given, Securities called for redemption become due and payable on the redemption date at the redemption price stated in the notice.

A notice of redemption may provide that it is subject to the occurrence of any event before the date fixed for such redemption as described in such notice ("Conditional Redemption"), and such notice of Conditional Redemption shall be of no effect unless all such conditions to the redemption have occurred on or before such date or have been waived by the Company in its sole discretion.

SECTION 3.05. Payment of Redemption Price.

On or before the redemption date, the Company shall deposit with the Paying Agent money sufficient to pay the redemption price of and accrued interest on all Securities to be redeemed on that date.

When the Holder of a Security surrenders it for redemption in accordance with the redemption notice, the Company shall pay to the Holder on the redemption date the redemption price and accrued interest to such date, except that:

- (1) the Company will pay any such interest (except defaulted interest) to Holders on the record date of Registered Securities if the redemption date occurs on an interest payment date; and

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- (2) the Company will pay any such interest to Holders of coupons that mature on or before the redemption date upon surrender of such coupons to the Paying Agent.

Coupons maturing after the redemption date on a called Security are void absent a payment default on that date. Nevertheless, if a Holder surrenders

for redemption a Bearer Security missing any such coupons, the Company may deduct the face amount of such coupons from the redemption price. If thereafter the Holder surrenders to the Paying Agent the missing coupons, the Company will return the amount so deducted. The Company may waive surrender of the missing coupons if it receives an indemnity bond satisfactory to the Company.

SECTION 3.06. Securities Redeemed in Part.

Upon surrender of a Security that is redeemed in part, the Company shall deliver to the Holder a new Security of the same series equal in principal amount to the unredeemed portion of the Security surrendered.

ARTICLE 4 -- COVENANTS

SECTION 4.01. Payment of Securities.

The Company shall pay the principal of and interest on a series in accordance with the terms of the Securities for the series, any related coupons, and this Indenture. Principal and interest on a series shall be considered paid on the date due if the Paying Agent for the series holds on that date money sufficient to pay all principal and interest then due on the series.

SECTION 4.02. Overdue Interest.

Unless the Securities Resolution otherwise provides, the Company shall pay interest on overdue principal of a Security of a series at the rate (or Yield to Maturity in the case of a Discounted Debt Security) borne by the series; the Company shall pay interest on overdue installments of interest at the same rate or Yield to Maturity to the extent lawful.

SECTION 4.03. No Lien Created, etc.

This Indenture and the Securities do not create a Lien, charge or encumbrance on any property of the Company or any Subsidiary.

SECTION 4.04. Compliance Certificate.

The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, a brief certificate signed by the principal executive officer, principal financial officer or principal accounting officer of the Company, as to the signer's knowledge of the Company's compliance with all conditions and covenants under this Indenture (determined without regard to any period of grace or requirement of notice provided herein).

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Any other obligor on the Securities shall also deliver to the Trustee such a certificate as to its compliance with this Indenture within 120 days after the end of each of its fiscal years.

The certificates need not comply with Section 11.04.

SECTION 4.05. SEC Reports.

The Company shall file with the Trustee, within 15 days after the Company is required to file the same with the SEC, copies of the annual reports and of the information, documents, and other reports (or such portions of the foregoing as the SEC may prescribe) which the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Any other obligor on the Securities shall do likewise as to the above items which it is required to file with the SEC pursuant to those sections.

SECTION 4.06. Costs and Expenses of Applied Power Trusts.

The Company shall pay all debts and obligations (other than with respect to the Trust Securities) and all costs and expenses of any Applied Power Trust (including, but not limited to, all costs and expenses relating to the organization of the applicable Applied Power Trust, the fees and expenses of any trustee or trustees for the Applied Power Trust and all costs and expenses relating to the operation of the applicable Applied Power Trust (other than with respect to the Trust Securities)) and to pay any and all taxes, duties, assessments or other governmental charges of whatever nature (other than United States withholding taxes) imposed by the United States or any other taxing authority, so that the net amounts received and retained by the applicable Applied Power Trust after paying such fees, expenses, debts and obligations will be equal to the amounts the applicable Applied Power Trust would have received and retained had no such fees, expenses, debts and obligations been incurred by or imposed on the applicable Applied Power Trust. The foregoing obligations of the Company are for the benefit of, and shall be enforceable by, any person to whom such fees, expenses, debts and obligations are owed (each, a "Creditor"), whether or not such Creditor has received notice thereof. Any such Creditor may

enforce such obligations of the Company directly against the Company, and the Company irrevocably waives any right or remedy to require that any such Creditor take any action against the applicable Applied Power Trust or any other person before proceeding against the Company. The Company shall execute such additional agreements as may be necessary to give full effect to the foregoing.

ARTICLE 5 -- SUCCESSORS

SECTION 5.01. When Company May Merge, etc.

Unless the Securities Resolution establishing a Series otherwise provides, the Company shall not consolidate with or merge into, or transfer all or substantially all of its assets to, any person in any transaction in which the Company is not the survivor unless:

- (1) the person is organized under the laws of the United States or a State thereof or is organized under the laws of a foreign jurisdiction and consents to the jurisdiction of the courts of the United States or a State thereof;

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- (2) the person assumes by supplemental indenture all the obligations of the Company under this Indenture, the Securities and any coupons;
- (3) all required approvals of any regulatory body having jurisdiction over the transaction shall have been obtained;
- (4) immediately after the transaction no Default exists; and
- (5) the Company provides an Officers' Certificate and an Opinion of Counsel to the effect that all the provisions in this Section 5.01 have been complied with.

The successor shall be substituted for the Company, and thereafter all obligations of the Company under this Indenture, the Securities and any coupons shall terminate.

ARTICLE 6 -- DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default.

Unless the Securities Resolution otherwise provides, an "EVENT OF DEFAULT" on a series occurs if:

- (1) the Company defaults in any payment of interest on any Securities of the series when the same becomes due and payable and the Default continues for a period of 30 days;
- (2) the Company defaults in the payment of the principal and premium, if any, of any Securities of the series when the same becomes due and payable at maturity or upon redemption, acceleration or otherwise;
- (3) the Company defaults in the payment or satisfaction of any sinking fund obligation with respect to any Securities of the series as required by the Securities Resolution establishing such series;
- (4) the Company defaults in the performance of any of its other agreements applicable to the series and the Default continues for 60 days after the notice specified below;
- (5) the Company pursuant to or within the meaning of any Bankruptcy Law:
 - (A) commences a voluntary case,
 - (B) consents to the entry of an order for relief against it in an involuntary case,
 - (C) consents to the appointment of a Custodian for it or for all or substantially all of its property, or
 - (D) makes a general assignment for the benefit of its

creditors;

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- (6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:
- (A) is for relief against the Company in an involuntary case,
 - (B) appoints a Custodian for the Company or for all or substantially all of its property, or
 - (C) orders the liquidation of the Company;
- and the order or decree remains unstayed and in effect for 60 days; or
- (7) there occurs any other Event of Default provided for in the series.

The term "BANKRUPTCY LAW" means Title 11, U.S. Code or any similar Federal or State law for the relief of debtors. The term "CUSTODIAN" means any receiver, trustee, assignee, liquidator or a similar official under any Bankruptcy Law.

A Default under clause (4) is not an Event of Default until the Trustee or the Holders of at least 25% in principal amount of the series notify the Company of the Default and the Company does not cure the Default within the time specified after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If Holders notify the Company of a Default, they shall notify the Trustee at the same time .

The failure to redeem any Security subject to a Conditional Redemption is not an Event of Default if any event on which such redemption is so conditioned does not occur and is not waived before the scheduled redemption date.

SECTION 6.02. Acceleration.

If an Event of Default occurs and is continuing on a series, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the series (or, in the case of a series issued to an Applied Power Trust, so long as any of the related preferred securities of such Applied Power Trust remain outstanding, if, upon such Event of Default, the Trustee or the Holders of not less than 25% in aggregate principal amount of such series fail to declare the principal of all the Securities of such series to be so immediately due and payable, the holders of 25% in aggregate liquidation amount of such preferred securities then outstanding shall have such right) by notice to the Company and the Trustee, may declare the principal of and accrued interest on all the Securities of the series to be due and payable immediately. Discounted Debt Securities may provide that the amount of principal due upon acceleration is less than the stated principal amount.

The Holders of a majority in principal amount of the series by notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default on the series have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration; provided, that in the case of a series issued to an Applied Power Trust, so long as any of the related preferred securities of such Applied Power Trust remain outstanding, the holders of a majority in aggregate liquidation amount of such preferred securities then outstanding shall also have such right to rescission of acceleration and its consequences with respect to such series, subject to the same conditions set forth above.

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SECTION 6.03. Other Remedies.

If an Event of Default occurs and is continuing on a series, the Trustee may pursue any available remedy to collect principal or interest then due on the series, to enforce the performance of any provision applicable to the series, or otherwise to protect the rights of the Trustee and Holders of the series.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or coupons or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.04. Waiver of Past Defaults.

Unless the Securities Resolution otherwise provides, the Holders of a majority in principal amount of a series (or, in the case of a series issued to an Applied Power Trust, so long as any of the related preferred securities of such Applied Power Trust remain outstanding, the holders of a majority in aggregate liquidation amount of such preferred securities then outstanding) by notice to the Trustee may waive an existing Default on the series and its consequences except:

- (1) a Default in the payment of the principal of or interest on the series, or
- (2) a Default in respect of a provision that under Section 10.02 cannot be amended without the consent of each Securityholder affected.

SECTION 6.05. Control by Majority.

The Holders of a majority in principal amount of a series may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or of exercising any trust or power conferred on the Trustee, with respect to such series. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or if the Trustee in good faith shall determine that the action or direction might involve the Trustee in personal liability.

SECTION 6.06. Limitation on Suits.

A Securityholder of a series may pursue a remedy with respect to the series only if:

- (1) the Holder gives to the Trustee notice of a continuing Event of Default on the series;
- (2) the Holders of at least 25% in principal amount of the series make a request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

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- (5) during such 60-day period the Holders of a majority in principal amount of the series do not give the Trustee a direction inconsistent with such request.

A Securityholder may not use this Indenture to prejudice the rights of another Securityholder or to obtain a preference or priority over another Securityholder.

In the case of a series issued to an Applied Power Trust, any holder of the related preferred securities of such Applied Power Trust shall have the right, upon the occurrence and continuance of an Event of Default described in Sections 6.01(1) and (2) hereof with respect to such series, to institute a suit directly against the Company to enforce payment to such holder of the principal of, and premium, if any, and interest on, the Securities having a principal amount equal to the aggregate liquidation amount of such preferred securities held by such holder.

SECTION 6.07. Collection Suit by Trustee.

If an Event of Default in payment of interest, principal or sinking fund specified in Section 6.01(1), (2) or (3) occurs and is continuing on a series, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal and interest remaining unpaid on the series.

SECTION 6.08. Priorities.

If the Trustee collects any money for a series pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 7.06;

Second: to Securityholders of the series for amounts due and unpaid for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable for principal and interest, respectively; and

Third: to the Company.

The Trustee may fix a payment date for any payment to Securityholders.

ARTICLE 7 -- TRUSTEE

SECTION 7.01. Rights of Trustee.

- (1) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.
- (2) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on the Certificate or Opinion.

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- (3) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.
- (4) The Trustee shall not be liable for any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.
- (5) The Trustee may refuse to perform any duty or exercise any right or power which it reasonably believes may expose it to any loss, liability or expense unless it receives indemnity satisfactory to it against such loss, liability or expense.
- (6) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.
- (7) The Trustee shall have no duty with respect to a Default unless a Trust Officer has actual knowledge of the Default. As used herein, the term "actual knowledge" means the actual fact or statement of knowing, without any duty to make any investigation with regard thereto.
- (8) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized and within its powers.
- (9) Any Agent shall have the same rights and be protected to the same extent as if it were Trustee.
- (10) The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

SECTION 7.02. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities or coupons and may otherwise deal with the Company or an Affiliate with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

SECTION 7.03. Trustee's Disclaimer.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities or any coupons; it shall not be accountable for the Company's use of the proceeds from the Securities; it shall not be responsible for any statement in the Securities or any coupons; it shall not be responsible for any overissue; it shall not be responsible for determining whether the form and terms of any Securities or coupons were established in conformity with this Indenture; it shall not be responsible for determining whether any Securities were issued in accordance with this Indenture; and it shall not be responsible for the acts or omissions of any other Trustees appointed hereunder.

SECTION 7.04. Notice of Defaults.

If a Default occurs and is continuing on a series and if the Trustee has actual knowledge of such Default, the Trustee shall mail a notice of the Default within 90 days after it occurs to Holders of Regis-

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tered Securities of the series. Except in the case of a Default in payment on a series, the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interest of Holders of the series. The Trustee shall withhold notice of a Default described in Section 6.01(4) until at least 60 days after it occurs.

SECTION 7.05. Reports by Trustee to Holders.

Any report required by TIA ss. 313(a) to be mailed to Securityholders shall be mailed by the Trustee on or before May 15th of each year.

A copy of each report at the time of its mailing to Securityholders shall be filed with the SEC and each stock exchange on which any Securities are listed. The Company shall notify the Trustee when any Securities are listed on a stock exchange.

SECTION 7.06. Compensation and Indemnity.

The Company shall pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee against any loss or liability incurred by it. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent.

The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence or willful misconduct.

To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Securities and any coupons on all money or property held or collected by the Trustee, except that held in trust to pay principal or interest on particular securities.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(5) or (6) occurs, such expenses and the compensation for such services are intended to constitute expenses of administration under any Bankruptcy Law.

The provisions of this Section shall survive any termination or discharge of this Indenture (including without limitation any termination under any Bankruptcy Law) and the resignation or removal of the Trustee.

SECTION 7.07. Replacement of Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

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The Trustee may resign by so notifying the Company. The Holders of a majority in principal amount of the Securities may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee with the Company's consent.

The Company may remove the Trustee if:

- (1) the Trustee fails to comply with TIA (S) 310(a) or (S) 310(b) or with Section 7.09;
- (2) the Trustee is adjudged a bankrupt or an insolvent;
- (3) a Custodian or other public officer takes charge of the Trustee or its property;
- (4) the Trustee becomes incapable of acting; or
- (5) an event of the kind described in Section 6.01(5) or (6) occurs with respect to the Trustee.

The Company also may remove the Trustee with or without cause if the Company so notifies the Trustee three months in advance and if no Default occurs during the three-month period.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in principal amount of the Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with TIA (S) 310(a) or (S) 310(b) or with Section 7.09, any Securityholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of Registered Securities. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.06.

SECTION 7.08. Successor Trustee by Merger, etc.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

SECTION 7.09. Trustee's Capital and Surplus.

The Trustee at all times shall have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published report of financial condition.

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ARTICLE 8 -- DISCHARGE OF INDENTURE

SECTION 8.01. Defeasance.

Securities of a series may be defeased in accordance with their terms and, unless the Securities Resolution otherwise provides, in accordance with this Article.

The Company at any time may terminate as to a series all of its obligations under this Indenture, the Securities of the series and any related coupons ("legal defeasance option"). The Company at any time may terminate as to a series its obligations, if any, under any restrictive covenants which may be applicable to a particular series ("covenant defeasance option"). However, in the case of the legal defeasance option, the Company's obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 2.08, 7.06, 7.07 and 8.04 shall survive until the Securities of the series are no longer outstanding; thereafter the Company's obligations in Section 7.06 shall survive.

The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its legal defeasance option, a series may not be accelerated because of an Event of Default. If the Company exercises its covenant defeasance option, a series may not be accelerated by reference to any restrictive covenants as to which the covenant defeasance option applicable to such series has been so exercised.

The Trustee upon request shall acknowledge in writing the discharge of those obligations or restrictions that the Company terminates by defeasance.

SECTION 8.02. Conditions to Defeasance.

The Company may exercise as to a series its legal defeasance option or its covenant defeasance option if:

- (1) the Company irrevocably deposits in trust with the Trustee or another trustee money or U.S. Government Obligations;
- (2) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the

payments of principal and interest when due on the deposited U.S. Government Obligations without reinvestment plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all the Securities of the series to maturity or redemption, as the case may be;

- (3) immediately after the deposit no Default exists;
- (4) the deposit does not constitute a default under any other agreement binding on the Company;
- (5) the deposit does not cause the Trustee to have a conflicting interest under TIA (S) 310(a) or (S) 310(b) as to another series;

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- (6) the Company delivers to the Trustee an Opinion of Counsel to the effect that Holders of the series will not recognize income, gain or loss for Federal income tax purposes as a result of the defeasance;
- (7) 91 days pass after the deposit is made and during the 91-day period no Default specified in Section 6.01(5) or (6) occurs that is continuing at the end of the period; and
- (8) the Company provides an Officers' Certificate and an Opinion of Counsel to the effect that all conditions precedent pursuant to this Section 8.02 have been satisfied.

Before or after a deposit the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date in accordance with Article 3.

"U.S. GOVERNMENT OBLIGATIONS" means direct obligations of (i) the United States or (ii) an agency or instrumentality of the United States, the payment of which is unconditionally guaranteed by the United States, which, in either case, have the full faith and credit of the United States pledged for payment and which are not callable at the issuer's option, or certificates representing an ownership interest in such obligations.

SECTION 8.03. Application of Trust Money.

The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.02. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal and interest on Securities of the defeased series.

SECTION 8.04. Repayment to Company.

The Trustee and the Paying Agent shall promptly turn over to the Company upon request any excess money or securities held by them at any time.

The Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal or interest that remains unclaimed for two years. After payment to the Company, Securityholders entitled to the money must look to the Company for payment as unsecured general creditors unless an abandoned property law designates another person.

ARTICLE 9 -- CONVERSION

SECTION 9.01. Conversion Privilege.

If the Securities Resolution establishing the terms of a series of securities so provides, Securities of any series may be convertible at the option of the holders into or for Common Stock or other equity or debt securities (a "Conversion Right"). The Securities Resolution may establish, among other things, the Conversion Rate, provisions for adjustments to the Conversion Rate and limitations upon exercise of the Conversion Right.

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Unless the Securities Resolution otherwise provides, a Holder may convert a portion of a Security if the portion is \$1,000 or an integral multiples thereof. Provisions of this Indenture that apply to the conversion of the aggregate principal amount of a Security also apply to conversion of a portion of it.

The Securities Resolution providing for Securities with a Conversion Right may establish any terms in addition to, or other than (including terms inconsistent with), those set forth in this Article 9 with respect to the conversion of the Securities established thereby (other than those of Section 9.16).

SECTION 9.02. Conversion Procedure.

To convert a Security a Holder must satisfy all requirements in the Securities or the Securities Resolution and (i) complete and manually sign the conversion notice (the "Conversion Notice") provided for in the Securities Resolution or the Security (or complete and manually sign a facsimile thereof) and deliver such notice to the Conversion Agent or any other office or agency maintained for such purpose, (ii) surrender the Security to the Conversion Agent or at such other office or agency by physical delivery, (iii) if required, furnish appropriate endorsements and transfer documents, and (iv) if required, pay all transfer or similar taxes. The date on which such notice shall have been received by and the Security shall have been so surrendered to the Conversion Agent is the "Conversion Date." Such Conversion Notice shall be irrevocable and may not be withdrawn by a Holder for any reason.

The Company will complete settlement of any conversion of Securities not later than the fifth business day following the Conversion Date in respect of the cash portion elected to be delivered in lieu of the securities into which the Security is convertible and not later than the seventh business day following the Conversion Date in respect of the portion to be settled in such securities.

If any Security is converted between the record date for the payment of interest and the next succeeding interest payment date, such Security must be accompanied by funds equal to the interest payable on such succeeding interest payment date on the principal amount so converted (unless such Security shall have been called for redemption during such period, in which case no such payment shall be required). A Security converted on an interest payment date need not be accompanied by any payment, and the interest on the principal amount of the Security being converted will be paid on such interest payment date to the registered holder of such Security on the immediately preceding record date. Subject to the aforesaid right of the registered holder to receive interest, no payment or adjustment will be made on conversion for interest accrued on the converted Security or for interest, dividends or other distributions payable on any security issued on conversion.

If a Holder converts more than one Security at the same time, the securities into which the Security is convertible issuable or cash payable upon the conversion shall be based on the total principal amount of the Securities converted.

Upon surrender of a Security that is converted in part the Trustee shall authenticate for the Holder a new Security equal in principal amount to the unconverted portion of the Security surrendered; except that if a global Security is so surrendered the Trustee shall authenticate and, if applicable, deliver to the depository a new global Security in a denomination equal to and in exchange for the unconverted portion of the principal of the global Security so surrendered.

If the last day on which a Security may be converted is a Legal Holiday in a place where a Conversion Agent is located, the Security may be surrendered to that Conversion Agent on the next succeeding day that is not a Legal Holiday.

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SECTION 9.03. Taxes on Conversion.

If a Holder of a Security exercises a Conversion Right, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of the securities into which the Security is convertible upon the conversion. However, the Holder shall pay any such tax which is due because securities or other property are issued in a name other than the Holder's name. Nothing herein shall preclude any income tax or other withholding required by law or regulations.

SECTION 9.04. Company Determination Final.

Any determination that the Board of Directors makes pursuant to this Article 9 or consistent with terms provided for in any Securities Resolution is conclusive, absent manifest error.

SECTION 9.05. Trustee's and Conversion Agent's Disclaimer.

The Trustee (and each Conversion Agent other than the Company) has no duty to determine when or if an adjustment under this Article 9 or any Securities Resolution should be made, how it should be made or calculated or what it should be. The Trustee (and each Conversion Agent other than the Company) makes no representation as to the validity or value of any securities

issued upon conversion of Securities. The Trustee (and each Conversion Agent other than the Company) shall not be responsible for the Company's failure to comply with this Article 9 or any provision of a Securities Resolution relating to a Conversion Right.

SECTION 9.06. Company to Provide Conversion Securities.

The Company shall reserve out of its authorized but unissued Common Stock or its Common Stock held in treasury sufficient shares to permit the conversion of all of the Securities convertible into Common Stock. The Company shall arrange and make available for issuance upon conversion the full amount of any other securities into which the Securities are convertible to permit such conversion of the Securities.

All shares of Common Stock or other equity securities of any person which may be issued upon conversion of the Securities shall be validly issued, fully paid and non-assessable, subject to the personal liability which may be imposed on shareholders by Section 180.0622(2)(b) of the Wisconsin Business Corporation Law (or any successor provision), as judicially interpreted, for debts owing to employees for services performed.

The Company will comply with all securities laws regulating the offer and delivery of securities upon conversion of Securities.

SECTION 9.07. Cash Settlement Option.

If the Securities Resolution so provides, the Company may elect to satisfy, in whole or in part, a Conversion Right of Securities convertible into Common Stock or other securities of any person by the delivery of cash. The amount of cash to be delivered shall be equal to the Market Price on the last Trading Day preceding the applicable Conversion Date of a share of Common Stock or other securities of any person into which the Securities are convertible multiplied by the number of shares of Common Stock or the number of shares or principal amount of other securities into which the Securities are convertible, respectively, in respect of which the Company elects to deliver cash. If the Company elects to satisfy, in whole or in part, a Conversion Right by the delivery of shares of Common Stock or other securities, no fractional shares or portion of other securities

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will be delivered. Instead, the Company will pay cash based on the Market Price for such fractional share of Common Stock or portion of other securities.

The "MARKET PRICE" of the Common Stock into which Securities or other equity securities into which the Securities are convertible may be converted pursuant to a Securities Resolution or this Article 9 on any Trading Day means the weighted average per share sale price for all sales of the Common Stock or other equity securities on such Trading Day (or, if the information necessary to calculate such weighted average per share sale price is not reported, the average of the high and low sale prices, or if no sales are reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and average ask prices), as reported in the composite transactions for the New York Stock Exchange, or if the Common Stock or other equity securities into which the Securities are convertible are not listed or admitted to trading on such exchange, as reported in the composite transactions for the principal national or regional United States securities exchange on which the Common Stock or other equity securities into which the Securities are convertible are listed or admitted to trading or, if the Common Stock or other equity securities into which the Securities are convertible are not listed or admitted to trading on a United States national or regional securities exchange, as reported by NASDAQ or by the National Quotation Bureau Incorporated, or if not so reported, as determined in the manner set forth in the appropriate Securities Resolution. In the absence of such quotations, the Company shall be entitled to determine the Market Price on the basis of such quotations as it considers appropriate.

The "MARKET PRICE" of any debt security into which Securities are convertible shall be determined as set forth in the applicable Securities Resolution.

SECTION 9.08. Adjustment in Conversion Rate for Change in Capital Stock.

If the Securities are convertible into Common Stock and the Company:

- (1) pays a dividend or makes a distribution on its Common Stock in shares of its Common Stock;
- (2) subdivides its outstanding shares of Common Stock into a greater number of shares;
- (3) combines its outstanding shares of Common Stock into a smaller number of shares;

- (4) pays a dividend or makes a distribution on its Common Stock in shares of its Capital Stock other than Common Stock; or
- (5) issues by reclassification of its Common Stock any shares of its Capital Stock,

then the conversion privilege and the Conversion Rate in effect immediately prior to such action shall be adjusted so that the Holder of a Security thereafter converted may receive the number of shares of Capital Stock of the Company (or, at the Company's option, an equivalent amount in cash) which he would have owned immediately following such action if he had converted the Security immediately prior to such action.

The adjustment shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, combination or reclassification.

If the security into which the Securities are convertible is other than Common Stock of the Company, the conversion rate shall be subject to adjustment as set forth in the applicable Securities Resolution.

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If after an adjustment a Holder of a Security may, upon conversion, receive shares of two or more classes of Capital Stock of the Company or other securities, the Board of Directors of the Company shall determine the allocation of the adjusted Conversion Rate between or among the classes of Capital Stock or other securities. After such allocation, the conversion privilege and the Conversion Rate of each class of Capital Stock or other securities shall thereafter be subject to adjustment on terms comparable to those applicable to Common Stock in this Article or in such Securities Resolution.

SECTION 9.09. Adjustment in Conversion Rate for Common Stock Issued Below Market Price.

If the Securities are convertible into Common Stock, and the Company issues to all holders of Common Stock rights, options or warrants to subscribe for or purchase shares of Common Stock, or any securities convertible into or exchangeable for shares of Common Stock, or rights, options or warrants to subscribe for or purchase such convertible or exchangeable securities at a Price Per Share (as defined and determined according to the formula given below) lower than the current Market Price on the date of such issuance, the Conversion Rate shall be adjusted in accordance with the following formula:

$$AC = \frac{CC \cdot (O + N)}{O \cdot R + M}$$

where:

AC = the adjusted Conversion Rate.

CC = the then current Conversion Rate.

O = the number of shares of Common Stock outstanding immediately prior to such issuance (which number shall include shares owned or held by or for the account of the Company).

N = the "Number of Shares," which (i) in the case of rights, options or warrants to subscribe for or purchase shares of Common Stock or of securities convertible into or exchangeable for shares of Common Stock, is the maximum number of shares of Common Stock initially issuable upon exercise, conversion or exchange thereof; and (ii) in the case of rights, options or warrants to subscribe for or purchase convertible or exchangeable securities, is the maximum number of shares of Common Stock initially issuable upon the conversion or exchange of the convertible or exchangeable securities issuable upon the exercise of such rights, options or warrants.

R = the proceeds received or receivable by the Company, which (i) in the case of rights, options or warrants to subscribe for or purchase shares of Common Stock or of securities convertible into or exchangeable for shares of Common Stock, is the aggregate amount received or receivable by the Company in consideration for the sale and issuance of such rights, options, warrants or convertible or exchangeable securities, plus the minimum aggregate amount of additional consideration, other than the convertible or exchangeable securities, payable to the Company upon exercise, conversion or exchange thereof; and (ii) in the case of rights, options or warrants to subscribe for or purchase convertible or exchangeable securities, is the aggregate amount received or receivable by the Company in consideration for the sale and issuance of such rights, options or warrants, plus the minimum aggregate consideration

payable to the Company upon the exercise thereof, plus the minimum aggregate amount of additional consideration, other than the convertible or exchangeable securities, payable upon the conversion or exchange of the convertible or exchangeable securities; provided, that -----

in each case the proceeds received or receiv-

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able by the Company shall be deemed to be the amount of gross cash proceeds without deducting therefrom any compensation paid or discount allowed in the sale, underwriting or purchase thereof by underwriters or dealers or others performing similar services or any expenses incurred in connection therewith.

M = the current Market Price per share of Common Stock on the date of issue of the rights, options or warrants to subscribe for or purchase shares of Common Stock or the securities convertible into or exchangeable for shares of Common Stock or the rights, options or warrants to subscribe for or purchase convertible or exchangeable securities.

"Price Per Share" shall be defined and determined according to the following formula:

$$P = \frac{R}{N}$$

where:

P = Price Per Share

and R and N have the meanings assigned above.

If the Company shall issue rights, options, warrants or convertible or exchangeable securities with respect to its Common Stock for a consideration consisting, in whole or in part, of property other than cash the amount of such consideration shall be determined in good faith by the Board of Directors whose determination shall be conclusive and evidenced by a resolution of the Board of Directors filed with the Trustee.

The adjustment shall be made successively whenever any such additional rights, options, warrants or convertible or exchangeable securities with respect to its Common Stock are issued, and shall become effective immediately after the date of issue of such shares, rights, options, warrants or convertible or exchangeable securities.

To the extent that such rights, options or warrants to acquire Common Stock expire unexercised or to the extent any convertible or exchangeable securities with respect to its Common Stock are redeemed by the Company or otherwise cease to be convertible or exchangeable into shares of Common Stock, the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustment made upon the date of issuance of such rights, options, warrants or convertible or exchangeable securities been made upon the basis of the issuance of rights, options or warrants to subscribe for or purchase only the number of shares of Common Stock as to which such rights, options or warrants were actually exercised and the number of shares of Common Stock that were actually issued upon the conversion or exchange of the convertible or exchangeable securities.

If the Securities are convertible into securities other than the Common Stock, any adjustment in the Conversion Rate required for the issuance or sale of the securities into which the Securities are convertible shall be made as set forth in the Securities Resolution.

SECTION 9.10. Adjustment for Other Distributions.

If the Securities are initially convertible into Common Stock and the Company distributes to all holders of its Common Stock any of its assets or debt securities or any rights or warrants to purchase assets or

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debt securities of the Company, the Conversion Rate shall be adjusted in accordance with the following formula:

$$AC = \frac{CC \cdot (O \cdot M)}{(O \cdot M) - F}$$

where:

AC = the adjusted Conversion Rate.

CC = the then current Conversion Rate.

- O = the number of shares of Common Stock outstanding on the record date mentioned below (which number shall include shares owned or held by or for the account of the Company).
- M = the current Market Price per share of Common Stock on the record date mentioned below.
- F = the fair market value on the record date of the assets, securities, rights or warrants distributed. The Board of Directors of the Company shall determine the fair market value.

The adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive the distribution.

If the securities into which the Securities are convertible are other than Common Stock, any adjustments for such other distribution shall be made as set forth in the Securities Resolution.

This Section does not apply to cash dividends or distributions or to reclassifications or distributions referred to in Section 9.08. Also, this Section does not apply to shares issued below Market Price referred to in Section 9.09.

SECTION 9.11. Voluntary Adjustment.

The Company at any time may increase the Conversion Rate, temporarily or otherwise, by any amount but in no event shall such Conversion Rate result in the issuance of Capital Stock at a price less than the par value of such Capital Stock at the time such increase is made.

SECTION 9.12. When Adjustment May Be Deferred.

No adjustment in the Conversion Rate need be made unless the adjustment would require a change of at least 1% in the Conversion Rate. Any adjustments that are not made due to the immediately preceding sentence shall be carried forward and taken into account in any subsequent adjustment; provided,

that any adjustment carried forward shall be deferred not in excess of three years, whereupon any adjustment to the Conversion Rate will be effected.

All calculations under this Article 9 shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

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SECTION 9.13. When No Adjustment Required.

Except as set forth in Section 9.09, no adjustment in the Conversion Rate shall be made because the Company issues, in exchange for cash, property or services, shares of Common Stock, or any securities convertible into shares of Common Stock, or securities carrying the right to purchase shares of Common Stock or such convertible securities.

No adjustment in the Conversion Rate need be made for rights to purchase or the sale of Common Stock pursuant to a Company plan providing for reinvestment of dividends or interest.

No adjustment in the Conversion Rate need be made for a change in the par value of the Common Stock or other securities having a par value.

No adjustment need be made for a transaction referred to in Section 9.08, 9.09 or 9.10 if Securityholders are to participate in the transaction on a basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of Common Stock or other securities into which the Securities are convertible participate in the transaction.

SECTION 9.14. Notice of Adjustment.

Whenever the Conversion Rate is adjusted, the Company shall promptly mail to Holders of Securities affected a notice of the adjustment. The Company shall file with the Trustee an Officers' Certificate or a certificate from the Company's independent public accountants stating the facts requiring the adjustment and the manner of computing it. The certificate shall be conclusive evidence that the adjustment is correct, absent manifest error.

SECTION 9.15. Notice of Certain Transactions.

If:

- (1) the Company proposes to take any action that would require an adjustment in the Conversion Rate,

- (2) the Company proposes to take any action that would require a supplemental indenture pursuant to Section 9.16, or
- (3) there is a proposed liquidation or dissolution of the Company or of the issuer of any other security into which the Securities are convertible,

the Company shall mail to registered Holders of Securities of any affected series a notice stating the proposed record date for a dividend or distribution or the proposed effective date of a subdivision, combination, reclassification, consolidation, merger, transfer, lease, liquidation or dissolution. The Company shall mail the notice at least 15 days before such date. Failure to mail the notice or any defect in it shall not affect the validity of the transaction.

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SECTION 9.16. Reorganization of the Company.

If the Company is a party to a transaction subject to Section 5.01, the successor corporation (if other than the Company) shall enter into a supplemental indenture which shall provide that the Holder of a Security may convert it into the kind and amount of securities, cash or other assets which he would have owned immediately after the consolidation, merger or transfer if he had converted the Security immediately before the effective date of the transaction. The supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practical to the adjustments provided for in this Article. The successor company shall mail to Holders of Securities of any affected series a notice briefly describing the supplemental indenture.

If this Section applies, Sections 9.08, 9.09 and 9.10 do not apply.

ARTICLE 10 -- AMENDMENTS

SECTION 10.01. Without Consent of Holders.

The Company and the Trustee may amend this Indenture, the Securities or any coupons without the consent of any Securityholder:

- (1) to cure any ambiguity, omission, defect or inconsistency;
- (2) to comply with Article 5 or Section 9.16;
- (3) to provide that specific provisions of this Indenture shall not apply to a series not previously issued;
- (4) to create a series and establish its terms;
- (5) to provide for a separate Trustee for one or more series; or
- (6) to make any change that does not materially adversely affect the rights of any Securityholder.

SECTION 10.02. With Consent of Holders.

Unless the Securities Resolution otherwise provides, the Company and the Trustee may amend this Indenture, the Securities and any coupons with the written consent of the Holders of a majority in principal amount of the Securities of all series affected by the amendment voting as one class; provided that, in the case of a series issued to an Applied Power Trust, so long as any of the related preferred securities of such Applied Power Trust remains outstanding, no such amendment shall be made that adversely affects the holders of such preferred securities in any material respect, and no termination of this Indenture shall occur, without the prior consent of the holders of not less than a majority in aggregate liquidation amount of such preferred securities then outstanding unless and until the principal (and premium, if any) of the Securities of such series and all accrued and unpaid interest thereon have been paid in full; and provided further that, in the case a series issued to an Applied Power Trust, so long as any of the related preferred securities of such Applied Power Trust remain outstanding, no amendment shall be made to the third paragraph of Section 6.06 of this Indenture without the

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prior consent of the holders of each such preferred security then outstanding unless and until the principal (and premium, if any) of the Securities of such series and all accrued and unpaid interest thereon have been paid in full. However, without the consent of each Securityholder affected, an amendment under this Section may not:

- (1) reduce the amount of Securities whose Holders must consent to an amendment;
- (2) reduce the interest on or change the time for payment of interest on any Security;
- (3) change the fixed maturity of any Security;
- (4) reduce the principal of any non-Discounted Debt Security or reduce the amount of principal of any Discounted Debt Security that would be due upon an acceleration thereof;
- (5) change the currency in which principal or interest on a Security is payable;
- (6) make any change that materially adversely affects the right to convert or exchange any Security; or
- (7) make any change in Section 6.04 or 10.02, except to increase the amount of Securities whose Holders must consent to an amendment or waiver or to provide that other provisions of this Indenture cannot be amended or waived without the consent of each Securityholder affected thereby.

An amendment of a provision included solely for the benefit of one or more series does not affect Securityholders of any other series.

Securityholders need not consent to the exact text of a proposed amendment or waiver; it is sufficient if they consent to the substance thereof.

SECTION 10.03. Compliance with Trust Indenture Act.

Every amendment pursuant to Section 10.01 or 10.02 shall be set forth in a supplemental indenture (except any amendment pursuant to Section 10.01(4), which may be set forth in a Securities Resolution) that complies with the TIA.

If a provision of the TIA requires or permits a provision of this Indenture and the TIA provision is amended, then the Indenture provision shall be automatically amended to like effect.

SECTION 10.04. Effect of Consents.

An amendment or waiver becomes effective in accordance with its terms and thereafter binds every Securityholder entitled to consent to it.

A consent to an amendment or waiver by a Holder of a Security is a continuing consent by the Holder and every subsequent Holder of a Security that evidences the same debt as the consenting Holder's Security. Any Holder or subsequent Holder may revoke the consent as to his Security if the Trustee receives notice of the revocation before the amendment or waiver becomes effective.

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The Company may fix a record date for the determination of Holders of Registered Securities entitled to give a consent. The record date shall not be less than 10 nor more than 60 days prior to the first written solicitation of Securityholders.

SECTION 10.05. Notation on or Exchange of Securities.

The Company or the Trustee may place an appropriate notation about an amendment or waiver on any Security thereafter authenticated. The Company may issue in exchange for affected Securities new Securities that reflect the amendment or waiver.

SECTION 10.06. Trustee Protected.

The Trustee need not sign any supplemental indenture that adversely affects its rights. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel and an Officers' Certificate each stating that the execution of any amendment or supplement or waiver authorized pursuant to this Article is authorized or permitted by this Indenture, and that such amendment or supplement or waiver constitutes the legal, valid and binding obligation of the Company.

ARTICLE 11 -- MISCELLANEOUS

SECTION 11.01. Trust Indenture Act.

The provisions of TIA ss.ss. 310 through 317 that impose duties on any person (including the provisions automatically deemed included herein unless expressly excluded by this Indenture) are a part of and govern this Indenture, whether or not expressly set forth herein.

If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control. If any provision of this Indenture modifies or excludes any provision of the TIA that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or excluded, as the case may be.

SECTION 11.02. Notices.

Any notice by one party to another is duly given if in writing and delivered in person, sent by facsimile transmission confirmed by mail or mailed by first-class mail to the other's address shown below:

Company:

Applied Power Inc.
13000 West Silver Spring Drive
Butler, Wisconsin 53007
Fax: (414) 783-9790
Attention: Chief Financial Officer

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Trustee:

The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670-0126
Fax: (312)407-1708
Attention: Corporate Trust Division

A party by notice to the other parties may designate additional or different addresses for subsequent notices.

Any notice mailed to a Securityholder shall be mailed to his address shown on the register kept by the Transfer Agent or on the list referred to in Section 2.06. Failure to mail a notice to a Securityholder or any defect in a notice mailed to a Securityholder shall not affect the sufficiency of the notice mailed to other Securityholders or the sufficiency of any published notice.

If a notice is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice to Securityholders, it shall mail a copy to the Trustee and each Agent at the same time.

If in the Company's opinion it is impractical to mail a notice required to be mailed or to publish a notice required to be published, the Company may give such substitute notice as the Trustee approves. Failure to publish a notice as required or any defect in it shall not affect the sufficiency of any mailed notice.

All notices shall be in the English language, except that any published notice may be in an official language of the country of publication.

A "notice" includes any communication required by this Indenture.

SECTION 11.03. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall if so requested furnish to the Trustee:

- (1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and
- (2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

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SECTION 11.04. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

- (1) a statement that the person making such certificate or opinion has read such covenant or condition;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 11.05. Rules by Company and Agents.

The Company may make reasonable rules for action by or a meeting of Securityholders. An Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 11.06. Legal Holidays.

A "LEGAL HOLIDAY" is a Saturday, a Sunday or a day on which banking institutions are not required to be open. If a payment date is a Legal Holiday at a place of payment, unless the Securities Resolution establishing a series otherwise provides with respect to Securities of the series, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

SECTION 11.07. No Recourse Against Others.

All liability described in the Securities of any director, officer, employee or stockholder, as such, of the Company is waived and released.

SECTION 11.08. Duplicate Originals.

The parties may sign any number of copies of this Indenture. One signed copy is enough to prove this Indenture.

SECTION 11.09. Governing Law.

The laws of the State of Wisconsin shall govern this Indenture, the Securities and any coupons, unless federal law governs.

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SIGNATURES

Dated: April 1, 1999

APPLIED POWER INC.

By /s/Richard G. Sim

Name: Richard G. Sim
Title: President and
Chief Executive Officer

Dated: April 1, 1999

THE FIRST NATIONAL BANK OF CHICAGO

By /s/Leland Hansen

Name: Leland Hansen
Title: Asst. Vice President

EXHIBIT A

A Form of Registered Security

APPLIED POWER INC.
[Title of Security]

APPLIED POWER INC.
promises to pay to

or registered assigns
the principal sum of Dollars on ,

Interest Payment Dates:
Record Dates:

Dated:

THE FIRST NATIONAL BANK OF CHICAGO
Transfer Agent and Paying Agent

APPLIED POWER INC.

By: _____
[Title of Authorized Officer]

By: _____
[Assistant] Secretary

(SEAL)

Authenticated:

THE FIRST NATIONAL BANK OF CHICAGO

Registrar

By: _____

Authorized Signature

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APPLIED POWER INC.
[Title of Security]
[Explanatory Notes follow Exhibit B]

1. INTEREST./1/

Applied Power Inc. ("Company"), a corporation organized and existing under the laws of the State of Wisconsin, promises to pay interest on the principal amount of this Security at the rate per annum shown above. The Company will pay interest on and of each year commencing , . Interest on the Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from , . Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. METHOD OF PAYMENT./2/

The Company will pay interest on the Securities to the persons who are registered holders of Securities at the close of business on the record date for the next interest payment date, except as otherwise provided in the Indenture. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. The Company may pay principal and interest by check payable in such money. It may mail an interest check to a holder's registered address.

3. SECURITIES AGENTS./2A/

Initially, The First National Bank of Chicago, Attention: Corporate Trust Division, will act as Paying Agent, Transfer Agent and Registrar. The Company may change any Paying Agent or Transfer Agent without notice or provide for more than one such agent. The Company or any Affiliate may act in any such capacity. Subject to certain conditions, the Company may change the Trustee.

4. INDENTURE.

The Company issued the securities of this series ("Securities") under an Indenture dated as of _____, 1999 ("Indenture") between the Company and The First National Bank of Chicago ("Trustee"). The terms of the Securities include those stated in the Indenture and in the Securities Resolution creating the Securities and those made part of the Indenture by the Trust Indenture Act of 1939 (15 U.S. Code (SS). 77aaa-77bbb). Securityholders are referred to the Indenture, the Securities Resolution and the Act for a statement of such terms.

5. OPTIONAL REDEMPTION./3/

On or after _____, the Company may redeem all the Securities at any time or some of them from time to time at the following redemption prices (expressed in percentages of principal amount), plus accrued interest to the redemption date.

If redeemed during the 12-month period beginning,

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Year	Percentage	Year	Percentage

and thereafter at 100%.

6. MANDATORY REDEMPTION./4/

The Company will redeem \$ _____ principal amount of Securities on _____ and on each _____ thereafter through _____ at a redemption price of 100% of principal amount, plus accrued interest to the redemption date./5/ The Company may reduce the principal amount of Securities to be redeemed pursuant to this paragraph by subtracting 100% of the principal amount (excluding premium) of any Securities (i) that the Company has acquired or that the Company has redeemed other than pursuant to this paragraph and (ii) that the Company has delivered to the Registrar for cancellation. The Company may so subtract the same Security only once.

7. ADDITIONAL OPTIONAL REDEMPTION./6/

In addition to redemptions pursuant to the above paragraph(s), the Company may redeem not more than \$ _____ principal amount of Securities on _____ and on each _____ thereafter through _____ at a redemption price of 100% of principal amount, plus accrued interest to the redemption date.

8. NOTICE OF REDEMPTION./7/

Notice of redemption will be mailed at least 30 but not more than 60 days before the redemption date to each holder of Securities to be redeemed at his registered address.

A notice of redemption may provide that it is subject to the occurrence of any event before the date fixed for such redemption as described in such notice ("Conditional Redemption") and such notice of Conditional Redemption shall be of no effect unless all such conditions to the redemption have occurred before such date or have been waived by the Company.

9. CONVERSION./8/

A Holder of a Security may convert it into Common Stock of the Company or cash, or a combination thereof, at the Company's option, at any time before the close of business on _____, or, if the Security is called for redemption, the Holder may convert it at any time before the close of business on the redemption date. The initial Conversion Rate is _____ (or an equivalent amount in cash) per \$1,000 principal amount of the Securities, subject to adjustment as provided in Article 9 of the Indenture.9 The Company will deliver a check in lieu of any fractional share. On conversion no payment or adjustment for interest accrued on the Securities will be made nor for dividends on the Common Stock issued on conversion. If any Security is converted between the record date for the payment of interest and the next succeeding interest payment date, such Security must be accompanied by funds equal to the interest payable on such succeeding interest payment date on the principal amount so converted (unless such Security shall have been called for redemption, in which case no such payment shall be required).

need not be accompanied by any payment, and the interest on the principal amount of the Security being converted will be paid on such interest payment date to the registered holder of such Security on the immediately preceding record date.

To convert a Security a Holder must (1) complete and sign the conversion notice on the back of the Security, (2) surrender the Security to a Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Registrar or Conversion Agent and (4) pay any transfer or similar tax if required. A Holder may convert a portion of a Security if the portion is \$1,000 or an integral multiple of \$1,000.

10. DENOMINATIONS, TRANSFER, EXCHANGE.

The Securities are in registered form without coupons in denominations of \$1,000/10/ and whole multiples of \$1,000. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Transfer Agent may require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or the Indenture. The Transfer Agent need not exchange or register the transfer of any Security or portion of a Security selected for redemption. Also, it need not exchange or register the transfer of any Securities for a period of 15 days before a selection of Securities to be redeemed.

11. PERSONS DEEMED OWNERS.

The registered holder of a Security may be treated as its owner for all purposes.

12. AMENDMENTS AND WAIVERS.

Subject to certain exceptions, the Indenture or the Securities may be amended with the consent of the holders of a majority in principal amount of the securities of all series affected by the amendment./11/ Subject to certain exceptions, a default on a series may be waived with the consent of the holders of a majority in principal amount of the series.

Without the consent of any Securityholder, the Indenture or the Securities may be amended, among other things, to cure any ambiguity, omission, defect or inconsistency; to provide for assumption of Company obligations to Securityholders; or to make any change that does not materially adversely affect the rights of any Securityholder.

13. RESTRICTIVE COVENANTS./12/

The Securities are unsecured general obligations of the Company limited to \$ principal amount. The Indenture does not limit other unsecured debt.

14. SUCCESSORS.

When a successor assumes all the obligations of the Company under the Securities and the Indenture, the Company will be released from those obligations.

15. DEFEASANCE PRIOR TO REDEMPTION OR MATURITY./13/

Subject to certain conditions, the Company at any time may terminate some or all of its obligations under the Securities and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Securities to redemption or maturity. U.S. Government Obligations are securities backed by the full faith and credit of the United States of America or certificates representing an ownership interest in such Obligations.

16. DEFAULTS AND REMEDIES.

An Event of Default¹⁴ includes: default for 30 days in payment of interest on the Securities; default in payment of principal on the Securities; default in payment or satisfaction of any

sinking fund obligation; default by the Company for a specified period after notice to it in the performance of any of its other agreements applicable to the Securities; certain events of bankruptcy or insolvency; and any other Event of Default provided for in the series. If an Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the Securities may declare the principal15 of all the Securities to be due and payable immediately.

Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations, holders of a majority in principal amount of the Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing default (except a default in payment of principal or interest) if it determines that withholding notice is in their interests. The Company must furnish an annual compliance certificate to the Trustee.

17. TRUSTEE DEALINGS WITH COMPANY.

The First National Bank of Chicago, the Trustee under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not Trustee.

18. NO RECOURSE AGAINST OTHERS.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

19. AUTHENTICATION.

This Security shall not be valid until authenticated by a manual signature of the Registrar.

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20. ABBREVIATIONS.

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as: TEN COM (=tenants in common), TEN ENT (=tenants by the entirety), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), U/G/M/A (=Uniform Gifts to Minors Act) and U/T/M/A (=Uniform Transfers to Minors Act).

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EXHIBIT B

A Form of Bearer Security

No. [\$]

APPLIED POWER INC.
[Title of Security]

APPLIED POWER INC.
promises to pay to

bearer
the principal sum of

Dollars on ,

Interest Payment Dates:
Record Dates:

Dated:

THE FIRST NATIONAL BANK OF CHICAGO
Transfer Agent and Paying Agent

APPLIED POWER INC.

By: _____
[Title of Authorized Officer]

By: _____
[Assistant] Secretary

(SEAL)

Authenticated:

THE FIRST NATIONAL BANK OF CHICAGO

Registrar

By: _____
Authorized Signature

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APPLIED POWER INC.
[Title of Security]
[Explanatory Notes follow Exhibit B]

1. INTEREST./1/

APPLIED POWER INC. ("Company"), a corporation organized and existing under the laws of the State of Wisconsin, promises to pay to bearer interest on the principal amount of this Security at the rate per annum shown above. The Company will pay interest on and of each year commencing , . Interest on the Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from , . Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. METHOD OF PAYMENT./2/

Holder must surrender Securities and any coupons to a Paying Agent to collect principal and interest payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. The Company may pay principal and interest by check payable in such money.

3. SECURITIES AGENTS./2A/

Initially, The First National Bank of Chicago, Attention: Corporate Trust Division, will act as Transfer Agent, Paying Agent and Registrar. The Company may change any Paying Agent or Transfer Agent without notice or provide for more than one such agent. The Company or any Affiliate may act in any such capacity. Subject to certain conditions, the Company may change the Trustee.

4. INDENTURE.

The Company issued the securities of this series ("Securities") under an Indenture dated as of , 1999 ("Indenture") between the Company and The First National Bank of Chicago ("Trustee"). The terms of the Securities include those stated in the Indenture and the Securities Resolution and those made part of the Indenture by the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbb). Securityholders are referred to the Indenture, the Securities Resolution and the Act for a statement of such terms.

5. OPTIONAL REDEMPTION./3/

On or after , the Company may redeem all the Securities at any time or some of them from time to time at the following redemption prices (expressed in percentages of principal amount), plus accrued interest to the redemption date.

If redeemed during the 12-month period beginning,

Year	Percentage	Year	Percentage
------	------------	------	------------

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and thereafter 100%.

6. MANDATORY REDEMPTION./4/

The Company will redeem \$ principal amount of Securities on and on each thereafter through at a redemption price of 100% of principal amount, plus accrued interest to the redemption date./5/ The Company may reduce the principal amount of Securities to be redeemed pursuant to this paragraph by subtracting 100% of the principal amount (excluding premium) of any Securities (i) that the Company has acquired or that the Company has redeemed other than pursuant to this paragraph and (ii) that the Company has delivered to the Registrar for cancellation. The Company may so subtract the same Security only once.

7. ADDITIONAL OPTIONAL REDEMPTION/.6/

In addition to redemptions pursuant to the above paragraph(s), the Company may redeem not more than \$ principal amount of Securities on and on each thereafter through at a redemption price of 100% of principal amount, plus accrued interest to the redemption date.

8. NOTICE OF REDEMPTION./7/

Notice of redemption will be published once in an Authorized Newspaper in the City of New York and if the Securities are listed on any stock exchange located outside the United States and such stock exchange so requires, in any other required city outside the United States at least 30 but not more than 60 days before the redemption date. Notice of redemption also will be mailed to holders who have filed their names and addresses with the Transfer Agent within the two preceding years. A holder of Securities may miss important notices if he fails to maintain his name and address with the Transfer Agent.

A notice of redemption may provide that it is subject to the occurrence of any event before the date fixed for such redemption as described in such notice ("Conditional Redemption") and such notice of Conditional Redemption shall be of no effect unless all such conditions to the redemption have occurred before such date or have been waived by the Company.

9. CONVERSION./8/

A Holder of a Security may convert it into Common Stock of the Company or cash, or a combination thereof, at the Company's option, at any time before the close of business on _____, or, if the Security is called for redemption, the Holder may convert it at any time before the close of business on the redemption date. The initial Conversion Rate is _____ (or an equivalent amount in cash) per \$1,000 principal amount of the Securities, subject to adjustment as provided in Article 9 of the Indenture.9 The Company will deliver a check in lieu of any fractional share. On conversion no payment or adjustment for interest accrued on the Securities will be made nor for dividends on the Common Stock issued on conversion. If any Security is converted between the record date for the payment of interest and the next succeeding interest payment date, such Security must be accompanied by

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funds equal to the interest payable on such succeeding interest payment date on the principal amount so converted (unless such Security shall have been called for redemption, in which case no such payment shall be required). A Security converted on an interest payment date need not be accompanied by any payment, and the interest on the principal amount of the Security being converted will be paid on such interest payment date to the registered holder of such Security on the immediately preceding record date.

To convert a Security a Holder must (1) complete and sign the conversion notice on the back of the Security, (2) surrender the Security to a Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Registrar or Conversion Agent and (4) pay any transfer or similar tax if required. A Holder may convert a portion of a

Security if the portion is \$1,000 or an integral multiple of \$1,000.

10. DENOMINATIONS, TRANSFER, EXCHANGE.

The Securities are in bearer form with coupons in denominations of \$5,000 and whole multiples of \$5,000. The Securities may be transferred by delivery and exchanged as provided in the Indenture. Upon an exchange, the Transfer Agent may require a holder, among other things, to furnish appropriate documents and to pay any taxes and fees required by law or the Indenture. The Transfer Agent need not exchange any Security or portion of a Security selected for redemption. Also, it need not exchange any Securities for a period of 15 days before a selection of Securities to be redeemed.

11. PERSONS DEEMED OWNERS.

The holder of a Security or coupon may be treated as its owner for all purposes.

12. AMENDMENTS AND WAIVERS.

Subject to certain exceptions, the Indenture or the Securities may be amended with the consent of the holders of a majority in principal amount of the securities of all series affected by the amendment.11 Subject to certain exceptions, a default on a series may be waived with the consent of the holders of a majority in principal amount of the series.

Without the consent of any Securityholder, the Indenture or the Securities may be amended, among other things, to cure any ambiguity, omission, defect or inconsistency; to provide for assumption of Company obligations to Securityholders; or to make any change that does not materially adversely affect the rights of any Securityholder.

13. RESTRICTIVE COVENANTS./12/

The Securities are unsecured general obligations of the Company limited to \$ principal amount. The Indenture does not limit other unsecured debt.

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14. SUCCESSORS.

When a successor assumes all the obligations of the Company under the Securities, any coupons and the Indenture, the Company will be released from those obligations.

15. DEFEASANCE PRIOR TO REDEMPTION OR MATURITY./13/

Subject to certain conditions, the Company at any time may terminate some or all of its obligations under the Securities, any coupons and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Securities to redemption or maturity. U.S. Government Obligations are securities backed by the full faith and credit of the United States of America or certificates representing an ownership interest in such Obligations.

16. DEFAULTS AND REMEDIES.

An Event of Default/14/ includes: default for 30 days in payment of interest on the Securities; default in payment of principal on the Securities; default in payment or satisfaction of any sinking fund obligation; default by the Company for a specified period after notice to it in the performance of any of its other agreements applicable to the Securities; certain events of bankruptcy or insolvency; and any other Event of Default provided for in the series. If an Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the Securities may declare the principal/15/ of all the Securities to be due and payable immediately.

Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations, holders of a majority in principal amount of the Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice

of any continuing default (except a default in payment of principal or interest) if it determines that withholding notice is in their interests. The Company must furnish annual compliance certificates to the Trustee.

17. TRUSTEE DEALINGS WITH COMPANY.

The First National Bank of Chicago, the Trustee under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not Trustee.

18. NO RECOURSE AGAINST OTHERS.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

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19. AUTHENTICATION.

This Security shall not be valid until authenticated by a manual signature of the Registrar.

20. ABBREVIATIONS.

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as: TEN COM (=tenants in common), TEN ENT (=tenants by the entirety), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), U/G/M/A (=Uniform Gifts to Minors Act) and U/T/M/A (=Uniform Transfers to Minors Act).

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[\$].....
Due.....

APPLIED POWER INC.

[Title of Security]

Unless the Security attached to this coupon has been called for redemption, Applied Power Inc. ("Company") will pay to bearer, upon surrender, the amount shown hereon when due. This coupon may be surrendered for payment to any Paying Agent listed on the back of this coupon unless the Company has replaced such Agent. Payment may be made by check. This coupon represents months' interest.

APPLIED POWER INC.

By _____

[REVERSE OF COUPON]

PAYING AGENTS

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NOTES TO EXHIBITS A AND B

1 If the Security is not to bear interest at a fixed rate per annum, insert a description of the manner in which the rate of interest is to be determined. If the Security is not to bear interest prior to maturity, so state.

2 If the method or currency of payment is different, insert a statement thereof.

2A As is done in Section 2.03 of the Indenture, the Trustee must be appointed Registrar under Section 182.23, Wis. Stats., in order for Officers' signatures on Securities and the corporate seal to be facsimiles.

3 If applicable. If the Security is to be subject to a nonrefunding restriction, insert a brief summary thereof. If the redemption is to be

subject to a condition, insert a brief summary thereof.

- 4 Such provisions as are applicable, if any.
- 5 If the Security is a Discounted Debt Security, insert amount to be redeemed or method of calculating such amount.
- 6 If applicable. Also insert, if applicable, provisions for repayment of Securities at the option of the Securityholder.
- 7 If applicable.
- 8 If applicable. If convertible into securities other than Common Stock, insert appropriate summary.
- 9 If additional or different adjustment provisions apply so specify.
- 10 If applicable. Insert additional or different denominations and terms as appropriate.
- 11 If different terms apply, insert a brief summary thereof.
- 12 If applicable. If additional or different covenants apply, insert a brief summary thereof.
- 13 If applicable. If different defeasance terms apply, insert a brief summary thereof.
- 14 If additional or different Events of Default apply, insert a brief summary thereof.
- 15 If the Security is a Discounted Debt Security, set forth the amount due and payable upon an Event of Default.

Note: U.S. tax law may require certain legends on Discounted Debt and Bearer Securities.

EXHIBIT C

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

: _____:

(Insert assignee's soc. sec. or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Date: _____ Your Signature: _____

(Sign exactly as your name(s) appear(s) on the other side of this Security)

Signature(s) guaranteed by: _____

(All signatures must be guaranteed by an "eligible guarantor institution" as defined by Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended)

EXHIBIT D

CONVERSION NOTICE

To convert this Security, check the box:

[]

To convert only part of this Security, state the amount
(must be in integral multiples of \$1,000);

\$ _____

If you want the securities delivered upon conversion made
out in another person's name, fill in the form below:

(Insert other person's Social Security or Tax I.D. Number)

(Print or type other person's name, address and zip code)

Date: _____

Signature(s): _____

(Sign exactly as your name(s)
appear(s) on the other side of this Security)

Signature(s) guaranteed by: _____

(All signatures must be
guaranteed by an "eligible
guarantor institution" as
defined by Rule 17Ad-15 of
the Securities Exchange Act
of 1934, as amended)

OFFICERS' CERTIFICATE
RELATING TO
SECURITIES RESOLUTION NO. 1
OF
APPLIED POWER INC.

The undersigned, as Officers of Applied Power Inc. (the "Company"), do hereby certify that the attached is a true and correct copy of Securities Resolution No. 1, relating to the Indenture, dated as of April 1, 1999 between the Company and The First National Bank of Chicago, as trustee (the "Indenture"), which has been duly adopted by an Officer of the Company as of April 1, 1999 pursuant to Board delegation on the 10th day of March, 1999; and that said resolution has not been rescinded and remains in full force and effect. Capitalized terms used but not defined herein have the meanings given such terms in the Indenture.

IN WITNESS WHEREOF, this Officers' Certificate has been duly executed on this 1st day of April, 1999.

By: /s/Richard G. Sim

Name: Richard G. Sim
Title: President and Chief
Executive Officer

By: /s/Robert C. Arzbaecher

Name: Robert C. Arzbaecher
Title: Chief Financial Officer

SECURITIES RESOLUTION NO. 1
OF
APPLIED POWER INC.

The actions described below are taken as of April 1, 1999 by the Board of Directors (the "Board") of APPLIED POWER INC. (the "Company"), or by an Officer or committee of Officers pursuant to Board delegation on the 10th day of March, 1999, and Section 2.01 of the Indenture, dated as of April 1, 1999, (the "Indenture") between the Company and The First National Bank of Chicago, as trustee (the "Trustee"). Capitalized terms used but not defined herein have the meanings given such terms in the Indenture.

RESOLVED, that a new series of Securities is authorized as follows:

1. The title of the series is 8.75% Senior Subordinated Notes due 2009 (the "Securities").

2. The form and terms of the Securities shall be substantially as set forth in Exhibit 1 hereto.

3. The Company is hereby authorized to issue \$200 million in aggregate principal amount of the Securities and to offer such Securities pursuant to the Company's Prospectus dated January 27, 1999 and the Prospectus Supplement dated March 26, 1999. The Company is also hereby authorized, upon the approval of the Board in the form of a resolution by the Board, to issue up to \$100 million aggregate principal amount of additional Securities under the Indenture with the same terms (including interest rate, maturity and redemption terms) as the Securities (the "Additional Securities") except that no Additional Securities may be issued at a price that would cause such Additional Securities to have "original issue discount" within the meaning of Section 1273 of the Internal Revenue Code and provided such issuance complies with Section 10.1 of the Securities.

This Securities Resolution shall be effective as of April 1, 1999.

EXHIBIT 1

Form of Security

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER

NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. 1

\$200,000,000

APPLIED POWER INC.
8.75% Senior Subordinated Notes due 2009

CUSIP No. 038225AA6

APPLIED POWER INC.
promises to pay to Cede & Co.

or registered assigns
the principal sum of \$200,000,000 Dollars on April 1, 2009

Interest Payment Dates: April 1 and October 1
Record Dates: March 15 and September 15

Dated: April 1, 1999

THE FIRST NATIONAL BANK OF CHICAGO
Transfer Agent and Paying Agent

APPLIED POWER INC.

By: _____

By: _____

(SEAL)

Authenticated:

THE FIRST NATIONAL BANK OF CHICAGO

Registrar

By:

Authorized Signature

8.75% Senior Subordinated Notes due 2009

1. INTEREST.

Applied Power Inc. ("Company"), a corporation organized and existing under the laws of the State of Wisconsin, promises to pay interest on the principal amount of this Security at the rate per annum shown above. The Company will pay interest on April 1 and October 1 of each year commencing October 1, 1999. Interest on the Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid, April 1, 1999. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. METHOD OF PAYMENT.

The Company will pay interest on the Securities to the persons who are registered holders of Securities at the close of business on the record date for the next interest payment date, except as otherwise provided in the Indenture. Principal of and premium, if any, and interest on the Securities will be payable, and the Securities may be presented for registration of transfer and exchange, at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. The Company may pay principal and interest by check payable in such money. It may mail an interest check to a holder's registered address.

3. SECURITIES AGENTS.

Initially, The First National Bank of Chicago, Attention: Corporate Trust Division, will act as Paying Agent, Transfer Agent and Registrar. The Company may change any Paying Agent or Transfer Agent without notice or provide for more than one such agent. The Company or any Affiliate may act in any such capacity. Subject to certain conditions, the Company may change the Trustee.

4. INDENTURE.

The Company issued the securities of this series ("Securities") under an Indenture dated as of April 1, 1999 ("Indenture") between the Company and The First National Bank of Chicago ("Trustee"). The terms of the Securities include those stated in the Indenture and in the Securities Resolution creating the Securities and those made part of the Indenture by the Trust Indenture Act of 1939 (15 U.S. Code (S) (S) 77aaa-77bbb) (the "TIA"). All references to "Article" and "Section"

contained herein refer to the relevant article or section, as the case may be, in the Indenture and all references to "Paragraph" contained herein refer to the numbered Paragraphs of this Security. Securityholders are referred to the Indenture, the Securities Resolution and the TIA for a statement of such terms.

5. OPTIONAL REDEMPTION.

The Securities will be subject to redemption, at the option of the Company, in whole or in part, at any time on or after April 1, 2004 and prior to maturity, upon not less than 30 nor more than 60 days' notice mailed to each Holder of Securities to be redeemed at such Holder's address appearing in the register for the Securities, in amounts of \$1,000 or an integral multiple of \$1,000, at the following redemption prices (expressed as percentages of the principal amount) plus accrued interest to but excluding the redemption date (subject to the right of Holders of

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record on the relevant regular record date to receive interest due on an interest payment date that is on or prior to the redemption date), if redeemed during the 12-month period beginning April 1 of the years indicated:

<TABLE>
<CAPTION>

Year	Redemption Price
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<S>	<C>
2004.....	104.375%
2005.....	102.916%
2006.....	101.458%
2007 and thereafter.....	100.000%

</TABLE>

In addition, if on or before April 1, 2002, the Company receives net proceeds from the sale of its Common Stock in one or more Public Equity Offerings, the Company may, at its option, use all or a portion of any such net proceeds to redeem Securities in an aggregate principal amount of up to 35% of the sum of (i) the aggregate principal amount of the Securities issued in this offering and (ii) the aggregate principal amount of any Additional Securities issued hereafter, provided, however, that at least 65% of each of (i) the aggregate principal amount of Securities originally issued and (ii) the aggregate amount of any Additional Securities issued hereafter remains outstanding after such redemption. Such redemption must occur on a redemption date within 75 days of such sale and upon not less than 30 nor more than 60 days' notice mailed to each Holder of Securities (and Additional Securities, if any) to be redeemed at such Holder's address appearing in the register for the Securities or register for the Additional Securities, as the case may be, in amounts of \$1,000 or an integral multiple of \$1,000, at a redemption price of 108.75% of the principal amount of the Securities (and Additional Securities, if any) plus accrued interest to but excluding the redemption date (subject to the right of Holders of record on the relevant regular record date to receive interest due on an interest payment date that is on or prior to the redemption date).

If less than all the Securities are to be redeemed, the Trustee shall select, in such manner as it shall deem fair and appropriate, the particular Securities to be redeemed or any portion thereof that is an integral multiple of \$1,000.

6. SUBORDINATION OF SECURITIES.

6.1. Securities Subordinate to Senior Debt.

The Company covenants and agrees, and each Holder of a Security, by his acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Paragraph 6 (subject to the provisions of Article 8), the payment of the principal of (and premium, if any) and interest on each and all of the Securities are hereby expressly made subordinate and subject in right of payment to the prior payment in full of all Senior Debt of the

Company. No provisions of this Paragraph 6 shall prevent the occurrence of any Event of Default.

6.2. Payment Over of Proceeds Upon Dissolution, Etc.

Upon (a) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to the Company or to its creditors, as such, or to its assets, or (b) any liquidation, dissolution or other winding up of the Company, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the Company, then and in any such event specified in (a),

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(b) or (c) above (each such event, if any, herein sometimes referred to as a "Proceeding") the holders of Senior Debt of the Company shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Debt of the Company, or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt of the Company, before the Holders of the Securities are entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, on account of principal of (or premium, if any) or interest on the Securities or on account of any purchase or other acquisition of Securities by the Company or any Subsidiary of the Company (all such payments, distributions, purchases and acquisitions, other than subordinated consideration (as defined below), herein referred to, individually and collectively, as a "Securities Payment"), and to that end the holders of Senior Debt of the Company shall be entitled to receive, for application to the payment thereof, any Securities Payment which may be payable or deliverable in respect of the Securities in any such Proceeding.

In the event that, notwithstanding the foregoing provisions of this Paragraph 6, the Trustee or the Holder of any Security shall have received any Securities Payment before all Senior Debt of the Company is paid in full or payment thereof provided for in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt of the Company, and if such fact shall, at or prior to the time of such Securities Payment, have been made known to the Trustee or, as the case may be, such Holder, then and in such event such Securities Payment shall be paid over or delivered forthwith to the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee, agent or other Person making payment or distribution of assets of the Company for application to the payment of all Senior Debt of the Company remaining unpaid, to the extent necessary to pay all Senior Debt of the Company in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt of the Company.

For purposes of this Paragraph 6 only, the words "any payment or distribution of any kind or character, whether in cash, property or securities" shall not be deemed to include a payment or distribution of stock or securities of the Company which stock or securities are subordinated in right of payment to all then outstanding Senior Debt of the Company to substantially the same extent as, or greater than, the Securities are so subordinated as provided in this Paragraph 6 ("subordinated consideration"). The consolidation of the Company with, or the merger of the Company into, another Person or the liquidation or dissolution of the Company following the conveyance or transfer of all or substantially all of its properties and assets as an entirety to another Person upon the terms and conditions set forth in Paragraph 10.15 and Article 5 shall not be deemed a Proceeding for the purposes of this Paragraph 6 if the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer such properties and assets as an entirety, as the case may be, shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions set forth in Paragraph 10.15 and Article 5.

6.3. No Payment When Senior Debt of the Company in Default.

In the event that any Senior Payment Default (as defined below) shall have occurred and be continuing, then no Securities Payment shall be made unless and until such Senior Payment Default shall have been cured or waived or shall have ceased to exist or all amounts then due and payable in respect of Senior Debt of the Company shall have been paid in full, or provision shall have been made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt of the Company.

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"Senior Payment Default" means any default in the payment of principal of or premium, if any, or interest on any Senior Debt when due, whether at the Stated Maturity of any such payment or by declaration of acceleration, call for redemption or otherwise.

In the event that any Senior Nonmonetary Default (as defined below) shall have occurred and be continuing, then, upon the receipt by the Company and the Trustee of written notice of such Senior Nonmonetary Default from the agent for the Senior Debt which is the subject of such Senior Nonmonetary Default, no Securities Payment shall be made during the period (the "Payment Blockage Period") commencing on the date of such receipt of such written notice and ending on the earlier of (i) the date on which such Senior Nonmonetary Default shall have been cured or waived or shall have ceased to exist or all Senior Debt the subject of such Senior Nonmonetary Default shall have been discharged; (ii) the 179th day after the date of such receipt of such written notice; or (iii) the date on which the Payment Blockage Period shall have been terminated by written notice to the Company or the Trustee from the agent for the Senior Debt initiating the Payment Blockage Period. No more than one Payment Blockage Period may be commenced with respect to the Securities during any 360-day period and there shall be a period of at least 181 consecutive days during each 360-day period when no Payment Blockage Period is in effect. In addition, no Senior Payment Default or Senior Nonmonetary Default that existed or was continuing on the date of commencement of any Payment Blockage Period shall be, or be made, the basis for the commencement of a subsequent Payment Blockage Period, whether or not within a period of 360 consecutive days, unless such Senior Payment Default or Senior Nonmonetary Default shall have been cured for a period of not less than 90 consecutive days.

"Senior Nonmonetary Default" means the occurrence or existence and continuance of an event of default with respect to any Senior Debt, other than a Senior Payment Default, permitting the holders of such Senior Debt (or a trustee or agent on behalf of the holders thereof) then to declare such Senior Debt due and payable prior to the date on which it would otherwise become due and payable.

In the event that, notwithstanding the foregoing, the Company shall make any Securities Payment to the Trustee or any Holder prohibited by the foregoing provisions of this Paragraph 6, and if such fact shall, at or prior to the time of such Securities Payment, have been made known to the Trustee or, as the case may be, such Holder, then and in such event such Securities Payment shall be paid over and delivered forthwith to the Company.

The provisions of this Paragraph 6.3 shall not apply to any Securities Payment with respect to which Paragraph 6.2 would be applicable.

6.4. Payment Permitted If No Default.

Nothing contained in this Paragraph 6.4 or in the Indenture or elsewhere in any of the Securities shall prevent (a) the Company, at any time except during the pendency of any Proceeding referred to in Paragraph 6.2 or under the conditions described in Paragraph 6.3, from making Securities Payments, or (b) the application by the Trustee of any money deposited with it hereunder to Securities Payments or the retention of such Securities Payment by the Holders, if, at the time of such application by the Trustee, it did not have knowledge that such Securities Payment would have been prohibited by the provisions of this Paragraph 6.

6.5. Subrogation to Rights of Holders of Senior Debt of the Company.

Subject to the payment in full of all amounts due or to become due on or in respect of Senior Debt of the Company, or the provision for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt of the Company, the Holders of the Securities shall be subrogated to the rights of the holders of such Senior Debt of the Company to receive payments and distributions of cash, property and securities applicable to the Senior Debt of the Company until the principal of (and premium, if any) and interest on the Securities shall be paid in full. For purposes of such subrogation, no payments or distributions to the holders of the Senior Debt of the Company of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Paragraph 6, and no payments over pursuant to the provisions of this Paragraph 6 to the holders of Senior Debt of the Company by Holders of the Securities or the Trustee, shall, as among the Company, its creditors other than holders of Senior Debt of the Company and the Holders of the Securities, be deemed to be a payment or distribution by the Company to or on account of the Senior

Debt of the Company.

6.6. Provisions Solely to Define Relative Rights.

The provisions of this Paragraph 6 are and are intended solely for the purpose of defining the relative rights of the Holders on the one hand and the holders of Senior Debt of the Company on the other hand. Nothing contained in this Paragraph 6 or in the Indenture or elsewhere in the Securities is intended to or shall (a) impair, as among the Company, its creditors other than holders of Senior Debt of the Company and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional (and which, subject to the rights under this Paragraph 6 of the holders of Senior Debt of the Company, is intended to rank equally with all other general obligations of the Company), to pay to the Holders of the Securities the principal of (and premium, if any) and interest on the Securities as and when the same shall become due and payable in accordance with their terms; or (b) affect the relative rights against the Company of the Holders of the Securities and creditors of the Company other than the holders of Senior Debt of the Company; or (c) prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under the Indenture, subject to the rights, if any, under this Paragraph 6 of the holders of Senior Debt of the Company to receive cash, property and securities otherwise payable or deliverable to the Trustee or such Holder.

6.7. Trustee to Effectuate Subordination.

Each Holder of a Security by his acceptance hereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Paragraph 6 and appoints the Trustee his attorney-in-fact for any and all such purposes.

6.8. No Waiver of Subordination Provisions.

No right of any present or future holder of any Senior Debt of the Company to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of the Indenture and the Securities, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Debt of the Company may, at any time and from time to time, without the consent of or notice

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to the Trustee or the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Paragraph 6 or the obligations hereunder of the Holders of the Securities to the holders of Senior Debt of the Company, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Debt of the Company, or otherwise amend or supplement in any manner Senior Debt of the Company or any instrument evidencing the same or any agreement under which Senior Debt of the Company is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Debt of the Company; (iii) release any Person liable in any manner for the collection of Senior Debt of the Company; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

6.9. Notice to Trustee.

The Company shall give prompt written notice to the Trustee of any fact known to the Company which would prohibit the making of any payment to or by the Trustee in respect of the Securities. Notwithstanding the provisions of this Paragraph 6 or any other provision of the Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee in respect of the Securities, unless and until the Trustee shall have received written notice thereof from the Company or a holder of Senior Debt of the Company or from any trustee therefor; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Article 7, shall be entitled in all respects to assume that no such facts exist; provided, however, that if the Trustee shall not have received the notice provided for in this Paragraph 6 at least three Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the

payment of the principal of (and premium, if any) or interest on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purpose for which such money was received and shall not be affected by any notice to the contrary which may be received by it within three Business Days prior to such date.

Subject to the provisions of Article 7, the Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Debt of the Company (or a trustee therefor) to establish that such notice has been given by a holder of Senior Debt of the Company (or a trustee therefor). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Debt of the Company to participate in any payment or distribution pursuant to Article 7 or this Paragraph 6, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Debt of the Company held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under Article 7 or this Paragraph 6, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

6.10. Reliance on Judicial Order or Certificate of Liquidating Agent.

Upon any payment or distribution of assets of the Company referred to in this Paragraph 6, the Trustee, subject to the provisions of Article 7, and the Holders of the Securities shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such Proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of Securities, for the pur-

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pose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Debt of the Company and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Paragraph 6.

6.11. Trustee Not Fiduciary for Holders of Senior Debt of the Company.

The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt of the Company and shall not be liable to any such holders if it shall in good faith mistakenly pay over or distribute to Holders of Securities or to the Company or to any other Person cash, property or securities to which any holders of Senior Debt of the Company shall be entitled by virtue of this Paragraph 6 or otherwise.

6.12. Rights of Trustee as Holder of Senior Debt of the Company; Preservation of Trustee's Rights.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Paragraph 6 with respect to any Senior Debt of the Company which may at any time be held by it, to the same extent as any other holder of Senior Debt of the Company, and nothing in the Indenture shall deprive the Trustee of any of its rights as such holder.

Nothing in this Paragraph 6 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 7.06 of the Indenture.

6.13. Paragraph 6 Applicable to Paying Agents.

In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Paragraph 6 shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Paragraph 6 in addition to or in place of the Trustee; provided, however, that Paragraph 6.12 shall not apply to the Company or any Affiliate of the Company if it or such Affiliate acts as Paying Agent.

6.14. Defeasance of this Paragraph 6.

The subordination of the Securities of a series provided by this Paragraph 6 is expressly made subject to the provisions for defeasance

or covenant defeasance in Article 8 and, anything herein to the contrary notwithstanding, upon the effectiveness of any such defeasance or covenant defeasance, the Securities of such series then outstanding shall thereupon cease to be subordinated pursuant to this Paragraph 6.

7. NOTICE OF REDEMPTION.

Notice of redemption will be mailed at least 30 but not more than 60 days before the redemption date to each holder of Securities to be redeemed at his registered address.

A notice of redemption may provide that it is subject to the occurrence of any event before the date fixed for such redemption as described in such notice ("Conditional Redemption") and such notice of Conditional Redemption shall be of no effect unless all such conditions to the redemption have occurred before such date or have been waived by the Company.

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8. DENOMINATIONS, TRANSFER, EXCHANGE.

The Securities are in registered form without coupons in denominations of \$1,000 and integral multiples thereof. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Transfer Agent may require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or the Indenture. The Transfer Agent need not exchange or register the transfer of any Security or portion of a Security selected for redemption. Also, it need not exchange or register the transfer of any Securities for a period of 15 days before a selection of Securities to be redeemed. No service charge will be made or any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

9. PERSONS DEEMED OWNERS.

The registered holder of a Security may be treated as its owner for all purposes.

10. RESTRICTIVE COVENANTS.

In addition to the covenants set forth in Article 4, the following covenants apply to the Securities:

10.1 Limitation on Consolidated Debt

The Company may not, and may not permit any of its Restricted Subsidiaries to, incur any Debt (including Acquired Debt) unless immediately after giving pro forma effect to the Incurrence of such Debt (and Acquired Debt) and the receipt and application of the proceeds thereof, the Consolidated Cash Flow Coverage Ratio of the Company would be greater than 2.0 to 1.

Notwithstanding the foregoing limitation, the Company may, and may permit any Restricted Subsidiary of the Company to, incur the following Debt:

(1) Debt under the Senior Bank Facility in an aggregate principal amount at any one time not to exceed \$850 million, less any amounts by which any revolving credit facility commitments under the Senior Bank Facility are permanently reduced pursuant to Paragraph 10.7 (so long as and to the extent that any required payments in connection therewith are actually made), and any renewal, extension, refinancing or refunding thereof in an amount which, together with any amount remaining outstanding or available under the Senior Bank Facility, does not exceed the amount permitted under this clause (1);

(2) Debt owed by the Company to any Wholly Owned Restricted Subsidiary of the Company for which fair value has been received or Debt owed by a Subsidiary of the Company to the Company or a Wholly Owned Restricted Subsidiary of the Company; provided, however, that:

(a) any such Debt owing by the Company to a Wholly Owned Restricted Subsidiary shall be Subordinated Debt evidenced by an intercompany promissory note, and

(b) upon either:

(i) the transfer or other disposition by such Wholly Owned Restricted Subsidiary or the Company of any Debt so permitted to a Person other than the Company or another Wholly Owned Restricted Subsidiary of the Company, or

(ii) the issuance (other than directors' qualifying shares), sale, lease, transfer or other disposition of shares of Capital Stock (including by consolidation or merger) of such Wholly Owned Restricted Subsidiary to a Person other than the Company such Wholly Owned Restricted Subsidiary,

the provisions of this clause (2) shall no longer be applicable to such Debt and such Debt shall be deemed to have been Incurred at the time of such transfer or other disposition;

(3) Debt consisting of the Securities

(4) Debt consisting of Permitted Interest Rate or Currency Price Agreements;

(5) Debt which is exchanged for or the proceeds of which are used to refinance or refund, or any extension or renewal of (each of the foregoing, a "refinancing"):

(a) the Securities,

(b) any Debt that is not described in any other clause hereof that was outstanding on the date of original issuance of the Securities,

(c) outstanding Debt Incurred pursuant to the first sentence of this Paragraph 10.1, or

(d) any Debt Incurred under this clause (5) or clause (6) below,

in each case in an aggregate principal amount not to exceed the principal amount of the Debt so refinanced plus the amount of any premium required to be paid in connection with such refinancing pursuant to the terms of the Debt so refinanced or the amount of any premium reasonably determined by the Company as necessary to accomplish such refinancing by means of a tender offer or privately negotiated repurchase, plus the expenses of the Company or the Restricted Subsidiary, as the case may be, incurred in connection with such refinancing; provided, however, that:

(i) Debt the proceeds of which are used to refinance the Securities or Debt which is pari passu with or subordinate in right of payment to the Securities shall only be permitted if (x) in the case of any refinancing of the Securities or Debt which is pari passu to the Securities, the refinancing Debt is made pari passu to the Securities or subordinated to the Securities, and (y) in the case of any refinancing of Debt which is subordinated to the Securities, the refinancing Debt constitutes Subordinated Debt; and

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(ii) in the case of any refinancing of Debt Incurred by the Company, the refinancing Debt may be Incurred only by the Company, and in the case of any refinancing of Debt Incurred by a Restricted Subsidiary of the Company, the refinancing Debt may be Incurred only by such Restricted Subsidiary;

and provided, further, that Debt Incurred pursuant to this clause (5) may not be Incurred more than 45 days prior to the application of the proceeds to repay the Debt to be refinanced; and

(6) Debt not otherwise permitted to be Incurred pursuant to clauses (1) through (5) above, which, together with any other outstanding Debt Incurred pursuant to this clause (6), has an aggregate principal amount not in excess of \$50 million at any time outstanding.

For purposes of determining compliance with this Paragraph 10.1 in the event that an item of proposed Debt meets the criteria of more than one of the categories of Debt described in clauses (1) through (6) above, or is entitled to be Incurred pursuant to the first paragraph

of this covenant, the Company will be permitted to classify such item of Debt in any manner that complies with this covenant.

10.2 Limitation on Senior Subordinated Debt

The Company may not Incur any Debt which by its terms is (1) subordinated in right of payment to any Senior Debt and (2) senior in right of payment to the Securities.

10.3 Limitation on Issuance of Guarantees of Subordinated Debt

The Company may not permit any Restricted Subsidiary of the Company, directly or indirectly, to assume, Guarantee or in any other manner become liable with respect to any Debt of the Company that by its terms is subordinate or junior in right of payment to the Securities.

10.4 Limitation on Liens Securing Subordinated Debt

The Company may not, and may not permit any of its Restricted Subsidiaries to, create, incur, assume or suffer to exist any Lien on or with respect to any property or assets of the Company or any Restricted Subsidiary of the Company now owned or hereafter acquired to secure any Debt of the Company or any Restricted Subsidiary that is expressly by its terms subordinate or junior in right of payment to any other Debt of the Company or such Restricted Subsidiary, without making, or causing such Restricted Subsidiary to make, effective provision for securing the Securities (1) equally and ratably with such Debt as to such property or assets for so long as such Debt will be so secured or (2) if such Debt is subordinate in right of payment to the Securities, prior to such Debt as to such property or assets for so long as such Debt will be so secured.

10.5 Limitation on Restricted Payments

A. The Company:

(1) may not, directly or indirectly, declare or pay any dividend or make any distribution (including any payment in connection with any merger or consolidation derived from assets of the Company or any Restricted Subsidiary of the Company) in respect of its Capital Stock or to the holders thereof, excluding any dividends or distributions by the Company payable solely in shares of its Capital Stock (other than

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Redeemable Stock) or in options, warrants or other rights to acquire its Capital Stock (other than Redeemable Stock),

(2) may not, and may not permit any Restricted Subsidiary of the Company to, purchase, redeem, or otherwise acquire or retire for value:

(a) any Capital Stock of the Company or any Restricted Subsidiary of the Company, or

(b) any options, warrants or other rights to acquire shares of Capital Stock of the Company or any Restricted Subsidiary of the Company or any securities convertible or exchangeable into shares of Capital Stock of the Company or any Restricted Subsidiary of the Company,

(3) may not make, or permit any Restricted Subsidiary of the Company to make, any Investment other than a Permitted Investment, and

(4) may not, and may not permit any Restricted Subsidiary of the Company to, redeem, repurchase, defease or otherwise acquire or retire for value prior to any scheduled maturity, repayment or sinking fund payment Debt of the Company which is subordinate or junior in right of payment to the Securities.

(each of clauses (1) through (4) being a "Restricted Payment") unless:

(a) no Event of Default, or an event that with the passing of time or the giving of notice, or both, would constitute an Event of Default, shall have occurred and is continuing or would result from such Restricted Payment,

(b) after giving pro forma effect to such Restricted Payment as if such Restricted Payment had been made at the beginning of the applicable four-fiscal-quarter period, the Company could Incur at least \$1.00 of additional Debt pursuant to the terms of the Indenture described in the first sentence of Paragraph 10.1 above, and

(c) upon giving effect to such Restricted Payment, the aggregate of all Restricted Payments from the date of issuance of the Securities does not exceed the sum of:

(i) 50% of cumulative Consolidated Net Income (or, in case Consolidated Net Income is negative, less 100% of such deficit) of the Company since March 1, 1999 through the last day of the last full fiscal quarter ending immediately preceding the date of such Restricted Payment for which quarterly or annual financial statements are available (taken as a single accounting period), plus

(ii) 100% of the aggregate net proceeds received by the Company after the date of original issuance of the Securities, including the fair market value of property other than cash (determined in good faith by the Board as evidenced by a resolution of the Board filed with the Trustee), from contributions of capital or the issuance and sale (other than to a Restricted Subsidiary) of Capital Stock (other than Redeemable Stock) of the Company, options, warrants or other rights to acquire Capital Stock (other than Redeemable Stock) of the Company

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and Debt of the Company that has been converted into or exchanged for Capital Stock (other than Redeemable Stock and other than by or from a Restricted Subsidiary) of the Company after the date of original issuance of the Securities, provided that any such net proceeds received by the Company from an employee stock ownership plan financed by loans from the Company or a Restricted Subsidiary of the Company shall be included only to the extent such loans have been repaid with cash on or prior to the date of determination, plus

(iii) an amount equal to the net reduction in Investments by the Company and its Restricted Subsidiaries, subsequent to the date of issuance of the Securities, in any Person subject to clause (3) above upon the disposition, liquidation or repayment (including by way of dividends) thereof or from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, but in each such case only to the extent such amounts are not included in Consolidated Net Income of the Company and not to exceed in the case of any one Person the amount of Investments previously made by the Company and its Restricted Subsidiaries in such Person.

Prior to the making of any Restricted Payment, the Company shall deliver to the Trustee an Officers' Certificate setting forth the computations by which the determinations required by clauses (b) and (c) above were made and stating that no Event of Default, or event that with the passing of time or the giving of notice, or both, would constitute an Event of Default, has occurred and is continuing or will result from such Restricted Payment.

B. Notwithstanding the foregoing, so long as no Event of Default, or event that with the passing of time or the giving of notice, or both, would constitute an Event of Default, shall have occurred and is continuing or would result therefrom:

(1) the Company may pay any dividend on Capital Stock of any class within 60 days after the declaration thereof if, on the date when the dividend was declared, the Company could have paid such dividend in accordance with the foregoing provisions,

(2) the Company may refinance any Debt otherwise permitted by the provision of the Indenture described in clause (5) of the second paragraph under Paragraph 10.1 above or redeem, repurchase or otherwise acquire and retire for value any Debt solely in exchange for or out of the net proceeds of the substantially concurrent sale (other than from or to a Restricted Subsidiary or from or to an employee stock ownership plan financed by loans from the Company or a Restricted Subsidiary of the Company) of shares of Capital Stock (other than Redeemable Stock) of the Company, provided that the amount of net proceeds from such exchange or sale shall be excluded from the calculation of the amount available for Restricted Payments pursuant to the preceding paragraph,

(3) the Company may purchase, redeem, acquire or retire any shares of Capital Stock of the Company solely in exchange for or out of the net proceeds of the substantially concurrent sale (other than from or to a Restricted Subsidiary of the Company or from or to an employee stock ownership plan financed by loans from the Company or a Restricted Subsidiary of the Company) of shares of Capital Stock (other than Redeemable Stock) of the Company,

(4) the Company or a Restricted Subsidiary may purchase or redeem any Senior Debt from Net Available Proceeds to the extent permitted under Paragraph 10.7,

(5) the Company may make dividends or distributions pro rata to its shareholders of shares of Capital Stock in any of its Subsidiaries (a "Spin-off"), provided, that (i) immediately after giving effect to such Spin-off, the Company could incur at least \$1.00 of additional Debt pursuant to the first

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sentence of Paragraph 10.1, (ii) the greater of the aggregate fair market value and aggregate book value of all such shares dividended or distributed (measured at the time of such dividend or distribution) shall not exceed 5% of the Consolidated Net Worth of the Company before giving effect to any such Spin-off and (iii) the Consolidated Cash Flow Available for Fixed Charges of the Company shall not decrease by more than 5% after giving effect to any such Spin-off,

(6) the Company may acquire shares of Capital Stock to be contributed by the Company on behalf of its employees to employee benefit programs; provided that in each such case the amount to be purchased shall not exceed 5% of the compensation of such employee in any fiscal year, and

(7) the Company or any Restricted Subsidiary of the Company may make Restricted Payments, in addition to Restricted Payments permitted by clauses (1) through (6) above, not in excess of \$20 million in the aggregate after the date of the Indenture.

Any payment made pursuant to clauses (1), (3) or (5) of this Paragraph 10.5B shall be a Restricted Payment for purposes of calculating aggregate Restricted Payments pursuant to the preceding Paragraph 10.5A.

10.6 Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries

The Company may not, and may not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary of the Company:

(1) to pay dividends (in cash or otherwise) or make any other distributions in respect of its Capital Stock or pay any Debt or other obligation owed to the Company or any other Restricted Subsidiary of the Company,

(2) to make loans or advances to the Company or any other Restricted Subsidiary of the Company, or

(3) to transfer any of its property or assets to the Company or any other Restricted Subsidiary of the Company.

Notwithstanding the foregoing, the Company may, and may permit any Restricted Subsidiary of the Company to, suffer to exist any such encumbrance or restriction:

(a) pursuant to any agreement in effect on the date of original issuance of the Securities, including the Senior Bank Facility, as described in a schedule to the Indenture,

(b) pursuant to an agreement relating to any Debt Incurred by a Person (other than a Restricted Subsidiary of the Company existing on the date of original issuance of the Securities or any Restricted Subsidiary of the Company carrying on any of the businesses of any such Restricted Subsidiary) prior to the date on which such Person became a Restricted Subsidiary of the Company and outstanding on such date and not Incurred in anticipation of becoming a Restricted Subsidiary of the Company, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person so acquired,

(c) pursuant to an agreement effecting a renewal, refunding or extension of Debt Incurred pursuant to an agreement referred to in clause (a) or (b) above, provided, however, that the

provisions contained in such renewal, refunding or extension agreement relating to such encumbrance or restriction are no more restrictive in any material re-

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spect than the provisions contained in the agreement the subject thereof, as determined in good faith by the Board and evidenced by a resolution of the Board filed with the Trustee,

(d) in the case of clause (3) above, restrictions contained in any security agreement (including a capital lease) securing Debt of a Restricted Subsidiary otherwise permitted hereunder, but only to the extent such restrictions restrict the transfer of the property subject to such security agreement,

(e) in the case of clause (3) above, customary nonassignment provisions entered into in the ordinary course of business consistent with past practices in leases and other contracts to the extent such provisions restrict the transfer or subletting of any such lease or the assignment of rights under any such contract,

(f) any restriction with respect to a Restricted Subsidiary of the Company imposed pursuant to an agreement for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary, provided that such restriction terminates if such sale or disposition is closed or abandoned, or

(g) such encumbrance or restriction is the result of applicable corporate law or regulation relating to the payment of dividends or distributions.

10.7 Limitation on Asset Dispositions

The Company may not, and may not permit any of its Restricted Subsidiaries to, make any Asset Disposition in one or more related transactions unless:

(1) the Company or the Restricted Subsidiary, as the case may be, receives consideration for such disposition at least equal to the fair market value for the assets sold or disposed of as determined by the Board in good faith and evidenced by a resolution of the Board filed with the Trustee,

(2) at least 75% of the consideration for such disposition consists of cash or readily marketable cash equivalents or the assumption of Debt (other than Debt that is subordinated to the Securities) relating to such assets and release from all liability on the Debt assumed, and

(3) all Net Available Proceeds, less any amounts invested within 360 days of such disposition in assets related to the business of the Company, are applied within 360 days of such disposition:

(a) first, to the permanent repayment or reduction of Senior Debt then outstanding under any agreements or instruments which would require such application or prohibit payments pursuant to clause (b) following,

(b) second, to the extent of remaining Net Available Proceeds, to make an Offer to Purchase outstanding Securities at 100% of their principal amount plus accrued interest to the date of purchase and, to the extent required by the terms thereof, any other Debt of the Company that is pari passu with the Securities at a price no greater than 100% of the principal amount thereof plus accrued interest to the date of purchase, and

(c) third, to the extent of any remaining Net Available Proceeds, to any other use as determined by the Company which is not otherwise prohibited by the Indenture.

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Pending final application of the Net Available Proceeds, the Company may use the proceeds in any manner not prohibited hereunder and may temporarily reduce Senior Debt then outstanding, provided that this temporary use will not affect its obligations hereunder.

Notwithstanding the foregoing, the Company shall not be required to make an Offer to Purchase pursuant to clause 3(b) above if the remaining Net Available Proceeds after giving effect to the application required by clause 3(a) are less than \$10 million.

10.8 Limitation on Sale and Leaseback Transactions

The Company may not, and may not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction unless the Sale and Leaseback Transaction is treated as an Asset Disposition and all of the conditions of Paragraph 10.7 (including the provisions concerning the application of Net Available Proceeds) are satisfied with respect to such Sale and Leaseback Transaction, treating all of the consideration received in such Sale and Leaseback Transaction as Net Available Proceeds for purposes of such covenant.

10.9 Limitation on the Issuance and Sale of Capital Stock of Restricted Subsidiaries

The Company may not, and may not permit any of its Restricted Subsidiaries to, directly or indirectly, issue, transfer, convey, sell, lease or otherwise dispose of any shares of Capital Stock (including options, warrants or other rights to purchase shares of such Capital Stock) of such or any other Restricted Subsidiary of the Company (other than to the Company or a Wholly Owned Restricted Subsidiary of the Company or in respect of any director's qualifying shares or the ownership by foreign nationals of such Capital Stock to the extent mandated by applicable law) to any Person unless:

(A) such issuance, transfer, conveyance, sale, lease or other disposition, including the application of the Net Available Proceeds therefrom, is made in accordance with the provisions of Paragraph 10.7 or the provisions of clause (5) of Paragraph 10.5 B, and

(B) immediately after giving effect to such issuance, transfer, conveyance, sale, lease or other disposition, (i) such Subsidiary would no longer constitute a Restricted Subsidiary of the Company, and (ii) the Company could make a Restricted Payment in an amount equal to the greater of the fair market value and book value of the Company's remaining ownership interests in such Subsidiary pursuant to the provisions described under Paragraph 10.5 and such amount is thereafter treated as a Restricted Payment for the purpose of calculating the aggregate amount available for Restricted Payments thereunder.

10.10 Transactions with Affiliates

The Company may not, and may not permit any of its Restricted Subsidiaries to, enter into any transaction (or series of related transactions) with an Affiliate of the Company (other than the Company or a Wholly Owned Restricted Subsidiary of the Company), including any Investment, either directly or indirectly, unless such transaction is on terms no less favorable to the Company or such Restricted Subsidiary than those that could be obtained in a comparable arm's-length transaction with an entity that is not an Affiliate and is in the best interests of the Company or such Restricted Subsidiary.

For any transaction that involves:

(1) in excess of \$2 million a majority of the disinterested members of the Board shall determine that the transaction satisfies the above criteria and shall evidence such a determination by a resolution of the Board filed with the Trustee, or

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(2) in excess of \$10 million the Company shall also obtain an opinion from a nationally recognized expert with experience in appraising the terms and conditions of the type of transaction (or series of related transactions) for which the opinion is required stating that such transaction (or series of related transactions) is on terms no less favorable to the Company or such Restricted Subsidiary than those that could be obtained in a comparable arm's-length transaction with an entity that is not an Affiliate of the Company, which opinion shall be filed with the Trustee.

The foregoing requirements shall not apply to:

(1) Any employment agreement or employee benefit arrangement with any officer or director entered into in the ordinary course of business and consistent with past practice;

(2) Payment of reasonable directors' fees to directors who are not employees of the Company;

(3) Reasonable and customary indemnification of officers and directors of the Company or any Restricted Subsidiary pursuant to bylaws, statutory provisions or indemnification agreements;

(4) any Restricted Payment that is permitted to be paid under the provisions of Paragraph 10.5;

(5) Purchases and sales of goods and services in the ordinary course of business on terms customary in the industry;

(6) Any transaction pursuant to agreements in effect on the date of

issuance of the Securities; and

(7) Written agreements entered into or assumed in connection with acquisitions of other businesses with persons who were not Affiliates prior to such transactions.

10.11 Change of Control

Within 30 days of the occurrence of a Change of Control, the Company will be required to make an Offer to Purchase all outstanding Securities at a purchase price equal to 101% of their principal amount plus accrued interest to the date of purchase. A "Change of Control" will be deemed to have occurred at such time as:

(1) any Person or any Persons acting together that would constitute a "group" (a "Group") for purposes of Section 13 (d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor provision thereto, together with any Affiliates thereof, shall beneficially own (within the meaning of Rule 13d-3 under the Exchange Act or any successor provision thereto), directly or indirectly, at least 50% of the aggregate voting power of all classes of Voting Stock of the Company (for the purposes of this clause (1) a Person shall be deemed to beneficially own the Voting Stock of a corporation that is beneficially owned (as defined above) by another corporation (a "parent corporation") if such Person beneficially owns (as defined above) at least 50% of the aggregate voting power of all classes of Voting Stock of such parent corporation), or

(2) any Person or Group, together with any Affiliates thereof, shall succeed in having a sufficient number of its nominees elected to the Board of the Company such that such nominees, when added to any existing director remaining on the Board of the Company after such election who was a nominee of or is an Affiliate of such Person or Group, will constitute a majority of the Board of the Company, or

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(3) the Company shall, directly or indirectly, transfer, sell, lease or otherwise dispose of all or substantially all of its assets, or

(4) there shall be adopted a plan of liquidation or dissolution of the Company.

Notwithstanding the foregoing, a transaction effected to create a holding company of the Company shall not be deemed to involve a "Change of Control" if (1) pursuant to such transaction the Company becomes a wholly owned Subsidiary of such holding company and (2) as a result of such transaction the holders of Capital Stock of such holding company are substantially the same as the holders of Capital Stock of the Company immediately prior to such transaction; provided that following any such holding company transaction, this covenant shall apply to both the Company and such holding company, and references in this definition of "Change of Control" to the Company shall thereafter be treated as references to either the Company or such holding company, as applicable.

In the event that the Company makes an Offer to Purchase the Securities, the Company shall comply with any applicable securities laws and regulations, including any applicable requirements of Section 14(e) of, and Rule 14e-1 under, the Exchange Act.

10.12 Payments for Consent

The Company may not, and may not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Securities unless such consideration is offered to be paid or is paid to all Holders of the Securities that consent, waive or agree to amend in the time frame set forth in the solicitation document relating to such consent, waiver or agreement.

10.13 Provision of Financial Information

For so long as any of the Securities are outstanding, the Company shall file with the SEC the annual reports, quarterly reports and other documents which a reporting company is required to file with the SEC pursuant to Section 13 (a) or 15 (d) of the Exchange Act or any successor provisions thereto.

10.14 Unrestricted Subsidiaries

The Company may designate any of its Subsidiaries to be an "Unrestricted Subsidiary" as provided below in which event such Subsidiary and each other Person that is then or thereafter becomes a Subsidiary of such Subsidiary will be deemed to be an Unrestricted Subsidiary.

An "Unrestricted Subsidiary" means:

(1) any Subsidiary designated as such by the Board as set forth below where:

(a) neither the Company nor any of its other Subsidiaries (other than another Unrestricted Subsidiary):

(i) provides credit support for, or any Guarantee of, any Debt of such Subsidiary or any Subsidiary of such Subsidiary (including any undertaking, agreement or instrument evidencing such Debt), or

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(ii) is directly or indirectly liable for any Debt of such Subsidiary or any Subsidiary of such Subsidiary, and

(b) no default with respect to any Debt of such Subsidiary or any Subsidiary of such Subsidiary (including any right which the holders thereof may have to take enforcement action against such Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Debt of the Company and its Subsidiaries (other than another Unrestricted Subsidiary) to declare a default on such other Debt or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity, and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board may designate any Subsidiary to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Stock of, or owns or holds any Lien on any property of, any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary, provided that either (1) the Subsidiary to be so designated has total assets of \$1,000 or less or (2) immediately after giving effect to such designation, the Company could Incur at least \$1.00 of additional Debt pursuant to the first sentence of Paragraph 10.1 and provided, further, that the Company could make a Restricted Payment in an amount equal to the greater of the fair market value and book value of such Subsidiary pursuant to Paragraph 10.5 and such amount is thereafter treated as a Restricted Payment for the purpose of calculating the aggregate amount available for Restricted Payments thereunder.

10.15. Mergers, Consolidations and Certain Sales of Assets

The Company may not, in a single transaction or a series of related transactions, consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into the Company or directly or indirectly, transfer, sell, lease or otherwise dispose of all or substantially all of its assets unless:

(1) in a transaction in which the Company does not survive or in which the Company sells, leases or otherwise disposes of all or substantially all of its assets, the successor entity to the Company is organized under the laws of the United States of America or any State thereof or the District of Columbia and shall expressly assume, by a supplemental indenture executed and delivered to the Trustee in form satisfactory to the Trustee, all of the Company's obligations under the Indenture,

(2) immediately before and after giving effect to such transaction and treating any Debt which becomes an obligation of the Company or a Restricted Subsidiary as a result of such transaction as having been Incurred by the Company or such Restricted Subsidiary at the time of the transaction, no Event of Default or event that with the passing of time or the giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing,

(3) immediately after giving effect to such transaction, the Consolidated Net Worth of the Company (or other successor entity to the Company) is equal to or greater than that of the Company immediately prior to the transaction,

(4) immediately after giving effect to such transaction and treating any Debt which becomes an obligation of the Company or a Restricted Subsidiary as a result of such transaction as having been Incurred by the Company or such Restricted Subsidiary at the time of the transaction, the Company (including any successor entity to the Company) could Incur at least \$1.00 of additional Debt pursuant to the first sentence of Paragraph 10.1 and

(5) the provisions of Section 5.01 (3) and (5) of the Indenture have been complied with.

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Except as provided in clause (5) of this Paragraph 10.15, the provisions of Article 5 of the Indenture do not apply to the Securities.

11. MODIFICATION AND WAIVERS.

Subject to certain exceptions, the Indenture or the Securities may be amended with the consent of the holders of a majority in principal amount of the securities of all series affected by the amendment. Subject to certain exceptions, a default on a series may be waived with the consent of the holders of a majority in principal amount of the series.

Without the consent of any Securityholder, the Indenture or the Securities may be amended, among other things, to cure any ambiguity, omission, defect or inconsistency; to provide for assumption of Company obligations to Securityholders; or to make any change that does not materially adversely affect the rights of any Securityholder provided, however, that no such modification or amendment may, without the consent of the Holder of each outstanding Security affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Security,

(2) reduce the principal amount of, or the premium or interest on, any Security,

(3) change the place or currency of payment of principal of or premium or interest on any Security,

(4) impair the right to institute suit for the enforcement of any payment on or with respect to any Security,

(5) reduce the above-stated percentage of outstanding Securities necessary to modify or amend the Indenture or the Securities,

(6) reduce the percentage of aggregate principal amount of outstanding Securities necessary for waiver of compliance with certain provisions of the Indenture or the Securities or for waiver of certain defaults,

(7) modify any provisions of the Indenture or the Securities relating to the modification and amendment of the Indenture or the Securities or the waiver of past defaults or covenants, except as otherwise specified,

(8) modify any of the provisions of the Indenture or the Securities relating to the subordination of the Securities in a manner adverse to the Holders, or

(9) following the mailing of any Offer to Purchase, modify any Offer to Purchase for the Securities required under Paragraphs 10.7 or 10.11 in a manner materially adverse to the Holders thereof.

The foregoing clauses (1) through (9) shall apply to the modifications or amendments to the Securities and replace clauses (1) through (7) of Section 10.02 of the Indenture to the extent such clauses would otherwise be applicable to the Securities.

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12. SUCCESSORS.

When a successor assumes all the obligations of the Company under the Securities and the Indenture (in accordance with the provisions thereof), the Company will be released from those obligations.

13. DEFEASANCE PRIOR TO REDEMPTION OR MATURITY; SATISFACTION AND DISCHARGE.

Subject to certain conditions contained in Article 8 of the Indenture, the Company at any time may terminate some or all of its obligations under the Securities and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of principal and interest on the Securities to redemption or maturity. U.S. Government Obligations are securities backed by the full faith and credit of the United States of America or certificates representing an ownership interest in such Obligations. The Securities Resolution creating the Securities and the Indenture to the extent governing the Securities will cease to be of further effect as to all outstanding Securities, if: (1) the Company will have paid or caused to be paid the principal of and interest on the Securities as and when the same will have become due and payable, or (2) all outstanding Securities (except lost, stolen or destroyed Securities which have been replaced or paid) have been delivered to the Trustee for cancellation; provided, that notwithstanding the foregoing the

Indenture shall remain in effect with respect to: (a) rights of registration of transfer and exchange and the Company's right of optional redemption, (b) substitution of apparently mutilated,

defaced, destroyed, lost or stolen Securities, (c) rights of Holders to receive payment of principal of and interest on the Securities, (d) rights, obligations and immunities of the Trustee under the Indenture, and (e) rights of the Holders of the Securities as beneficiaries of the Indenture with respect to any property deposited with the Trustee payable to all or any of them.

14. DEFAULTS AND REMEDIES.

The following will be Events of Default with respect to the Securities:

(1) failure to pay principal of (or premium, if any, on) any Security when due,

(2) failure to pay any interest on any Security when due, continued for 30 days,

(3) default in the payment of principal and interest on Securities required to be purchased pursuant to an Offer to Purchase as described under Paragraphs 10.7 and 10.11 when due and payable,

(4) failure to perform or comply with the provisions described under Paragraph 10.15,

(5) failure to perform any other covenant or agreement of the Company under the Indenture or the Securities continued for 60 days after written notice to the Company by the Trustee or Holders of at least 25% in aggregate principal amount of outstanding Securities,

(6) default under the terms of any instrument evidencing or securing Debt for money borrowed by the Company or any Restricted Subsidiary of the Company having an outstanding principal amount of \$20 million individually or in the aggregate which default results in the acceleration of the payment of such indebtedness or constitutes the failure to pay such indebtedness when due,

(7) the rendering of a final judgment or judgments (not subject to appeal) against the Company or any Restricted Subsidiary of the Company in an amount in excess of \$20 million which re

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mains undischarged or unstayed for a period of 60 days after the date on which the right to appeal has expired, and

(8) any of the events described in Section 6.01 (5) or (6) of the Indenture.

If an Event of Default occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the Securities may declare the principal of all of the Securities to be due and payable immediately.

Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations specified in the Indenture, holders of a majority in principal amount of the Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing default (except a default in payment of principal or interest) if it determines that withholding notice is in their interests. The Company must furnish an annual compliance certificate to the Trustee.

15. TRUSTEE DEALINGS WITH COMPANY.

The First National Bank of Chicago, the Trustee under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not Trustee.

16. NO RECOURSE AGAINST OTHERS.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

17. AUTHENTICATION.

This Security shall not be valid until authenticated by a manual signature of the Registrar.

18. ABBREVIATIONS.

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as: TEN COM (=tenants in common), TEN ENT (=tenants by the entirety), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), U/G/M/A (=Uniform Gifts to Minors Act) and U/T/M/A (=Uniform Transfers to Minors Act).

19. DEFINITIONS

The following definitions of certain terms used in this Security shall apply to such terms as used herein and in the Indenture to the extent applicable to the Securities.

"Acquired Debt" of any particular Person means Debt of any other Person existing at the time such other Person merged with or into or became a Subsidiary of such particular Person or assumed by such particular Person in connection with the acquisition of assets from any other Person, and not incurred by such

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other Person in connection with, or in contemplation of, such other Person merging with or into such particular Person or becoming a Subsidiary of such particular Person or such acquisition.

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing; provided, that direct or indirect beneficial ownership of 10% or more of the Voting Stock of a Person shall be deemed to be control.

"Asset Disposition" by any Person means any transfer, conveyance, sale, lease or other disposition by such Person or any of its Restricted Subsidiaries (including any issuance or sale by a Restricted Subsidiary of Capital Stock of such Restricted Subsidiary and including a consolidation or merger or other sale of any such Restricted Subsidiary with, into or to another Person in a transaction in which such Restricted Subsidiary ceases to be a Restricted Subsidiary, but excluding a disposition by a Restricted Subsidiary of such Person to such Person or a Wholly Owned Restricted Subsidiary of such Person or by such Person to a Wholly Owned Restricted Subsidiary of such Person) of:

- (1) shares of Capital Stock (other than directors' qualifying shares) or other ownership interests of a Restricted Subsidiary of such Person,
- (2) substantially all of the assets of such Person or any of its Restricted Subsidiaries representing a division or line of business, or
- (3) other assets or rights of such Person or any of its Restricted Subsidiaries outside of the ordinary course of business;

provided in each case that the aggregate consideration for such transfer, conveyance, sale, lease or other disposition is equal to \$5 million or more.

"Capital Lease Obligation" of any Person means the obligation to pay rent or other payment amounts under a lease of (or other Debt arrangements conveying the right to use) real or personal property of such Person which is required to be classified and accounted for as a capital lease or a liability on the face of a balance sheet of such Person in accordance with generally accepted accounting principles. The stated maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. The principal amount of such obligation shall be the capitalized amount thereof that would appear on the face of a balance sheet of such Person in accordance with generally accepted accounting principles.

"Capital Stock" of any Person means any and all shares, interests, participations or other equivalents (however designated) of corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person.

"Cash Equivalents" means:

- (1) direct obligations of the United States of America or any agency thereof having maturities of not more than one year from the date of acquisition,

(2) time deposits and certificates of deposit of any domestic commercial bank of recognized standing having capital and surplus in excess of \$500 million, with maturities of not more than one year from the date of acquisition,

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(3) repurchase obligations issued by any bank described in clause (2) above with a term not to exceed 30 days,

(4) commercial paper rated at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's, in each case maturing within one year after the date of acquisition, and

(5) shares of any money market mutual fund, or similar fund, in each case having assets in excess of \$500 million, which invests predominantly in investments of the types describes in clauses (1) through (4) above.

"Common Stock" of any Person means Capital Stock of such Person that does not rank prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"Consolidated Cash Flow Available for Fixed Charges" for any period means the Consolidated Net Income of the Company and its Restricted Subsidiaries for such period increased by the sum of:

(1) Consolidated Interest Expense of the Company and its Restricted Subsidiaries for such period,

(2) Consolidated Income Tax Expense of the Company and its Restricted Subsidiaries for such period,

(3) the consolidated depreciation and amortization expense included in the income statement of the Company and its Restricted Subsidiaries for such period, and

(4) all other non-cash items reducing Consolidated Net Income of the Company and its Restricted Subsidiaries, less all non-cash items increasing Consolidated Net Income of the Company and its Restricted Subsidiaries;

provided, however, that there shall be excluded therefrom the Consolidated Cash Flow Available for Fixed Charges (if positive) of any Restricted Subsidiary of the Company (calculated separately for such Restricted Subsidiary in the same manner as provided above for the Company) that is subject to a restriction which prevents the payment of dividends or the making of distributions to the Company or another Restricted Subsidiary of the Company to the extent of such restriction.

"Consolidated Cash Flow Coverage Ratio" as of any date of determination means the ratio of:

(1) Consolidated Cash Flow Available for Fixed Charges of the Company and its Restricted Subsidiaries for the period of the most recently completed four consecutive fiscal quarters for which quarterly or annual financial statements are available, to

(2) Consolidated Fixed Charges of the Company and its Restricted Subsidiaries for such period;

provided, however, that Consolidated Fixed Charges shall be adjusted to give effect on a pro forma basis to any Debt that has been Incurred by the Company or any Restricted Subsidiary since the beginning of such period that remains outstanding and to any Debt that is proposed to be Incurred by the Company or any Restricted Subsidiary as if in each case such Debt had been incurred on the first day of such period and as if any Debt that (1) is or will no longer be outstanding as the result of the Incurrence of any such Debt or (2) had been repaid or retired during such period had not been outstanding as of the first day of such period; provided further, however,

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that in making such computation, the Consolidated Interest Expense of the Company and its Restricted Subsidiaries attributable to interest on any proposed Debt bearing a floating interest rate shall be computed on a pro forma basis as if the rate in effect on the date of computation had been the applicable rate for the entire period; and provided further that, in the event the Company or any of its Restricted Subsidiaries has made Asset Dispositions or acquisitions of assets not in the ordinary course of business (including acquisitions of other Persons by merger, consolidation or purchase of Capital Stock) during or after such period, the computation of the Consolidated Cash Flow Coverage Ratio shall be made on a pro forma basis in accordance with Regulation S-X promulgated under the Securities Act of 1933, as amended (the "Securities Act"), as if the Asset Dispositions or acquisitions had taken place on the first day of such

period.

"Consolidated Fixed Charges" for any period means the sum of:

- (1) Consolidated Interest Expense, and
- (2) the consolidated amount of interest capitalized by the Company and its Restricted Subsidiaries during such period calculated in accordance with generally accepted accounting principles.

"Consolidated Income Tax Expense" for any period means the consolidated provision for income taxes of the Company and its Restricted Subsidiaries for such period calculated on a consolidated basis in accordance with generally accepted accounting principles.

"Consolidated Interest Expense" means for any period the consolidated Interest expense included in a consolidated income statement (without deduction of interest income) of the Company and its Restricted Subsidiaries for such period calculated on a consolidated basis in accordance with generally accepted accounting principles, including without limitation or duplication (or, to the extent not so included, with the addition of):

- (1) the amortization of Debt discounts,
- (2) the amortization of any payments or fees with respect to letters of credit, bankers' acceptances or similar facilities,
- (3) the amortization of fees with respect to interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements,
- (4) Preferred Stock dividends of the Company or Restricted Subsidiaries of the Company (other than such dividends (a) in respect of Redeemable Stock or (b) payable in Capital Stock other than Redeemable Stock) declared and paid or payable,
- (5) accrued dividends on Redeemable Stock of the Company or its Restricted Subsidiaries (other than such dividends payable solely in Capital Stock other than Redeemable Stock), whether or not declared or paid,
- (6) interest on Debt Guaranteed by the Company and its Restricted Subsidiaries, and
- (7) the portion of any rental obligation allocable to interest expense.

"Consolidated Net Income" for any period means the consolidated net income (or loss) of the Company and its Restricted Subsidiaries for such period determined on a consolidated basis in accordance with generally accepted accounting principles; provided that there shall be excluded therefrom:

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- (1) the net income (or loss) of any Person acquired by of the Company or a Restricted Subsidiary of the Company in a pooling-of-interests transaction for any period prior to the date of such transaction,
- (2) the net income (or loss) of any Person that is not a Subsidiary of the Company except to the extent of the amount of dividends or other distributions actually paid to the Company or a Subsidiary of the Company by such Person during such period,
- (3) gains or losses on Asset Dispositions by the Company or its Restricted Subsidiaries,
- (4) all extraordinary gains and extraordinary losses,
- (5) the cumulative effect of changes in accounting principles, and
- (6) the tax effect of any of the items described in clauses (1) through (5) above;

provided, further, that for purposes of any determination pursuant to Paragraph 10.5, there shall further be excluded therefrom the net income (but not net loss) of any Restricted Subsidiary of the Company that is subject to a restriction which prevents the payment of dividends or the making of distributions to the Company or another Restricted Subsidiary of the Company to the extent of such restriction.

"Consolidated Net Worth" of any Person means the consolidated stockholders' equity of such Person, determined on a consolidated basis in accordance with generally accepted accounting principles, less amounts attributable to Redeemable Stock of such Person; provided that, with respect to the Company, adjustments following the date of the Indenture to the accounting

books and records of the Company in accordance with Accounting Principles Board Opinions Nos. 16 and 17 (or successor opinions thereto) or otherwise resulting from the acquisition of control of the Company by another Person shall not be given effect to.

"Debt" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent:

- (1) every obligation of such Person for money borrowed,
 - (2) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses,
 - (3) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person,
 - (4) every obligation of such Person issued or assumed as the deferred purchase price of property or services (including securities repurchase agreements but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith),
 - (5) every Capital Lease Obligation of such Person,
 - (6) all Receivables Sales of such Person, together with any obligation of such Person to pay any discount, interest, fees, indemnities, penalties, recourse, expenses or other amounts in connection therewith,
 - (7) all Redeemable Stock issued by such Person,
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- (8) Preferred Stock of Restricted Subsidiaries of such Person held by Persons other than such Person or one of its Wholly Owned Restricted Subsidiaries,
 - (9) every obligation under Interest Rate or Currency Agreements of such Person, and
 - (10) every obligation of the type referred to in clauses (1) through (9) of another Person and all dividends of another Person the payment of which, in either case, such Person has Guaranteed or is responsible or liable for, directly or indirectly, as obligor, Guarantor or otherwise.

Debt shall not include any obligation to pay contingent purchase price payments, earn-outs, indemnification obligations or similar items to the buyer or seller of any business or assets acquired or sold by the Company or a Restricted Subsidiary to the extent such obligations are not required to be reflected on the balance sheet of the Company or such Restricted Subsidiary in accordance with generally accepted accounting principles (footnote disclosure of such obligations shall not be deemed to be reflected on the balance sheet for this purpose).

The "amount" or "principal amount" of Debt at any time of determination as used herein represented by (1) any Receivables Sale, shall be the amount of the unrecovered capital or principal investment of the purchaser (other than the Company or a Wholly Owned Restricted Subsidiary of the Company) thereof (excluding amounts representative of yield or interest earned on such investment with respect to which such purchaser has recourse to the seller and (2) any Redeemable Stock, shall be the maximum fixed redemption or repurchase price in respect thereof.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guaranteeing, any Debt of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt,
- (2) to purchase property, securities or services for the purpose of assuring the holder of such Debt of the payment of such Debt, or
- (3) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt (and "Guaranteed," "Guaranteeing" and "Guarantor" shall have meanings correlative to the foregoing);

provided, however, that the Guarantee by any Person shall not include endorsements by such Person for Collection or deposit, in either case, in the

ordinary course of business.

"Incur" means, with respect to any Debt or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Debt or other obligation or the recording, as required pursuant to generally accepted accounting principles or otherwise, of any such Debt or other obligation on the balance sheet of such Person (and "Incurrence," "Incurred," "Incurable" and "Incurring" shall have meanings correlative to the foregoing); provided, however, that a change in generally accepted accounting principles that results in an obligation of such Person that exists at such time becoming Debt shall not be deemed an Incurrence of such Debt.

"Interest Rate or Currency Agreement" of any Person means any forward contract, futures contract, swap, option or other financial agreement or arrangement (including, without limitation, caps, floors,

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collars and similar agreements) relating to, or the value of which is dependent upon, interest rates or currency exchange rates or indices.

"Investment" by any Person means any direct or indirect loan, advance or other extension of credit or capital contribution (by means of transfers of cash or other property to others or payments for property or services for the account or use of others, or otherwise) to, or purchase or acquisition of Capital Stock, bonds, notes, debentures or other securities or evidence of Debt issued by, any other Person, including any payment on a Guarantee of any obligation of such other Person.

"Lien" means, with respect to any property or assets, any mortgage or deed of trust, pledge, hypothecation, assignment, Receivables Sale, deposit arrangement, security interest, lien, charge, easement (other than any easement not materially impairing usefulness or marketability), encumbrance, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such property or assets (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

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

"Net Available Proceeds" from any Asset Disposition by any Person means cash or readily marketable cash equivalents received (including by way of sale or discounting of a note, installment receivable or other receivable, but excluding any other consideration received in the form of assumption by the acquired of Debt or other obligations relating to such properties or assets) therefrom by such Person, net of:

(1) all legal, title and recording tax expenses, commissions and other fees and expenses Incurred and all federal, state, provincial, foreign and local taxes required to be accrued as a liability as a consequence of such Asset Disposition,

(2) all payments made by such Person or its Restricted Subsidiaries on any Debt which is secured by such assets in accordance with the terms of any Lien upon or with respect to such assets or which must by the terms of such Lien, or in order to obtain a necessary consent to such Asset Disposition or by applicable law, be repaid out of the proceeds from such Asset Disposition,

(3) all distributions and other payments made to minority interest holders in Restricted Subsidiaries of such Person or joint ventures as a result of such Asset Disposition, and

(4) appropriate amounts to be provided by such Person or any Restricted Subsidiary thereof, as the case may be, as a reserve in accordance with generally accepted accounting principles against any liabilities associated with such assets and retained by such Person or any Restricted Subsidiary thereof, as the case may be, after such Asset Disposition, including, without limitation, liabilities under any indemnification obligations and severance and other employee termination costs associated with such Asset Disposition, in each case as determined by the Board, in its reasonable good faith judgment evidenced by a resolution of the Board filed with the Trustee; provided, however, that any reduction in such reserve following the consummation of such Asset Disposition will be treated for all purposes of the Indenture and the Securities as a new Asset Disposition at the time of such reduction with Net Available Proceeds equal to the amount of such reduction.

"Offer to Purchase" means a written offer (the "Offer") sent by the Company by first class mail, postage prepaid, to each Holder at his address appearing in the Security Register on the date of the Offer describing the transaction or transactions necessitating the Offer and offering to purchase up to the principal amount of Securities specified in such Offer at the purchase price specified in such Offer (as determined pursuant to the Indenture). Unless

otherwise required by applicable law, the Offer shall specify an expiration date (the "Expiration Date") of the Offer to Purchase which shall be, subject to any contrary requirements of applica-

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ble law, not less than 30 days or more than 60 days after the date of such Offer and a settlement date (the "Purchase Date") for purchase of Securities within five Business Days after the Expiration Date. The Offer shall contain all instructions and materials necessary to enable such Holders to tender Securities pursuant to the Offer to Purchase.

"Permitted Interest Rate or Currency Agreement" of any Person means any Interest Rate or Currency Agreement entered into with one or more financial institutions in the ordinary course of business that is designed to protect such Person against fluctuations in interest rates or currency exchange rates with respect to Debt Incurred and which shall have a notional amount no greater than the payments due with respect to the Debt being hedged thereby, or in the case of currency protection agreements, against currency exchange rate fluctuations in the ordinary course of business relating to then existing financial obligations or then existing or sold production and not for purposes of speculation.

"Permitted Investments" means:

- (1) an Investment in the Company or a Wholly Owned Restricted Subsidiary of the Company,
- (2) an Investment in a Person, if such Person or a Subsidiary of such Person will, as a result of the making of such Investment and all other contemporaneous related transactions, become a Wholly Owned Restricted Subsidiary of the Company or be merged or consolidated with or into or transfer or convey all or substantially all its assets to the Company or a Wholly Owned Restricted Subsidiary of the Company,
- (3) a Temporary Cash Investment,
- (4) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with generally accepted accounting principles,
- (5) stock, obligations or securities received in settlement of debts owing to the Company or a Restricted Subsidiary of the Company as a result of bankruptcy or insolvency proceedings or upon the foreclosure, perfection, enforcement or agreement in lieu of foreclosure of any Lien in favor of the Company or a Restricted Subsidiary of the Company,
- (6) any consolidation or merger of a Wholly Owned Restricted Subsidiary of the Company to the extent otherwise permitted under the Indenture or the Securities,
- (7) trade accounts arising in the ordinary course of business and any commercially reasonable refinancing or restructuring thereof undertaken in good faith,
- (8) any Investment made as a result of the receipt of non-cash consideration from an Asset Disposition that was made pursuant to and in compliance with Paragraph 10.7,
- (9) any acquisition of assets solely in exchange for the issuance of Capital Stock (other than Redeemable Stock) of the Company,
- (10) Investments in Permitted Interest Rate or Currency Agreements,
- (11) other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value),

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when taken together with all other Investments made pursuant to this clause (11) since the date of the Indenture, not to exceed \$25 million.

"Person" means any individual, corporation, partnership, joint venture, trust, estate, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Stock" of any Person means Capital Stock of such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"Public Equity Offering" means an underwritten primary public offering of Common Stock of the Company pursuant to an effective registration statement

under the Securities Act.

"Receivables" means receivables, chattel paper, instruments, documents or intangibles evidencing or relating to the right to payment of money.

"Receivables Sale" of any Person means any sale of Receivables of such Person (pursuant to a purchase facility or otherwise), other than in connection with a disposition of the business operations of such Person relating thereto or a disposition of defaulted Receivables for purpose of collection and not as a financing arrangement.

"Redeemable Stock" of any Person means any Capital Stock of such Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or otherwise (including upon the occurrence of an event) matures or is required to be redeemed (pursuant to any sinking fund obligation or otherwise) or is convertible into or exchangeable for Debt or is redeemable at the option of the holder thereof, in whole or in part, at any time prior to the final Stated Maturity of the Securities.

"Restricted Subsidiary" means any Subsidiary, whether existing on or after the date of the Indenture, unless such Subsidiary is an Unrestricted Subsidiary.

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

"Sale and Leaseback Transaction" of any person means an arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by such Person of any property or asset of such Person which has been or is being sold or transferred by such Person more than 365 days after the acquisition thereof or the completion of construction or commencement of operation thereof to such lender or investor or to any person to whom funds have been or are to be advanced by such lender or investor on the security of such property or asset. The stated maturity of such arrangement shall be the date of the last payment of rent or any other amount due under such arrangement prior to the first date on which such arrangement may be terminated by the lessee without payment of a penalty.

"Senior Bank Facility" means our Multicurrency Credit Agreement, dated as of October 14, 1998, as it may be amended or restated from time to time.

"Senior Debt" with respect to any Person, means:

(1) the principal of (and premium, if any) and interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to such Person whether or not such claim for post-petition interest is allowed in such proceeding) on, and penalties and any obligation of such Person for reimbursement, indemnities and fees relating to, the Senior Bank Facility,

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(2) the principal of (and premium, if any) and interest on Debt of such Person for money borrowed, whether Incurred on or prior to the date of original issuance of the Securities or thereafter, and any amendments, renewals, extensions, modifications, refinancings and refundings of any such Debt,

(3) any reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person, and

(4) Permitted Interest Rate or Currency Agreements entered into with respect to Debt described in clauses (1), (2) and (3) above.

Notwithstanding the foregoing, none of the following shall constitute Senior Debt of any Person:

(a) any Debt as to which the terms of the instrument creating or evidencing the same provide that such Debt is on a parity with, or not superior in right of payment to, the Securities,

(b) any Debt which is subordinated in right of payment in any respect to any other Debt of such Person,

(c) Debt evidenced by the Securities,

(d) any Debt owed to the Company or to a Person when such Person is a Subsidiary of the Company,

(e) any obligation of such Person arising from Redeemable Stock of such Person,

(f) that portion of any Debt which is Incurred in violation of the Indenture, and

(g) Debt which, when Incurred and without respect to any election under Section 1111(b) of Title 11, United States Code, is without recourse to such Person.

"Subordinated Debt" means Debt of the Company as to which the payment of principal of (and premium, if any) and interest and other payment obligations in respect of such Debt shall be subordinate to the prior payment in full of the Securities to at least the following extent:

(1) no payments of principal of (or premium, if any) or interest on or otherwise due in respect of such Debt may be permitted for so long as any default in the payment of principal of (or premium, if any) or interest on the Securities exists,

(2) in the event that any other default that with the passing of time or the giving of notice, or both, would constitute an Event of Default exists with respect to the Securities, upon notice by 25% or more in principal amount of the Securities to the Trustee, the Trustee shall have the right to give notice to the Company and the holders of such Debt (or trustees or agents therefor) of a payment blockage, and thereafter no payments of principal of (or premium, if any) or interest on or otherwise due in respect of such Debt may be made for a period of 179 days from the date of such notice, and

(3) such Debt may not:

(a) provide for payments of principal of such Debt at the stated maturity thereof or by way of a sinking fund applicable thereto or by way of any mandatory redemption, defeasance, retirement or repurchase thereof by the Company (including any re-

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demption, retirement or repurchase which is contingent upon events or circumstances, but excluding any retirement required by virtue of acceleration of such Debt upon an event of default thereunder), in each case prior to the final Stated Maturity of the Securities, or

(b) permit redemption or other retirement (including pursuant to an offer to purchase made by the Company) of such other Debt at the option of the holder thereof prior to the final Stated Maturity of the Securities, other than a redemption or other retirement at the option of the holder of such Debt (including Pursuant to an offer to purchase made by the Company) which is conditioned upon a change of control of the Company pursuant to provisions substantially similar to those described under Paragraph 10.11 (and which shall provide that such Debt will not be repurchased pursuant to such provisions prior to the Company's repurchase of the Securities required to be repurchased by the Company pursuant to the provisions of Paragraph 10.11).

"Subsidiary" of any Person means (1) a corporation more than 50% of the combined voting power of the outstanding Voting Stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (2) any other Person (other than a corporation) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Temporary Cash Investments" means any Investment in the following kinds of instruments:

(1) readily marketable obligations issued or unconditionally Guaranteed as to principal and interest by the United States of America or by any agency or authority controlled or supervised by and acting as an instrumentality of the United States of America if, on the date of purchase or other acquisition of any such instrument by the Company or any Restricted Subsidiary of the Company, the remaining term to maturity or interest rate adjustment is not more than two years;

(2) obligations (including, but not limited to, demand or time deposits, bankers' acceptances and certificates of deposit) issued or Guaranteed by a depository institution or trust company incorporated under the laws of the United States of America, any state thereof or the District of Columbia, provided that:

(a) such instrument has a final maturity not more than one year from the date of purchase thereof by the Company or any Restricted Subsidiary of the Company, and

(b) such depository institution or trust company has at the time of the Company's or such Restricted Subsidiary's Investment therein or contractual commitment providing for such Investment:

(i) capital, surplus and undivided profits (as of the date such institution's most recently published financial statements) in excess of \$100 million, and

(ii) the long-term unsecured debt obligations (other than such obligations rated on the basis of the credit of a Person other than such institution) of such institution, at the time of the Company's or such Restricted Subsidiary's Investment therein or contractual commitment providing for such Investment, are rated in the highest rating category of both S&P and Moody's;

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(3) commercial paper issued by any corporation, if such commercial paper has, at the time of the Company's or any Restricted Subsidiary of the Company's Investment therein or contractual commitment providing for such Investment credit ratings of at least A-1 by S&P and P-1 by Moody's;

(4) money market mutual or similar funds having assets in excess of \$100 million;

(5) readily marketable debt obligations issued by any corporation, if at the time of the Company's or any Restricted Subsidiary of the Company's Investment therein or contractual commitment providing for such Investment:

(a) the remaining term to maturity is not more than two years, and

(b) such debt obligations are rated in one of the two highest rating categories of both S&P and Moody's;

(6) demand or time deposit accounts used in the ordinary course of business with commercial banks the balances in which are at all times fully Insured as to principal and interest by the Federal Deposit Insurance Corporation or any successor thereto; and

(7) to the extent not otherwise included herein, Cash Equivalents. In the event that either S&P or Moody's ceases to publish ratings of the type provided herein, a replacement rating agency shall be selected by the Company with the consent of the Trustee, and in each case the rating of such replacement rating agency most nearly equivalent to the corresponding S&P or Moody's rating, as the case may be, shall be used for purposes hereof.

"Voting Stock" of any Person means Capital Stock of such Person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

"Wholly Owned Restricted Subsidiary" of any Person means a Restricted Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Restricted Subsidiaries of such Person or by such Person and one or more Wholly Owned Restricted Subsidiaries of such Person.

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