

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-12-30** | Period of Report: **1996-09-30**  
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FILER

**ALCO STANDARD CORP**

CIK: **3370** | IRS No.: **230334400** | State of Incorp.: **OH** | Fiscal Year End: **0930**  
Type: **10-K** | Act: **34** | File No.: **001-05964** | Film No.: **96688312**  
SIC: **5110** Paper & paper products

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

(Mark One)

- [X] Annual report pursuant in section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended September 30, 1996 or
- [ ] Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period to

FORM 10-K

COMMISSION FILE NUMBER 1-5964

ALCO STANDARD CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

OHIO 23-0334400  
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION) (I.R.S. EMPLOYER IDENTIFICATION NO.)

BOX 834, VALLEY FORGE, PENNSYLVANIA 19482  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

Registrant's telephone number, including area code: (610) 296-8000

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

TITLE OF CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, no par value (with Preferred Share Purchase Rights)	New York Stock Exchange Philadelphia Stock Exchange Chicago Stock Exchange
Series BB Conversion Preferred Stock (Depositary Shares)	New York Stock Exchange

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

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.  
YES X NO

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. [X]

THE AGGREGATE MARKET VALUE OF THE VOTING STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT AS OF DECEMBER 26, 1996 WAS APPROXIMATELY \$6,354,764,085 BASED UPON THE CLOSING SALES PRICE ON THE NEW YORK STOCK EXCHANGE COMPOSITE TAPE OF \$50.875 PER COMMON SHARE (ON DECEMBER 26, 1996), AND \$94.75 PER DEPOSITARY SHARE OF SERIES BB CONVERSION PREFERRED STOCK (ON DECEMBER 23, 1996). FOR PURPOSES OF THE FOREGOING SENTENCE ONLY, ALL DIRECTORS AND OFFICERS OF THE REGISTRANT AND THE TRUSTEES OF THE REGISTRANT'S PENSION PLAN AND STOCK PURCHASE PLANS WERE ASSUMED TO BE AFFILIATES.

THE NUMBER OF SHARES OF COMMON STOCK, NO PAR VALUE, OF THE REGISTRANT OUTSTANDING AS OF DECEMBER 26, 1996 WAS 133,583,326.

DOCUMENTS INCORPORATED BY REFERENCE  
PARTS I AND II--REGISTRANT'S ANNUAL REPORT TO SHAREHOLDERS FOR FISCAL YEAR ENDED SEPTEMBER 30, 1996  
PART III--REGISTRANT'S PROXY STATEMENT FOR THE 1997 ANNUAL MEETING OF SHAREHOLDERS

PART I

ITEM 1. BUSINESS.

Alco Standard Corporation ("Alco" or the "Company") was incorporated in Ohio in 1952 and is the successor to a business incorporated under a similar name in 1928. The address of the Company's principal executive offices is P.O. Box

Since its original incorporation, Alco has been engaged in a number of different manufacturing and distribution operations. Beginning in 1987, Alco began divesting its manufacturing businesses in order to focus exclusively on select distribution businesses. By fiscal 1993, Alco was engaged in two core distribution operations--office products and paper distribution. On December 31, 1996, as a result of a growing strategic conflict between these two businesses, Alco will spin off its paper and supply systems business, Unisource Worldwide, Inc. ("Unisource"), to Alco's common shareholders. Alco's sole remaining business will be IKON Office Solutions, Inc. Alco has accounted for Unisource as a discontinued operation for all periods presented in its Annual Report to Shareholders for the fiscal year ended September 30, 1996. Information concerning Unisource's business is set forth under the caption "Discontinued Operations."

IKON Office Solutions, Inc. ("IKON") sells, rents and leases photocopiers, fax machines, digital printers and other automated office equipment for use in both traditional and integrated office environments. IKON also provides equipment service and supplies, and equipment financing. In recent years, IKON has expanded its business to include outsourcing and imaging services, such as reprographic facilities management and specialized document copying services. IKON has also recently begun to offer network consulting and design, computer networking, technology training and software solutions for the networked office environment, providing one-stop shopping to customers who seek quality, accessible office productivity solutions.

IKON has locations throughout the United States and Canada, and in Europe (primarily in the United Kingdom). These companies comprise the largest network of independent copier and office equipment dealers in North America and in the United Kingdom, and represent the only independent distribution network with national scope. IKON competes against numerous competitors over a wide range of markets, competing on the basis of quality, customer service, price and product performance.

IKON distributes the products of numerous manufacturers, including Canon, Oce, Ricoh and Sharp, throughout 49 states, seven Canadian provinces, in Europe and in Mexico. Customers include large and small businesses, professional firms and government agencies.

In fiscal 1996, IKON generated approximately \$4.1 billion in revenues and \$310 million in operating income. Finance subsidiaries contributed 15.1% of IKON's operating income in fiscal 1996.

During fiscal 1996, IKON acquired 100 companies in the United States, Canada, and Europe, with an aggregate of approximately \$878 million in annualized revenues. Of the 100 companies acquired in fiscal 1996, 82 were traditional copier companies, 13 were outsourcing and imaging companies and five were systems integrators. IKON's international expansion during fiscal 1996 included the acquisition of companies in France and Mexico.

#### INFORMATION CONCERNING ALCO'S BUSINESS IN GENERAL

##### UNISOURCE SPIN-OFF

On June 19, 1996, Alco announced that it would separate Unisource, its printing and imaging and supply systems distribution business, from IKON, with each business operating as a stand-alone publicly traded company. In order to effect the separation of these businesses, Alco has declared a dividend payable to holders of record of Alco common stock at the close of business on December 13, 1996 (the "Record Date") of one share of Unisource common stock, \$.001 par value ("Unisource Common Stock"), for every two shares of Alco common stock owned on the Record Date. As a result of the distribution, 100% of the outstanding shares of

Unisource Common Stock will be distributed to Alco's shareholders. Except for any cash received in lieu of fractional shares, the Unisource spin-off will be tax-free to Alco and Alco's U.S. shareholders. Alco expects to complete the spin-off and to mail the Unisource Common Stock share certificates on December 31, 1996.

In conjunction with the separation of their businesses, Unisource and Alco entered into various agreements that address the allocation of assets and liabilities between them and define their relationship after the separation, including a Distribution Agreement ("Distribution Agreement"), a Benefits Agreement ("Benefits Agreement") and a Tax Sharing and Indemnification Agreement ("Tax Sharing Agreement"), all of which have been filed as exhibits to this report. The Distribution Agreement provides for, among other things, the principal transactions required to effect the Distribution, the conditions to the Distribution, the allocation between Alco and Unisource of certain assets and liabilities, and cooperation by Alco and Unisource in the provision of information and certain facilities necessary to perform the administrative

functions incident to their respective businesses. The Distribution Agreement includes cross indemnification provisions pursuant to which Unisource and Alco indemnify each other for damages that may arise out a breach of their respective obligations under the agreement.

Under the Benefits Agreement, the wages, salaries and employee benefits of all employees of Unisource will be the responsibility of Unisource. Generally, Unisource's obligation to provide benefits will include all obligations with respect to Unisource employees under pension plans, savings plans and multiemployer plans, welfare plans (retiree medical plans), supplemental benefit plans, certain deferred compensation plans, incentive plans, stock-based plans and other plans covering Unisource employees and will include liabilities that arose while the individuals were employed by Alco. The Benefits Agreement requires Alco to reimburse Unisource for a portion of any payments made by Unisource to former Unisource employees under Alco's 1985, 1991 and 1994 deferred compensation plans. Unisource will assume certain Alco pension plans covering Unisource employees, and assets and liabilities attributable to Unisource employees under Alco's participating companies pension plan and Alco's 401(k) plan will be transferred to a new Unisource pension plan and 401(k) plan, respectively.

Under the Tax Sharing Agreement, Unisource will bear its respective share of (i) Alco's federal consolidated income tax liability (or benefit), (ii) any unitary state income tax liability, and (iii) Alco's consolidated personal property tax liability for all tax periods that end before or that include the Distribution Date. For the taxable year ended September 30, 1996, Unisource's share of Alco's federal consolidated tax liability (or benefit) will be 40% of such liability (or benefit) and Alco's share of such liability (or benefit) will be 60%. Unisource is responsible for paying any tax liabilities arising for any tax returns that it files separately. If any tax year ending before or including the Distribution Date is subsequently examined by the IRS, and an adjustment results from such examination, then Unisource's share of Alco's additional federal consolidated income tax liability (or benefit for that tax year) shall be computed and agreed to by the parties. The Tax Sharing Agreement generally provides that in the event either Alco or Unisource takes any action inconsistent with, or fails to take any action required by, or in accordance with the qualification of the Distribution as tax-free, then Alco or Unisource, as the case may be, will be liable for and indemnify and hold the other harmless from any tax liability resulting from such action. For further information concerning the Unisource spin-off, reference is made to Unisource's Form 10 Registration Statement (effective November 26, 1996) and the Information Statement contained therein.

#### ADJUSTMENT TO PREFERRED STOCK CONVERSION RATE

As a result of the Unisource spin-off, adjustments have been made to the number of Alco common shares which holders of depositary shares of Alco's Series BB Preferred Stock ("Series BB Holders") are entitled to receive upon conversion. Effective December 16, 1996, Series BB Holders are entitled to receive 2.0468 shares of common stock for each depositary share converted (for optional conversion). Adjustments have also been made to the number of common shares to be received per depositary share of Series BB Preferred Stock upon the mandatory conversion date (October 1, 1998), as follows: (a) if the Current Market Price of the common stock is greater than or equal to \$37.80 per share, 2.0468 shares of common stock per depositary share, (b) if the Current Market Price of the common stock is less than \$37.80 but greater than \$30.98 per share, the number of

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shares of common stock per depositary share having a value (determined at the Current Market Price) equivalent to \$77.375, and (c) if the Current Market Price is less than or equal to \$30.98 per share, 2.4972 shares of common stock per depositary share, subject in each case to adjustment in certain events. The "Current Market Price" means the average closing price per share of common stock of the Company on the 20 trading days immediately prior to, but not including, the mandatory conversion date.

#### NAME CHANGE

Effective January 1, 1997, IKON will be Alco's sole continuing business. Therefore, on January 23, 1997, Alco's shareholders will be asked to approve an amendment to Alco's Articles of Incorporation to change the name of the corporation from Alco Standard Corporation to IKON Office Solutions, Inc.

The name IKON Office Solutions, Inc. is currently being used by the Alco subsidiary which, until the Unisource spin-off, has operated the IKON Office Solutions business. The IKON Office Solutions name has been well-received by the Company's existing customer base and the Company believes that advertisements using this name have successfully appealed to new customers. After shareholder approval of the Company's name change, the subsidiary will cease using the name and will be merged into the Company. For further

information regarding the IKON Office Solutions name, see "Proprietary Matters."

#### STOCK SPLIT

On November 9, 1995, the Company effected a two-for-one split of its common stock in the form of a stock dividend to shareholders of record on October 27, 1995. All common share and per share amounts reported by Alco in its consolidated financial statements have been adjusted to give retroactive effect to the stock split.

#### BOARD AND MANAGEMENT CHANGES

In August 1996, Kurt E. Dinkelacker, President and Chief Operating Officer of IKON, was elected to the Board of Directors. In addition, Richard A. Jalkut, President and Group Executive of the NYNEX Telecommunications Group, was elected to the Board in August 1996, and James R. Birle, Chairman of Resolute Partners, a private merchant bank, was elected to the Board in November 1996.

Among other executive changes during fiscal 1996 and the first quarter of fiscal 1997, Robert M. Kearns was named Senior Vice President and Chief Financial Officer, David M. Gadra was named Senior Vice President and Chief Information Officer, William F. Drake, who had been serving as the Company's Vice Chairman, was named General Counsel, and Karin M. Kinney was named Corporate Counsel and Secretary.

#### DEBT OFFERING

In December 1995, Alco completed a public offering of \$300 million of 30-year bonds with a stated interest rate of 6.75% at a discount price of 98.48% and used the net proceeds of approximately \$290 million to reduce outstanding short-term debt. The effective yield on the bonds is 6.87%.

#### SUPPLIERS AND CUSTOMERS

Products distributed by IKON are purchased from numerous domestic and overseas suppliers, primarily Canon, Oce, Ricoh and Sharp. There has been no significant difficulty in obtaining products from these suppliers. Supplier relationships are good and are expected to continue. IKON has a large number of customers, and is not dependent upon a single customer, or a few customers, the loss of any one or more of which would have a material adverse effect on IKON's business taken as a whole.

Many of the Company's operations are required to carry significant amounts of inventory to meet rapid delivery requirements of customers. At September 30, 1996, inventories accounted for approximately 23% of IKON's total current assets.

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#### PROPRIETARY MATTERS

The Company has a number of trademarks and tradenames which the Company believes to be important to its business. However, except for the IKON Office Solutions name, IKON is not dependent upon any single name, trademark or tradename. Nikon Camera has sued the Company alleging that its use of the IKON Office Solutions name infringes upon Nikon's proprietary rights. The Company believes that the Nikon lawsuit is without merit and is vigorously defending.

#### ENVIRONMENTAL REGULATION

IKON is engaged in distribution and services businesses which do not generate significant hazardous wastes. Some of IKON's distribution facilities have tanks for storage of diesel fuel and other petroleum products which are subject to laws regulating such storage tanks. Federal, state and local provisions relating to the protection of the environment have not had and are not expected to have a material adverse effect upon the Company's capital expenditures, liquidity, earnings or competitive position. Certain environmental claims, however, are now pending against the Company for manufacturing or landfill sites relating to preinvestiture activities of discontinued manufacturing operations. While it is not possible to estimate what expenditures may be required in order for the Company to comply with environmental laws or discharge environmental liabilities in the future, the Company does not believe that such expenditures will have a material adverse effect on it or its operations as a whole.

#### EMPLOYEES

At September 30, 1996, IKON had approximately 31,300 employees. IKON believes its relations with its employees are good.

#### FOREIGN OPERATIONS

IKON has operations in Canada, Europe (primarily in the United Kingdom) and Mexico.

Information concerning revenues, income before taxes and identifiable assets of the Company's foreign continuing operations for each of the three years in the period ended September 30, 1996 set forth in note 10 to the consolidated financial statements (included on page 36 of Alco's 1996 Annual Report) is incorporated herein by reference. Revenues from exports during the last three fiscal years were not significant.

There are additional risks attendant to foreign operations, such as possible currency fluctuations and unsettled political conditions.

#### DISCONTINUED OPERATIONS

##### UNISOURCE

Unisource, which Alco will spin off to shareholders on December 31, 1996, is the largest marketer and distributor of quality paper products in North America, and is also a leading North American distributor of paper and plastic shipping and foodservice supplies, sanitary maintenance supplies and equipment and packaging supplies and equipment.

Unisource distributes these products through two businesses: a Printing and Imaging business which markets and distributes quality papers to printers, publishers and corporate imaging customers; and a Supply Systems business, which distributes a wide range of paper and plastic products, sanitary maintenance supplies and equipment and packaging equipment and supplies, principally to manufacturers, food processors and grocery stores.

Unisource's Printing and Imaging suppliers include all of the major North American paper producers, and its Supply Systems suppliers include 31 core suppliers. Supplier relationships are good, and there has been no

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difficulty obtaining products from suppliers. Unisource has a large number of customers, the loss of any one or more of which would not have a material adverse effect on Unisource's business taken as a whole.

In fiscal 1996, Unisource generated approximately \$7 billion in revenues and \$184 million in operating income, excluding a \$50 million restructuring charge, with its Printing and Imaging business accounting for approximately 68% of total revenues and the Supply Systems business accounting for approximately 32% of total revenues.

Unisource is engaged in distribution businesses which do not generate significant hazardous wastes. Some of Unisource's distribution facilities have tanks for storage of diesel fuel and other petroleum products which are subject to laws regulating such storage tanks. Federal, state and local provisions relating to the protection of the environment or the discharge of hazardous materials have not had, and are not expected to have, a material adverse effect on Unisource's capital expenditures, liquidity, earnings or competitive position.

Unisource has a number of trademarks and tradenames, which Unisource believes to be important to its business. However, except for the Unisource trademark, Unisource is not dependent upon any single trademark or tradename, or group of trademarks or tradenames.

At September 30, 1996, Unisource had approximately 11,800 employees, of whom approximately 10% are unionized. Unisource believes its relations with its employees and unions are good.

#### ITEM 2. PROPERTIES.

At September 30, 1996, IKON owned or leased facilities in 49 states, seven Canadian provinces, in Europe and in Mexico. These properties occupy a total of approximately 7.4 million square feet of which approximately 231,000 square feet are owned and the balance are leased under lease agreements with various expiration dates.

At September 30, 1996, Unisource had approximately 190 facilities in the United States, Canada and Mexico. Unisource's leased facilities comprised approximately 12 million square feet of space and owned facilities comprised approximately 6 million square feet of space.

Both IKON and Unisource believe that their facilities are suitable and adequate for the purposes for which they are used.

#### ITEM 3. LEGAL PROCEEDINGS.

A number of ordinary course legal proceedings are pending against the Company and its subsidiaries (including IKON and Unisource). Except for the outcome of the Nikon suit, the outcome of legal proceedings is not expected to have an adverse effect on IKON or its operations as a whole. Similarly, with respect to legal proceedings pending against Unisource, such proceedings are not expected to have an adverse effect on Unisource or its operations as a whole.

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

(No response to this item is required.)

EXECUTIVE OFFICERS OF ALCO

The following is a list of the Company's executive officers, their ages and their positions for the last five years. Unless otherwise indicated, positions shown are with Alco or its subsidiaries.

<TABLE>  
<CAPTION>

NAME	AGE	POSITION (AND YEAR ELECTED OR YEARS SERVED)
<C>	<S>	
John E. Stuart.....	52	Chairman (1995), Chief Executive Officer (1993), President (1993-1996), and a director (1993); Vice President (1989-1993) and Group President--Alco Office Products (1985-1993)
William F. Drake, Jr. ..	64	General Counsel (1996), Vice Chairman (1984-1996), and a director (1969); Of Counsel (1996), Partner (1984-1996), Montgomery, McCracken, Walker & Rhoads
Kurt E. Dinkelacker.....	43	Group President--IKON Office Solutions (formerly Alco Office Products) (1995) Executive Vice President (1993), and a director (1996); Chief Financial Officer (1993-1995); Executive Vice President--Finance, Alco Office Products (1989-1993); Group Controller, Alco Office Products (1987-1989)
James J. Forese.....	60	Executive Vice President and President of International Operations (1996), and a director (1994); Chief Operating Officer (1996-1996); General Manager, IBM Customer Financing, and Chairman, IBM Credit Corporation (1993-1996); IBM Vice President, Finance (1990-1993); IBM Vice President and Group Executive (1988-1990)
Hugh G. Moulton.....	63	Executive Vice President (1992); General Counsel (1979-1994); Senior Vice President--Administration (1983-1992)
Robert M. Kearns, II....	44	Senior Vice President and Chief Financial Officer (1996); Vice President--Finance, IKON Office Solutions (1993-1996); Vice President--Finance, Copyrite (an IKON dealer acquired by Alco in 1989) (1983-1990)
David M. Gadra.....	48	Senior Vice President and Chief Information Officer (1996) Manager, General Electric Corporation Corporate Information Services (1992-1996); Vice President, Information Services, General Electric Corporation--Budapest (1990-1992)
Elisabeth H. Barrett....	51	Vice President--Administrative Services (1995); Director--Administrative Services (1994-1995); Director--Corporate MIS/HR (1992-1993)
O. Gordon Brewer, Jr. ..	60	Vice President--Finance (1986)
Kathleen M. Burns.....	44	Vice President (1994) and Treasurer (1989); Assistant Treasurer (1987-1989)
Stephen K. Deay.....	49	Vice President--Tax (1993); Director--Taxes (1989-1993)
Michael J. Dillon.....	43	Vice President (1994) and Controller (1993); Group Controller, Alco Office Products (1991-1993); Associate Audit Director (1991); Senior Audit Manager (1987-1991)
Karin M. Kinney.....	36	Corporate Secretary (1996) and Corporate Counsel (1992); Counsel (1990-1992)

</TABLE>

On December 31, 1996, Hugh G. Moulton, Kathleen M. Burns and Stephen K. Deay will resign their positions as executive officers of the Company and will continue in executive officer positions with Unisource, which will become a separate public company effective January 1, 1997. James J. Forese will continue in his current role as an executive officer of the Company, but will resign from the Company's Board of Directors in order to accept his nomination to the Board of Directors of Unisource. For more information concerning Unisource's business and management, reference is made to Unisource's Form 10 Registration Statement (effective November 26, 1996), and the Information Statement contained therein.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The New York Stock Exchange is the principal market on which the Company's common stock is traded (ticker symbol ASN). Alco's common stock is also traded on the Philadelphia and Chicago Stock Exchanges. At Alco's annual shareholders' meeting to be held on January 23, 1997, the Company's shareholders are being asked to approve the Company's name change from Alco Standard Corporation to IKON Office Solutions, Inc. After the name change has been approved, the Company will trade under the ticker symbol IKN.

The New York Stock Exchange is also the principal market on which Unisource common stock is expected to trade. Unisource's common stock has been listed on the New York, Philadelphia and Chicago Stock Exchanges under the ticker symbol UWW.

As of December 26, 1996, there were approximately 15,076 holders of record of Alco's common stock. The information regarding the quarterly market price ranges of Alco's common stock and dividend payments under "Quarterly Financial Summary" on page 42 of the 1996 Annual Report is incorporated herein by reference.

IKON anticipates that it will pay a quarterly dividend of \$.04 per common share in March 1997 and Unisource anticipates that it will pay a quarterly dividend of \$.20 per common share on approximately the same date. Both IKON and Unisource currently expect to continue their policies of paying regular cash dividends, although there can be no assurance as to future dividends because they are dependent upon future operating results, capital requirements and financial condition and may be limited by covenants in certain loan agreements.

## ITEM 6. SELECTED FINANCIAL DATA.

Information appearing under "Corporate Financial Summary" for fiscal 1992 through 1996 regarding revenues, income from continuing operations, income from continuing operations per common share, total assets, total debt, serial preferred stock and cash dividends per common share on pages 40 and 41 of the 1996 Annual Report is incorporated herein by reference.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Information appearing under "Financial Review" on pages 38 and 39 of the 1996 Annual Report is incorporated herein by reference.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Report of Independent Auditors and Consolidated Financial Statements of Alco and its subsidiaries on pages 22 through 37 and the information appearing under "Quarterly Financial Summary" for fiscal 1996 and 1995 on page 42 of the 1996 Annual Report are incorporated herein by reference.

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

(No response to this item is required)

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## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information regarding directors appearing in Alco's Notice of Annual Meeting of Shareholders and Proxy Statement for the January 23, 1997 annual meeting of shareholders (the "1997 Proxy Statement") is incorporated herein by reference. Information regarding executive officers is set forth in Part I of this report and additional information regarding executive officers appearing under "Executive Compensation" in the 1997 Proxy Statement is incorporated herein by reference.

## ITEM 11. EXECUTIVE COMPENSATION.

Information appearing under "Executive Compensation" in the 1997 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information regarding security ownership of certain beneficial owners and management appearing under "Security Ownership" in the 1997 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information appearing under "Certain Transactions" in the 1997 Proxy Statement is incorporated herein by reference.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) (1) and (2) List of Financial Statements and Financial Statement Schedules.

The response to this portion of Item 14 is submitted on page F-1 hereof as a separate section of this report.

(a) (3) List of Exhibits.\*

The following exhibits are filed as a part of this report (listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K):

<TABLE>

<C> <S>

- 3.1 Amended and Restated Articles of Incorporation of Alco Standard Corporation ("Alco"), filed as Exhibit 3.1 to Alco's Form 10-Q for the quarter ended March 31, 1996, are incorporated herein by reference.
- 3.2 Code of Regulations of Alco, as amended on January 25, 1996, filed as Exhibit 3.2 to Alco's Form 10-Q for the quarter ended March 31, 1996, is incorporated herein by reference.
- 4.1 Credit Agreement, dated December 16, 1996, among Alco and various institutional lenders, with CoreStates Bank, N.A., as Agent.
- 4.2 Note Purchase Agreement between Alco and various purchasers dated July 15, 1995 for \$55 million in 7.15% Notes due November 15, 2005, filed as Exhibit 4.9 to Alco's 1995 Form 10-K, is incorporated herein by reference.
- 4.3 Credit Agreement dated as of October 13, 1995 among Alco Office Systems Canada, Inc., Deutsche Bank Canada, Chemical Bank of Canada and Royal Bank of Canada, filed as Exhibit 4.5 to Alco's 1995 Form 10-K, is incorporated herein by reference.
- 4.4 Note Purchase Agreement, dated as of June 15, 1986 between Alco and certain institutional investors, filed as Exhibit 4.2 to Alco's Current Report, dated July 1, 1988, on Form 8-K, is incorporated herein by reference.
- 4.5 Pursuant to Regulation S-K item 601(b)(iii), Alco agrees to furnish to the Commission, upon request, a copy of other instruments defining the rights of holders of long-term debt of Alco and its subsidiaries.
- 10.1 Distribution Agreement between Alco and Unisource dated as of November 20, 1996, filed as Exhibit 2.1 to Unisource's Registration Statement on Form 10 (effective November 26, 1996), is incorporated herein by reference.
- 10.2 Tax Sharing and Indemnification Agreement between Alco and Unisource dated as of November 20, 1996, filed as Exhibit 10.1 to Unisource's Registration Statement on Form 10 (effective November 26, 1996), is incorporated herein by reference.
- 10.3 Benefits Agreement between Alco and Unisource dated as of November 20, 1996, filed as Exhibit 10.5 to Unisource's Registration Statement on Form 10 (effective November 26, 1996), is incorporated herein by reference.

</TABLE>

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<TABLE>

<C> <S>

- 10.4 Support Agreement dated as of October 22, 1996 between Alco and IKON Capital, Inc. (Alco's leasing subsidiary), filed as Exhibit 10.4 to IKON Capital, Inc.'s Form 8-K dated October 22, 1996, is incorporated herein by reference.
- 10.5 Receivables Transfer Agreement dated as of September 30, 1996 among IKON Funding, Inc., IKON Capital, Inc., Old Line Funding Corp. and Royal Bank of Canada.

- 10.6 Transfer Agreement dated as of September 30, 1996 between IKON Capital, Inc. and IKON Funding, Inc.
- 10.7 Indenture, dated as of December 11, 1995 between Alco and First Union Bank, N.A., as Trustee, filed as Exhibit 4 to Alco's Registration Statement No. 33-64177, is incorporated herein by reference.
- 10.8 Indenture dated as of July 1, 1995 between IKON Capital, Inc. and Chase Manhattan Bank, N.A. (formerly Chemical Bank, N.A.), as Trustee.
- 10.9 Distribution Agreement dated as of June 30, 1995 between IKON Capital, Inc. and various distribution agents, filed as Exhibit 10.21 to Alco's 1995 Form 10-K, is incorporated herein by reference.
- 10.10 Receivables Transfer Agreement dated as of September 23, 1994 Among IKON Capital, Inc., Twin Towers, Inc. and Deutsche Bank AG, New York Branch, portions of which contain confidential material, filed as Exhibit 10.20 to Alco's 1994 10-K/A filed on March 17, 1995, is incorporated herein by reference. First Amendment dated as September 15, 1995 and Second Amendment dated as of March 15, 1996 to Receivables Transfer Agreement, filed as Exhibit 10.20 to Alco's Report on Form 10-Q for the quarter ended March 31, 1996, are incorporated herein by reference.
- 10.11 Indenture dated as of July 1, 1994 between IKON Capital, Inc. and NationsBank, N.A., as Trustee, filed as Exhibit 4 to IKON Capital, Inc.'s Registration Statement No. 33-53779, is incorporated herein by reference.
- 10.12 Distribution Agreement dated July 1, 1994, filed as Exhibit 1 to IKON Capital Inc.'s Form 10-Q for the quarter ended June 30, 1994, is incorporated herein by reference.
- 10.13 Maintenance Agreement, dated as of August 15, 1991 between Alco and IKON Capital, Inc., filed as Exhibit 10.2 to IKON Capital, Inc.'s Registration Statement on Form 10 dated May 4, 1994, is incorporated herein by reference.
- 10.14 Operating Agreement, dated as of August 15, 1991 between Alco and IKON Capital, Inc., filed as Exhibit 10.3 to IKON Capital, Inc.'s Registration Statement on Form 10 dated May 4, 1994, is incorporated herein by reference.
- 10.15 Rights Agreement dated as of February 10, 1988 between Alco and National City Bank, filed on February 11, 1988 as Exhibit 1 to Alco's Registration Statement on Form 8-A, is incorporated herein by reference.
- 10.16 Indenture, dated as of April 1, 1986 between Alco and the Chase Manhattan Bank, N.A., as Trustee, filed as Exhibit 4.1 to Alco's Registration Statement No. 30-4829, is incorporated herein by reference.
- 10.17 Alco Standard Corporation Amended and Restated Long Term Incentive Compensation Plan, filed as Exhibit 10.1 to Alco's Form 10-Q for the quarter ended March 31, 1996, is incorporated herein by reference.\*\*
- 10.18 Alco Standard Corporation Annual Bonus Plan, filed as Exhibit 10.3 to Alco's 1994 10-K, is incorporated herein by reference.\*\*
- 10.19 Alco Standard Corporation Partners' Stock Purchase Plan, filed as Exhibit 10.4 to Alco's Form 10-Q for the quarter ended March 31, 1996, is incorporated herein by reference.\*\*
- 10.20 Alco Standard Corporation 1986 Stock Option Plan, filed as Exhibit 10.6 to Alco's 1995 Form 10-K, is incorporated herein by reference.\*\*

</TABLE>

<TABLE>

- <C> <S>
- 10.21 Alco Standard Corporation 1995 Stock Option Plan, filed as Exhibit 10.5 to Alco's Form 10-Q for the quarter ended March 31, 1996, is incorporated herein by reference.\*\*
- 10.22 Alco Standard Corporation 1989 Directors' Stock Option Plan, filed as Exhibit 10.3 to Alco's 1992 Form 10-K, is incorporated herein by

	reference.**
10.23	Alco Standard Corporation 1993 Directors' Stock Option Plan, filed as Exhibit 10.7 to Alco's 1993 Form 10-K, is incorporated herein by reference.**
10.24	Alco Standard Corporation Retirement Plan for Non-Employee Directors, filed as Exhibit 10.10 to Alco's 1992 Form 10-K, is incorporated herein by reference.**
10.25	Alco Standard Corporation 1980 Deferred Compensation Plan, filed as Exhibit 10.7 to Alco's 1992 Form 10-K, is incorporated herein by reference.**
10.26	Alco Standard Corporation 1985 Deferred Compensation Plan, filed as Exhibit 10.8 to Alco's 1992 Form 10-K, is incorporated herein by reference.**
10.27	Alco Standard Corporation 1991 Deferred Compensation Plan, filed as Exhibit 10.9 to Alco's 1992 Form 10-K, is incorporated herein by reference.**
10.28	Alco Standard Corporation 1994 Deferred Compensation Plan.**
10.29	Alco Standard Corporation Executive Deferred Compensation Plan.**
11	Statement re: Computation of earnings per share.
12.1	Ratio of Earnings to Fixed Charges.
12.2	Ratio of Earnings to Fixed Charges Excluding Captive Finance Subsidiaries.
12.3	Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.
12.4	Ratio of Earnings to Fixed Charges and Preferred Stock Dividends Excluding Captive Finance Subsidiaries.
13	Financial Section of Alco's Annual Report to Shareholders for the fiscal year ended September 30, 1996 (which, except for those portions thereof expressly incorporated herein by reference, is furnished for the information of the Commission and is not "filed" as part of this report).
21	Subsidiaries of Alco.
23	Auditors' Consent.
24	Powers of Attorney; certified resolution re: Powers of Attorney.
27	Financial Data Schedule.

</TABLE>

-----  
 \* Copies of the exhibits will be furnished to any security holder of Alco upon payment of the reasonable cost of reproduction.

\*\*Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K.

On August 2, 1996, Alco filed a Current Report on Form 8-K to describe under Item 5 the long-term growth goals of IKON and Unisource as presented at an investors' conference and to describe the capitalization and anticipated dividend policies of IKON and Unisource after the Unisource spin-off.

On November 12, 1996, Alco filed a Current Report on Form 8-K to file under Item 5 the 1996 Support Agreement between Alco and IKON Capital, Inc. and to report that Alco had declared a special dividend consisting of 100% of the common stock of Unisource Worldwide, Inc., payable on December 31, 1996 to shareholders of record of Alco common stock on December 13, 1996.

(c) The response to this portion of Item 14 is submitted in response to Item 14(a)(3) above.

(d) The response to this portion of Item 14 is contained on page S-1 of this report.

ALCO STANDARD CORPORATION AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K  
 ITEMS 14(A)(1) AND (2) AND 14(D)  
 LIST OF FINANCIAL STATEMENTS AND  
 FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS: The following consolidated financial statements of Alco Standard Corporation and its subsidiaries included in the 1996 Annual Report to Shareholders are incorporated by reference in Item 8 of Part II of this report:

Consolidated Statements of Income  
 --Fiscal years ended September 30, 1996, September 30, 1995 and September 30, 1994

Consolidated Balance Sheets  
 --September 30, 1996 and September 30, 1995

Consolidated Statements of Cash Flows

--Fiscal years ended September 30, 1996, September 30, 1995 and  
September 30, 1994

Consolidated Statements of Changes in Shareholders' Equity  
--Fiscal years ended September 30, 1996, September 30, 1995 and  
September 30, 1994

Notes to Consolidated Financial Statements

FINANCIAL STATEMENT SCHEDULES: The following consolidated financial statement schedule of Alco Standard Corporation and its subsidiaries is submitted in response to Item 14(d):

Schedule II--Valuation and Qualifying Accounts.

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

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ALCO STANDARD CORPORATION AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

<TABLE> <CAPTION>					
COL. A	COL. B	COL. C	COL. D	COL. E	
-----	-----	-----	-----	-----	-----
	ADDITIONS				
	BALANCE AT	CHARGED TO	CHARGED TO	DEDUCTIONS--	BALANCE AT
DESCRIPTION	BEGINNING	COSTS AND	OTHER	DESCRIBE	END OF
-----	OF PERIOD	EXPENSES	ACCOUNTS--	DESCRIBE	PERIOD
-----	-----	-----	DESCRIBE	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
YEAR ENDED SEPTEMBER 30, 1996					
-----					
Allowance for doubtful accounts.....	\$32,856,000	\$18,296,000	\$ 6,634,000 (1)	\$22,478,000 (2)	\$35,308,000
YEAR ENDED SEPTEMBER 30, 1995					
-----					
Allowance for doubtful accounts.....	\$13,494,000	\$ 8,940,000	\$17,062,000 (1)	\$ 6,640,000 (2)	\$32,856,000
YEAR ENDED SEPTEMBER 30, 1994					
-----					
Allowance for doubtful accounts.....	\$11,848,000	\$ 6,813,000	\$ 604,000 (1)	\$5,771,000 (2)	\$13,494,000

</TABLE>  
-----  
(1) Represents beginning balances of acquired companies.  
(2) Accounts written off during year, net of recoveries.

S-1

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996 TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

Alco Standard Corporation

Date: December 30, 1996

By /s/ Michael J. Dillon  
-----  
(MICHAEL J. DILLON) VICE  
PRESIDENT AND CONTROLLER  
(PRINCIPAL ACCOUNTING OFFICER)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT ON FORM 10-K HAS BEEN SIGNED BELOW ON DECEMBER 30, 1996 BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES INDICATED.

SIGNATURES TITLE  
-----

*John E. Stuart ----- (JOHN E. STUART)	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ Kurt E. Dinkelacker ----- (KURT E. DINKELACKER)	President, Chief Operating Officer and a Director
*Robert M. Kearns ----- (ROBERT M. KEARNS)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Michael J. Dillon ----- (MICHAEL J. DILLON)	Vice President and Controller (Principal Accounting Officer)
*James R. Birle ----- (JAMES R. BIRLE)	Director
*Paul J. Darling ----- (PAUL J. DARLING)	Director
*William F. Drake, Jr. ----- (WILLIAM F. DRAKE, JR.)	Vice Chairman, General Counsel and a Director
*James J. Forese ----- (JAMES J. FORESE)	Executive Vice President and a Director
*Frederick S. Hammer ----- (FREDERICK S. HAMMER)	Director
*Barbara Barnes Hauptfuhrer ----- (BARBARA BARNES HAUPTFUHRER)	Director
*Richard A. Jalkut ----- (RICHARD A. JALKUT)	Director
*Dana G. Mead ----- (DANA G. MEAD)	Director

SIGNATURES

TITLE

*Ray B. Mundt ----- (RAY B. MUNDT)	Director
*Paul C. O'Neill ----- (PAUL C. O'NEILL)	Director
*Rogelio G. Sada ----- (ROGELIO G. SADA)	Director
*James W. Stratton ----- (JAMES W. STRATTON)	Director

\*By his signature set forth below, Michael J. Dillon, pursuant to duly executed Powers of Attorney duly filed with the Securities and Exchange Commission, has signed this Form 10-K on behalf of the persons whose signatures are printed above, in the capacities set forth opposite their respective names.

/s/ Michael J. Dillon ----- (MICHAEL J. DILLON)	December 30, 1996
---	-------------------

<TABLE> <CAPTION> EXHIBIT NO. -----	PAGE NO. -----
<C>	<S>
3.1	Amended and Restated Articles of Incorporation of Alco Standard Corporation ("Alco"), filed as Exhibit 3.1 to Alco's Form 10-Q for the quarter ended March 31, 1996, are incorporated herein by reference.....
3.2	Code of Regulations of Alco, as amended on January 25, 1996, filed as Exhibit 3.2 to Alco's Form 10-Q for the quarter ended March 31, 1996, is incorporated herein by reference.....
4.1	Credit Agreement, dated December 16, 1996, among Alco and various institutional lenders, with CoreStates Bank, N.A., as Agent.....
4.2	Note Purchase Agreement between Alco and various purchasers dated July 15, 1995 for \$55 million in 7.15% Notes due November 15, 2005, filed as Exhibit 4.9 to Alco's 1995 Form 10-K, is incorporated herein by reference.....
4.3	Credit Agreement dated as of October 13, 1995 among Alco Office Systems Canada, Inc., Deutsche Bank Canada, Chemical Bank of Canada and Royal Bank of Canada, filed as Exhibit 4.5 to Alco's 1995 Form 10-K, is incorporated herein by reference.....
4.4	Note Purchase Agreement, dated as of June 15, 1986 between Alco and certain institutional investors, filed as Exhibit 4.2 to Alco's Current Report, dated July 1, 1988, on Form 8-K, is incorporated herein by reference.....
4.5	Pursuant to Regulation S-K item 601(b)(iii), Alco agrees to furnish to the Commission, upon request, a copy of other instruments defining the rights of holders of long-term debt of Alco and its subsidiaries.....
10.1	Distribution Agreement between Alco and Unisource dated as of November 20, 1996, filed as Exhibit 2.1 to Unisource's Registration Statement on Form 10 (effective November 26, 1996), is incorporated herein by reference.....
10.2	Tax Sharing and Indemnification Agreement between Alco and Unisource dated as of November 20, 1996, filed as Exhibit 10.1 to Unisource's Registration Statement on Form 10 (effective November 26, 1996), is incorporated herein by reference.....
10.3	Benefits Agreement between Alco and Unisource dated as of November 20, 1996, filed as Exhibit 10.5 to Unisource's Registration Statement on Form 10 (effective November 26, 1996), is incorporated herein by reference.....
10.4	Support Agreement dated as of October 22, 1996 between Alco and IKON Capital, Inc. (Alco's leasing subsidiary), filed as Exhibit 10.4 to IKON Capital, Inc.'s Form 8-K dated October 22, 1996, is incorporated herein by reference.....
10.5	Receivables Transfer Agreement dated as of September 30, 1996 among IKON Funding, Inc., IKON Capital, Inc., Old Line Funding Corp. and Royal Bank of Canada.....
10.6	Transfer Agreement dated as of September 30, 1996 between IKON Capital, Inc. and IKON Funding, Inc. ....
10.7	Indenture, dated as of December 11, 1995 between Alco and First Union Bank, N.A. (formerly First Fidelity Bank), as Trustee, filed as Exhibit 4 to Alco's Registration Statement No. 33-64177, is incorporated herein by reference.....
10.8	Indenture dated as of July 1, 1995 between IKON Capital, Inc. and Chase Manhattan Bank, N.A. (formerly Chemical Bank, N.A.), as Trustee, filed as Exhibit 10.23 to Alco's 1995 Form 10-K, is incorporated herein by reference.....
10.9	Distribution Agreement dated as of June 30, 1995 between IKON Capital, Inc. and various distribution agents, filed as Exhibit 10.21 to Alco's 1995 Form 10-K, is incorporated herein by reference.....

</TABLE>

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<CAPTION>  
EXHIBIT  
NO.

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NO.

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- 10.10 Receivables Transfer Agreement dated as of September 23, 1994 Among IKON Capital, Inc., Twin Towers, Inc. and Deutsche Bank AG, New York Branch, portions of which contain confidential material, filed as Exhibit 10.20 to Alco's 1994 Form 10-K/A filed on March 17, 1995, is incorporated herein by reference. First Amendment dated as September 15, 1995 and Second Amendment dated as of March 15, 1996 to Receivables Transfer Agreement, filed as Exhibit 10.20 to Alco's Form 10-Q for the quarter ended March 31, 1996, are incorporated herein by reference.....
- 10.11 Indenture dated as of July 1, 1994 between IKON Capital, Inc. and The Bank of New York (formerly NationsBank, N.A.), as Trustee, filed as Exhibit 4 to IKON Capital, Inc.'s Registration Statement No. 33-53779, is incorporated herein by reference.....
- 10.12 Distribution Agreement dated July 1, 1994, filed as Exhibit 1 to IKON Capital, Inc.'s Form 10-Q for the quarter ended June 30, 1994, is incorporated herein by reference.....
- 10.13 Maintenance Agreement, dated as of August 15, 1991 between Alco and IKON Capital, Inc., filed as Exhibit 10.2 to IKON Capital, Inc.'s Registration Statement on Form 10 dated May 4, 1994, is incorporated herein by reference.....
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- 10.16 Indenture, dated as of April 1, 1986 between Alco and the Chase Manhattan Bank, N.A., as Trustee, filed as Exhibit 4.1 to Alco's Registration Statement No. 30-4829, is incorporated herein by reference.....
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- 10.28 Alco Standard Corporation 1994 Deferred Compensation Plan.....
- 10.29 Alco Standard Corporation Executive Deferred Compensation Plan.
- 11 Statement re: Computation of earnings per share.....

</TABLE>

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<C>	<S>	<C>
12.1	Ratio of Earnings to Fixed Charges.....	
12.2	Ratio of Earnings to Fixed Charges Excluding Captive Finance Subsidiaries.....	
12.3	Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.....	
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13	Financial Section of Alco's Annual Report to Shareholders for the fiscal year ended September 30, 1996 (which, except for those portions thereof expressly incorporated herein by reference, is furnished for the information of the Commission and is not "filed" as part of this report).....	
21	Subsidiaries of Alco.....	
23	Auditors' Consent.....	
24	Powers of Attorney; certified resolution re: Powers of Attorney.	
27	Financial Data Schedule.....	

</TABLE>

- \* Copies of the exhibits will be furnished to any security holder of Alco upon payment of the reasonable cost of reproduction.
- \*\* Management contract or compensatory plan or arrangement.

ALCO STANDARD CORPORATION  
CERTAIN OF ITS SUBSIDIARIES

and

THE BANKING INSTITUTIONS NAMED HEREIN

and

CORESTATES BANK, N.A.,  
as Agent

CREDIT AGREEMENT  
dated December 16, 1996

U.S. \$400,000,000

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Exhibits

-----

- A List of Subsidiary Borrowers
- B List of Banks and Commitments
- C-1 Form of Revolving Facility Note
- C-2 Form of Bid Loan Note
- C-3 Form of Swingline Facility Note
- D Opinion of Counsel Form
- E Opinion of Counsel to Subsidiary Borrower Form
- F-1 Form of Competitive Bid Request
- F-2 Form of Competitive Bid
- F-3 Bid Loan Notice

</TABLE>

CREDIT AGREEMENT

This Agreement, dated December 16, 1996 between and among ALCO STANDARD CORPORATION, an Ohio corporation, with its main business office located at Valley Forge, Pennsylvania 19482 (herein called the "COMPANY"), those subsidiaries of the Company set forth on Exhibit A hereto (the "SUBSIDIARY BORROWERS"), the banking institutions named in Exhibit B attached hereto (herein called collectively the "BANKS" and individually a "BANK") and CORESTATES BANK, N.A., a national banking association, as agent for the Banks under this Agreement (herein in such capacity called the "AGENT").

WITNESSETH:

WHEREAS, the Company and the Subsidiary Borrowers anticipate the need to borrow money from time to time for working capital, acquisitions and general corporate purposes and have requested the Banks establish credit facilities and make available loans to one or more of them under the terms and conditions hereinafter set forth;

WHEREAS, the Company, the Subsidiary Borrowers, certain of the Banks and the Agent are parties to a Credit Agreement dated December 1, 1994, as amended (the "1994 CREDIT"); and

WHEREAS, in connection with the establishment of the credit facilities provided hereunder, the Borrower, the Subsidiary Borrowers, each Bank that is a party to the 1994 Credit and the Agent are terminating the 1994 Credit.

NOW, THEREFORE, in consideration of the premises and promises hereinafter set forth and intending to be legally bound hereby, the parties hereto agree as follows:

1. DEFINITIONS

1.1 CERTAIN DEFINITIONS. The terms defined in this Section 1.1, whenever used and capitalized in this Agreement, shall, unless the context otherwise requires, have the respective meanings herein specified:

"1934 ACT" shall have the meaning assigned to it in Section 6.1(g) hereof.  
-----

"1994 CREDIT" shall have the meaning assigned to it in the recitals to this  
-----  
Agreement.

"AGENT" shall mean CoreStates Bank, N.A., a national banking association in  
-----  
its capacity as agent for the Banks hereunder.

"ALTERNATE BASE RATE" shall mean the higher of (i) the rate of interest for  
-----  
commercial loans established and publicly announced by the Agent from time to time as its prime rate, or (ii) the Federal Funds Rate plus 1/2 of 1% per annum .

"ALTERNATE BASE RATE LOAN" shall mean a Loan made at the Alternate Base  
-----  
Rate pursuant to the applicable Request for Advance.

"APPLICABLE MARGIN" shall mean with respect to each Eurocurrency Rate Loan,  
-----  
the margin determined by the then Applicable Rate.

"APPLICABLE RATE" shall mean, with respect to each Eurocurrency Rate Loan

-----  
or with respect to the Facility Fee and the Letter of Credit Fee payable hereunder, as the case may be, the applicable rate per annum set forth below corresponding to such Loans or fees as of the applicable date:

<TABLE>  
<CAPTION>

Level	Ratings	Applicable Margin	Facility Fee Rate	Letter of Credit Fee Rate
<S>	<C>	<C>	<C>	<C>
1	A+ or better from S&P A1 or better from Moody's	13.0 basis points	6.5 basis points	13.0 basis points
2	A from S&P A2 from Moody's	14.0 basis points	7.0 basis points	14.0 basis points
3	A- from S&P A3 from Moody's	14.5 basis points	8.0 basis points	14.5 basis points
4	BBB+ or lower from S&P Ba1 or lower from Moody's	18.5 basis points	9.0 basis points	18.5 basis points

</TABLE>

The ratings applicable to the foregoing chart shall be based on the ratings established with respect to the Company's senior, unsecured long-term debt. If the ratings established by S&P and Moody's fall within different Levels, the Applicable Rate shall be based on the higher of the two ratings unless one of the ratings is two or more Levels higher than the other, in which case the Applicable Rate shall be determined by reference to the Level immediately above the Level determined by the lower rating. If the ratings of either S&P or Moody's changes, the Applicable Rate shall adjust, and such adjustment shall be effective, on the date on which such change in rating is first publicly announced.

"BANK" shall mean any bank listed in Exhibit B hereto.  
-----

"BID BORROWING" shall mean each individual loan under the Bid Loan  
-----  
Facility.

"BID LOAN" shall have the meaning assigned to it in Section 2.5 hereof.  
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"BID LOAN BORROWING DATE" shall mean the date on which a Borrower receives  
-----  
a Bid Loan.

"BID LOAN FEE" shall have the meaning assigned to it in Section 2.9 hereof.  
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"BID LOAN LENDER" shall mean the Bank issuing the Bid Loan.  
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"BID LOAN NOTE" shall have the meaning assigned to it in Section 2.5(b).  
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"BORROWING" shall mean a borrowing hereunder consisting of Loans made to a  
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Borrower by the Banks on a given occasion. A Borrowing is an "ALTERNATE BASE RATE BORROWING" if such Loans are Alternate Base Rate Loans or a "EUROCURRENCY RATE BORROWING" if such Loans are Eurocurrency Rate Loans.

"BORROWER" shall mean the Company or a Subsidiary Borrower.

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"BORROWERS" shall mean the Company and each Subsidiary Borrower.  
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"BUSINESS DAY" shall mean (i) for all purposes other than as covered by  
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clauses (ii) and (iii) below, any day excluding Saturday, Sunday and any day which shall be in the City of New York a legal holiday or a day on which banking institutions are authorized by law or other government action to close, (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, any U.S. Dollar Loan, any day which is a Business Day described in clause (i) above and which is also a day for trading by and between banks in U.S. Dollar deposits in the London interbank Eurodollar market and (iii) with respect to all notices and determinations in connection with, and payments of principal and interest on any Eurocurrency Rate Loan, any day which is a Business Day described in clause (i) above and which is also (a) any day except a day which, in London, shall be a legal holiday or a day on which banking institutions are authorized by law or other government action to close and (b) a day for trading by and between banks in deposits of the Selected Currency of such Eurocurrency Rate Loans in the interbank market.

"CODE" shall have the meaning assigned to it in Section 5.17 hereof.  
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"COMMITMENT" shall have the meaning assigned to it on Exhibit B hereto  
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under the caption "Banks' Commitments and Percentages."

"COMMITMENT PERCENTAGE" shall have the meaning assigned to it in Section  
-----  
2.1(a) hereof.

"COMPANY" shall mean Alco Standard Corporation, an Ohio corporation.  
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"CONSOLIDATED NET WORTH" shall be determined in accordance with GAAP and  
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shall mean the sum (as reflected in the consolidated balance sheet of the Company and its Consolidated Subsidiaries) of (i) the stated dollar amount of outstanding capital stock, (ii) the stated dollar amount of additional paid in capital, if any, plus (iii) the amount of surplus and retained earnings minus (iv) the cost of treasury shares and the excess of redemption value over the stated value of preferred stock of the Company and its Consolidated Subsidiaries.

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"CONSOLIDATED SUBSIDIARIES" shall mean all Subsidiaries.  
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"CONSOLIDATED TOTAL ASSETS" shall mean the total assets of the Company and  
-----  
its Consolidated Subsidiaries computed on a consolidated basis in accordance with GAAP.

"CONTROLLING PERSON" shall have the meaning assigned to it in Section  
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6.1(g) hereof.

"CREDIT" shall mean the aggregate amounts of the Commitments of the Banks  
-----  
hereunder at any time.

"DANISH KRONER" shall mean lawful currency of the Kingdom of Denmark.  
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"DEBT" shall mean (i) Funded Debt and (ii) any portions of notes payable  
-----  
and capital lease obligations which are classified as current liabilities.

"DEUTSCHE MARK" shall mean lawful currency of the Federal Republic of  
-----  
Germany.

"EMPLOYEE BENEFIT PLAN" shall have the meaning assigned to it in Section  
-----  
3.6 hereof.

"ENVIRONMENTAL CONTROL STATUTES" shall have the meaning assigned to it in  
-----  
Section 3.11 hereof.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as  
-----  
amended.

"ERISA AFFILIATE" shall have the meaning assigned to it in Section 3.6  
-----  
hereof.

"EUROCURRENCY RATE LOAN" shall mean a Loan to be made at the LIBO Rate  
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pursuant to the applicable Request for Advance.

"EURODOLLAR RATE LOAN" shall mean a Eurocurrency Rate Loan for which the  
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Selected Currency is U.S. Dollars.

"EVENT OF DEFAULT" shall have the meaning assigned to it in Section 6.1  
-----  
hereof.

"FACILITY" shall mean either of the Revolving Credit Facility, the Bid  
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Option Facility or the Swingline Facility.

"FACILITY FEE" shall have the meaning assigned to it in Section 2.8 hereof.  
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"FAX" shall mean any means of facsimile transmission.  
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"FEDERAL FUNDS RATE" shall mean the daily rate of interest announced from  
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time to time by the Board of Governors of the Federal Reserve System in  
publication H.-15 as the "Federal Funds Rate," or if such publication is  
unavailable, such rate as is available to Agent on such day.

"FEES" shall mean the Facility Fee, the Letter of Credit Fee and the Bid  
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Loan Fee.

"FINANCE LEASING SUBSIDIARIES" shall mean IKON Capital, Inc., a Delaware  
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corporation, IKON Capital Inc., a Canadian corporation, IKON Capital, PLC, an  
English company, and their respective successor corporations, and such  
additional subsidiaries whose primary business is the leasing of products  
distributed by Alco and its Subsidiaries.

"FINANCIAL OFFICER" shall mean Chief Financial Officer, Treasurer or

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Controller.

"FOREIGN SUBSIDIARY BORROWER" shall mean any Subsidiary Borrower that is  
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not formed under the laws of the United States or any of the states  
therein.

"FRENCH FRANCS" shall mean lawful currency of the Republic of France.  
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"FUNDED DEBT" shall mean any obligation payable more than one year from the  
-----  
date of the creation thereof which under GAAP is shown on the consolidated  
balance sheet as a liability (excluding reserves for deferred income taxes  
and other reserves to the extent that such reserves do not constitute  
obligations for borrowed money) and including, without limitation, the  
portion of any such obligation properly classified as a current liability  
and capitalized leases.

"GAAP" shall mean generally accepted accounting principles applied on a  
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consistent basis, set forth in the Opinions of the Accounting Principles  
Board of the American Institute of Certified Public Accountants and/or in  
statements of the Financial Accounting Standards Board and/or in such other  
statements by such other entity as the Agent and the Company may reasonably  
approve, which are applicable in the circumstances and as of the date in  
question, and the requisite that such principles be applied on a consistent  
basis shall mean that the accounting principles observed in a current  
period are comparable, in all material respects to those applied in a  
preceding period, except for the adoption within any permissible period of  
new accounting standards required by the Financial Accounting Standards  
Board from time to time.

"INTEREST PERIOD" shall mean:  
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(1) with respect to each Alternate Base Rate Borrowing the period  
commencing on the date of such Alternate Base Rate Borrowing and ending not  
more than 180 days thereafter, as the Company may elect in the applicable  
Request for

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Advance (and ending 90 days thereafter if the Company shall fail to so  
elect), provided that no Interest Period shall end later than the  
Revolving Credit Facility Termination Date, as applicable;

(2) with respect to each Eurocurrency Rate Borrowing the period  
commencing on the date of such Eurocurrency Rate Borrowing and ending  
one, two, three, or six months thereafter, as the Company may elect in  
the applicable Request for Advance; provided that:  
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(a) any Interest Period which would otherwise end on a day  
which is not a London Business Day shall be extended to the next  
succeeding London Business Day unless such London Business Day  
falls in another calendar month, in which case such Interest  
Period shall end on the next preceding London Business Day;

(b) any Interest Period which begins on the last London  
Business Day of a calendar month (or on a day for which there is  
no numerically corresponding day in the calendar month at the end  
of such Interest Period) shall, subject to clause (c) below, end  
on the last London Business Day of a calendar month; and

(c) no Interest Period shall end later than the Revolving

Credit Facility Termination Date; and

(3) with respect to each Bid Loan, the period commencing on the date of such Bid Loan and ended at the end of the applicable Bid Loan Duration, provided that no Interest Period shall end later than the Revolving Credit Facility Termination Date, as applicable.

The end of an Interest Period shall be deemed a maturity for purposes of all Loans.

"ISSUING BANK" shall mean CoreStates Bank, N.A.  
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"LETTER OF CREDIT" shall mean the standby letters of credit available  
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pursuant to Section 2.4 hereof.

"LETTER OF CREDIT FEE" shall have the meaning assigned to it in Section 2.8  
-----  
hereof.

"LETTER OF CREDIT OUTSTANDINGS" shall mean, at any time, the aggregate  
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Stated Amount of all outstanding Letters of Credit plus the aggregate amount of Unpaid Drawings.

"LETTER OF CREDIT SUBLIMIT" shall mean \$25,000,000.  
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"LIBO RATE" shall mean the average (rounded upward, if necessary, to the  
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next 1/16 of 1%) of the rates per annum at which the Reference Banks are offered deposits in the Selected Currency as of 11:00 a.m., London time, on the second London Business Day preceding the date of the proposed Eurocurrency Rate Borrowing by prime banks in the London interbank eurocurrency market for delivery on the date of such Borrowing, for the applicable Interest Period of such Borrowing, and in an amount equal to the aggregate amount of such Borrowing and in like funds.

"LOAN" shall mean any Revolving Credit Facility Loan, Swingline Loan or Bid  
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Loan.

"LONDON BUSINESS DAY" shall mean any Business Day described in clause (iii)  
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of the definition of "Business Day."

"MAJORITY BANKS" shall mean the Banks whose Commitment Percentages under  
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this Agreement aggregate at least 51.0% of the total Commitment Percentages of all the Banks; provided, however, that for all purposes after the Loans become due and payable pursuant to Article 6 or the expiration or termination of the Revolving Credit Facility, Majority Banks shall mean Banks holding at least 51.0% of the aggregate outstanding principal amount of all Loans then outstanding.

"MOODY'S" shall mean Moody's Investors Service, Inc.  
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"MULTIEMPLOYER PLAN" shall have the meaning assigned to it in Section 3.6  
-----  
hereof.

"NOTES" shall mean the Revolving Credit Facility Notes, the Bid Loan Notes  
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and the Swingline Facility Note or any of them.

"PBG" shall have the meaning assigned to it in Section 3.6 hereof.

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"PARTICIPANT" shall have the meaning assigned to it in Section 9.3 hereof.

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"PARTICIPATIONS" shall have the meaning assigned to it in Section 9.3

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hereof.

"PENSION PLAN" shall have the meaning assigned to it in Section 3.6 hereof.

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"POUNDS STERLING" means lawful currency of the United Kingdom of England,

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Scotland, Northern Ireland and Wales.

"RECOMPUTATION DATE" shall have the meaning assigned to it in Section

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2.10(c).

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"REFERENCE BANK" shall mean each of CoreStates Bank, N.A. and The Chase

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Manhattan Bank, N.A.

"REQUEST FOR ADVANCE" shall have the meaning assigned to it in Section

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2.3(a) hereof.

"REVOLVING CREDIT FACILITY" shall have the meaning assigned to it in

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Section 2.1(a) hereof.

"REVOLVING CREDIT FACILITY AMOUNT" shall have the meaning assigned to it in

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Section 2.1(a) hereof.

"REVOLVING CREDIT FACILITY COMMITMENT" shall have the meaning assigned to

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it in Section 2.1(a) hereof.

"REVOLVING CREDIT FACILITY LOANS" shall have the meaning assigned to it in

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Section 2.1(a) hereof.

"REVOLVING CREDIT FACILITY NOTES" shall have the meaning assigned to it in

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Section 2.1(c).

"REVOLVING CREDIT FACILITY TERMINATION DATE" shall have the meaning

assigned to it in Section 2.1(a) hereof.

"S&P" shall mean Standard & Poor's.

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"SECURITIZATION" means with respect to the Company and its Consolidated

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Subsidiaries the transfer or pledge of assets or interests in assets to a trust, partnership, corporation or other entity, which transfer or pledge is funded by such entity in whole or in part by the issuance of instruments or securities that are paid principally from the cash flow derived from such assets or interests in assets.

"SELECTED CURRENCY" shall mean, with respect to each Eurocurrency Rate

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Borrowing, the currency, which may be U.S. Dollars, Pounds Sterling, Deutsche Marks, French Francs, Danish Kroner, or such currency as may be approved from time to time by the Agent and the Majority Banks, so long as such Selected Currency remains freely transferable and convertible into U.S. Dollars and readily available to banks in the London interbank market, selected by the Company pursuant to Section 2.2 and designated by the Company as such in the Request for Advance for such Borrowing.

"SIGNIFICANT SUBSIDIARY" shall mean a Subsidiary which is a 'significant subsidiary' as defined in (S)210.1-02(v) of Regulation S-X of the Securities and Exchange Commission, 17 C.F.R. Part 210, as in effect on the date hereof.

"SPIN-OFF" shall have the meaning assigned to it in Section 4.1(i).

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"STATED AMOUNT" of each Letter of Credit shall mean, at any time, the maximum amount available to be drawn thereunder, determined without regard to whether any conditions to drawing could then be met.

"SUBSIDIARY" shall mean any corporation of which the Company directly or indirectly owns or controls at least a majority of the outstanding stock having general voting power, including without limitation the right, under ordinary circumstances, to vote for the election of a majority of the Board of Directors of such corporation.

"SWINGLINE FACILITY NOTE" shall have the meaning assigned to it in Section 2.3(c).

"SWINGLINE LOANS" shall have the meaning assigned to it in Section 2.3 hereof.

"U.S. DOLLARS" or "U.S. \$" means lawful currency of the United States of America.

"U.S. DOLLAR EQUIVALENT" of any amount of a Selected Currency other than U.S. Dollars on any date shall mean the equivalent amount in U.S. Dollars on such date, after giving effect to a conversion of such amount of such Selected Currency to U.S. Dollars at the buy spot rate quoted for wholesale transactions by the Agent at approximately 11:00 a.m. Philadelphia time on such date in accordance with its normal practice. The U.S. Dollar Equivalent of all Loans the Selected Currency of which is not U.S. Dollars shall be calculated as of the date two London Business Days preceding the date on which such Loan was made and thereafter as of the London Business Day immediately preceding the applicable Recomputation Date.

"U.S. DOLLAR LOAN" shall mean an Alternate Base Rate Loan and/or a Eurodollar Rate Loan.

"UNFUNDED PENSION LIABILITIES" shall have the meaning assigned to it in Section 3.6 hereof.

"UNRECOGNIZED RETIREE WELFARE LIABILITY" shall have the meaning assigned to

it in Section 3.6 hereof.

"UNPAID DRAWING" shall have the meaning assigned to it in Section 2.4

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hereof.

## 2. THE CREDIT

### 2.1 REVOLVING CREDIT FACILITY LOANS.

(a) REVOLVING CREDIT FACILITY. Each Bank severally agrees, upon the terms

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and conditions hereinafter set forth, to make loans to the Borrowers (the "REVOLVING CREDIT FACILITY LOANS") from time to time during the period beginning on the date hereof and ending on December 15, 2001 or on the earlier date of termination in full, pursuant to Section 2.9 or Section 6.2 hereof,

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of the obligations of such Bank under this Section 2.1(a) (December 15, 2001 or such earlier date of termination being herein called the "REVOLVING CREDIT FACILITY TERMINATION DATE") in amounts not to exceed at any time outstanding in the aggregate the commitment amount set forth opposite the name of such Bank on Exhibit B hereto under the caption "BANKS' COMMITMENTS AND PERCENTAGES" (each such amount, as the same may be reduced pursuant to Section 2.9 hereof being hereinafter called such Bank's "REVOLVING CREDIT FACILITY COMMITMENT"). (The Banks' collective commitment to make Revolving Credit Facility Loans shall be the "REVOLVING CREDIT FACILITY").

The obligation of each Bank to make a Revolving Credit Facility Loan to the Borrowers at any time shall be limited to the Bank's Commitment Percentage, as defined on Exhibit B hereto under the caption "BANKS' COMMITMENTS AND PERCENTAGES" (the "COMMITMENT PERCENTAGE") times the aggregate amount of the Revolving Credit Facility Loans requested. No Bank shall be required to make any Revolving Credit Facility Loan if, immediately after giving effect to such Revolving Credit Facility Loan and the application of the proceeds thereof to the extent applied to the repayment of Revolving Credit Facility Loans, (i) the sum of (a) the aggregate principal amount of such Bank's Revolving Credit Facility Loans in U.S. Dollars outstanding, (b) the U.S. Dollar Equivalent of the aggregate principal amount of such Bank's Revolving Credit Facility Loans in a Selected Currency other than U.S. Dollars outstanding, (c) such Bank's Commitment Percentage of Swingline Loans participated pursuant to Section 2.3(b)(3) and (d) such Bank's Commitment Percentage of Letter of Credit Outstandings would exceed such Bank's Revolving Credit Facility Commitment, or (ii) the sum of (a) the aggregate principal amount of all Revolving Credit Facility Loans in U.S. Dollars outstanding, (b) the U.S. Dollar Equivalent of the aggregate principal amount of all Revolving Credit Facility Loans in a Selected Currency other than U.S. Dollars outstanding, (c) the aggregate principal amount of all Bid Loans outstanding, (d) the aggregate principal amount of all Swingline Loans outstanding and (e) Letter of Credit Outstandings, would exceed the Revolving Credit Facility.

The failure of any one or more of the Banks to make Revolving Credit Facility Loans in accordance with its or their obligations shall not relieve the other Banks of their several obligations hereunder, but in no event shall the aggregate amount at any one time outstanding which any Bank shall be required to lend under this Revolving Credit Facility exceed its Revolving Credit Facility Commitment.

Within the limits of this Section 2.1(a) and subject to Section 2.11 below, the Borrower may borrow, prepay pursuant to Section 2.10 and reborrow under this Section 2.1(a).

(b) SELECTED CURRENCY. Subject to the provisions of this Article 2, each

Borrower shall have the right to receive the proceeds of Eurocurrency Rate Borrowings in either U.S. Dollars or any other Selected Currency. All Alternate Base Rate Loans shall be made in U.S. Dollars. The Selected Currency of Eurocurrency Rate Borrowings sought by a Borrower shall be designated by the Borrower in its Request for Advance for such Borrowing. All Eurocurrency Rate Loans to be made on the occasion of a particular Eurocurrency Rate Borrowing shall be made in a single currency.

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(C) THE REVOLVING CREDIT FACILITY NOTES. The obligation of Borrowers to

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repay the Revolving Credit Facility Loans of each Bank shall be evidenced by a separate promissory note issued by the Borrowers in the form attached hereto as Exhibit C-1 (the "REVOLVING CREDIT FACILITY NOTES"). Each Revolving Credit Facility Note shall be in a stated amount equal to the Revolving Credit Facility Commitment of such Bank and each such Revolving Credit Facility Note shall bear interest as provided herein and be payable at the times and in the manner herein provided; provided, however, that notwithstanding the stated amount of such Revolving Credit Facility Notes, the Borrowers' liability under the Revolving Credit Facility Notes shall be limited at all times to the outstanding principal amount of the Revolving Credit Facility Loans evidenced thereby (which principal amount may be less than or may exceed the stated amount of such Revolving Credit Facility Note), plus all interest accrued thereon and the amount of all costs and expenses then payable thereunder, as established by each such Bank's books and records, which books and records shall be conclusive absent manifest error.

2.2 REVOLVING CREDIT FACILITY FUNDING PROCEDURES.

(A) REQUEST FOR ADVANCES. Revolving Credit Facility Loans to the

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Borrowers on the occasion of each Borrowing shall be made pursuant to a written request by the Borrowers therefor (a "REQUEST FOR ADVANCE"), delivered to the Agent by 12:00 noon at least one Business Day, in the case of Alternate Base Rate Loans, by 12:00 noon at least three London Business Days, in the case of Eurocurrency Rate Loans for which the Selected Currency is U.S. Dollars, and by 9:30 a.m. at least three London Business Days in the case of Eurocurrency Rate Loans for which the Selected Currency is any currency other than U.S. dollars, prior to the date on which such Loan is desired, stating:

(1) the date of such Borrowing, which shall be a Business Day in the case of an Alternate Base Rate Borrowing and shall be a London Business Day in the case of a Eurocurrency Rate Borrowing, the identities of the Borrowers and the allocation of such Loans among the Borrowers;

(2) the amount of such Borrowing by each Borrower, which on the date of each Borrowing shall be (a) in the case of an Alternate Base Rate Borrowing, U.S. \$25,000,000 in the aggregate by all Borrowers or any larger integral multiple of U.S. \$1,000,000, and (b) in the case of a Eurocurrency Borrowing, the amount of the Selected Currency with a U.S. Dollar equivalent of U.S. \$25,000,000 in the aggregate by all Borrowers or any larger integral multiple of the amount of the Selected Currency with a U.S. Dollar equivalent of U.S. \$1,000,000;

(3) whether the Revolving Credit Facility Loans comprising such Borrowing are to be Alternate Base Rate Loans or Eurocurrency Rate Loans;

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(4) if the Borrowing is to be comprised of Eurocurrency Rate Loans, the Selected Currency; and

(5) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Each written Request for Advance shall be signed by an authorized officer of the Company on behalf of the Borrowers and shall be for Revolving Credit Facility Loans at a single interest rate option for all Borrowers. No Request for Advance shall become effective until actually received by the Agent.

(B) ACTIONS BY AGENT. Upon the Agent's receipt of any Request for  
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Advance, such Request for Advance shall not thereafter be revocable by the Borrowers and the Agent shall promptly provide to each Bank such Request for Advance and amount of the Revolving Credit Facility Loan to be made by such Bank. In addition, upon receipt of a Request for Advance in which the Borrowers specify a Eurocurrency Rate Borrowing, the Agent shall inform each Bank of the amount of the U.S. Dollar Equivalent of such Eurocurrency Rate Loan.

(C) AVAILABILITY OF FUNDS. Each Bank shall make available to the Agent  
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the amount of such Bank's Revolving Credit Facility Loan at the main office of the Agent, or at such other office or account of the Agent as is designated in writing by the Agent to the Bank, in immediately available funds no later than 12:00 noon, Philadelphia time, on the date of each Borrowing. All such funds shall be in U.S. Dollars, in the case of Alternate Base Rate Loans, and in the applicable Selected Currency, in the case of Eurocurrency Rate Loans. On each such Borrowing date, and subject to the prior receipt of funds from each Bank, the Agent shall make available to the Borrowers in immediately available funds, no later than 2:00 p.m., Philadelphia time, all of the proceeds of the Revolving Credit Facility Loans to be made on such date upon satisfaction by the Borrowers of all the applicable conditions specified in Article 4 hereof.

(D) FUNDING ASSUMPTIONS. Unless the Agent has been notified by any Bank  
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at least one Business Day prior to the date of such Revolving Credit Facility Loan that such Bank does not intend to make available to the Agent such Bank's portion of the total amount of the Loan to be made on such date, the Agent may assume that each Bank has made the amount of such Bank's Revolving Credit Facility Loan available to the Agent on the date for the Borrowing of such Revolving Credit Facility Loan and the Agent may, in reliance upon such assumption, make available to the Borrowers a corresponding amount. If such corresponding amount is not in fact made available to the Agent by such Bank, the Agent shall be entitled to recover such corresponding amount on demand from such Bank, which demand shall be made in a reasonably prompt manner. If such Bank does not pay such corresponding amount forthwith upon the Agent's demand therefor, the Agent shall promptly notify the Borrowers and the Borrowers shall pay such corresponding amount to the Agent. The Agent shall also be entitled to recover from such Bank or the Borrowers, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Agent to the Borrowers to the date such corresponding amount is recovered

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by the Agent at a rate equal to (i) if recovered from such Bank, the Federal Funds Rate for three Business Days, and thereafter at the Alternative Base Rate and (ii) if recovered from the Borrowers, the rate otherwise accruing on such Revolving Credit Facility Loan. Nothing herein shall be deemed to relieve any Bank of its obligation to fulfill its Commitment hereunder or to prejudice any rights which any Borrower may have against any Bank as a result of any default by such Bank hereunder.

(E) MAXIMUM BORROWINGS OUTSTANDING. The Borrowers may not have more than  
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ten Borrowings outstanding at any one time. For such purpose, one Borrowing by one Borrower or Borrowings by more than one Borrower commenced on the same date shall be deemed a single Borrowing.

2.3 SWINGLINE LOANS.  
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(A) SWINGLINE FACILITY. The Agent, in its individual capacity and under

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the terms and subject to the conditions of this Agreement, shall provide advances in U.S. Dollars (herein called "SWINGLINE LOANS"), to the Borrowers, from time to time, as requested by the Company, provided that:

(1) the aggregate amount of Swingline Loans outstanding at any one time shall not exceed the least of (A) \$25,000,000; and (B) such amount, if any, as will, when added to the sum of (a) the aggregate principal amount of all Revolving Credit Facility Loans in U.S. Dollars outstanding, (b) the U.S. Dollar Equivalent of the aggregate principal amount of all Revolving Credit Facility Loans in a Selected Currency other than U.S. Dollars outstanding, (c) the aggregate principal amount of all Bid Loans outstanding, and (d) Letter of Credit Outstandings, would exceed the Revolving Credit Facility; and

(2) no Swingline Loan shall be outstanding for more than thirty (30) calendar days.

(B) FUNDING PROCEDURE.

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(1) The Company may request a Swingline Loan (on their own behalf or on behalf of any Subsidiary Borrower) by delivering a Request For Swingline Loan (in the form attached hereto as Exhibit B, the "REQUEST FOR SWINGLINE LOAN") signed by an authorized officer of the Company to the Agent on or before 12:00 noon Philadelphia time on the date the Swingline Loan is to be made. Upon receipt of such Request For Swingline Loan and if the conditions provided herein shall be satisfied at the time of such receipt, the Agent shall make the Swingline Loan on the date specified therein.

(2) Swingline Loans shall bear interest for any day at the Alternate Base Rate or at an overnight money market rate determined by the Agent in good faith if such rate is lower than

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the Alternate Base Rate.

(3) The Agent may by written notice given to the Banks not later than 10:00 a.m. (Philadelphia time), on any Business Day require the Banks to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Banks will participate, which participation will be based upon each Bank's Commitment Percentage of the Swingline Loans to be participated. Each Bank hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Agent such Bank's Commitment Percentage of such Swingline Loan or Loans. Each Bank acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of an Event of Default or event that, with the giving of notice or lapse of time or both would constitute an Event of Default or reduction or termination of the Revolving Credit Facility Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Bank shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.2(c) with respect to Revolving Credit Facility Loans made by such Bank. Any amounts received by the Agent from a Borrower (or other party on behalf of a Borrower) in respect of a Swingline Loan after receipt by the Agent of the proceeds of a sale of participations therein shall be promptly remitted by the Agent to the Banks that shall have made their payments pursuant to this paragraph, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the relevant Borrower of any default in the payment thereof.

(4) Within the foregoing limits, the Borrowers may request Swingline

Loans without regard to any minimum amount, repay them within thirty calendar days and request new Swingline Loans. The Borrowers agree that the Swingline Loans facility shall be used only for their convenience and need for very short term funds. This facility shall not be used as a substitute for Loans by continuously maintaining a significant dollar amount of Swingline Loans outstanding.

(5) All Swingline Loans shall, in any event, be repaid by the Borrowers on the Revolving Credit Facility Termination Date.

(C) SWINGLINE FACILITY NOTE. At the signing of this Agreement, the

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Borrowers shall deliver to the Agent a properly completed and duly executed Swingline Facility Note substantially in the form of Exhibit C-3 hereto (the "SWINGLINE FACILITY NOTE") which shall evidence the Swingline Loans made by the Agent and be payable to the order of the Agent in the principal amount equal to the \$25,000,000; provided, however, that notwithstanding the stated amount of such Swingline Facility Note, the Borrowers' liability under the Swingline Facility Note shall be limited at all times to the outstanding principal amount of the Swingline Facility evidenced thereby, plus all interest accrued thereon and the amount of all costs and expenses then payable thereunder, as established by the Agent's books and records.

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2.4 LETTERS OF CREDIT.

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(A) GENERAL REQUIREMENTS.

(1) Subject to and upon the terms and conditions herein set forth, the Company, on behalf of the applicable Borrower, may request the Issuing Bank, at any time and from time to time prior to the Revolving Credit Facility Termination Date, to issue, and subject to the terms and conditions contained herein the Issuing Bank shall issue, for the account of the Borrower, one or more Letters of Credit in U.S. Dollars in such form as is approved by the Issuing Bank in its sole discretion; provided, however, that no Letter of Credit shall be issued if, upon such issuance, (A) all Letter of Credit Outstandings would exceed the Letter of Credit Sublimit or (B) the sum of (a) the aggregate principal amount of all Revolving Credit Facility Loans in U.S. Dollars outstanding, (b) the U.S. Dollar Equivalent of the aggregate principal amount of all Revolving Credit Facility Loans in a Selected Currency other than U.S. Dollars outstanding, (c) the aggregate principal amount of all Bid Loans outstanding, (d) the aggregate principal amount of all Swingline Loans outstanding and (e) Letter of Credit Outstandings, exceed the Revolving Credit Facility.

(2) No Letter of Credit shall bear an expiry date later than 365 days from issuance, and no Letter of Credit issued less than 90 days prior to the Revolving Credit Facility Termination Date shall bear an expiry date later than 90 days from issuance.

(B) MINIMUM STATED AMOUNT. The Stated Amount of each Letter of Credit shall not be less than such amount as may be acceptable to the Issuing Bank.

(C) LETTER OF CREDIT REQUESTS.

(1) Whenever a Borrower desires that a Letter of Credit be issued for its account, the Company shall give the Issuing Bank at least five Business Days' prior written request therefor (or such shorter period of notice as the Issuing Bank may agree upon with the Borrower from time to time).

(2) The execution and delivery of each request for a Letter of Credit shall be deemed to be a representation and warranty by the Borrowers that such Letter of Credit may be issued in accordance with, and will not violate the requirements of, this Section 2.4. Unless the Issuing Bank has received notice from the Agent or the Majority Banks before it issues the respective Letter of

Credit that one or more of the conditions specified in Section 4.2 are not then satisfied, or that the issuance of such Letter of Credit would violate Section 2.4, then the Issuing Bank may issue the requested Letter of Credit for the account of the Borrower in accordance with the terms of this Agreement and, with respect to any matters not specifically covered by this Agreement, in accordance with the Issuing Bank's usual and customary practices and any Letter of Credit Agreement in effect with such Borrower. In the event that any conflict shall exist between the terms of this Agreement and the terms of any such Letter of Credit Agreement, the terms of this

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Agreement shall prevail.

(D) LETTER OF CREDIT PARTICIPATIONS.

(1) Immediately upon the issuance by the Issuing Bank of any Letter of Credit, the Issuing Bank shall be deemed to have sold and transferred to each Bank (other than the Issuing Bank), and each such Bank shall be deemed irrevocably and unconditionally to have purchased and received from the Issuing Bank, without recourse or warranty, an undivided interest and participation, to the extent of such Bank's Commitment Percentage, in such Letter of Credit, each substitute letter of credit, each drawing made thereunder and the obligations of the Borrowers under this Agreement with respect thereto, and any security therefor or guaranty pertaining thereto. Upon any change in the Revolving Credit Facility Commitments of the Banks, it is hereby agreed that, with respect to all outstanding Letters of Credit and Unpaid Drawings (as defined in Section 2.4(e) hereof), there shall be an automatic adjustment to the participations pursuant to this Section 2.4(d) to reflect the new Revolving Credit Facility Commitment Percentages of the assigning and assignee Banks.

(2) In determining whether to pay under any Letter of Credit, the Issuing Bank shall have no obligation relative to the Banks other than to confirm that any documents required to be delivered under such Letter of Credit appear to have been delivered and that they appear to comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by the Issuing Bank under or in connection with any Letter of Credit if taken or omitted in the absence of gross negligence or wilful misconduct, shall not create for the Issuing Bank any resulting liability to any Bank.

(3) In the event that the Issuing Bank makes any payment under any Letter of Credit and the Borrowers shall not have reimbursed such amount in full in cash to the Issuing Bank pursuant to and as required by Section 2.4(e), the Issuing Bank shall promptly notify the Agent, which shall promptly notify each Bank of such failure, and each Bank shall promptly and unconditionally pay to the Agent for the account of the Issuing Bank, the amount of such Bank's Commitment Percentage of such unreimbursed payment in U.S. Dollars and in same day funds. If the Agent so notifies, prior to 11:00 A.M. (Philadelphia time) on any Business Day, any Bank required to fund a payment under a Letter of Credit, such Bank shall make its required payment on the same Business Day. If and to the extent such Bank shall not have so made its Commitment Percentage of the amount of such payment available to the Agent for the account of the Issuing Bank, such Bank agrees to pay to the Agent for the account of the Issuing Bank, forthwith on demand, such amount, together with interest thereon at the Federal Funds Rate, for each day from such date until the date such amount is paid to the Agent for the account of the Issuing Bank. The failure of any Bank to make available to the Agent for the account of the Issuing Bank its Commitment Percentage of any payment under any Letter of Credit shall not relieve any other Bank of its obligation hereunder to make available to the Agent for the account of the Issuing Bank its Commitment Percentage of any payment under any Letter of Credit on the date required, as specified

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above; but no Bank shall be responsible for the failure of any other Bank to make available to the Agent for the account of the Issuing Bank such other

Bank's Commitment Percentage of any such payment.

(4) Whenever the Issuing Bank receives a payment of a reimbursement obligation as to which the Agent has received for the account of the Issuing Bank any payments from the Banks pursuant to clause (3) above, the Issuing Bank shall pay to the Agent and the Agent shall promptly pay to each Bank which has paid its Commitment Percentage thereof, in U.S. Dollars and in same day funds, an amount equal to such Bank's Commitment Percentage thereof.

(5) Upon the request of any Bank, the Issuing Bank shall furnish to such Bank copies of any Letter of Credit to which the Issuing Bank is party and such other documentation relating to such Letter of Credit as may reasonably be requested by such Bank.

(6) As between the Borrowers on the one hand and the Issuing Bank and the Banks on the other hand, the Borrowers assume all risks of the acts and omissions of, or misuse of the Letters of Credit by the respective beneficiaries of such Letters of Credit. Without limiting the generality of the foregoing, neither the Issuing Bank nor any other Bank shall be responsible (except in the case of its gross negligence or willful misconduct) for the following:

(A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any documents submitted by any party in connection with the application for and issuance of or any drawing under such Letters of Credit, even if it should in fact prove to be in any respects invalid, insufficient, inaccurate, fraudulent or forged;

(B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason;

(C) failure of the beneficiary of any such Letter of Credit to comply fully with conditions required in order to draw upon such Letter of Credit, other than material conditions or instructions that expressly appear in such Letter of Credit;

(D) errors, omissions, interruptions or delays in the transmission or delivery of any messages by mail, cable,, telecopier, telex or otherwise, whether or not they are encoded;

(E) errors in interpretation of technical terms;

(F) any loss or delay in the transmission or otherwise of any

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document required in order to make a drawing under any such Letter of Credit or the proceeds thereof;

(G) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing of any such Letter of Credit; and

(H) any consequences arising from causes beyond the control of the Issuing Bank, including without limitation any acts of governments.

(7) The obligations of the Borrowers to make payments to the Agent for the account of the Issuing Bank with respect to Letters of Credit shall be irrevocable and not subject to any qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(A) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(B) the existence of any claim, setoff, defense or other right

which any Borrower may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Agent, the Issuing Bank, any Bank, or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions;

(C) any draft, certificate or any other document presented under the Letter of Credit shall prove to be forged, fraudulent, invalid or insufficient in any respect or any statement therein shall prove to be untrue or inaccurate in any respect;

(D) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents;

(E) the occurrence of any Event of Default or event which, with giving of notice or lapse of time, or both, would constitute an Event of Default; or

(F) the termination of this Agreement or any Revolving Credit Facility Commitment (but only with respect to Letters of Credit issued prior to such termination).

(8) Immediately upon the issuance by the applicable Issuing Bank of any Letter of Credit, such Issuing Bank will provide to each other Bank a copy of the Borrower's written request therefor. In addition, promptly upon receipt by the applicable Issuing Bank of fees payable

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with respect to a Letter of Credit, such Issuing Bank will pay to the Agent for distribution to each of the Banks (including such Issuing Bank) the Letter of Credit Fee, and shall pay to the Issuing Bank such fronting fee and customary charges as shall be agreed by the Company and the Issuing Bank.

(E) AGREEMENT TO REPAY LETTER OF CREDIT DRAWINGS

(1) Each Borrower agrees to reimburse the Issuing Bank, in U.S. Dollars and in immediately available funds, for any payment made by the Issuing Bank under any Letter of Credit issued at the request of such Borrower (each such amount so paid until reimbursed, an "UNPAID DRAWING") immediately after, and in any event on the date of, such payment, with interest on the amount so paid by the Issuing Bank, to the extent not reimbursed prior to 1:00 p.m. (Philadelphia time) on the date of such payment, from and including the date paid to but excluding the date reimbursement is made as provided above, at a rate per annum equal to the Alternative Base Rate plus 200 basis points, such interest to be payable promptly following demand.

(2) The obligations of each Borrower under this Section 2.4(e) to reimburse the Issuing Bank with respect to Unpaid Drawings (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which any Borrower may have or have had against any Bank (including in its capacity as the Issuing Bank or as a participant in any Letter of Credit), including, without limitation, any defense based upon any non-application or misapplication by the beneficiary of the proceeds of any drawing under a Letter of Credit (each, a "DRAWING"); provided, however, that no Borrower shall be obligated to reimburse the Issuing Bank for any wrongful payment made by the Issuing Bank under a Letter of Credit as a result of acts or omissions constituting wilful misconduct or gross negligence on the part of the Issuing Bank.

(3) On the Revolving Credit Facility Termination Date, the Borrowers shall deliver to the Agent cash or U.S. Treasury Bills with maturities of not more than ninety (90) days from the date of delivery (discounted in accordance with customary banking practice to present value to determine amount) in an amount equal at all times to one hundred five percent (105%) of the Letter of

Credit Outstandings, such cash or U.S. Treasury Bills and all interest earned thereon to constitute cash collateral for the Borrowers' reimbursement obligation with respect to all Letters of Credit outstanding on the Revolving Credit Facility Termination Date. If such cash collateral or U.S. Treasury Bills has not been deposited within five (5) days after the date required, one or more of the Banks shall be entitled to charge any account maintained by any Borrower with such Bank or Banks to the extent necessary to create such cash collateral. Any cash collateral deposited under this paragraph, and all interest earned thereon, shall be held by the Agent and invested and reinvested at the expense and the written direction of the Company, in U.S. Treasury Bills with maturities of no more than ninety (90) days from the date of investment.

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2.5 BID OPTION FACILITY.  
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(A) BID LOANS GENERAL REQUIREMENTS.  
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(1) The Company may, in accordance with the provisions of this Section 2.5, from time to time prior to the Revolving Credit Facility Termination Date request from the Banks offers to make Bid Loans in U.S. Dollars to a Borrower (the "Bid Loans"); provided, however, that the Banks may, but shall have no obligation to, submit such offers and the Company may, but shall have no obligation to, accept any such offers. After giving effect to the Bid Loans so requested by the Company and all other Loans to be made on the same Bid Loan Borrowing Date, at no time shall (i) the aggregate number of Bid Loans outstanding exceed five (5), provided that all Bid Loans issued on the same day for the same duration shall be deemed to be one (1) Bid Loan or (ii) the sum of (a) the aggregate principal amount of all Revolving Credit Facility Loans in U.S. Dollars outstanding, (b) the U.S. Dollar Equivalent of the aggregate principal amount of all Revolving Credit Facility Loans in a Selected Currency other than U.S. Dollars outstanding, (c) the aggregate principal amount of all Bid Loans outstanding, (d) the aggregate principal amount of all Swingline Loans outstanding and (e) Letter of Credit Outstandings, exceed the Revolving Credit Facility.

(2) No Bid Loan shall have a duration less than seven (7) days or greater than one hundred eighty (180) days the ("BID LOAN DURATION").

(i) Interest on each Bid Loan (or any portion thereof) shall accrue during each Bid Loan Duration at the rate of interest per annum rounded upward to the nearest 1/100 of 1% (the "ABSOLUTE RATE") applicable to such Bid Loan.

(ii) The principal amount of a Bid Loan is due and payable by the Company at the maturity of such Bid Loan. Accrued interest on Bid Loans shall be paid pursuant to Section 2.12 below. Interest accrued on any amount of a Bid Loan prepaid pursuant to Section 2.11 is due and payable on the date of such prepayment. The Company shall make all payments of principal and interest on each Bid Loan to the Agent and the Agent shall remit such payments to the Bid Loan Lender.

(3) All Bid Loans shall, in any event, be repaid by the Borrowers on the Revolving Credit Facility Termination Date.

(B) BID LOAN NOTES. At the signing of this Agreement, the Borrowers shall  
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deliver to each Bank a properly completed and duly executed Bid Loan Note substantially in the form of Exhibit C-2 hereto (the "BID LOAN NOTES") which shall evidence the Bid Loans made by such Bank and be payable to the order of such Bank in the principal amount equal to the Revolving Credit Facility; provided, however, that notwithstanding the stated amount of such Bid Loan Notes, the Borrowers' liability under the Bid Loan Notes shall be limited at all times to the outstanding principal amount of the Bid Loans evidenced thereby, plus all interest accrued thereon and the

amount of all costs and expenses then payable thereunder, as established by each such Bank's books and records.

(c) PROCEDURE FOR BID BORROWINGS.  
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(1) When the Company wishes to request offers to make Bid Loans hereunder, it shall notify the Agent by FAX of a notice in substantially the form of Exhibit F-1 (a "COMPETITIVE BID REQUEST") no later than 9:00 a.m. (Philadelphia time), two Business Days prior to the proposed Bid Loan Borrowing Date of a Bid Borrowing, specifying: (i) the date of such Bid Borrowing, which shall be a Business Day; (ii) the aggregate amount of such Bid Borrowing, which shall be a minimum amount of \$10,000,000 or in any integral multiple of \$1,000,000 in excess thereof; (iii) the Bid Loan Duration applicable thereto; (iv) the Borrower requesting such Bid Loan; and (v) the Company's account to which the proceeds of the Bid Loan should be credited. The Company may neither request Competitive Bids for more than two Bid Loan Durations in a single Competitive Bid Request nor request Competitive Bids more frequently than once every three Business Days.

(2) Upon receipt of a Competitive Bid Request, the Agent will promptly notify each Bank by FAX of the Competitive Bid Request. Such notification shall constitute an invitation by the Company to each Bank to submit Competitive Bids to make the Bid Loans to which such Competitive Bid Request relates in accordance with this Section 2.5(c).

(3) Each Bank may at its sole discretion submit a bid ("COMPETITIVE BID") containing an offer or offers to make Bid Loans in response to any Competitive Bid Request. Each Competitive Bid must comply with the requirements of this Section 2.5(c)(3) and must be submitted to the Agent (which may be by FAX) at the Agent's office set forth on the signature page hereto not later than 9:45 a.m. (Philadelphia time) on the proposed Bid Loan Borrowing Date; provided that Competitive Bids submitted by the Agent (or any Affiliate of the Agent) may only be submitted if the Agent or such Affiliate notifies the Company of the terms of its Competitive Bid not later than 9:30 a.m. (Philadelphia time) on the proposed Bid Loan Borrowing Date.

Each Competitive Bid shall be in substantially the form of Exhibit F-2, specifying therein:

(i) the proposed Bid Loan Borrowing Date;

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

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(iii) the Absolute Rate offered for each such Bid Loan and the Bid Loan Duration applicable thereto; and

(iv) the identity of the quoting Bank.

A Competitive Bid may contain separate offers by the quoting Bank with respect to each Bid Loan Duration specified in the related Competitive Bid Request.

Any Competitive Bid shall be disregarded if it:

(i) is not substantially in conformity with Exhibit F-2 or does not specify all of the information required by this Section 2.5;

- (ii) contains qualifying, conditional or similar language;
- (iii) proposes terms other than or in addition to those set forth in the applicable Competitive Bid Request; or
- (iv) arrives after the time set forth in this Section 2.5.

(4) Promptly on receipt and not later than 10:00 a.m. (Philadelphia time) on the proposed Bid Loan Borrowing Date, the Agent will notify the Company by telephone (confirmed the same day by FAX) of the terms (i) of any Competitive Bid submitted by a Bank that is in accordance with Section 2.5, and (ii) of any Competitive Bid that amends, modifies or is otherwise inconsistent with a previous Competitive Bid submitted by such Bank with respect to the same Competitive Bid Request. Any such subsequent Competitive Bid shall be disregarded by the Agent unless such subsequent Competitive Bid is submitted solely to correct a manifest error in such former Competitive Bid and only if received within the times set forth in this Section 2.5. The Agent's notice to the Company shall specify (1) the aggregate principal amount of Bid Loans for which offers have been received for each Bid Loan Duration specified in the related Competitive Bid Request; and (2) the respective principal so offered and the Bid Loan Durations applicable thereto. Subject only to the provisions of this subsection (4), any Competitive Bid shall be irrevocable except with the written consent of the Company.

(5) Not later than 10:15 a.m. (Philadelphia time) on the proposed Bid Loan Borrowing Date, the Company shall notify the Agent of its acceptance or non-acceptance of the offers so notified to it pursuant to this Section 2.5 by telephone, such verbal notice to be confirmed the same day by FAX of a written notice substantially in the form of Exhibit F-3 hereto (the "BID LOAN NOTICE"), which notice shall set forth the amounts, interest rates, dates of borrowings and maturities of each Bid Loan comprising such Borrowing and of the Banks making such Loans. The Company shall be under no obligation to accept any offer and may choose to reject all offers. The Company's failure to accept an offer in accordance with the provisions of this Section 2.5 shall

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constitute the Company's rejection of such offer. In the case of acceptance, such notice shall specify the aggregate principal amount of offers for each Bid Loan Duration that is accepted. The Company may accept any Competitive Bid in whole or in part; provided that:

- (i) the aggregate principal amount of each Bid Borrowing may not exceed the applicable amount set forth in the related Competitive Bid Request;
- (ii) each Bid Loan must be in a minimum principal amount of \$10,000,000 or in any multiple of \$1,000,000 in excess thereof, provided that all Bid Loans made on the same day for the same duration shall be deemed to be one (1) Bid Loan;
- (iii) acceptance of offers may only be made on the basis of ascending Absolute Rates within each Bid Loan Duration; and
- (iv) the Company may not accept any offer that is required to be disregarded pursuant to this Section 2.5(c) or that otherwise fails to comply with the requirements of this Agreement.

(6) If offers are made by two or more Banks with the same Absolute Rates for a greater aggregate principal amount than the amount in respect of which such offers are accepted for the related Bid Loan Duration, the principal amount of Bid Loans in respect of which such offers are accepted shall be allocated by the Company in consultation with the Agent among such Banks as nearly as possible (in such multiples as the Company in consultation with the Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determination by the Company in consultation with the Agent of the

amounts of Bid Loans shall be conclusive in the absence of manifest error.

(7) Promptly upon receipt of notice from the Company in accordance with Section 2.5(c)(5), the Agent shall notify each Bank having submitted a Competitive Bid whether or not its offer has been accepted and, if its offer has been accepted, of the amount of the Bid Loan or Bid Loans to be made by it on the Bid Loan Borrowing Date. Promptly following each Bid Borrowing, the Agent shall notify each Bank that submitted a Competitive Bid (and each other Bank that so requests) of the ranges of the bids submitted and the highest and lowest bids accepted for each Bid Loan Duration requested by the Company and the aggregate amount borrowed pursuant to such Bid Borrowing.

(8) On the Bid Loan Borrowing Date, upon satisfaction of all applicable conditions specified in Article 3 hereof, each Bank whose Competitive Bid was accepted by the Company shall make the proceeds of its Bid Loan available to the Agent by 1:00 p.m. (Philadelphia

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time) at the address set forth opposite its name on the signature page hereof or at such office or account as the Agent shall specify to the Banks. The Agent will make the funds so received from the Banks available not later than 3:00 p.m. (Philadelphia time) to the Company on the Bid Loan Borrowing Date by a credit to the account of the Company set forth in the Bid Loan Notice.

2.6 JOINT AND SEVERAL OBLIGATIONS.

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(a) Each Borrower (including without limitation the Company) shall bear liability under the Notes and Letter of Credit Outstandings for all amounts as aforesaid jointly and severally with each other Borrower and whether or not such Borrower is designated in any Request for Advance as the Borrower requesting any Loans, it having been determined by each Borrower that it will benefit from the availability of credit to all Borrowers under the terms and conditions of this Agreement. Notwithstanding the foregoing, no Foreign Subsidiary Borrower shall be liable for the obligations of any other Borrower hereunder, and each Foreign Subsidiary Borrower shall be liable solely for the Loans where it is designated as Borrower, for Letters of Credit issued to it, and for its pro rata share of all fees and expenses and other sums due hereunder (other than principal and interest on the Loans) based upon the ratio of Loans and Letters of Credit outstanding to such Borrower to the total amount of Loans outstanding and Letter of Credit Outstandings hereunder.

(b) The liability of each Borrower under this Agreement and each Note for any and all obligations of the Borrowers, individually and collectively, owed to the Banks under this Agreement and each Note shall be unconditional and absolute irrespective of (a) any lack of enforceability of any obligation, (b) any change of the time, manner, place of payment, or any other term of any obligation, (c) any law, regulation or order of any jurisdiction affecting the genuineness, validity, or rights of the Banks, individually and collectively, with respect to any obligation or any instrument evidencing any obligation, or (d) any other circumstance which might otherwise constitute a defense to or discharge of any Borrower, including, without limitation, the release of any other Borrower from such obligations. Each Borrower agrees that its obligations hereunder are irrevocable; that a separate action or actions may be brought and prosecuted against it or other remedies hereunder may be sought regardless of whether any other Borrower is joined in any such action or actions or subject to enforcement of any such remedies; and that it waives the benefit of any statute of limitations affecting its liabilities hereunder and each Note or the enforcement hereof or thereof if the action otherwise barred by such statute of limitations is brought against any other Borrower within such statute of limitations. Each Borrower hereby irrevocably waives any right of subrogation or contribution it may have against any other Borrower for amounts paid hereunder.

2.7 INTEREST RATES.

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(A) ALTERNATE BASE RATE LOANS. Each Alternate Base Rate Loan shall bear

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interest on the unpaid principal balance thereof from day to day at a rate per annum which at all times shall be equal to the Alternate Base Rate. Any change in such interest rate due to a change in the Alternate Base Rate shall be effective on the date of such change. Interest on an Alternate Base Rate Loan

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shall be computed on the basis of a year of 360 days and shall be payable quarterly on the last Business Day of each March, June, September and December after the date hereof and at maturity of the applicable Interest Period, subject to the Company's prepayment option set forth at Section 2.10 hereof.

(B) EURO CURRENCY RATE LOANS. Each Eurocurrency Rate Loan shall bear

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interest from its date on the unpaid principal amount thereof at a rate per annum equal to the LIBO Rate plus the Applicable Margin. Interest on each Eurocurrency Rate Loan shall be computed on the basis of a year of 360 days and shall be payable at the maturity thereof, except that interest on each Eurocurrency Rate Loan having a maturity of more than three months shall be payable at intervals of three months after the date of such Loan and at maturity of the applicable Interest Period, subject to the Company's prepayment option set forth at Section 2.10 hereof.

The Agent shall give prompt notice by FAX to the Company and to each of the Banks of the LIBO Rate determined in respect of each Eurocurrency Rate Loan and of any change therein. If the Agent shall not so notify the Company and each Bank of a rate, or if otherwise the Agent shall determine (which determination shall be, in the absence of fraud or manifest error, conclusive and binding upon all parties hereto) that by reason of abnormal circumstances affecting the interbank eurodollar or applicable eurocurrency market, adequate and reasonable means do not exist for ascertaining the LIBO Rate to be applicable to the requested Eurocurrency Rate Loan or that applicable funds in amounts sufficient to fund such Eurocurrency Rate Loan are not obtainable on reasonable terms, the Agent shall give notice of such inability or determination by FAX to the Company and to each of the Banks at least one Business Day prior to the date of the proposed Eurocurrency Rate Loan and thereupon the obligations of the Banks to make such Eurocurrency Rate Loans shall be excused, subject, however, to the right of the Company at any time thereafter to submit another such request.

(C) POST MATURITY RATE. After maturity (whether by acceleration or

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otherwise) each Loan shall bear interest at a rate per annum equal to 3% in excess of the rate otherwise in effect from time to time thereafter, from the date when due, until such Loan is fully paid, which interest shall be payable by the Borrowers on demand.

2.8 FEES.

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(A) FACILITY FEE. The Borrowers agree to pay to the Agent in U.S.

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Dollars, for the account of each Bank, an annual facility fee (the "FACILITY FEE") computed on the basis of a year of 360 days, in amounts equal to the then Applicable Rate of such Bank's Revolving Credit Facility Commitment. The Facility Fee shall be payable in arrears in quarterly installments on the last Business Day of each March, June, September and December and on the Revolving Credit Facility Termination Date.

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(B) LETTER OF CREDIT FEE. The Borrowers agree to pay the Agent in U.S.

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Dollars, a Letter of Credit fee (the "LETTER OF CREDIT FEE"), computed on the basis of a year of 360 days, in an amount equal to the then Applicable Rate

multiplied by the Stated Amount of all outstanding Letters of Credit, which Letter of Credit Fee shall be distributed by the Agent to the Banks in accordance with their respective Commitment Percentage. The Letter of Credit Fee shall be payable in arrears in quarterly installments on the last Business Day of each March, June, September and December and on the Revolving Credit Facility Termination Date.

(C) BID LOAN FEE  
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The Borrowers will pay to the Agent a fee as agreed upon between the Company and the Agent (the "BID LOAN FEE") due the Agent in connection with the Competitive Bid Request, such fee to be due and payable on the date of each Competitive Bid Request.

2.9 TERMINATION OR REDUCTION OF CREDIT; RECOMPUTATION DATE.  
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(A) TERMINATION OR REDUCTION OF CREDIT. The Borrowers shall have the  
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right at any time and from time to time, upon five Business Days' written notice to the Agent (which shall promptly relay such notice to the other Banks), to terminate in whole or reduce in part, in each case permanently but without premium or penalty, the Revolving Credit Facility, provided that each such partial reduction shall be in the aggregate amount of U.S. \$25,000,000 or an integral multiple thereof, and provided that each Bank's Commitment shall be reduced pro rata in proportion to its Commitment Percentage.

(B) REDUCTION. In the event the Revolving Credit Facility is reduced, the  
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Borrowers shall, simultaneously with such reduction, make a prepayment of principal and interest in respect of the Alternate Base Rate Loans borrowed under such Facility in such amount as is necessary to assure that the aggregate principal amount of Loans outstanding and Letter of Credit Outstandings under such Facility immediately after such reduction will not exceed the Revolving Credit Facility as reduced. If prepayment in full of the Alternative Base Rate Loans does not reduce the amount of all Loans outstanding and Letter of Credit Outstandings under such Facility to an amount that will not exceed the Revolving Credit Facility as reduced, the Borrowers shall deposit with the Agent cash in an amount sufficient to repay that portion of the principal amount of Eurocurrency Rate Loans outstanding, with interest thereon through the end of each applicable Interest Period, as is necessary to assure that the aggregate principal amount of Loans and Letters of Credit outstanding under such Facility immediately after such reduction less the principal amount of Eurocurrency Rate Loans under each Facility repaid by such deposit will not exceed the Revolving Credit Facility as reduced, such deposit to be held by the Agent on behalf of the Banks until the maturity date of such Loans and then applied to the repayment of such Loans. If prepayment in full of the Alternative Base Rate Loans and Eurocurrency Rate Loans does not reduce the amount of all Loans outstanding and Letter of Credit Outstandings under such Facility to an amount that will not exceed the Revolving Credit Facility as reduced, the Borrowers shall deposit with the Agent cash in an amount sufficient to repay

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that portion of the principal amount of Bid Loans outstanding, with interest thereon through the end of each applicable Interest Period, as is necessary to assure that the aggregate principal amount of Loans outstanding and Letter of Credit Outstandings under such Facility immediately after such reduction less the principal amount of Bid Loans under each Facility repaid by such deposit will not exceed the Revolving Credit Facility as reduced, such deposit to be held by the Agent on behalf of the Banks until the maturity date of such Loans and then applied to the repayment of such Loans. Interest on amounts so held by the Agent shall accrue at the Federal Funds Rate and shall be paid to each Bank in accordance with their Commitment Percentage.

(C) RECOMPUTATION DATE. Notwithstanding any other provisions of this

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Agreement to the contrary, if there are any Eurocurrency Rate Loans outstanding the Selected Currency of which is not U.S. Dollars, the Agent shall recompute, on and as of the last day of each calendar quarter and on the date of the reduction of the Revolving Credit Facility (each such date, a "RECOMPUTATION DATE"), the U.S. Dollar Equivalent of such Eurocurrency Rate Loans. If pursuant to such recomputations the Agent determines that the aggregate principal amount of Revolving Credit Facility Loans when added to (a) the aggregate principal amount of all Bid Loans outstanding, (b) the aggregate principal amount of all Swingline Loans and (c) Letter of Credit Outstandings is greater than 105% of the Revolving Credit Facility, as then in effect, the Agent shall so advise the Borrowers, and the Borrowers shall prepay the amount in excess of 100% of the Revolving Credit Facility, together with accrued interest on the amount so prepaid within five Business Days of receipt of such notice from the Agent.

(d) If the Borrower prepays any Eurocurrency Rate Loan pursuant to this Section 2.9, simultaneously with such prepayment the Borrower shall pay the applicable Bank or Banks pursuant to Section 2.14 hereof all funding costs and loss of earnings which may arise in connection with such prepayment as determined by each such Bank in good faith. The Agent shall promptly notify each Bank of each such prepayment of Loans.

2.10 OPTIONAL LOAN PREPAYMENTS. Any Borrower, upon two Business Days'

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written notice to the Agent (which shall promptly relay such notice to the other Banks), may prepay one or more Loans as such Borrower shall designate in such notice, in whole at any time or in part from time to time without premium or penalty but with accrued interest to the date of such prepayment on the principal amount being prepaid, provided that (a) each such partial prepayment shall be in the aggregate principal amount of (i) U.S. \$10,000,000 plus integrals of U.S. \$1,000,000, if U.S. Dollar Loans are to be prepaid, and (ii) at least \$10,000,000 in U.S. Dollar Equivalent plus integrals of \$1,000,000 in U.S. Dollars Equivalents, if Eurocurrency Rate Loans are to be prepaid, and shall be applied as among the Banks pro rata in accordance with their respective Commitments or, if such payment relates to a Bid Loan or Swingline Loan, based upon the proportion of such Bid Loan or Swingline Loan made by or participated to such Bank, (b) the Borrower shall specify the date, type and amount of each Loan being prepaid and (c) if such prepayment applies to Eurocurrency Rate Loans, simultaneously with such prepayment the Borrower shall pay the applicable Bank or Banks pursuant to Section 2.14 hereof all funding costs and loss of earnings which may arise in connection

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with such prepayment as determined by each such Bank in good faith. The Agent shall promptly notify each Bank of each such prepayment of Loans.

2.11 PAYMENTS.  
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(A) All payments (including prepayments) to a Bank of the principal of or interest on any Eurocurrency Rate Loan shall be made in the Selected Currency of such Loan, and all other payments hereunder, including in respect of any Fee and all payments (including prepayments) to a Bank of the principal of or interest on any U.S. Dollar Loan shall be made in U.S. Dollars. All payments (including prepayments) to a Bank of the principal of or interest on any Loan or in respect of any Fee shall be remitted for the account of such Bank to the Agent at the main office of the Agent, or at such office or account in London as the Agent shall specify to the Banks and the Borrowers with respect to Loans denominated in a Selected Currency other than U.S. Dollars, not later than 11 a.m. Philadelphia time or London time, as applicable, on the due date thereof in immediately available funds.

(B) Each such payment for the account of a Bank shall be made absolutely net of, without deduction or offset for and altogether free and clear of any and all present and future taxes, levies, imposts, deductions, charges and withholdings and all liabilities with respect thereto under the laws of the

United States or any foreign jurisdiction (or any state, county, or political subdivision thereof), excluding income and franchise taxes imposed on such Bank under the laws of the United States or any foreign jurisdiction (or any state, county or political subdivision thereof). If a Borrower is compelled by law to deduct any such taxes (other than such excluded taxes) or to make any such other deductions or withholdings, it will pay such additional amounts as may be necessary in order that the net payments after such deduction, and after giving effect to any income taxes under the laws of the United States or any foreign jurisdiction (or any state, county or political subdivision thereof) required to be paid by any Bank in respect of such additional amounts, shall equal the amount provided for herein or in any Note.

(C) Any payments to a Bank of the principal or interest due under any Alternate Base Rate Loan or Eurocurrency Rate Loan or in respect of the Fee, shall be made simultaneously with corresponding payments for the respective accounts of the other Banks. All such simultaneous payments shall, as among the Banks, be in amounts pro rata in accordance with their respective Commitment Percentages. Payments received by the Agent shall be applied in accordance with Section 9.8.

(D) Each Revolving Credit Facility Loan shall mature on the earlier of the last day of the applicable Interest Period therefor and Revolving Credit Facility Termination Date.

(E) If the Banks make a Loan on a day on which all or any part of outstanding Loans from the Banks denominated in the same Selected Currency are to be repaid, each Bank shall apply the proceeds of its new Loan to make such repayment and only an amount equal to the difference

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(if any) between the amount being borrowed and the amount being repaid shall be made available by such Bank to the Agent and by the Agent to the Borrowers.

2.12 ILLEGALITY. Notwithstanding any other provisions herein, if any

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requirement of law, regulation, order or decree of any jurisdiction applicable to any Bank (including the United States, the United Kingdom or any state, county or political subdivision thereof) or any change therein or in the interpretation or application thereof shall make it unlawful for any Bank to make or maintain certain or all of the Loans contemplated by this Agreement, such Bank shall so notify the Agent and the Borrowers and the Agent shall forthwith give notice thereof to the other Banks. Upon the giving of any such notice to the Agent and the Borrowers (a) such Bank shall no longer be obligated to make those types of Loans determined by such Bank to be unlawful and (b) the Borrowers shall prepay in full such Loans made by such Bank then outstanding, together with accrued interest thereon and any other amounts which may be due to such Bank under this Agreement (including, without limitation, amounts owing to such Bank pursuant to Sections 2.13 and 2.14) on the earlier of (i) the last day of the then current Interest Period applicable to each Loan of such Bank or (ii) on the date after which such Bank may no longer lawfully continue to maintain and fund such Loans. If a circumstance of the type described in this Section 2.12 occurs, the Banks agree to negotiate in good faith with the Borrowers to amend this Agreement to provide Loans hereunder which will not be unlawful. In addition, as soon as practicable after the Agent or any Bank obtains knowledge of any event which will cause, or is likely to cause, a circumstance of the type described in this Section 2.12, the Agent or the Bank, as the case may be, shall notify the Borrowers thereof and each affected Bank shall designate a different lending office for its Loans or take such other action to avoid the need for repayment of its Loans pursuant to this Section 2.12 to the extent that such a designation or the taking of such action would not, in the reasonable opinion of such Bank, be disadvantageous to such Bank.

2.13 INCREASED COST.

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(a) If Regulation D of the Board of Governors of the Federal Reserve

System, as the same may be amended or supplemented from time to time, or any other requirement of law or regulation applicable to any Bank, including, without limitation, the United States or the United Kingdom or any state, county or political subdivision thereof, or any order or decree or in the interpretation or application thereof or compliance by a Bank with any request or directive (whether or not having the force of law) occurring after the date hereof from any central bank or monetary authority or other governmental authority:

(1) does or shall subject such Bank to any tax of any kind whatsoever with respect to this Agreement or any Eurocurrency Rate Loan, or change the basis of taxation of payments to such Bank of principal, Facility Fees, interest or other amount payable hereunder (except for changes in the rate of tax on general income and similar taxes on the overall net income of such Bank in any jurisdiction); or

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(2) does or shall impose, modify or hold applicable or change any reserve, special deposit, Federal Deposit Insurance Corporation premium, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Bank which are not otherwise included in the determination of the LIBO Rate hereunder; or

(3) does or shall impose on such Bank any other condition;

and the result of any of the foregoing is to increase the cost to such Bank of making, renewing, converting or maintaining advances or extensions of credit as Eurocurrency Rate Loans, or to reduce any amount receivable in respect of such Eurocurrency Rate Loans then, in any such case, the Borrowers shall promptly pay to such Bank such additional amount which will compensate the Bank for such additional cost or reduced amount receivable which the Bank deems to be material as determined by the Bank with respect to this Agreement or the Eurocurrency Rate Loans hereunder.

(b) If any Bank shall have determined that compliance by such Bank with any applicable law, governmental rule, regulation or order of any jurisdiction applicable to such Bank (including, without limitation, the United States or the United Kingdom or any state, county or political subdivision thereof) regarding capital adequacy of banks or bank holding companies, or any interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Bank with any request or directive regarding capital adequacy (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital as a consequence of such Bank's obligations hereunder to a level below that which such Bank could have achieved but for such compliance (taking into consideration such Bank's policies with respect to capital adequacy immediately before such compliance and assuming that such Bank's capital was fully utilized prior to such compliance) by an amount deemed by such Bank to be material, then, upon demand, the Borrowers shall immediately pay to such Banks as are so affected such additional amounts as shall be sufficient to compensate such Banks for such reduced return, together with interest on each such amount from four Business Days after the date demanded until payment in full thereof at the rate of interest of 3% per annum over the Alternate Base Rate. In determining such amount, such Bank may use any reasonable averaging and attribution methods. No liability or cost pursuant to this Section 2.13(b) shall be incurred by the Borrowers prior to, or relating to any period before, the date that the Borrowers receive a demand from a Bank under this Section 2.13(b).

(c) If a Bank becomes entitled to claim any additional amounts pursuant to this Section 2.13, it shall promptly notify the Borrowers thereof. A certificate as to any additional amounts payable pursuant to the foregoing submitted by a Bank to the Borrowers shall be conclusive absent

manifest error. For purposes of the application of this Section 2.13, and in calculating the amount

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necessary to compensate such Bank for any imposition of or increase in capital requirements or taxes hereunder, such Bank shall determine the applicability of this provision and calculate the amount payable to it hereunder in a manner consistent with the manner in which it shall apply and calculate similar compensation payable to it by other borrowers having provisions in their credit agreements comparable to this Section 2.13.

(d) If any Bank shall, at any time, incur costs associated with reserve requirements pursuant to Regulation D in connection with the making or maintenance of any Eurocurrency Rate Loan, then the Borrowers shall immediately pay such costs to such Bank in accordance with Section 2.13(c) hereof.

2.14 INDEMNITY AGAINST FUNDING LOSSES OR EXPENSES. The Borrowers shall

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indemnify each Bank against any loss, funding cost, expense or loss of earnings, which such Bank may, as a consequence of the Borrowers' failure to accept Loans requested at any time, failure to make a payment on the due date thereof or the payment, prepayment or conversion of any Eurocurrency Rate Loans or Bid Loans on a day other than the maturity date thereof, reasonably sustain or reasonably incur in liquidating or employing deposits from third parties acquired to effect, fund or maintain such or any part thereof. If a Bank becomes entitled to claim any additional amounts pursuant to this Section 2.14, it shall promptly notify the Agent, which shall promptly notify the Borrowers thereof.

2.15 SUBSTITUTION OF BANK. If any Bank has demanded compensation under

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Section 2.13 or Section 2.14, the Borrowers shall have the right, after consultation with the Agent, to seek a substitute bank or banks (which may be one or more of the Banks) to purchase the Notes for cash without recourse to such Bank and assume the Commitment of such Bank, which shall thereupon be released from all of its obligations hereunder.

3. REPRESENTATIONS AND WARRANTIES

The Borrowers represent and warrant that:

3.1 ORGANIZATION AND GOOD STANDING. The Company, each Subsidiary Borrower

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and each Significant Subsidiary is a corporation duly organized and in good standing (where such concept exists) under the laws of the jurisdiction of its incorporation and has the power to carry on its business as now conducted. The officers of the Company have exercised due diligence to qualify the Company, and to cause the qualification of each Subsidiary Borrower and each Significant Subsidiary, as a foreign corporation in the various jurisdictions wherein the nature of the business they transact makes such qualification necessary. The Company's only Significant Subsidiaries on the date hereof are IKON Capital Inc., Alco Standard Acquisition Capital Corporation, IKON Office Solutions, Inc. and IKON Office Solutions, Inc. (Canada).

3.2 CORPORATE POWER AND AUTHORITY. The execution, delivery and

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performance of this Agreement and the Notes are within the corporate power and authority of each Borrower, have been

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duly authorized by proper corporate proceedings, will not contravene any provision of law or the Certificate or Articles of Incorporation, Memorandum and Articles of Association or Bylaws or Code of Regulations of any Borrower or constitute a default under any agreement binding upon any Borrower, and do not require the consent or approval of, or registration with, any governmental body,

agency or authority.

3.3 VALIDITY OF AGREEMENT AND NOTES. This Agreement is a legal, valid and

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binding obligation of each Borrower, and the Notes when issued will be legal, valid and binding obligations of each Borrower, enforceable in accordance with their respective terms.

3.4 LITIGATION. Except as set forth on Schedule A, there are no suits,

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litigation or other proceedings pending, or to the knowledge of any officer of any Borrower threatened, against or affecting the Company or any Subsidiary or any of their respective properties, before any court, governmental commission, bureau or other regulatory body, the outcome of which might materially and adversely affect the financial condition or business of the Company and its Subsidiaries considered in the aggregate or the ability of any Borrower to perform its obligations hereunder.

3.5 FINANCIAL STATEMENTS. The Company has heretofore furnished to the

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Banks

(a) consolidated balance sheets of the Company and its Subsidiaries as at September 30, 1996 and September 30, 1995 and the related consolidated statements of income and retained earnings, with a report thereon by Ernst & Young, independent certified public accountants, stating in comparative form the amounts for the corresponding dates and periods for the previous fiscal year. Such balance sheets and such statements of income and retained earnings fairly present the consolidated financial position of the Company and its Consolidated Subsidiaries as of the dates thereof and the results of their operations for the periods then ended and

(b) the pro forma consolidated balance sheets of the Company and its Subsidiaries as of September 30, 1996 and the related statements of income and retained earnings, assuming the spin-off of Unisource Worldwide, Inc. to the shareholders of the Company as of such date.

All such financial statements were prepared in accordance with GAAP. Since September 30, 1996, there has not been any material adverse change in the financial condition, business or operations of the Company and its Subsidiaries.

3.6 ERISA. Each Employee Benefit Plan of the Company and any ERISA

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Affiliate is in compliance with ERISA and the Code, where applicable, in all material respects. As of the date hereof, (i) the amount of all Unfunded Pension Liabilities under the Pension Plans, (ii) the amount of the aggregate Unrecognized Retiree Welfare Liability under all applicable Employee Benefit Plans, and (iii) the aggregate potential annual withdrawal liability payments, as determined in

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accordance with Title IV of ERISA, of the Company and any ERISA Affiliate with respect to all Pension Plans which are Multiemployer Plans, are, in the aggregate, no more than U.S. \$5,000,000. The Company and each ERISA Affiliate have complied with the requirements of ERISA Section 515 with respect to each Pension Plan which is a Multiemployer Plan. The Company and/or any ERISA Affiliate has, as of the date hereof, made all contributions or payments to or under each such Pension Plan required by law or the terms of such Pension Plan or any contract or agreement. No material liability on a consolidated basis to the Pension Benefit Guaranty Corporation ("PBGC") has been, or is expected by the Company or any ERISA Affiliate.

For purposes of ERISA matters under this Agreement, "EMPLOYEE BENEFIT PLAN" means any employee benefit plan within the meaning of ERISA Section 3(3) maintained, sponsored or contributed to by the Company or any ERISA Affiliate; "ERISA AFFILIATE" means any entity that is a member of any group of

organizations within the meaning of Code Sections 414(b), (c), (m) or (o) of which the Company is a member; "MULTIEMPLOYER PLAN" means a pension plan that is a multiemployer plan as defined in ERISA Section 4001(a)(3); "PENSION PLAN" means any Employee Benefit Plan, including a Multiemployer Plan, the funding requirements of which (under ERISA Section 302 or Code Section 412) are or, at any time within the six years immediately preceding the time in question, were in whole or in part, the responsibility of the Company or any ERISA Affiliate; "UNFUNDED PENSION LIABILITIES" means, with respect to any Pension Plan at any time, the amount determined by taking the accumulated benefit obligation, as disclosed in accordance with FAS number 87, over the fair market value of Pension Plan assets; and "UNRECOGNIZED RETIREE WELFARE LIABILITY" means, with respect to any Employee Benefit Plan that provides post-retirement benefits other than pension benefits, the amount of the transition obligation, as determined in accordance with FAS number 106, as of the most recent valuation date that has not been recognized as an expense on the income statement of the Company and its Subsidiaries.

3.7 REGULATIONS G, T, U AND X. Except for Partners Securities Company,  
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neither the Company nor any of its Subsidiaries is or will be engaged principally or as one of its important activities in the business of extending credit for the purpose of purchasing or carrying or trading in any margin stocks or margin securities (within the meaning of Regulations G, T, U and X of the Board of Governors of the Federal Reserve System). No part of the proceeds of any Loan made hereunder will be applied for the purpose of purchasing or carrying or trading in any such stocks or securities, or of refinancing any credit previously extended or of extending credit to others for the purpose of purchasing or carrying or trading in any such margin stocks or margin securities.

3.8 COMPLIANCE WITH LAWS. The Company and each Subsidiary is in  
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compliance in all material respects with all applicable laws and regulations, federal, state and local, the violation of which would have a material adverse effect on the Company and its Consolidated Subsidiaries taken as a whole; the Company and each Subsidiary possess all the material franchises, permits and licenses necessary or required in the conduct of its business, and the same are valid, binding and enforceable.

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3.9 TAXES AND ASSESSMENTS. The Company and each Subsidiary have filed all  
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required tax returns or have filed for extensions of time for the filing thereof, and have paid all applicable taxes, governmental charges and similar obligations, including United States federal, state and local taxes, other than taxes, governmental charges and similar obligations not yet due or which may be paid hereafter without material penalty; the Internal Revenue Service has completed audits of tax returns filed through September 30, 1992; and neither the Company nor any Subsidiary has knowledge of any material deficiency or additional assessment against it in connection with any applicable taxes not provided for in the financial statements referred to in Section 3.5 hereof.

3.10 INVESTMENT COMPANY. Neither the Company nor any Subsidiary is an  
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"investment company" within the meaning of the Investment Company Act of 1940, as amended.

3.11 ENVIRONMENTAL MATTERS. The Company and each Subsidiary have received  
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all permits and filed all notifications necessary to carry on their businesses and are in compliance in all material respects with all federal, state or local laws and regulations governing the control, removal, spill, release or discharge of hazardous or toxic wastes, substances and petroleum products; including without limitation as provided in the provisions or the regulations, as amended, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendment and Reauthorization Act of 1986,

the Solid Waste Disposal Act, the Clean Water Act, the Clean Air Act, and the Occupational Safety and Health Act, and any regulations thereunder (all of the foregoing enumerated and non-enumerated statutes, including without limitation any applicable state or local environmental statutes, collectively the "ENVIRONMENTAL CONTROL STATUTES"), the effect of which if not received, filed or complied with could have a material adverse affect on the financial condition, business or operations of the Company and its Subsidiaries. Also, neither the Company nor any Subsidiary has received notice of potential responsibility for costs associated with responding to the release or threatened release of hazardous substances for any site where the Company's potential responsibility could have a material adverse affect on the financial condition, business or operations of the Company and its Subsidiaries.

3.12 LIENS. Except as disclosed on Schedule B hereto, mortgages, pledges, ----- security interests, encumbrances and other liens upon properties of the Company and its Subsidiaries which are in existence at the date hereof do not secure indebtedness that is, in the aggregate, material to the Company and its Consolidated Subsidiaries and do not encumber properties which are material to the Company and its Consolidated Subsidiaries.

3.13 DISCLOSURE GENERALLY. The representations and statements made by or ----- on behalf of the Company and its Subsidiaries in connection with this credit facility, and each Loan, do not and will not contain any untrue statement of a material fact or omit to state a material fact or any fact necessary to make the representations made not materially misleading. No written information, exhibit, report or financial statement furnished by the Company or any Subsidiary to the Banks in connection with this credit facility or the Loans contains or will contain any material misstatement

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of fact or omit to state a material fact or any fact necessary to make the statements contained therein not materially misleading.

3.14 OWNERSHIP OF SUBSIDIARY BORROWERS. The Company owns, directly or ----- indirectly, all of the issued and outstanding capital stock of each Subsidiary Borrower other than qualifying shares held by the directors of such Subsidiary Borrower.

#### 4. CONDITIONS

4.1 EFFECTIVENESS OF AGREEMENT. No Bank shall have an obligation to make ----- a Loan hereunder unless all the following conditions shall have been satisfied on or before the date hereof, and all documents submitted and actions taken shall be, in each instance, in form and substance, satisfactory to the Agent:

(A) COMPLIANCE. (i) Each Borrower shall have complied and be in ----- compliance with all of the terms, covenants and conditions of this Agreement which are binding upon it, (ii) there shall exist no Event of Default and no event which, with the giving of notice or the lapse of time, or both, would constitute such an Event of Default, and (iii) the representations and warranties contained in Article 3 hereof shall be true and correct. As evidence hereof, the Agent shall have received for the account of each Bank a certificate, dated the date hereof, signed by an executive officer of the Company verifying the foregoing, to the best of his or her knowledge and belief. Each Request for Advance in respect of any Loan hereunder, and the acceptance of the proceeds of such Loan, shall constitute a reaffirmation by the officer signing such Request for Advance (to the best of his or her knowledge and belief) as of the time thereof and by the Borrowers of the continuing truth and accuracy of the foregoing.

(B) EVIDENCE OF CORPORATE ACTION. The Agent shall have received copies,

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certified as of the date hereof, of all corporate action taken by each Borrower to authorize this Agreement, the Notes and the borrowing hereunder, and such other evidence of corporate power and authority as the Banks shall reasonably require.

(C) OPINIONS OF COUNSEL. The Agent shall have received a favorable  
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written opinion of the Company's General Counsel in the form and substance attached hereto as Exhibit D or Exhibit E, in the case of a Foreign Subsidiary.

(D) INCUMBENCY CERTIFICATE. The Agent shall have received a certificate  
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of the Secretary or an Assistant Secretary of each Borrower setting forth the name of the officer or officers of each Borrower authorized to sign on behalf of such Borrower this Agreement and the Notes and other documents and certificates to be delivered by such Borrower hereunder, together with the true signatures of such officer or officers, upon which certificate each Bank and the Agent may rely conclusively until they shall have received a further certificate of the Secretary or an Assistant

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Secretary of such Borrower amending the prior certificate and submitting the signatures of the appropriate officers named in such certificate.

(E) EXECUTED AGREEMENTS. The Agent shall have received this Agreement or  
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counterparts hereof executed by all parties to this Agreement.

(F) NOTES. The Agent shall have received for each Bank a Revolving Credit  
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Facility Note and a Bid Loan Note, duly executed, completed and issued in accordance herewith.

(G) MATERIAL ADVERSE CHANGE. Since September 30, 1996, there shall not  
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have been any material adverse change in the financial condition, operations or assets of the Company and its Subsidiaries taken as a whole, and there shall not be any other event or circumstance which gives the Majority Banks reasonable grounds to conclude that any Borrower may not or will not be able to perform or observe (in the normal course) its obligations hereunder and under the Notes. Notwithstanding anything contained in this Agreement to the contrary, the Spin-off in itself shall not be deemed a material adverse change.

(H) SATISFACTION OF 1994 CREDIT. The Agent shall have received evidence  
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acceptable to it of the termination of 1994 Credit and the satisfaction by the Company and its Subsidiaries of all obligations thereunder.

(I) CERTIFICATE OF COMPLIANCE. The Agent shall have received a  
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certificate, dated the effective date of this Agreement and signed by the President, a Vice President or a Financial Officer of the Company, confirming (i) compliance with the conditions set forth in Section 4.2 and (ii) that all governmental and third-party approvals necessary or advisable in connection with the spin-off of Unisource Worldwide, Inc. to the shareholders of the Company (the "SPIN-OFF") and the transactions contemplated thereby and the continuing operations of the Company and its Subsidiaries after the Spin-off have been obtained and are in full force and effect, and all applicable waiting periods have expired without any action being taken or threatened by any competent authority which restrain, prevent or otherwise impose adverse conditions on the Spin-off or any of the transactions contemplated thereby.

4.2 CONDITIONS TO LOANS. After this Agreement has become effective, the  
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obligation of each Bank to make each Loan to be made by it hereunder is further

conditioned upon the following:

(a) The Agent shall have received a Request for Advance;

(b) The Company and its Subsidiaries, including but not limited to each Subsidiary Borrower, shall be in compliance with all of the terms, covenants and conditions of this Agreement which are binding upon it;

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(c) After giving effect to such Loan and the receipt of the proceeds thereof, no Event of Default or no event which, with the giving of notice or the lapse of time, or both, would constitute such an Event of Default, shall have occurred and be continuing;

(d) Each representation and warranty contained herein shall be true and accurate on and as of the date of the proposed Loan as though such was made on such date; provided, however, that such condition shall include the truth and accuracy of the representation contained in Section 3.14 only as such representation applies to those Subsidiary Borrowers with Loans then outstanding or to whom such Loan is to be made; and

(e) If such Loan is requested to be made to a Subsidiary Borrower, the Agent shall have received a favorable written opinion from counsel to such Subsidiary Borrower (which counsel shall be reasonably acceptable to the Agent) in the form and substance attached hereto as Exhibit E or in such form as shall be reasonably acceptable to the Agent.

4.3 COPIES OF DOCUMENTS. All documents and instruments to be delivered

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hereunder in satisfaction of the conditions set forth in Section 4.1 and Section 4.2 (other than the Notes themselves) shall be delivered in sufficient numbers of original counterparts to enable separate counterparts thereof to be furnished to the Agent and each of the Banks. Upon its receipt of the same, the Agent shall promptly supply each Bank with a counterpart of each document, certificate and other paper delivered to the Agent in fulfillment of the conditions set forth in Section 4.1 and Section 4.2.

## 5. COVENANTS

The covenants set forth in this Section shall be effective until the expiration or prior termination of the Commitments or until payment in full of all Notes issued and other amounts owing hereunder, whichever is later.

5.1 FINANCIAL STATEMENTS AND INFORMATION. The Company will furnish to

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each Bank:

(a) as soon as available and in any event within 60 days after the end of the first, second and third quarterly accounting periods in each fiscal year of the Company, copies of a consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such accounting period and of the related consolidated income and retained earnings statements of the Company and its Consolidated Subsidiaries for the elapsed portion of the fiscal year ended with the last day of such accounting period, all in reasonable detail and stating in comparative form the amounts for the corresponding date and period in the previous fiscal year, and all prepared in accordance with GAAP, subject to year end audit adjustments and certified by an authorized financial officer of the Company;

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(b) as soon as available and in any event within 120 days after the end of each fiscal year of the Company, copies of consolidated balance sheets of the Company and its Consolidated Subsidiaries as of the end of

such fiscal year and consolidated statements of income and retained earnings of the Company and its Consolidated Subsidiaries for such fiscal year, in reasonable detail and stating in comparative form the figures as of the end of and for the previous fiscal year prepared in accordance with GAAP and certified by independent public accountants of recognized standing as may be selected by the Company and reasonably satisfactory to the Agent;

(c) concurrently with each of the financial statements furnished pursuant to the foregoing subsections (a) and (b), a certificate of the Chairman of the Board, President, a Vice President (whose duties are in the finance area) or Financial Officer, stating that in the opinion of the signer, based upon a review made under their supervision, no Event of Default or event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default, has occurred is continuing, and the Company has performed and observed all of, and the Company is not in default in the performance or observance of any of, the terms and covenants hereof or, if the Company shall be in default, specifying all such defaults, and the nature thereof, of which the signer of such certificate may have knowledge;

(d) concurrently with their being filed, mailed or delivered, as applicable, copies of all proxy statements, financial statements and reports which the Company shall send or make available generally to its shareholders, and copies of all reports on Forms 10-K, 10-Q and 8-K and all other filings and reports specifically requested by a Bank which the Company or any Subsidiary may be required to file with the Securities and Exchange Commission or any similar or corresponding governmental commission, department or an agency substituted therefor or with any securities exchange located in the United States of America; and

(e) such other information relating to the business, affairs and financial condition of the Company and its Subsidiaries as the Agent (when requested so to do by any Bank) may from time to time reasonably request.

5.2 FUNDED DEBT TO TOTAL CAPITALIZATION RATIO. The Company will not

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permit Funded Debt of the Company and its Consolidated Subsidiaries to exceed 45% of the sum of (1) Funded Debt of the Company and its Consolidated Subsidiaries plus (2) the consolidated minority interest obligations shown on the consolidated balance sheet of the Company and its Consolidated Subsidiaries plus (3) the Consolidated Net Worth of the Company and its Consolidated Subsidiaries. For purposes of calculating such ratio, Finance Leasing Subsidiaries shall be excluded from the definition of "CONSOLIDATED SUBSIDIARIES."

5.3 SUBSIDIARIES' DEBT. The Company will not permit any of its

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Subsidiaries directly or indirectly to create, incur, assume, suffer to exist, guarantee or otherwise become, be or remain

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liable with respect to any Debt (other than Excluded Debt, as defined below) in an aggregate amount outstanding (as to all Subsidiaries) at any time in excess of 20% of Consolidated Net Worth plus the amount of Debt outstanding on the date hereof (other than Excluded Debt outstanding on the date hereof). For the purposes of this Agreement, Excluded Debt shall mean: (i) Debt owing exclusively to the Company or another Subsidiary, (ii) Debt of a Subsidiary outstanding on the date that the Company acquires such Subsidiary, (iii) Debt with respect to property to be used by the Company or its Subsidiaries, the interest on which Debt is exempt from Federal income tax pursuant to (S)103 of the Internal Revenue Code of 1986, as amended, (iv) Debt of any foreign Subsidiary that is not guaranteed by the Company or any other Subsidiary, (v) Debt of Finance Leasing Subsidiaries owing to the Company or any of its Consolidated Subsidiaries, (vi) Debt of Finance Leasing Subsidiaries to a person or persons other than the Company and its Consolidated Subsidiaries provided that such Debt is not guaranteed by the Company or any of its Consolidated Subsidiaries or

(vii) Debt hereunder or under the Existing Credit Agreement.

5.4 SALE OF ASSETS. The Company will not, and will not permit any

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Consolidated Subsidiary to, sell, lease or transfer all or substantially all of its assets unless (i) immediately after giving effect thereto the Company is in compliance with the covenants and provisions of this Agreement and (ii) such sale, lease or transfer shall not have any materially adverse effect upon the financial condition of the Company and its Subsidiaries taken as a whole or the Company's ability to perform its obligations hereunder. Notwithstanding this provision, any Consolidated Subsidiary that is not a Subsidiary Borrower may sell, lease or transfer all or substantially all of its assets to any other Consolidated Subsidiary or to the Company, and any Subsidiary Borrower may sell, lease or transfer all or substantially all of its assets to any other Subsidiary Borrower or to the Company.

5.5 MERGERS AND ACQUISITIONS. Neither the Company nor any Subsidiary

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Borrower will merge or consolidate with, or otherwise acquire control of the assets of, any other corporation or other entity, unless (i) the Company is the surviving or parent corporation of any merger or other acquisition involving the Company, (ii) a Subsidiary Borrower is the surviving or parent corporation of any merger or other acquisition involving one or more Subsidiary Borrowers and (iii) the Company and each Subsidiary Borrower are in compliance with this Agreement prior to and after such merger or acquisition; provided, however, that the provisions of this Section 5.5 shall apply to a Subsidiary Borrower only if and so long as such Subsidiary Borrower has outstanding Loans.

5.6 NEGATIVE PLEDGE. The Company will not, and will not permit any

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Consolidated Subsidiary to, create, incur, assume or suffer to exist any mortgage, pledge, security interest, encumbrance or other lien upon any property, now owned or hereafter acquired, of the Company or any Consolidated Subsidiary (the sale with recourse of receivables or any sale and lease back of any fixed assets being deemed to be the giving of a lien thereon for money borrowed), other than:

(a) liens existing on the date of this Agreement on any property, provided that the amount secured by any such lien is not greater than the amount secured thereby on the date of this Agreement;

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(b) liens on any property (including but not limited to margin stock (within the meaning of Regulations G, T, U and X of the Board of Governors of the Federal Reserve System)) hereafter acquired existing at the time of such acquisition or created within a period of 120 days following any such acquisition to secure or provide for the payment of any part of the purchase price thereof or liens to secure indebtedness incurred to fund or refund any liens within the scope of this subsection (b) provided that the amount secured by any such lien is not greater than the amount secured thereby on the date of such acquisition or within the 120 day period, as the case may be;

(c) liens securing indebtedness of a Consolidated Subsidiary outstanding on the date that the Company acquires such Consolidated Subsidiary;

(d) liens for taxes, assessments or governmental charges or levies not yet due and payable or being contested in good faith and by appropriate proceedings promptly initiated and diligently conducted, provided that a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor and no foreclosure, distraint, sale or other similar proceedings shall have been commenced;

(e) statutory liens of landlords and liens of carriers, warehousemen, mechanics and materialmen incurred in the ordinary course of business for sums not yet due or being contested in good faith by appropriate proceedings promptly initiated and diligently conducted, provided that a reserve or other appropriate

provision, if any, as shall be required by GAAP shall have been made therefor;

(f) liens incurred or deposits made in the ordinary course of business in connection with workmen's compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(g) liens created hereafter in connection with borrowing or pledges of receivables which liens when added to all sales and discounting transactions contemplated by Section 5.7 do not in the aggregate exceed 10% of Consolidated Net Worth;

(h) liens, security interests and any other encumbrances on any of its treasury shares; and

(i) liens arising in connection with a Securitization permitted by Section 5.7 hereof, limited in each case to the accounts therein or in any trust or similar entity utilized to effect such Securitizations and to any equipment giving rise to such accounts.

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5.7 SALE, DISCOUNT OF RECEIVABLES; SALE, LEASEBACK TRANSACTIONS. The  
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Company will not, and will not permit its Consolidated Subsidiaries to, enter into any Securitization which, when added to the aggregate amount of all Securitizations then outstanding, exceeds the lesser of 15% of Consolidated Total Assets or \$775,000,000. Exclusive of such Securitizations, the Company will not, and will not permit its Consolidated Subsidiaries to, sell or discount receivables with recourse or sell and lease back fixed assets the aggregate amount of which when added to all liens permitted by Section 5.6(g) exceed 10% of Consolidated Net Worth.

5.8 REGULATIONS G, T, U AND X. The Company will not, and will not permit  
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any Subsidiary to, use Borrowings hereunder in any manner which may cause a violation of or non-compliance with Regulations G, T, U or X of the Board of Governors of the Federal Reserve Board.

5.9 CORPORATE EXISTENCE. The Company will maintain its existence and,  
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except as otherwise allowed by Section 5.5 above, the existence of each Subsidiary in good standing as a business corporation under the laws of the jurisdiction of its incorporation, and remain qualified and cause each Subsidiary to remain qualified to do business in all jurisdictions wherein the nature of the business it transacts or the character of the properties owned by it makes such qualification necessary.

5.10 BOOKS AND RECORDS. The Company will keep and maintain, and cause each  
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Subsidiary to keep and maintain, satisfactory and adequate books and records of account in accordance with GAAP and make or cause the same to be made available to Banks or their agents or nominees at any reasonable time upon reasonable notice for inspection and to make extracts thereof.

5.11 INSURANCE. The Company will insure and keep insured, and cause each  
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Subsidiary to insure and keep insured, with reputable insurance companies, so much of their respective properties, to such an extent and against such risks (including liability and fire) as companies engaged in similar businesses customarily insure properties of a similar character; or, in lieu thereof, the Company or any one or more of its Subsidiaries will maintain or cause to be maintained a system or systems of self-insurance which will be in accord with the approved practices of companies owning or operating properties of a similar character and maintaining such systems, and, in such cases of self-insurance,

maintain or cause to be maintained an insurance reserve or reserves in adequate amounts.

5.12 LITIGATION; EVENT OF DEFAULT. The Company will notify the Banks in

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writing immediately of the institution of any litigation, the commencement of any administrative proceedings, the happening of any event or the assertion or threat of any claim which might materially or adversely affect its and its Subsidiaries' business, operations or financial condition (taken as a whole), or the occurrence of any Event of Default hereunder or an event which with the passage of time or the giving of notice or both would constitute an Event of Default hereunder.

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5.13 TAXES. The Company will pay and discharge, and cause each Subsidiary

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to pay and discharge, all taxes, assessments or other governmental charges or levies imposed on it or any of its property or assets prior to the date on which any material penalty for non-payment or late payment is incurred, unless the same is currently being contested in good faith by appropriate proceedings and reserves in accordance with GAAP are being maintained.

5.14 COMPLIANCE WITH LAWS. The Company will comply and cause each

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Subsidiary to comply in all material respects with all local, state and federal laws and regulations material to its business and operations, including but not limited to: (i) all rules and regulations of the Securities and Exchange Commission, (ii) local, state and federal laws governing the control, removal, spill, release, or discharge of hazardous or toxic wastes, substances or petroleum products, including without limitation the Environmental Control Statutes, and (iii) the provisions and requirements of all franchises, permits and licenses applicable to its business, including, but not limited to, those required by the Environmental Control Statutes. The Company shall notify the Banks promptly in detail of any actual or alleged failure to comply with or perform, breach, violation or default under any such laws or regulations or if the Company receives notice of potential responsibility for the release or threatened release of hazardous substances, or of the occurrence or existence of any facts or circumstances which with the passage of time, the giving of notice or both or otherwise could create such a breach, violation or default or could occasion the termination of any of such franchises or grants of authority or the creation of potential responsibility for releases or threatened releases of hazardous substances, if any of the foregoing would have a material adverse effect on the Company and its Subsidiaries taken as a whole.

5.15 EMPLOYEE BENEFIT PLANS. The Company will and will cause each ERISA

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Affiliate (a) to comply in all material respects with the provisions of ERISA to the extent applicable to any Employee Benefit Plan maintained by it and cause all Employee Benefit Plans maintained by it to satisfy the conditions under the Internal Revenue Code of 1986, as amended (the "CODE"), for tax qualification of all such plans intended to be tax qualified; and (b) to avoid (1) any material accumulated funding deficiency (within the meaning of ERISA section 302 and Code section 412(a)) (whether or not waived) (2) any act or omission on the basis of which it or an ERISA Affiliate might incur a material liability to the PBGC (other than for the payment of required premiums) or to a trust established under ERISA section 4049; (3) any transaction with a principal purpose described in ERISA section 4069; and (4) any act or omission that might result in the assessment by a Multiemployer Plan of withdrawal liability against the Company or any ERISA Affiliate, but only to the extent that the liability arising from a failure to comply with any covenant set forth in (a) or (b) of this Section 5.15 could reasonably be expected to result in a liability to the Company or a Subsidiary or an ERISA Affiliate for any one such event in excess of U.S. \$10,000,000.

5.16 USE OF PROCEEDS. Each Borrower shall use the proceeds of its Loans to

repay any and all loans outstanding under the 1994 Credit, to pay all other obligations under the 1994 Credit and for working capital, acquisitions and general corporate purposes.

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5.17 CONTINUED OWNERSHIP OF EACH SUBSIDIARY BORROWER. The Company shall

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continue to own, directly or indirectly, all of the issued and outstanding capital stock of each Subsidiary Borrower, other than qualifying shares held by the directors of such Subsidiary Borrower; provided, however that this Section 5.17 shall apply to the Company's direct or indirect ownership of a Subsidiary Borrower (i) as a condition to such Subsidiary Borrower obtaining a Loan hereunder and (ii) if and so long as such Subsidiary Borrower has outstanding Loans.

6. DEFAULTS

6.1 DEFAULTS. Any of the following shall constitute an "EVENT OF DEFAULT"

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with respect to this Agreement and the Notes:

(a) Failure of any Borrower to pay any amount payable on account of the principal of or interest on any Note when due, or the failure to pay any Fee or other payment due hereunder within 10 days after the same shall become due;

(b) Failure of any Borrower to observe or perform any term, covenant or agreement contained in this Agreement, the Notes or any other document evidencing the Loans (other than that specified in (a) above) and the continuation of such failure for 30 days after written notice thereof has been given to the Borrowers by the Agent at the request of the holder of any Note (including but not limited to itself);

(c) Any statement, certificate, report, representation or warranty made or furnished by any Borrower in this Agreement or in compliance with the provisions hereof shall prove to have been false or misleading in any material respect at the time when made;

(d) Any obligation(s) of the Company and/or any Subsidiary in excess of U.S. \$15,000,000, individually or in the aggregate (as principal or guarantor or other surety), to any person other than the Banks in connection with this Agreement and the Notes for borrowed money (other than the Notes) shall become or is declared to be due and payable prior to its stated maturity or any event of default or event which with the passing of time or notice or both shall have occurred the effect of which permits payment of any such obligation to be demanded prior to its stated maturity;

(e) If (1) any Employee Benefit Plan shall cease to have "QUALIFIED" status under the Code, (2) the minimum funding standards applicable to any Employee Benefit Plan shall not be complied with, (3) any excise tax or tax lien shall be incurred in connection with any Employee Benefit Plan and the administration thereof, (4) any claim shall be incurred with respect to any Employee Benefit Plan other than in the ordinary operation of such Plan, (5) any "PROHIBITED TRANSACTION" as defined by the Code or ERISA shall have occurred, (6) any liability shall be incurred to the PBGC, (7) any withdrawal liability shall be incurred with respect to a Multiemployer Plan, (8) any liability shall be incurred in connection with a

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failure to make timely reports and filings with respect to Employee Benefit Plans, or (9) any other thing shall have occurred with respect to any Employee Benefit Plan, the result of which (in any one of the foregoing clauses (1) through (8), any combination of said clauses, or otherwise) is that the Company or any Subsidiary, in the reasonable judgment of the

Majority Banks, has or is likely to incur liabilities (whether the liability is direct or indirect, current or deferred, fixed or contingent) of U.S. \$10,000,000 or more;

(f) Any judgment or judgments against the Company and/or any Subsidiary or any attachments against any of their assets or property in an amount in excess of U.S. \$10,000,000 in any one instance or in the aggregate shall remain unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of 30 days;

(g) If (1) any person or group within the meaning of (S)13(d)(3) of the Securities Exchange Act of 1934, as amended (the "1934 ACT") and the rules and regulations promulgated thereunder shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act), directly or indirectly, of securities of the Company (or other securities convertible into such securities) representing twenty percent (20%) of the combined voting power of all securities of the Company entitled to vote in the election of directors, other than securities having such power only by reason of the happening of a contingency (hereinafter called a "CONTROLLING PERSON"); or (2) a majority of the Board of Directors of the Company shall cease for any reason to consist of (A) individuals who on the date of this Agreement were serving as directors of the Company and (B) individuals who subsequently become members of the Board if such individuals' nomination for election or election to the Board is recommended or approved by a majority of the Board of Directors of the Company. For purposes of clause (1) above, a person or group shall not be a Controlling Person if such person or group holds voting power in good faith and not for the purpose of circumventing this Section 6.1(g) as an agent, bank, broker, nominee, trustee, or holder of revocable proxies given in response to a solicitation pursuant to the 1934 Act, for one or more beneficial owners who do not individually, or, if they are a group acting in concert, as a group have the voting power specified in clause (1).

(h) The Company and/or any Subsidiary shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of itself or of its property, (ii) be unable, or admit in writing inability, to pay its Debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, (v) file a voluntary petition in bankruptcy, or a petition or answer seeking reorganization or an arrangement with creditors to take advantage of any insolvency law, or an answer admitting the material allegations of a bankruptcy, reorganization or insolvency petition filed against it, (vi) take corporate action for the purpose of effecting any of the foregoing, or (vii) have an order for relief entered against it in any proceeding under the United States Bankruptcy Code;

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(i) An order, judgment or decree shall be entered, without the application, approval or consent of the Company and/or any Subsidiary by any court of competent jurisdiction, approving a petition seeking reorganization of the Company or such Subsidiary or appointing a receiver, trustee or liquidator of the Company or such Subsidiary or of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of 60 consecutive days; or

(j) The Company shall fail to continue to maintain its ownership of each of the Subsidiary Borrowers to the extent required by Section 5.17.

6.2 ACCELERATION BY REASON OF DEFAULT. If an Event of Default occurs

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under Section 6.1(a) through Section 6.1(g) or Section 6.1(j) above, the Agent shall (a), if requested by the Majority Banks, immediately terminate the Commitments by notice in writing to the Borrowers and (b), if requested by the Majority Banks, immediately declare the Notes to be and they shall thereupon forthwith become due and payable without presentment, demand, or notice of any kind, all of which are hereby expressly waived. Simultaneously with the giving

of any such notice to the Borrowers, the Agent shall notify the Banks of any such action. If an Event of Default occurs under Section 6.1(h) or Section 6.1(i) above, then, forthwith and without any election or notice, the Commitments shall terminate and the Notes shall forthwith become due and payable without presentment, demand or other notice of any kind, all of which are hereby expressly waived.

## 7. THE BANKS AND THE AGENT

### 7.1 AUTHORITY OF AGENT. Each of the Banks authorizes the Agent to act on -----

its behalf to the extent herein provided and to exercise such other powers as are reasonably incidental thereto, including the receipt of all payments of principal of and interest on the Notes, fees and other amounts payable hereunder, with full power and authority as attorney-in-fact for the Banks to institute and maintain actions, suits or proceedings for the collection and enforcement of the Notes and to file such proofs of debt or other documents as may be necessary to have the claims of the Banks allowed in any proceeding relative to any Borrower or its creditors or affecting its properties and to take such other action for the protection, collection and enforcement of the Notes as the Agent may deem advisable. The Agent may take any such action in its discretion and shall take such action for the protection, collection and enforcement of the Notes as may be requested by the Majority Banks. The relationship between the Agent and each Bank has no fiduciary aspects, and the Agent's duties (as Agent) hereunder are acknowledged to be only ministerial and not involving the exercise of discretion on its part. Nothing in this Agreement or any Note shall be construed to impose on the Agent any duties or responsibilities other than those for which express provision is made herein or therein. In performing its duties and functions hereunder, the Agent does not assume and shall not be deemed to have assumed, and hereby expressly disclaims, any obligation with or for the Borrowers. As to matters not expressly provided for in this Agreement or any Note, the Agent shall not be required to exercise any discretion or to take any action or communicate any notice, but shall be fully protected in so acting or refraining from acting upon the instructions of the Majority Banks

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and their respective successors and assigns; provided, however, that in no event shall the Agent be required to take any action which exposes it to personal liability or which is contrary to this Agreement, any Note or applicable law, and the Agent shall be fully justified in failing or refusing to take any action hereunder unless it shall first be specifically indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or omitting to take any such action. If an indemnity furnished to the Agent for any purpose shall, in the reasonable opinion of the Agent, be insufficient or become impaired, the Agent may call for additional indemnity from the Banks and not commence or cease to do the acts for which such indemnity is requested until such additional indemnity is furnished. The Majority Banks may revoke the authority of the Agent set forth herein effective upon receipt of written notice by the Agent of such revocation. The Agent shall promptly notify the Banks of any Event of Default.

### 7.2 RESPONSIBILITY OF AGENT. In performing its functions and duties -----

hereunder on behalf of the Banks, the Agent shall exercise the same care and skill as it would exercise in dealing with loans for its own account. Neither the Agent nor any of its directors, officers or employees shall be liable for any action taken or omitted in the absence of gross negligence or willful misconduct. Each Borrower shall certify to the Agent the names and signatures of its officers authorized to sign Notes, execute certificates and otherwise act in respect hereof, and the Agent may conclusively rely thereon until receipt by it of notice to the contrary. The Agent shall be entitled to rely upon any opinion of counsel (including counsel for the Borrowers) in relation to this Agreement. The Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with it. The Agent shall promptly notify the Borrowers of any such notice received by it.

7.3 PRO-RATA PAYMENTS. If any Bank, by exercising any right of set-off or

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counterclaim or otherwise, receives payment of principal or interest or other amount due on any Loan or Letter of Credit, which is greater than the percentage share of such Bank (determined as set forth below), the Bank receiving such proportionately greater payment shall purchase such participations in the Loans or Letter of Credit obligations held by the other Banks, and such other adjustments shall be made as may be required, so that all such payments shall be shared by the Banks on the basis of their percentage shares; provided that if all or any portion of such proportionately greater payment of such indebtedness is thereafter recovered from, or must otherwise be restored by, such purchasing Bank, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest being paid by such purchasing Bank. The percentage share of each Bank shall be based on the portion of the outstanding Loans and Letter of Credit Outstandings due such Bank (prior to receiving any payment for which an adjustment must be made under this Section 7.3)) in relation to the aggregate outstanding Loans and Letter of Credit Outstandings due all the Banks (prior to receiving any payment of which an adjustment must be made under this Section 7.3).

7.4 INDEMNIFICATION OF AGENT. Each of the Banks agrees (which agreement

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shall survive payment of the Notes) to indemnify the Agent (to the extent not reimbursed by the Borrowers), in amounts which are pro rata to their respective Commitments, if such amounts are due prior to the making of the Loans hereunder, and thereafter to the outstanding principal amount of their respective

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Loans, from and against any and all losses, claims, damages, liabilities and expenses which may be imposed on, incurred by or asserted against the Agent in any way related to or arising out of this Agreement, the Notes or the Loans or any action taken or omitted by the Agent, except any losses, claims, damages, liabilities or expenses resulting from the Agent's gross negligence or willful misconduct; provided, however, that in the event any Bank is required hereunder to make such amount available to the Agent the amount of a Loan, and any such Bank fails to make such amount available to the Agent, such Bank agrees to indemnify the Agent to the extent provided in Section 2.2 hereof. All reasonable expenses, including reasonable counsel fees, incurred by the Agent in taking any action hereunder shall be borne, subject to the Borrowers' liability therefor, by the Banks pro rata in accordance with their respective Commitment Percentages under this Agreement, and the Banks hereby agree to reimburse the Agent for all such expenses on request.

7.5 CREDIT DECISION. Each Bank acknowledges that it has, independently

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and without reliance upon the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement. Each of the Banks agrees that the Agent shall not have any responsibility for the accuracy or adequacy of any information contained in any document, or any oral information, supplied to such Bank by the Borrowers directly or through the Agent.

7.6 THE AGENT AS A BANK. With respect to its Commitment and the Loans

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made and to be made by it, CoreStates Bank, N.A. shall have the same rights, powers and obligations under this Agreement and its Notes as the other Banks and may exercise the same as if it were not the Agent, and the terms "BANK" and "BANKS" as used herein shall, unless otherwise expressly indicated, include CoreStates Bank, N.A. in its individual capacity. CoreStates Bank, N.A. and any successor Agent which is a commercial bank, and their respective affiliates, may accept deposits from, lend money to, act as trustee under indentures of and

generally engage in any kind of business with, any Borrower and its affiliates from time to time, all as if the Agent were not the agent hereunder and without any duty to account therefor to any Bank.

7.7 SUCCESSOR AGENT. The Agent may resign at any time by giving written

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notice of such resignation to the Banks and the Borrowers, such resignation or removal to be effective only upon the appointment of a successor Agent as hereinafter provided. Upon any such notice of resignation, the Banks other than the Bank, if any, then serving as Agent shall jointly appoint a successor Agent upon written notice to the Borrowers and the retiring Agent. If no successor Agent shall have been jointly appointed by such Banks and shall have accepted such appointment within 30 days after the retiring Agent shall have given notice of resignation, the retiring Agent may, upon notice to the Borrowers and the Banks, appoint a successor Agent. Upon its acceptance of any appointment as Agent hereunder, the successor Agent shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from

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its duties and obligations under this Agreement. After any retiring Agent's resignation hereunder, the provisions hereof shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent under this Agreement.

7.8 WITHHOLDING TAXES. Each Bank (a) represents and warrants to, and

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agrees with, the Agent that with respect to Loans to Borrowers that are not Foreign Subsidiaries under applicable law and treaties no taxes will be required to be withheld by the Agent with respect to any payments to be made to such Bank hereunder, and (b) agrees to furnish (if it is organized under the laws of any jurisdiction other than the United States or any State thereof) to the Agent prior to the time that the Agent pays over to such Bank its portion of any payment of interest or principal or their amounts hereunder either (i) U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such Bank claims entitlement to the benefits of a tax treaty that provides for a complete exemption from U.S. federal income withholding tax on all interest payments hereunder) and (ii) a new Form 1001 or Form 4224 upon the obsolescence of any previously delivered form or comparable statements in accordance with applicable U.S. laws and regulations and amendments thereto, duly executed and completed by such Bank, and (c) agrees to comply, from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption. Upon request of the Agent from time to time, each Bank shall deliver to the Agent such evidence of compliance with this Section as the Agent requires.

7.9 ALLOCATIONS MADE BY AGENT. As between the Agent and the Banks, unless

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a Bank objecting to a determination or allocation made by the Agent pursuant to this Agreement delivers to the Agent written notice of such objection within one hundred twenty (120) days after the date any distribution was made by the Agent, such determination or allocation shall be conclusive on such one hundred twentieth day and only those items expressly objected to in such notice shall be deemed disputed by such Bank. The Agent shall not have any duty to inquire as to the application by the Banks of any amounts distributed to them.

## 8. INDEMNIFICATION

8.1 INDEMNIFICATION OF THE AGENT AND THE BANKS. Each Borrower hereby

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agrees to indemnify and defend the Agent, each Bank and each Participant and their respective directors, officers, agents, employees and counsel, from and hold each of them harmless against, any and all losses, liabilities, claims, damages, interests, costs, judgments or expenses, including reasonable attorneys' fees, asserted against or incurred by any of them by or to any third party arising out of or in connection with any Bank's Commitment, this

Agreement, or the Bank's financing of such Borrower's business and operations, except any such amount claimed by a Bank resulting from such Bank's gross negligence or wilful misconduct. All obligations provided for in this Section 8.1 shall survive any termination of this Agreement or the Notes, the repayment of indebtedness hereunder, or any action taken by any Bank in the enforcement of its rights and remedies, hereunder or thereunder, or any condition or event relating to any Borrower or its business or operations.

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## 9. MISCELLANEOUS

### 9.1 NOTICES. All notices, requests, demands, directions and other

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communications provided for herein (other than telephonic communications to be confirmed promptly thereafter in writing) shall be in writing (including communication by FAX) and mailed, FAXED or delivered in hand to the applicable party at the addresses and FAX numbers indicated opposite its signature on the signature pages hereto or at such other addresses or FAX numbers as such party may specify in prior written notice given to the Agent and the Company for itself and on behalf of the Subsidiary Borrowers. All such notices, requests, demands, directions and other communications shall, when mailed, or FAXED, be effective when deposited in the mails or sent by FAX, respectively, addressed as aforesaid, except that notices or requests or directions to the Agent pursuant to any provision hereof shall not be effective until received by the Agent.

### 9.2 EFFECTIVE DATE, SUCCESSORS AND ASSIGNS AND SURVIVAL OF TERMS. This

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Agreement shall become effective upon receipt by the Agent from all parties hereto of either an executed counterpart of this Agreement or written advice by telex, telegram or FAX that a counterpart has been executed by the respective party and is being concurrently sent to the Agent. The terms and provisions of this Agreement shall be binding upon the parties hereto and their respective successors and assigns except that no Borrower shall have the right to assign any of its rights hereunder or any interest of it herein without the written consent of all the Banks, and no Bank shall have the right to assign any of its rights under or interest in this Agreement or any Note without (i) the written consent of the Agent and the Company on behalf of the Borrowers received no later than 14 days prior to such proposed assignment, (ii) execution and delivery to the Agent and the Borrowers of an assignment agreement acceptable to the Agent and the Borrower, and (iii) payment to the Agent (by the proposed assignor or assignee) of an assignment fee of \$3,000. All representations, warranties and agreements herein contained on the part of the Borrowers shall survive the execution of the Agreement and the execution of the Notes, the expiration or prior termination of the Commitments, the payment of interest or principal evidenced by any Note, and the payment of all fees and expenses, costs or other payments due hereunder.

### 9.3 PARTICIPATIONS. Each Borrower hereby acknowledges and agrees that any

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Bank may at any time grant participations in all or any portion of its Loans or its Note or of its right, title and interest therein or in or to this Agreement, (collectively, "PARTICIPATIONS") to any other lending office or to any other bank, lending institution, or any other entity which has the requisite sophistication to evaluate the merits and risks of investments in Participations (collectively, "PARTICIPANTS"); provided, however, that: (i) all amounts payable by the Borrowers hereunder shall be determined as if such Bank had not granted such Participation, and (ii) any agreement pursuant to which any Bank may grant a participation in its rights with respect to any particular Loans (x) shall provide that with respect to any such Loans such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrowers relating to such Loans including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement, (y) may provide that such Bank will not agree to any modification, amendment or

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waiver of this Agreement without the consent of the Participant if such amendment, modification or waiver would reduce the principal of or rate of interest on such Loans or postpone the date fixed for any payment of principal of or interest on such Loans, and (z) shall not relieve such Bank from its obligations, which shall remain absolute, to make Loans hereunder. No Participant shall have the benefit of the provisions contained in Section 2.13 hereof. Nothing contained herein shall restrict the ability of any Bank to assign, pledge or hypothecate all or any portion of its Note to any Federal Reserve Bank.

9.4 EXPENSES. The Borrowers agree to pay the reasonable out-of-pocket

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fees and expenses of the Agent incurred in connection with the negotiation and documentation of this Agreement, the Notes and all related documents, the enforcement of this Agreement and the Notes, and the enforcement of any other rights of the Banks in connection herewith and therewith. The Borrowers agree to pay the reasonable out-of-pocket fees and expenses of the Banks, including reasonable counsel fees, in connection with the enforcement of this Agreement and the Notes and the enforcement of any other rights of the Banks in connection herewith and therewith.

9.5 MODIFICATIONS AND WAIVERS. No modifications or waivers of any

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provision of this Agreement or any Note and no consent to any departure by any Borrower therefrom shall in any event be effective, unless the same shall be in writing, and approved by the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given; provided, however, that without the written consent of all of the Banks no such modification, waiver or consent shall (a) change the amount or maturity date of the principal of, or change the rate or extend the time of payment of interest on, any Loan, Letter of Credit Outstanding, or any fees hereunder, (b) change any of the terms of the Commitments, (c) change or affect the provisions of Section 2.1, Section 2.4(a)(2), Section 2.6, Section 2.7, Section 2.8, Section 2.11, Section 2.12, Section 2.13, Section 2.14, Section 6.1, Section 6.2 or Section 8.1 hereof or modify the definition of "MAJORITY BANKS," (d) subordinate any Note in right of payment to any other indebtedness or obligation whatsoever, or (e) change or affect any provision of this Section 9.5.

9.6 NO IMPLIED RIGHTS OR WAIVERS. No notice to or demand on any Borrower

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in any case shall entitle any Borrower to any other or further notice or demand in the same, similar or other circumstances. Neither any failure nor any delay on the part of the Banks in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of the same or the exercise of any other right, power or privilege.

9.7 OFFSETS. Nothing in this Agreement shall be deemed a waiver or

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prohibition of any Bank's right of banker's lien or offset.

9.8 APPLICATION OF PAYMENTS. Subject to the provisions of Sections 2.10

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and 2.11, the Agent and each Bank agree that all payments on account of the Loans and Unpaid Drawings shall be applied by the Agent and the Banks as follows:

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(1) First, to the Agent for any fees, costs or expenses (including expenses described in Section 9.4) accrued to or incurred by the Agent under this Agreement or any of the Notes, then due and payable and not reimbursed by the Borrowers or the Banks until such fees, costs and expenses are paid in full;

(2) Second, as to all Loans other than Swingline Loans and Bid Loans

and other than Unpaid Drawings, to the Banks for their percentage shares of the Fees then due and payable under this Agreement until such Fee is paid in full;

(3) Third, as to all Loans other than Swingline Loans and Bid Loans and other than Unpaid Drawings, to the Banks for their respective shares of all costs, expenses and fees then due and payable from the Borrowers until such costs, expenses and fees are paid in full;

(4) Fourth, as to all Loans other than Swingline Loans and Bid Loans and other than Unpaid Drawings, to the Banks for their Commitment Percentages of all interest then due and payable from the Borrowers until such interest is paid in full, and, as to Swingline Loans, Bid Loans and Unpaid Drawings, to the Agent or the Bank advancing such Bid Loan or to which such Unpaid Drawing is due, respectively, in payment of all interest then due and payable with respect to the applicable Swingline Loan, Bid Loan or Unpaid Drawing; and

(5) Fifth, as to all Loans other than Swingline Loans and Bid Loans and other than Unpaid Drawings, to the Banks for their Commitment Percentages of the principal amount of the Loans then due and payable from the Borrowers until such principal is paid in full, and, as to Swingline Loans, Bid Loans and Unpaid Drawings, to the Agent or the Bank advancing such Bid Loan or to which such Unpaid Drawing is due, respectively, in payment of the principal amount of such Swingline Loan, Bid Loan or Unpaid Drawing, until such principal is paid in full.

9.9 COUNTERPARTS. This Agreement and any amendment hereto or waiver of  
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any provision hereof may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

9.10 GOVERNING LAW; SUBMISSION TO JURISDICTION, ENTIRE AGREEMENT.  
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(a) THIS AGREEMENT AND THE NOTES SHALL BE DEEMED TO BE CONTRACTS MADE UNDER AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA WITHOUT REGARD TO PENNSYLVANIA OR FEDERAL PRINCIPLES OF THE CONFLICT OF LAWS.

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(b) EACH BORROWER HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED IN THE COMMONWEALTH OF PENNSYLVANIA IN ANY ACTION OR PROCEEDING WHICH MAY BE BROUGHT AGAINST IT UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE NOTES EXECUTED AND DELIVERED HEREUNDER OR TO ENFORCE ANY COVENANT OR AGREEMENT CONTAINED HEREIN OR IN ANY NOTE, AND IN THE EVENT ANY SUCH ACTION OR PROCEEDING SHALL BE BROUGHT AGAINST IT, EACH BORROWER AGREES NOT TO RAISE ANY OBJECTION TO SUCH JURISDICTION OR TO THE LAYING OF THE VENUE THEREOF IN ANY SUCH COURT. EACH BORROWER HEREBY WAIVES ANY AND ALL RIGHTS TO A TRIAL BY JURY.

(c) Each Borrower also agrees that any legal action or proceeding arising out of or in connection with this Agreement or any Note may be brought against it, at the sole election of the Banks in the jurisdiction of incorporation of any Subsidiary Borrower.

(d) Each Subsidiary Borrower hereby agrees at all times to maintain, and the Company agrees to cause each Subsidiary Borrower at all times to maintain, the Company as its agent for service of process for all purposes of this Agreement and the Notes. Each Subsidiary Borrower hereby appoints the Company as its agent for such purpose and agrees that service may be made upon it by mailing to the attention of the Treasury Department, FAXING or delivering a copy of such process to it in care of the Company at the Company's address as provided in Section 9.1 hereof and it hereby irrevocably authorizes and directs the Company to accept such service on its behalf. As an alternative method of service, each Subsidiary Borrower

also irrevocably consents to the service of process in any suit, action or proceeding in Pennsylvania or its home jurisdiction arising out of this Agreement or any Note by the mailing, FAXING or delivery of copies of such process to it at its address set forth on the signature pages hereto.

(e) Each Borrower hereby waives as a defense in any action brought against it in respect of the Agreement or any Note, if brought in a court described above with respect to it, that such action has been brought in an inconvenient forum. Each Borrower agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(f) To the extent, if any, to which any Borrower or any of its properties may be deemed to have or hereafter to acquire immunity from any judicial process or proceeding to enforce this Agreement or any Note or to collect amounts due hereunder or under any Note (including without limitation, attachment proceedings prior to judgment) in any jurisdiction, such Borrower waives such immunity and agrees not to claim the same.

(g) This Agreement and the Notes issued hereunder constitute the entire understanding of the parties hereto as of the date hereof with respect to the subject matter hereof and thereof and supersede any prior agreements, written or oral, with respect hereto or thereto.

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9.11 SEVERABILITY OF PROVISIONS. Any provision of this Agreement which is  
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prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

9.12 CAPTIONS. Article and section captions in this Agreement are included  
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herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

9.13 PLURAL AND SINGULAR. All words used herein in the plural shall be  
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deemed to have been used in the singular and all words used herein in the singular shall be deemed to have been used in the plural where the context and construction so require.

9.14 JUDGMENT CURRENCY. The obligations of the Borrowers in respect of any  
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sum due to any Bank or the Agent hereunder or under the Notes shall, notwithstanding any judgment in a currency (the "JUDGMENT CURRENCY") other than the currency in which sum was originally denominated or required to be paid (the "ORIGINAL CURRENCY"), be discharged only to the extent that on the Business Day following receipt by such Bank or the Agent of any sum adjudged to be so due in the Judgment Currency, such Bank or Agent, in accordance with normal banking procedures, purchases the Original Currency with the Judgment Currency. If the amount of Original Currency so purchased is less than the sum originally due to such Bank or the Agent, the Borrowers agree, as a separate obligation and notwithstanding any such judgment, to indemnify such Bank or the Agent, as the case may be, against such loss, and if the amount of Original Currency so purchased exceeds the sum originally due to such Bank or the Agent, as the case may be, such Bank or the Agent agrees to remit such excess to the Company on behalf of the Borrowers.

9.15 TERMINATION OF THE 1994 CREDIT. Upon the execution and delivery of  
-----  
this Agreement by the parties hereto that also are parties to the 1994 Credit, all agreements relating to any such facility shall be deemed terminated and be of no further force and effect without need of further action on the part of any

Bank or any Borrower that is a party thereto, and any rights to prior notice of such termination provided thereunder are hereby waived; provided, however, that

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such termination shall not relieve any Borrower that is a party to any such facility of any obligation with respect to fees, charges or other matters under or pertaining to such facilities, and all such fees and charges thereunder shall be paid upon the effective date of this Agreement.

[SIGNATURE PAGE TO ALCO STANDARD CORPORATION CREDIT AGREEMENT]

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

[CORPORATE SEAL]  
Attest:

ALCO STANDARD CORPORATION

/s/Karin M. Kinney

By:/s/O. Gordon Brewer, Jr.

-----  
Karin M. Kinney  
Secretary of Alco Standard Corporation

-----  
O. Gordon Brewer, Jr.  
Vice President-Finance  
Treasury Department  
825 Duportail Road  
P.O. Box 834  
Valley Forge, PA 19482  
FAX No. (215) 296-8419

[CORPORATE SEAL]  
Attest:

IKON OFFICE SOLUTIONS GROUP PLC

/s/Karin M. Kinney

By:/s/John E. Stuart

-----  
Karin M. Kinney  
Secretary of Alco Standard Corporation

-----  
Name: John E. Stuart  
Title: Director

By:/s/Kurt E. Dinkelacker

-----  
Name: Kurt E. Dinkelacker  
Title: Director  
Address: Erskine House  
Oak Hill Road, SevenOaks  
Kent TN13 1NW  
United Kingdom

[CORPORATE SEAL]  
Attest:

IKON OFFICE SOLUTIONS, INC.

/s/Karin M. Kinney

By:/s/O. Gordon Brewer, Jr.

-----  
Karin M. Kinney  
Secretary of Alco Standard Corporation

-----  
Name:  
Title:  
Address: 100 King Street West,  
Suite 6600  
1 First Canadian Place  
Toronto, Ontario M5X 1B8  
Canada

[SIGNATURE PAGE TO ALCO STANDARD CORPORATION CREDIT AGREEMENT]

CORESTATES BANK, N.A.,  
for itself and as Agent

FLEET NATIONAL BANK

By:/s/David W. Mills

-----  
David W. Mills  
Vice President  
FC 1-8-3-16  
1345 Chestnut Street  
Philadelphia, PA 19107  
FAX No. (215) 973-6745

BANK OF AMERICA ILLINOIS

By:/s/George Poon

-----  
George Poon  
  
231 South LaSalle Street  
Chicago, IL 60697  
Attn: Celyndia Williams  
Fax No. 312-874-9626

with a copy to:  
335 Madison Avenue, 5th Floor  
New York, NY 10017  
Attn: George Poon  
Fax No. 212-503-7173

THE CHASE MANHATTAN BANK, N.A.

By:/s/Helene Santo

-----  
Helene Santo  
Vice President  
One Chase Manhattan Plaza, 5th Floor  
New York, NY 10081  
Fax No. 212-552-7773

[SIGNATURE PAGE TO ALCO STANDARD CORPORATION CREDIT AGREEMENT]

TORONTO DOMINION (NEW YORK), INC.

By:/s/Debbie Greene

-----  
Debbie Greene  
Vice President  
909 Fannin Street, 17th Floor  
Houston, TX 77010  
Fax No. 713-951-9921

PNC BANK, NATIONAL ASSOCIATION

By:/s/Victoria Ziff

-----  
Victoria Ziff  
Vice President

By:/s/Jeffrey C. Lynch

-----  
Jeffrey C. Lynch  
Vice President  
777 Main Street  
MSN CTMOH24B  
Hartford, CT 06115  
Fax No. 860-986-9378

DEUTSCHE BANK AG, NEW YORK  
BRANCH AND/OR CAYMAN ISLANDS  
BRANCH

By:/s/Hans-Josef Thiele

-----  
Hans-Josef Thiele  
Vice President

By:/s/Belinda J. Wheeler

-----  
Belinda J. Wheeler  
Assistant Vice President

31 West 52nd Street  
New York, NY 10019  
Fax No. 212-474-8212

NATIONSBANK N.A.

By:/s/Rajesh Sood

-----  
Rajesh Sood  
Vice President  
100 North Tryon Street  
NC 1007-08-04  
Charlotte, NC 28255  
Fax No. 704-388-0960

FIRST UNION NATIONAL BANK

By:/s/Elizabeth B. Styer

-----  
Elizabeth B. Styer  
Senior Vice President  
Broad & Walnut Streets, PMB006  
Philadelphia, PA 19109  
Fax No. 215-985-8793

SUNTRUST BANK, ATLANTA

By:/s/Maria Mamilovich

-----  
Ms. Maria Mamilovich  
Vice President

1600 Market Street  
Philadelphia, PA 19103  
Fax No. 215-585-5972

By:/s/Mary Anne Zagroba

-----  
Name: Mary Anne Zagroba  
Title: Vice President

711 Fifth Avenue, 16th Floor  
New York, NY 10022  
Fax No. 212-371-9386

SCHEDULE A

Nikon Inc. v. IKON Office Solutions, Inc., et al. - On June 19, 1996,  
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plaintiff filed a complaint in the U.S. District Court for the Eastern District of New York alleging trademark infringement, trademark dilution, false designation of origin, unfair competition and tortious interference with prospective business advantage. Plaintiff is seeking injunctive relief, restitution and damages. Although the allegations are being investigated, it is counsel's belief that all claims are without merit. Monetary damages are difficult to estimate at this time. However, IKON will vigorously defend its use of the IKON name.

SCHEDULE B

All liens on any accounts or equipment giving rise to such accounts, arising in connection with the Securitizations reported in the September 30, 1996 financial statements.

EXHIBIT A

SUBSIDIARY BORROWERS

IKON Office Solutions PLC  
IKON Office Solutions, Inc., a Canadian corporation

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EXHIBIT B

BANKS' COMMITMENTS AND PERCENTAGES

<TABLE>  
<CAPTION>

BANK	REVOLVING CREDIT FACILITY COMMITMENT (U.S. DOLLARS)	COMMITMENT PERCENTAGE
<S> CoreStates Bank, N.A.	<C> \$ 55,000,000	<C> 13.75%
Bank of America Illinois	\$ 45,000,000	11.25%
The Chase Manhattan Bank, N.A.	\$ 45,000,000	11.25%
Deutsche Bank AG, New York Branch	\$ 45,000,000	11.25%
Nationsbank, N.A.	\$ 45,000,000	11.25%
Toronto Dominion (New York), Inc.	\$ 45,000,000	11.25%
Fleet National Bank	\$ 30,000,000	7.50%
First Union National Bank	\$ 30,000,000	7.50%
PNC Bank, National Association	\$ 30,000,000	7.50%
SunTrust Bank, Atlanta	\$ 30,000,000	7.50%

&lt;/TABLE&gt;

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EXHIBIT C-1

## REVOLVING CREDIT FACILITY NOTE

U.S.\$ (U.S. Dollar Equivalent)  
[Bank's Revolving Credit Facility Commitment]

Philadelphia, PA  
December \_\_, 1996

FOR VALUE RECEIVED, ALCO STANDARD CORPORATION, an Ohio corporation, IKON OFFICE SOLUTIONS GROUP PLC and IKON OFFICE SOLUTIONS, INC., a Canadian corporation, (individually a "BORROWER" and together the "BORROWERS"), jointly and severally, hereby promise to pay to the order of \_\_\_\_\_ (the "BANK"), in lawful currency of the United States of America or in such other currencies as are provided in the Credit Agreement described below, in immediately available funds, at the account of the Agent, located at Broad and Chestnut Streets, Philadelphia, Pennsylvania, on the Revolving Credit Facility Termination Date, or on such earlier date or dates as provided in the Credit Agreement described below, the principal sum of U.S.\$[Bank's Revolving Credit Facility Commitment] or, if less, the then aggregate unpaid principal amount of all Revolving Credit Facility Loans made by the Bank to the Borrowers pursuant to the Credit Agreement.

Each Borrower promises also to pay interest on the unpaid principal amount hereof in like money at such office from the date hereof until paid at the rates and at the times provided in Article 2 of the Credit Agreement.

This Note is one of the Notes referred to in the Credit Agreement, dated December \_\_, 1996 (as such may be further amended or modified from time to time after such date) among the Borrowers, the financial institutions from time to time party thereto (including the Bank) and the Agent (as amended, modified or supplemented from time to time, the "CREDIT AGREEMENT") and is entitled to the benefits thereof. This Note is subject to voluntary prepayment and mandatory repayment prior to the Revolving Credit Facility Termination Date, in whole or in part, as provided in the Credit Agreement.

In case an Event of Default shall occur and be continuing, the principal of and the accrued interest on this Note may be declared to be due and payable in the manner and with the effect provided in the Credit Agreement.

Each Borrower hereby waives presentment, demand, protest or notice of any kind in connection with this Note.

Notwithstanding the face amount of this Note, the undersigned's liability hereunder shall be limited at all times to the actual aggregate outstanding indebtedness to the Bank relating to such Bank's Revolving Credit Facility Loans, including all principal and interest, together with all fees

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and expenses as provided in the Credit Agreement, all as established by the Bank's books and records which shall be conclusive absent manifest error.

Capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Credit Agreement.

The liability of each Borrower under this Note and the Credit Agreement for any and all obligations of the Borrowers, individually and collectively, owed to the Banks under this Note and the Credit Agreement shall be unconditional and absolute irrespective of (a) any lack of enforceability of any obligation, (b)

any change of the time, manner, place of payment, or any other term of any obligation, (c) any law, regulation or order of any jurisdiction affecting the genuineness, validity, or rights of the Banks, individually and collectively, with respect to any obligation or any instruments evidencing any obligation, or (d) any other circumstance which might otherwise constitute a defense to or discharge of any Borrower. Each Borrower agrees that its obligations hereunder and under the Credit Agreement are irrevocable; that a separate action or actions may be brought and prosecuted against it regardless of whether any other Borrower is joined in any such action or actions; and that it waives the benefit of any statute of limitations affecting its liabilities hereunder and under the Credit Agreement or the enforcement hereof and thereof.

THIS NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE COMMONWEALTH OF PENNSYLVANIA WITHOUT REGARD TO PENNSYLVANIA OR FEDERAL PRINCIPLES OR CONFLICT OF LAWS.

ALCO STANDARD CORPORATION

By: \_\_\_\_\_  
Title:

IKON OFFICE SOLUTIONS GROUP PLC

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

IKON OFFICE SOLUTIONS, INC.

By: \_\_\_\_\_  
Title:

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EXHIBIT C-2

BID LOAN NOTE

U.S. \$400,000,000.00

Philadelphia, PA  
December \_\_, 1996

FOR VALUE RECEIVED, ALCO STANDARD CORPORATION, an Ohio corporation, IKON OFFICE SOLUTIONS GROUP PLC and IKON OFFICE SOLUTIONS, INC., a Canadian corporation (individually a "BORROWER" and together the "BORROWERS"), jointly and severally, as and to the extent provided in Section 2.5 of the Credit Agreement, hereby promise to pay to the order of \_\_\_\_\_ (the "BANK"), in lawful currency of the United States of America or in such other currencies as are provided in the Credit Agreement described below, in immediately available funds, at the account of the Agent, located at Broad and Chestnut Streets, Philadelphia, Pennsylvania, on the Revolving Credit Facility Termination Date, or on such earlier date or dates as provided in the Credit Agreement described below, the principal sum of U.S. \$400,000,000.00 or, if less, the then aggregate unpaid principal amount of all Bid Loans made by the Bank to the Borrowers pursuant to the Credit Agreement.

Each Borrower promises also to pay interest on the unpaid principal amount hereof in like money at such office from the date hereof until paid at the rates and at the times provided in Article 2 of the Credit Agreement.

This Bid Loan Note is one of the Bid Loan Notes referred to in the Credit Agreement, dated December \_\_, 1996 (as such may be further amended or modified from time to time after such date) among the Borrowers, the financial institutions from time to time party thereto (including the Bank) and the Agent

(as amended, modified or supplemented from time to time, the "CREDIT AGREEMENT") and is entitled to the benefits thereof. This Bid Loan Note is subject to voluntary prepayment and mandatory repayment prior to the Revolving Credit Facility Termination Date, in whole or in part, as provided in the Credit Agreement.

In case an Event of Default shall occur and be continuing, the principal of and the accrued interest on this Bid Loan Note may be declared to be due and payable in the manner and with the effect provided in the Credit Agreement.

Each Borrower hereby waives presentment, demand, protest or notice of any kind in connection with this Bid Loan Note.

Notwithstanding the face amount of this Bid Loan Note, the undersigned's liability hereunder shall be limited at all times to the actual aggregate outstanding indebtedness to the Bank relating to such Bank's Bid Loans, including all principal and interest, together with all fees and expenses as

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provided in the Credit Agreement, all as established by the Bank's books and records which shall be conclusive absent manifest error.

Capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Credit Agreement.

The liability of each Borrower under this Bid Loan Note and the Credit Agreement for any and all obligations of the Borrowers, individually and collectively, owed to the Banks under this Bid Loan Note and the Credit Agreement shall be unconditional and absolute irrespective of (a) any lack of enforceability of any obligation, (b) any change of the time, manner, place of payment, or any other term of any obligation, (c) any law, regulation or order of any jurisdiction affecting the genuineness, validity, or rights of the Banks, individually and collectively, with respect to any obligation or any instruments evidencing any obligation, or (d) any other circumstance which might otherwise constitute a defense to or discharge of any Borrower. Each Borrower agrees that its obligations hereunder and under the Credit Agreement are irrevocable; that a separate action or actions may be brought and prosecuted against it regardless of whether any other Borrower is joined in any such action or actions; and that it waives the benefit of any statute of limitations affecting its liabilities hereunder and under the Credit Agreement or the enforcement hereof and thereof.

THIS BID LOAN NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE COMMONWEALTH OF PENNSYLVANIA WITHOUT REGARD TO PENNSYLVANIA OR FEDERAL PRINCIPLES OR CONFLICT OF LAWS.

ALCO STANDARD CORPORATION

By: \_\_\_\_\_  
Title:

IKON OFFICE SOLUTIONS PLC

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

IKON OFFICE SOLUTIONS, INC.

By: \_\_\_\_\_  
Title:

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## SWINGLINE FACILITY NOTE

U.S. \$25,000,000.00

Philadelphia, PA  
December \_\_, 1996

FOR VALUE RECEIVED, ALCO STANDARD CORPORATION, an Ohio corporation, IKON OFFICE SOLUTIONS GROUP PLC and IKON OFFICE SOLUTIONS, INC., a Canadian corporation (individually a "BORROWER" and together the "BORROWERS"), jointly and severally, as and to the extent provided in Section 2.3 of the Credit Agreement, hereby promise to pay to the order of CORESTATES BANK, N.A. (the "AGENT"), in lawful currency of the United States of America or in such other currencies as are provided in the Credit Agreement described below, in immediately available funds, at the account of the Agent, located at Broad and Chestnut Streets, Philadelphia, Pennsylvania, on the Revolving Credit Facility Termination Date, or on such earlier date or dates as provided in the Credit Agreement described below, the principal sum of U.S. \$25,000,000.00 or, if less, the then aggregate unpaid principal amount of all Swingline Facility Loans made by the Agent to the Borrowers pursuant to the Credit Agreement.

Each Borrower promises also to pay interest on the unpaid principal amount hereof in like money at such office from the date hereof until paid at the rates and at the times provided in Article 2 of the Credit Agreement.

This Swingline Facility Note is one of the Swingline Facility Notes referred to in the Credit Agreement, dated December \_\_, 1996 (as such may be further amended or modified from time to time after such date) among the Borrowers, the financial institutions from time to time party thereto and the Agent (as amended, modified or supplemented from time to time, the "CREDIT AGREEMENT") and is entitled to the benefits thereof. This Swingline Facility Note is subject to voluntary prepayment and mandatory repayment prior to the Revolving Credit Facility Termination Date, in whole or in part, as provided in the Credit Agreement.

In case an Event of Default shall occur and be continuing, the principal of and the accrued interest on this Swingline Facility Note may be declared to be due and payable in the manner and with the effect provided in the Credit Agreement.

Each Borrower hereby waives presentment, demand, protest or notice of any kind in connection with this Swingline Facility Note.

Notwithstanding the face amount of this Swingline Facility Note, the undersigned's liability hereunder shall be limited at all times to the actual aggregate outstanding indebtedness to the Agent relating to the Agent's Swingline Facility Loans, including all principal and interest, together with

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all fees and expenses as provided in the Credit Agreement, all as established by the Agent's books and records which shall be conclusive absent manifest error.

Capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Credit Agreement.

The liability of each Borrower under this Swingline Facility Note and the Credit Agreement for any and all obligations of the Borrowers, individually and collectively, owed to the Agent under this Swingline Facility Note and the Credit Agreement shall be unconditional and absolute irrespective of (a) any lack of enforceability of any obligation, (b) any change of the time, manner, place of payment, or any other term of any obligation, (c) any law, regulation or order of any jurisdiction affecting the genuineness, validity, or rights of the Agent with respect to any obligation or any instruments evidencing any

obligation, or (d) any other circumstance which might otherwise constitute a defense to or discharge of any Borrower. Each Borrower agrees that its obligations hereunder and under the Credit Agreement are irrevocable; that a separate action or actions may be brought and prosecuted against it regardless of whether any other Borrower is joined in any such action or actions; and that it waives the benefit of any statute of limitations affecting its liabilities hereunder and under the Credit Agreement or the enforcement hereof and thereof.

THIS SWINGLINE FACILITY NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE COMMONWEALTH OF PENNSYLVANIA WITHOUT REGARD TO PENNSYLVANIA OR FEDERAL PRINCIPLES OR CONFLICT OF LAWS.

ALCO STANDARD CORPORATION

By: \_\_\_\_\_  
Title:

IKON OFFICE SOLUTIONS GROUP PLC

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

IKON OFFICE SOLUTIONS, INC.

By: \_\_\_\_\_  
Title:

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EXHIBIT D

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WILLIAM F. DRAKE, JR., ESQUIRE  
GENERAL COUNSEL  
ALCO STANDARD CORPORATION

December \_\_, 1996

CoreStates Bank, N.A.  
Itself and as Agent to  
Each of the Banks Named on  
Exhibit A Attached Hereto  
Broad & Chestnut Streets  
Philadelphia, PA 19107

Attn: Mr. David W. Mills  
Vice President

Re: Credit Agreement, dated December \_\_, 1996 among Alco Standard Corporation and certain subsidiaries and the Banks named on Schedule A attached hereto with CoreStates Bank, N.A., as Agent  
-----

Gentlemen:

As General Counsel of Alco Standard Corporation, an Ohio corporation (the "COMPANY"), I have served as counsel to the Company in connection with a Credit Agreement, dated December \_\_, 1996 (the "CREDIT AGREEMENT"), among the Company, certain subsidiaries of the Company, the Banks named on Exhibit A attached hereto and CoreStates Bank, N.A., as Agent for the Banks. Terms defined in the Credit Agreement and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

I have examined the Credit Agreement with its exhibits and the originals or copies, certified or otherwise authenticated to my satisfaction, of the Certificate of Incorporation and Code of Regulations, both as amended to date, of the Company and such other documents and instruments, and have made such further inquiries of law and fact, as I have deemed appropriate for purposes of this opinion.

Based upon the foregoing, I advise you that, in my opinion:

1. The Company and each Subsidiary is a corporation duly organized, validly existing and in good standing (where such concept exists) under the laws of its jurisdiction of incorporation and has all the corporate power and authority necessary to own its properties and to carry on its business as now being conducted and as is presently proposed to be conducted and, in the case of

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the Company, to enter into and perform its obligations under each of the Credit Agreement and the Notes. Further, the Company and each Subsidiary is qualified as a foreign corporation in the various jurisdictions wherein the nature of the business they transact makes such qualification necessary.

2. The execution, delivery and performance by the Company and its Subsidiaries of the Credit Agreement and the Notes have been duly authorized by all necessary corporate action on its part. Neither the execution, delivery, issuance and performance by the Company nor its Subsidiaries of this Agreement nor the Notes (i) require any consent or approval of any shareholder of the Company or any Subsidiary, as such, or of any public authority, (ii) violate any provision of law (including without limitation any usury law) or any provision of the Certificate of Incorporation or the Code of Regulations of the Company or any rule or regulation (including without limitation Regulations G, T, U and X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination or award presently in effect and having application to the Company, or (iii) result in any breach of, or constitute a default under, or result in the creation or imposition of any lien or charge upon any property of the Company or any Subsidiary pursuant to the terms of, the Certificate of Incorporation or Code of Regulations of the Company, the applicable corporate documents of any Subsidiary or any indenture, loan or credit agreement or other agreement, lease or instrument to which the Company or any Subsidiary is a party or by which it may be bound or to which any of its properties may be subject. Neither the Company nor any Subsidiary is in default under any such law, order, writ, judgment, injunction, decree, determination or award to an extent that would adversely affect the ability of the Company to perform its obligations under this Credit Agreement or the Notes.

3. Each of the Credit Agreement and the Notes has been duly executed, delivered and issued by the Company and constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms. The obligation of the Company includes but is not limited to the obligation to pay the aggregate unpaid principal amount of all Loans made by the Banks pursuant to the Credit Agreement whether or not the Company was the Borrower at the time the Loan was made. The foregoing opinions as to enforceability are subject to bankruptcy, insolvency, reorganization, moratorium and other laws and equitable principles affecting the enforceability of creditors' rights generally. No authorization, consent, approval, license, exemption of or filing or registration with any court or other tribunal or any governmental department, commission, board, bureau or agency, domestic or foreign, is or under present law will be necessary to the valid execution, delivery or performance by the Company of the Credit Agreement or any Note.

4. There are no actions, suits or proceedings pending or threatened against or affecting the Company or any Subsidiary or any of their assets or properties before any court or other tribunal or any governmental department, commission, board, bureau or agency, domestic or foreign, which, if determined adversely to the Company or any Subsidiary, could have a material adverse effect on the financial condition, operations or properties of the Company or any Subsidiary or on the ability of the Company to perform its obligations under the

Credit Agreement or the Notes. I am not aware of any challenge in any pending or threatened action or proceeding to any material patent, copyright, franchise or other right owned, leased or otherwise held by the Company or any Subsidiary.

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5. Except for Partners Securities Company, neither the Company nor any Subsidiary is engaged principally or as one of its important activities in the business of extending credit for the purpose of purchasing or carrying margin stocks (within the meaning of Regulations G, T, U and X of the Board of Governors of the Federal Reserve System). Assuming all of the proceeds of each of the Loans will be applied duly in accordance with the provisions of the Credit Agreement, no part of the proceeds of any Loan made under the Credit Agreement will be applied for the purpose of purchasing or carrying any margin stocks or of refinancing any credit previously extended or of extending credit to others for the purpose of purchasing or carrying any such margin stocks.

6. None of the Banks will be required, by reason of the execution and delivery of the Credit Agreement and the making of the Loans, to register or qualify to do business under any law of the Commonwealth of Pennsylvania relating to the registration or qualification of foreign corporations. There are no documentary stamp taxes payable in connection with the execution and delivery of any of the Credit Agreement or the Notes.

This Opinion is intended solely for the benefit of, and may only be relied upon by, the Agent and each of the Banks.

Very truly yours,

William F. Drake, Jr.  
General Counsel

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EXHIBIT A

BANKS

CoreStates Bank, N.A.  
Bank of America Illinois  
The Chase Manhattan Bank  
Deutsche Bank AG, New York Branch  
Nationsbank, N.A.  
Toronto Dominion (New York), Inc.  
Fleet National Bank  
First Union National Bank  
PNC Bank, National Association  
SunTrust Bank, Atlanta

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EXHIBIT E

-----

December \_\_, 1996

CoreStates Bank, N.A.  
Itself and as Agent to  
Each of the Banks Named on

Attn: Mr. David W. Mills  
Vice President

Re: Credit Agreement, dated December \_\_\_\_, 1996 among Alco Standard Corporation and certain subsidiaries and the Banks named on Schedule A attached hereto with CoreStates Bank, N.A., as Agent  
-----

Gentlemen:

1. We have acted as legal advisers in [England] to [name of subsidiary] ALCO OFFICE PRODUCTS (U.K.) PLC (the "COMPANY") in connection with a credit agreement dated as of December 1, 1994 made between the Company and Alco Standard Corporation (the "BORROWERS"), the Banks named on Exhibit A attached hereto (the "BANKS") and CoreStates Bank, N.A. (as Agent for the Banks) relating to the granting of a facility of up to \$400,000,000 by the Banks to the Borrowers (the "CREDIT AGREEMENT").
2. Terms defined in the Credit Agreement have the same meanings when used in this opinion.
3. For the purposes of this opinion, we have examined the following documents:
  - (a) draft [certified] copy of the Credit Agreement;
  - (b) a [certified] copy of resolutions of the Board of Directors (and/or a duly constituted and authorized committee thereof) of the Company relating (inter alia) to the Credit Agreement;
  - (c) a [certified] copy of the [Memorandum and Articles of Association] [applicable charter documents] of the Company;
  - (d) a [certified] copy of resolutions, signed by all the shareholders of the Company, relating to the assumption of joint liability under the Credit Agreement; and
  - (e) [microfiches of the Company's files at the Companies Registry in London as at \_\_\_\_\_, 199\_\_.]
4. Except as stated above, we have not examined any contracts, instruments or other documents entered into by or affecting the Company or any corporate records of the Company and have not made any other inquiries concerning the Company or made any search at [the High Court, Strand, London] in respect of winding-up or similar petitions.
5. We have not investigated the laws of any country other than [England] [jurisdiction of incorporation] and this opinion is given only with respect to [English] law. We assume that no foreign law affects any of the conclusions stated below. We have not investigated whether the Company is or will by reason of the transactions and matters contemplated by the Credit Agreement be in breach of any of its obligations under any agreement, document, deed or instrument.
6. Based upon the foregoing and subject to any matters not disclosed to us, and subject to the qualifications set out below we are of the opinion that:
  - (1) The Company is a [limited liability] [public liability] company, duly incorporated and subsisting under the laws of [England];
  - (2) The Company has all requisite corporate power to enter into and perform the Credit Agreement and the transactions contemplated thereby and has taken all necessary corporate action to authorize the

execution, delivery and performance of the Credit Agreement and the transactions and matters contemplated thereby;

- (3) The entry into and performance of the Credit Agreement by the Company and the transactions and matters contemplated thereby to be undertaken by the Company do not and will not violate the [Memorandum of Articles of Association] [charter documents] of the Company;
- (4) No authorizations, approvals, consents, licenses, exemptions, filing, registrations or other requirement of governmental, judicial and public bodies and authorities of or in [England] are required in connection with the entry into, performance, validity or enforceability of the Credit Agreement;
- (5) Subject to its enforceability under the laws of the Commonwealth of Pennsylvania (and to the assumptions and qualifications set out in this letter), the Credit Agreement would be enforceable against the Company in [England] and the Credit Agreement contains, subject as otherwise provided herein, no provisions which (if it were subject to, and construed in accordance with, [English] law) would be contrary to law or

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public policy in [England] or which would for any reason not be upheld by the courts in [England];

- (6) The choice of the law of the Commonwealth of Pennsylvania to govern the Credit Agreement would be recognized and enforced by the courts in [England] save that there is some doubt in the event that a contract is avoided, as to whether as a matter of [English] law the choice of law provision would survive;
  - (7) The submission to the jurisdiction of the courts in the Commonwealth of Pennsylvania as set out in the Credit Agreement constitutes a valid submission by the Company;
  - (8) A judgment of a competent state or federal court sitting in the Commonwealth of Pennsylvania finally and conclusively establishing a debt should be capable of enforcement in the competent courts of [England] without a re-examination of the merits, provided that the defendant may have defenses open to it and enforcement may not be permitted if, inter alia, the judgement was obtained by fraud, was contrary to public policy of [English] law, relates to foreign penal or revenue laws, is contrary to natural justice, amounts to judgement on a matter previously determined by an [English] court, is given in proceedings brought in breach of agreement for settlement of disputes [or if enforcement of the judgement is restricted by the provisions of the Protection of Trading Interests Act 1980];
  - (9) To ensure the legality, validity, enforceability or admissibility into evidence of the Credit Agreement in the courts of [England], it is not necessary that the Credit Agreement be registered, notarized, filed or recorded with any court or other authority in [England] or that any stamp or similar tax be paid with respect thereto in [England];
  - (10) No approval, consent or withholding of objection on the part of, or filing, registration or qualification with, any government department or regulatory authority, is necessary under the laws of [England and Wales] as a condition to the lawful execution, delivery and performance of the Credit Agreement.
7. The searches made on [ ] 1996 at [the Companies Registry] revealed no order or resolution for the winding-up or order for the administration of the Company and no notice of the appointment of a receiver, liquidator or similar person; but such a search is not capable of revealing whether or not a winding-up petition has been presented, and notice of an order or

resolution for winding-up or an order for administration or notice of the appointment of a receiver, liquidator or similar person may not be filed at [the Companies Registry] immediately.

8. This opinion is given subject to the following qualifications:

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- (a) the opinion is an opinion with respect to the matters referred to above in so far as only [English domestic] law (as in force on the date of this opinion) will itself determine those matters in the [English] Courts; and we express no opinion as to the effect of any other law which may be held to be applicable in determining any such matter or as to the enforceability in any other jurisdiction of any judgement which may be obtained in the [English] courts. An obligation to be performed in any other jurisdiction may not be enforceable in [England] in so far as its performance would be illegal, void or unenforceable under the laws of that other jurisdiction;
- (b) the enforcement of a claim may be or become subject to a right of set-off or a counter-claim [or subject to any limitations imposed by the Limitation Act of 1980 or by liquidation, bankruptcy, insolvency, reorganization, reconstruction or similar laws of general application];
- (c) we assume:
  - (i) that the Credit Agreement is within the capacity and powers of and has been validly authorized, executed and delivered by each person (except the Company) who is a party to the Credit Agreement;
  - (ii) the genuineness of all signatures, the authenticity and completeness of every document submitted to us as an original document, the conformity to the original document and completeness of every document submitted to us as a certified or photostatic copy of any document and the authenticity of its original; and
  - (iii) [that the resolutions of the board of directors of the Company were duly passed at a meeting of properly appointed directors duly convened and held, that a duly qualified quorum of such directors present throughout the meeting voted in favor of approving the resolutions, that any provisions contained in the Companies Act 1985 or in the Company's Articles of Association relating to the declaration of directors' interests or the power of interested directors to vote were duly observed and that those resolutions have not been rescinded or varied;]
  - (iv) the accuracy of all representations as to fact made in the Credit Agreement by the Company;
  - (v) that immediately after the execution of the Credit Agreement the Company was solvent;
  - [(vi) [that none of the transactions contemplated by the Credit Agreement constituted financial assistance for the purposes of Section 151 of the Companies Act 1985.]

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- (d) [English] Courts are prepared to render judgements for a monetary amount in foreign currencies but the judgement may be converted into [sterling] for enforcement purposes. Foreign currency amounts claimed in an [English] liquidation must be converted into [sterling] at the rate prevailing at the commencement of the liquidation;
- (e) a certificate, determination, notification or opinion of the Banks or the Agent as to any matters provided for in the Credit Agreement might be held by the [English] Courts not to be conclusive;

- (f) an [English] Court might not enforce a provision of a document providing that an obligation of any party is to survive a judgement on such document whether obtained in [England] or elsewhere on the ground that such obligation would be discharged by a judgement;
- (g) an [English] Court may stay proceedings if concurrent proceedings are being brought elsewhere;
- (h) equitable remedies, such as orders for specific performance or the issue of an injunction, are available only at the discretion of the Court and are not normally awarded if an award of damages is considered an adequate remedy;
- (i) an [English] Court may recognize oral amendments to the Credit Agreement by the parties thereto notwithstanding provisions therein to the contrary;
- (j) the question of whether or not any provisions of the Credit Agreement which may be invalid on account of illegality may be severed from the other provisions thereof in order to preserve the validity of those other provisions would be determined by an [English] Court in its discretion;
- (k) an [English] company only has authority to carry on those businesses specified in [the objects Clause of its Memorandum of Association];
- (l) in relation to the opinion expressed at paragraph 6(5) above, the Courts in [England] would not enforce the Credit Agreement if the application of principles of the law of the Commonwealth of Pennsylvania to the Credit Agreement would involve applying foreign penal, revenue or public laws or involve applying foreign expropriatory legislation or was contrary to public policy of [English] law;
- (m) the effectiveness of terms exculpating a party from a liability or duty otherwise owed (including liability arising out of the non-payment of stamp duty) is limited by law;

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- (n) we have not been involved in the drafting, preparation or negotiation of the Credit Agreement and accordingly express no opinion as to the sufficiency or effectiveness of the Credit Agreement to achieve the purposes contemplated by the parties thereto;
- (o) whilst we are of the opinion that the Company has the necessary powers under its [Memorandum and Articles of Association] to assume the joint liability for the whole of the amounts due under the Credit Agreement, the directors of the Company must exercise those powers bona fide in the interest of the Company which may involve demonstrating a sufficient commercial benefit for the Company from the arrangements contemplated by the Credit Agreement as to which we express no opinion;
- (p) an [English] Court may refuse to give effect to paragraph 8.1 of the Credit Agreement in respect of the costs of unsuccessful litigation brought before an [English] Court or where the Court has itself made an order for costs;
- (q) a provision of the Credit Agreement providing for a higher rate of interest to be paid on overdue sums may amount to a penalty if not found to represent a genuine pre-estimate of loss and may therefore not be recoverable;
- (r) the obligations of the Company under the Credit Agreement are subject to all laws affecting creditors' rights generally;

(s) so far as they relate to United Kingdom stamp duties, the undertakings and indemnities given by the Company in Sections 2.10(b) and 8.1 of the Credit Agreement may be void under Section 117 of the Stamp Act of 1891.

9. This opinion is given for the sole benefit of the person(s) to whom it is addressed and is not to be relied upon by or communicated to any other person or for any other purpose, nor is it to be quoted or referred to in any public document or made public in any way or filed with anyone without our prior written consent, save that it may be referred to in any proceedings against us upon this opinion itself.

Yours faithfully,

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EXHIBIT F-1

FORM OF COMPETITIVE BID REQUEST

\_\_\_\_\_, 19\_\_

CORESTATES BANK, N.A., as Agent  
1339 Chestnut Street  
Philadelphia, PA 19101  
Attention: Stacy Shegda  
Telecopier No.: (215) 973-1887

Re: Credit Agreement, dated December \_\_, 1996 (as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement") among Alco Standard Corporation, certain Subsidiaries party thereto, certain Banks party thereto, and CoreStates Bank, N.A., as agent (the "Agent"). (The terms defined in the Credit Agreement are used herein as defined therein.)  
-----

Ladies and Gentlemen:

Pursuant to Section 2.5(c) of the Credit Agreement, Alco Standard Corporation (the "Borrower") hereby requests offers to make the Bid Loans specified herein:

(1) The date of the proposed Bid Borrowing is \_\_\_\_\_, 199\_\_ (which day is a Banking Business Day).

(2) The aggregate amount of the proposed Bid Borrowing is \$\_\_\_\_\_./\*/\*

(3) The Competitive Bids requested are for Bid Loans in the following amounts and having the following Bid Loan Durations:

Principal Amount	Bid Loan Duration/**/
-----	-----
_____	_____
_____	_____

/\*/\* Insert an amount which is a minimum amount of \$10,000,000 or any multiple of \$1,000,000 in excess thereof.

/\*\*/ The minimum Bid Loan Duration is 7 days and the maximum Bid Loan Duration is 180 days and no more than two Bid Loan Durations may be requested in a

(4) Borrower's Account to which the proceeds of the Bid Loan should be credited: \_\_\_\_\_.

Borrower hereby certifies that the following statements are true and correct on and as of the date hereof, and will be true and correct on and as of the date of the proposed Bid Borrowing, before and after giving effect thereto and to the application of the proceeds therefrom:

(a) the representations and warranties of Borrower contained in the Credit Agreement (except to the extent such representations and warranties by their express terms relate to an earlier date) are true and correct in all material respects and will be true and correct in all material respects on the date of the Bid Borrowing as if made on and as of such date;

(b) Borrower has complied and on the date of the proposed Bid Borrowing will be in compliance with all the terms, covenants and conditions of the Credit Agreement; and

(c) no Event of Default or event which with the giving of the notice or lapse of time, or both would constitute such Event of Default exists or shall result from the proposed Bid Borrowing.

You are hereby authorized to debit our demand deposit account in the amount of \$300 in payment of the service fee due the Agent in connection with this request.

Very truly yours,

ALCO STANDARD CORPORATION

By: \_\_\_\_\_

Name:

Title:

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EXHIBIT F-2

FORM OF COMPETITIVE BID

\_\_\_\_\_, 19\_\_

CORESTATES BANK, N.A., as Agent  
1339 Chestnut Street  
Philadelphia, PA 19101  
Attention: Stacy Shegda  
Telecopier No.: (215) 973-1887

Re: Credit Agreement, dated December \_\_, 1996 (as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement") among Alco Standard Corporation, certain Subsidiaries party thereto, certain Banks party thereto, and CoreStates Bank, N.A., as agent (the "Agent"). (The terms defined in the Credit Agreement are used herein as defined therein.)  
-----

Ladies and Gentlemen:

In response to the Competitive Bid Request made by Alco Standard

Corporation (the "Borrower") dated \_\_\_\_\_, 19\_\_ and in accordance with Section 2.5(c) of the Credit Agreement, the undersigned Bank offers to make Bid Loan(s) thereunder in the following principal amount(s) at the following interest rate(s) for the following Bid Loan Durations:

Borrowing Date: \_\_\_\_\_, 19\_\_

Offer 1: Maximum Amount \$ \_\_\_\_\_; Minimum Amount \$ \_\_\_\_\_./\*/

BID LOAN DURATION	PRINCIPAL AMOUNT	ABSOLUTE RATE
-----	-----	-----
_____	_____	_____

Offer 2: Maximum Amount \$ \_\_\_\_\_; Minimum Amount \$ \_\_\_\_\_./\*/

BID LOAN DURATION	PRINCIPAL AMOUNT	ABSOLUTE RATE
-----	-----	-----
_____	_____	_____

/\*/ Not less than \$1,000,000

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Acceptance of any bid contained herein is subject to compliance with the terms and conditions of the Credit Agreement.

[NAME OF BANK]

By: \_\_\_\_\_  
Name:  
Title:

F-2-2

EXHIBIT F-3

FORM OF BID LOAN NOTICE

\_\_\_\_\_, 19\_\_

CORESTATES BANK, N.A., as Agent  
1339 Chestnut Street  
Philadelphia, PA 19101  
Attention: Stacy Shegda  
Telecopier No.: (215) 973-1887

Re: Credit Agreement, dated December \_\_, 1996 (as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement") among Alco Standard Corporation, certain Subsidiaries party thereto, certain Banks party thereto, and CoreStates Bank, N.A., as agent (the "Agent"). (The terms defined in the Credit Agreement are used herein as defined therein.)  
-----

Ladies and Gentlemen:

Pursuant to Section 2.5(c) of the Credit Agreement, Alco Standard Corporation (the "Borrower") hereby notifies you of the Borrower's acceptance of the following offers made by the Banks in response to the Competitive Bid

Request submitted on \_\_\_\_\_, 19\_\_:

Borrowing Date: \_\_\_\_\_, 19\_\_.

Name of Bank ----	Bid Loan Duration -----	Absolute Rate ----	Principal Amount of Bid Loan -----
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

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Borrower hereby certifies that its acceptance of the offers listed above complies with the terms of the Credit Agreement, including, but not limited to, Section 2.5(c). Borrower hereby confirms and restates each of the statements certified by it in the Competitive Bid Request relating to this Bid Loan Notice and further certifies that after giving effect to the above Bid Loans, there will not be more than five (5) Bid Loans outstanding and the outstanding aggregate principal amount of all Loans will not exceed the Revolving Credit Facility Commitment.

Very truly yours,

ALCO STANDARD CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

\* Acceptance of each Bid Borrowing must be in a minimum aggregate principal amount of \$10,000,000 or in any multiple of \$1,000,000 in excess thereof, and acceptance of each Bid Loan must be in a minimum principal amount of \$10,000,000 or in any multiple of \$1,000,000 in excess thereof.

RECEIVABLES TRANSFER AGREEMENT

Dated As Of September 30, 1996

Among

IKON FUNDING INC.,

As Transferor,

IKON CAPITAL INC.,

As Originator and Collection Agent,

OLD LINE FUNDING CORP.,

As Issuer,

And

ROYAL BANK OF CANADA,

As Agent

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SCHEDULES

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RECEIVABLES TRANSFER AGREEMENT

Dated as of September 30, 1996

IKON FUNDING INC., a Delaware corporation (the "Transferor"), IKON CAPITAL  
-----  
INC., a Delaware corporation (the "Originator" and in its capacity as Collection  
-----  
Agent, the "Collection Agent"), OLD LINE FUNDING CORP., a Delaware corporation  
-----  
(the "Issuer"), and ROYAL BANK OF CANADA, a Canadian chartered bank acting  
-----  
through its New York Branch, as agent (the "Agent") for the Transferees, agree  
-----  
as follows:

PRELIMINARY STATEMENTS. Certain terms that are capitalized and used throughout this Agreement are defined in Exhibit I to this Agreement. References in the Exhibits to "the Agreement" refer to this Agreement, as amended, modified

or supplemented from time to time.

The Transferor has Receivables and Related Security that it wishes to transfer to the Issuer, and the Issuer is prepared to accept such transfer of Receivables and Related Security on the terms set forth herein. Accordingly, the parties agree as follows:

ARTICLE I

AMOUNTS AND TERMS OF THE TRANSFER

SECTION 1.01. Facility. (a) Upon the satisfaction of the terms and

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conditions hereinafter set forth, the Agent may, on behalf of the Issuer, accept Receivables from time to time (each, a "Transfer") during the period from the

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date hereof to the Facility Termination Date. Each Transfer of Receivables shall include the transfer to the Agent of the Related Security and Collections with respect thereto. Under no circumstances shall the Agent accept any Transfer if, after giving effect to such Transfer, the aggregate outstanding Capital would exceed the Transfer Limit. Nothing in this Agreement shall be deemed to be or construed as a commitment by the Agent or the Issuer to accept any Receivable at any time.

(b) The Transferor may, upon at least five Business Days' notice to the Agent, terminate this facility in whole or, from time to time, reduce in part the unused portion of the Transfer Limit; provided that each partial reduction

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shall be in the amount of at least \$1,000,000 or an integral multiple thereof.

SECTION 1.02. Consideration and Terms. (a) The initial Transfer shall be

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made on at least two Business Days' notice from the Transferor to the Agent in an amount equal to the Transfer Limit. On each Settlement Date thereafter occurring prior to the Facility Termination Date, unless the Transferor has given written notice to the contrary not less than two Business Days prior to such Settlement Date, the Transferor shall be deemed to have requested a Transfer in an amount equal to the excess of the Transfer Limit over the Capital as of such Settlement Date (after giving effect to all payments to be made on such date). The amount to be paid by the Issuer in respect of each Transfer shall be equal to the Aggregate Adjusted Outstanding Balance of the Related Contracts for the Receivables included in such Transfer (the "Consideration" for

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such Receivables); provided that with respect to each Transfer other than the

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Initial Transfer, such amount shall not exceed the amount of the Transfer requested in the preceding sentence. Not less than two Business Days prior to the date of each Transfer (each, a "Transfer Date"), the Transferor shall

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deliver to the Agent a written notice specifying (i) the date and duration of

the initial Fixed Periods for the Receivables to be transferred, and (ii) detailed information regarding such Receivables.

(b) Promptly upon receipt of such notice, the Agent shall deliver a copy thereof to the Issuer. The Issuer shall promptly notify the Agent whether the Issuer has determined to direct the Agent to accept such Transfer. The Agent shall promptly thereafter notify the Transferor (i) whether the Issuer has determined to direct the Agent to accept such Transfer, and (ii) whether the desired duration of the initial Fixed Periods for the Receivables to be accepted is acceptable. Each Transfer other than the initial Transfer shall be made only on a Settlement Date or as otherwise mutually agreed by the Transferor and the Agent. On each Transfer Date, upon satisfaction of the applicable conditions set forth in Exhibit II hereto, (x) the Issuer shall make available to the Agent the Consideration in respect of such Transfer by deposit of such amount in same day

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funds to the Agent's Account and, after the receipt by the Agent of such funds, the Agent will cause such Consideration to be paid to the Transferor in immediately available funds prior to 2:00 P.M. (New York City time) to the Transferor's account no. 56000209038 at PNC Bank, Delaware (ABA # 031100089); provided, however, that in the case of each Transfer other than the initial

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Transfer, the applicable Consideration may be netted against amounts to be deposited to the Agent's Account on such date by the Collection Agent pursuant to Section 1.03 and (y) the Transferor shall (effective on the date of each Transfer automatically and without any further documentation) transfer to the Agent for the benefit of the Issuer and the other Transferees all of the related Receivables, the Related Contracts, the Related Security (other than the Equipment) and the Collections in respect thereof. The Issuer shall on the date of each Transfer and on the first day of each Fixed Period (other than the initial Fixed Period) for such Receivables, notify the Agent, and the Agent shall notify the Transferor, of the Transferee Rate for such Fixed Period.

SECTION 1.03. Settlement Procedures. (a) Collection of the Receivables

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shall be administered by the Collection Agent, in accordance with the terms of this Agreement. The Transferor shall provide to the Collection Agent on a timely basis all information needed for such administration.

(b) The Collection Agent shall, on each day on which Collections are received by it, set aside and hold in trust for the Transferees such Collections and shall deposit into the Agent's Account,

(i) on the last day of each Fixed Period, from such Collections, an amount equal to accrued and unpaid Yield (and not previously deposited into the Agent's Account pursuant to Section 1.03(b)(ii)) and any other amounts then owed by the Transferor to any Transferee or the Agent hereunder (including any fees owed to the Agent pursuant to Section 1.04(a) but

excluding any such amounts owed in respect of Capital);

(ii) if any Fixed Period in respect of which Yield is computed by reference to the Assignee Rate has a duration of more than three months,

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on the day that occurs three months after the first day of such Fixed Period, from such Collections, an amount equal to the accrued and unpaid Yield associated with such Fixed Period;

(iii) on each Settlement Date, an amount equal to the Collection Agent Fee accrued but unpaid during the preceding Settlement Period; and

(iv) on each Settlement Date, from such Collections, an amount equal to the portion of Collections received during the preceding Settlement Period remaining after application pursuant to the preceding clauses (i) through (iii); provided that prior to the Facility Termination Date, the amount to be

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deposited pursuant to this clause (iv) will not exceed the product of (A) a fraction, the numerator of which is the Required Balance and the denominator of which is the aggregate Outstanding Balance of the Related Contracts and (B) the amount of such Collections;

provided, however, that the aggregate amount deposited pursuant to this

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subsection (b) shall not exceed the sum of the Capital of, and accrued Yield and Collection Agent Fee on, the Receivables plus the aggregate of any other amounts then owed by the Transferor to any Transferee or the Agent hereunder.

Notwithstanding the foregoing, unless a Special Event has occurred, for so long as the Originator is the Collection Agent, the Collection Agent shall not be required to set aside Collections, but may commingle the Collections with its own funds and make the deposits required to the Agent's Account pursuant to this paragraph (b) on the dates required. For so long as the Originator is the Collection Agent, the Collection Agent shall not be required to deposit the Collection Agent Fee to the Agent's Account as required by clause (iii) of this paragraph (b) but may retain such fee from the Collections remaining after the deposits required pursuant to clauses (i) and (ii) of this paragraph (b).

(c) (i) Upon receipt of funds deposited into the Agent's Account pursuant to subsection (b) (i) or (b) (ii) above, the Agent shall distribute such funds as follows: first, pro rata to each Transferee in payment of

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accrued but unpaid Yield on the Capital of the relevant Receivables Pool and to the

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Agent in respect of any fees owed pursuant to Section 1.04(a), and second, to -----  
the Agent for the account of the Transferees or the Agent in payment of any other amounts owed by the Transferor hereunder.

(ii) Upon receipt of funds deposited into the Agent's Account pursuant to subsection (b)(iii) above, the Agent shall distribute such funds, in an amount equal to the accrued but unpaid Collection Agent Fee, to the Collection Agent on account of the Collection Agent Fee.

(iii) Upon receipt of funds deposited into the Agent's Account pursuant to subsection (b)(iv) above, the Agent shall distribute such funds as follows: first, to the Agent for pro rata distribution to each Transferee in reduction to -----  
zero of all Capital, second, to the Agent for the account of the Transferees or -----  
the Agent in payment of any other amounts owed by the Transferor hereunder, and third, to the Transferor for its own account.  
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(d) For the purposes of this Section 1.03:

(i) if on any day the amount of any Receivable is reduced or adjusted as a result of (A) early termination of the related Contract, or (B) any defective, rejected, returned, or repossessed Equipment or services, or (C) any cash discount, customer concession, trade-in or other adjustment made by the Transferor or the Originator, or (D) any set-off, or (E) any loss or damage with respect to any Equipment, the Transferor shall be deemed to have received on such day a Collection in full of such Receivable and all other Receivables relating to the same Contract, in the amount of the Outstanding Balance of such Contract plus Yield thereon to the end of the then applicable Fixed Period, and the amount of each such Collection shall be applied as provided in this Section 1.03;

(ii) if on any day any of the representations or warranties in paragraph (h) of Exhibit III is no longer true with respect to any Receivable or the Related Security, the Transferor shall be deemed to have received on such day a Collection in full of such Receivable and all other Receivables relating to the same Contract, in the amount of the Outstanding

Balance of such Contract plus Yield thereon to the end of the then applicable Fixed Period, and the amount of each such Collection shall be applied as provided in this Section 1.03; and

(iii) if and to the extent the Agent or any Transferee shall be required for any reason to pay over to an Obligor any amount received on its behalf

hereunder, such amount shall be deemed not to have been so received but rather to have been retained by the Transferor and, accordingly, the Agent or such Transferee, as the case may be, shall have a claim against the Transferor for such amount, payable when and to the extent that any distribution from or on behalf of such Obligor is made in respect thereof.

(e) Except as provided in paragraph (i) or (ii) of Section 1.03(d), or as otherwise required by applicable law or the relevant Contract, all Collections received from an Obligor of any Receivables shall be applied to the Receivables of such Obligor in the order of the age of the due but unpaid amounts with respect to such Receivables, starting with the oldest such due but unpaid amount, unless such Obligor designates its payment for application to specific Receivables.

(f) The Transferor shall forthwith deliver to the Collection Agent an amount equal to all Collections deemed received by the Transferor pursuant to Section 1.03(d) (i) or (ii) above and the Collection Agent shall hold or distribute such Collections in accordance with Section 1.03(b). If Collections are then being paid to the Agent, the Collection Agent shall forthwith cause such deemed Collections to be paid to the Agent. If a Special Event has occurred, so long as the Transferor shall hold any Collections or deemed Collections required to be paid to the Collection Agent or the Agent, it shall hold such Collections in trust and separate and apart from its own funds and shall clearly mark its records to reflect such trust.

(g) The Transferor may from time to time, on notice received by the Agent not later than 12:00 noon (New York City time) three Business Days before the last day of any Fixed Period for a Receivables Pool, allocate

Receivables for funding purposes to future Fixed Periods (each such pool of Receivables separately so allocated to any one Fixed Period being a "Receivables Pool" having such Fixed Period). Each Receivables Pool shall be deemed to have Capital equal to the total Capital multiplied by a fraction whose numerator is the Outstanding Balance of the Related Contracts giving rise to the Receivables in such Receivables Pool and whose denominator is the Outstanding Balance of all Related Contracts. Notwithstanding the foregoing, two or more Receivables Pools may not be combined unless they have Fixed Periods ending on the same day.

SECTION 1.04. Payment of Fees and Yield. (a) Fees. The Transferor shall pay to the Agent certain fees in the amounts and on the dates set forth in a separate fee agreement of even date between the Transferor and the Agent.

(b) Yield. (i) Yield for any Transferee for any Fixed Period for any

Receivables Pool on the first day of which the Issuer will be funding the Transfer or the maintenance of its interest in such Receivables Pool through the issuance of commercial paper notes is calculated (pursuant to a formula set forth in the definition of "Yield") based on the Transferee Rate for such Fixed  
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Period for such Receivables Pool. Yield for any Transferee for any Fixed Period for any Receivables Pool on the first day of which such Transferee will not be funding the Transfer or the maintenance of its interest in such Receivables Pool through the issuance of commercial paper notes is calculated (pursuant to a formula set forth in the definition of "Yield") based on the Assignee Rate for  
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such Fixed Period for such Receivables Pool, which (subject to the provisos set forth in the definition of "Assignee Rate") is equal to 1.50% per annum plus the  
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Eurodollar Rate for such Fixed Period for such Receivables Pool.

(ii) Without prejudice to the discretion of the Issuer to select the basis of funding or maintaining the Receivables for any Fixed Period, the Issuer may not on any date select or approve a commercial paper note basis unless on such date all of the long-term public senior debt securities of the Originator are rated at least Investment Grade. It is understood that no

Transferee (other than the Issuer) will intend to fund or maintain the Receivables for any Fixed Period by issuing commercial paper notes.

(c) Collection Agent Fee. Each Transferee shall pay to the Collection  
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Agent a fee (the "Collection Agent Fee") of 1.50% per annum on the average daily  
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Capital of each Receivables Pool owned by such Transferee, from the date of Transfer of the related Receivables until the date on which such Capital is reduced to zero, payable on the last day of each Settlement Period. Upon three Business Days' notice to the Agent, the Collection Agent (if not the Originator, the Transferor or its designee or an Affiliate of the Transferor) may elect to be paid, as such fee, another percentage per annum on the average daily Capital of such Receivables Pool, but in no event in excess for all Receivables relating to a single Receivables Pool of 110% of the reasonable costs and expenses of the Collection Agent in administering and collecting the Receivables in such Receivables Pool. The Collection Agent Fee shall be payable only from Collections pursuant to, and subject to the priority of payment set forth in, Section 1.03. So long as the Originator is acting as the Collection Agent hereunder, amounts paid as the Collection Agent Fee pursuant to this Section 1.04(c) shall reduce, on a dollar-for-dollar basis, the obligation of the Transferor to pay the "Collection Agent Fee" pursuant to Section 6.03 of the Transfer Agreement; provided that such obligation of the Transferor shall in no  
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event be reduced below zero.

SECTION 1.05. Payments and Computations, Etc. (a) All amounts to be paid  
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or deposited by the Transferor or the Collection Agent hereunder to or for the account of the Agent, the Issuer or any other Transferee shall be paid or deposited no later than 11:00 A.M. (New York City time) on the day when due in same day funds to the Agent's Account. Upon receipt of funds deposited into the Agent's Account, the Agent shall distribute such funds to the Persons entitled thereto in accordance with the provisions of this Agreement or retain such funds for its own account, as appropriate. Where this Agreement provides for pro rata distribution of funds to the Transferees, the Agent shall make such distribution in accordance with each Transferee's percentage interest in the Receivables.

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(b) The Transferor shall, to the extent permitted by law, pay interest on any amount not paid or deposited by the Transferor (whether as Collection Agent or otherwise) when due hereunder, at an interest rate per annum equal to 2% per annum above the Alternate Base Rate, payable on demand.

(c) All computations of interest under subsection (b) above and all computations of Yield, fees, and other amounts hereunder shall be made on the basis of a year of 360 days for the actual number of days elapsed. Whenever any payment or deposit to be made hereunder shall be due on a day other than a Business Day, such payment or deposit shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of such payment or deposit.

SECTION 1.06. Increased Costs (a) If Royal Bank of Canada, the Agent, the  
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Issuer, a Transferee, any entity which enters into a commitment to acquire Receivables or interests therein, any entity which provides credit enhancement or any of their respective Affiliates (each an "Affected Person") determines  
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that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Affected Person and such Affected Person determines that the amount of such capital is increased by or based upon the existence of any commitment to accept transfers of or otherwise to maintain the investment in Receivables or interests therein hereunder or under any commitments to a Transferee related to this Agreement or to the funding thereof or any related liquidity facility or credit enhancement facility (or any participation therein) and other commitments of the same type, then, upon demand by such Affected Person (with a copy to the Agent), the Transferor shall immediately pay to the Agent, for the account of such Affected Person (as a third-party beneficiary), from time to time as specified by such Affected Person, additional amounts sufficient to compensate such Affected Person in the light of such circumstances, to the extent that such Affected Person reasonably determines

such increase in capital to be allocable to the existence of any of such commitments. A certificate as to such amounts submitted to the Transferor and the Agent by such Affected Person shall be conclusive and binding for all purposes, absent manifest error.

(b) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements) in or in the interpretation of any law or regulation or (ii) compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to a Transferee of agreeing to accept the Transfer of or accepting such Transfers, or maintaining the ownership of Receivables Pools or interests therein in respect of which Yield is computed by reference to the Eurodollar Rate, then upon demand by such Transferee (with a copy to the Agent), the Transferor shall immediately pay to the Agent, for the account of such Transferee (as a third-party beneficiary), from time to time as specified by such Transferee, additional amounts sufficient to compensate such Transferee for such increased costs. A certificate as to such amounts submitted to the Transferor and the Agent by a Transferee shall be conclusive and binding for all purposes, absent manifest error.

SECTION 1.07. Additional Yield on Receivables Bearing a Eurodollar

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Rate. The Transferor shall pay to each Transferee, so long as such Transferee  
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shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional Yield on the unpaid Capital of the Receivables Pool of such Transferee during each Fixed Period in respect of which Yield is computed by reference to the Eurodollar Rate, for such Fixed Period, at a rate per annum equal at all times during such Fixed Period to the remainder obtained by subtracting (i) the Eurodollar Rate for such Fixed Period from (ii) the rate obtained by dividing such Eurodollar Rate referred to in clause (i) above by that percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Transferee for such Fixed Period, payable on each date on which Yield is payable on such Receivables. Such additional Yield shall be determined by such Transferee and notice thereof given to the Transferor through the Agent within 60 days after any Yield payment is made with respect to which such additional Yield is requested. A certificate as to such additional Yield submitted to the Transferor and the Agent by such Transferee shall be conclusive and binding for all purposes, absent manifest error.

SECTION 1.08. Requirements of Law. In the event that any requirement of

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law or any change therein or in the interpretation or application thereof by the relevant governmental authority to a Transferee after the date hereof or compliance by a Transferee with any request or directive (whether or not having the force of law) from any central bank or other governmental authority:

(i) does or shall subject such Transferee to any tax of any kind whatsoever with respect to this Agreement or change the basis of taxation of payments to such Transferee on account of Collections, Yield or any other amounts payable hereunder (excluding taxes imposed on the income of such Transferee, and franchise taxes imposed on such Transferee, by the jurisdiction under the laws of which such Transferee is organized or a political subdivision thereof); or

(ii) does or shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, purchases, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Transferee which are not otherwise included in the determination of the Eurodollar Rate or the Alternate Base Rate hereunder;

and the result of any of the foregoing is to increase the cost to such Transferee of maintaining an interest in Receivables or to reduce any amount receivable hereunder, then, in any such case, the Transferor shall pay such Transferee, upon its demand, any additional amounts necessary to compensate such Transferee for such additional cost or reduced amount receivable with regard to such Transferee's Receivables. All such amounts shall be payable as incurred. A certificate from such Transferee or the Agent, as the case may be, to the Transferor certifying, in reasonably specific detail, the basis for, calculation of, and amount of such additional costs shall be conclusive in the absence of manifest error.

SECTION 1.09. Inability to Determine Eurodollar Rate. In the event that  
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the Agent shall have determined prior to the first day of any Fixed Period (which determination shall be conclusive and binding upon the parties hereto) by reason of circumstances affecting the interbank Eurodollar market, either (a) dollar deposits in the relevant amounts and for the relevant Fixed Period are not available, (b) adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Fixed Period or (c) the Eurodollar Rate determined pursuant hereto does not accurately reflect the cost to the Transferees (as conclusively determined by the Agent) of maintaining Receivables during such Fixed Period, the Agent shall promptly give telephonic notice of such determination, confirmed in writing, to the Transferor prior to the first day of such Fixed Period. If such notice is given, the Assignee Rate applicable to the relevant Receivables Pool shall be determined without reference to the

Eurodollar Rate.

SECTION 1.10. Additional Yield for Liquidity and Credit Enhancement. The

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Transferor shall pay to the Agent, on demand, the Alternate Base Rate on any amounts advanced or paid with respect to liquidity or credit enhancement related to this transaction.

SECTION 1.11. Breakage Costs. If (a) any payment of Capital with respect

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to a Receivables Pool as to which Yield is computed by reference to the Eurodollar Rate or the Transferee Rate is made by the Transferor to or for the account of any Transferee other than on the last day of the Fixed Period for such Receivables Pool, as a result of a payment pursuant to Sections 1.03 or 3.03 or for any other reason, or (b) the Fixed Period Termination Date for such Receivables Pool shall occur during any Fixed Period for such Receivables Pool, or (c) any payment of Capital with respect to such a Receivables Pool is made by an Eligible Assignee to an Affected Person other than on the last day of the Fixed Period for such Receivables Pool upon a purchase and assumption of rights and obligations under this Agreement as a result of a demand by the Transferor, the Transferor shall, upon demand by such Transferee or Affected Person (with a copy to the Agent), immediately pay to the Agent for the account of such Transferee or Affected Person (as a third-party beneficiary) any amounts required to compensate such Transferee or Affected Person for any additional losses, costs

or expenses which it may reasonably incur as a result of such payment, including, without limitation, any loss (including loss of anticipated profits), costs or expenses incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Transferee or Affected Person to fund or maintain its interest in such Receivables Pool. A certificate as to such amounts submitted to the Transferor and the Agent by such Transferee or Affected Person shall be conclusive and binding for all purposes, absent manifest error.

SECTION 1.12. Retransfer of Receivables. At any time after Capital

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is reduced to less than 10% of the highest amount of Capital outstanding on or prior to the Facility Termination Date, the Transferor may, at its option, upon not less than thirty days notice to the Agent, accept the retransfer from the Agent on the Settlement Date next succeeding such thirty day period or on such other date as shall be mutually agreed to by the Agent and the Transferor (the "Retransfer Date"), of all of the Receivables and the Related Security then held

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by the Agent for an amount equal to the Capital of such Receivables as at the Retransfer Date (after application of all Collections received on or prior to such date) plus any accrued and unpaid Yield as at such date plus any other amounts then owed by the Transferor under this Agreement. The Transferor shall

be entitled to all Collections from the Receivables retransferred to the Transferor in accordance with this Section 1.12 which are received after the Retransfer Date and the Collection Agent shall set aside and hold in trust for, and shall pay forthwith to, the Transferor all such Collections. The terms and provisions of this Agreement shall continue to be effective or be reinstated, as the case may be, if any such payment is rescinded or must otherwise be returned to the Transferor upon the insolvency, bankruptcy or reorganization of the Transferor or an Obligor or otherwise, all as though such payment had never been made. On the Retransfer Date:

(i) all of the Receivables and Related Security shall be retransferred to the Transferor without any representation or warranty other than that they are free and clear of any Adverse Claims created by or through the Transferees or the Agent, and

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(ii) the Agent shall deliver to the Transferor executed UCC-3 Termination Statements, terminating the interest of the Agent in all such Receivables and Related Security,

thereupon the Transferor shall be vested with all right, title and interest in such Receivables and Related Security, and the Agent and the Transferees shall no longer hold any interest in any of such Receivables or Related Security.

SECTION 1.13. Security Interest. As collateral security for the  
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performance by the Transferor of all the terms, covenants and agreements on the part of the Transferor (whether as Transferor or otherwise) to be performed under this Agreement or any document delivered in connection with this Agreement in accordance with the terms thereof, including the punctual payment when due of all obligations of the Transferor hereunder or thereunder, whether for indemnification payments, fees, expenses or otherwise, the Transferor hereby assigns to the Agent for its benefit and the ratable benefit of the Transferees, and hereby grants to the Agent for its benefit and the ratable benefit of the Transferees, a security interest in, all of the Transferor's right, title and interest in and to:

(a) the Transfer Agreement, including, without limitation, (i) all rights of the Transferor to receive moneys due or to become due under or pursuant to the Transfer Agreement, (ii) all security interests and property subject thereto from time to time purporting to secure payment of monies due or to become due under or pursuant to the Transfer Agreement, (iii) all rights of the Transferor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Transfer Agreement (except any rights that might arise under the Support Agreement), (iv) claims of the Transferor for damages arising out of or for breach of or default under the Transfer Agreement, and (v) the right of the Transferor to compel performance and otherwise exercise all

remedies thereunder,

(b) all Receivables, the Related Security with respect thereto and the Collections and all receivables originated by Dealers and owned by the

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Transferor and not otherwise transferred or scheduled to be transferred under this Agreement and all related collateral with respect thereto, and

(c) to the extent not included in the foregoing, all proceeds of any and all of the foregoing.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES; COVENANTS; TRIGGER EVENTS

SECTION 2.01. Representations and Warranties; Covenants. The Transferor

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hereby makes the representations and warranties, and hereby agrees to perform and observe the covenants, set forth in Exhibits III and IV, respectively, hereto.

SECTION 2.02. Trigger Events. If any of the Trigger Events set forth in

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Exhibit V hereto shall occur and be continuing, the Agent may, by notice to the Transferor, take either or both of the following actions: (x) declare the Fixed Period Termination Date to have occurred (in which case the Fixed Period Termination Date shall be deemed to have occurred), and (y) without limiting any right under the Collection Agent Agreement to replace the Collection Agent, designate another Person to succeed the Originator as the Collection Agent; provided, that, automatically upon the occurrence of any event (without any

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requirement for the passage of time or the giving of notice) described in paragraph (i) of Exhibit V, the Fixed Period Termination Date shall occur, the Originator (if it is then serving as the Collection Agent) shall cease to be the Collection Agent, and the Agent or its designee shall become the Collection Agent. Upon any such declaration or designation or upon any such automatic termination, the Transferees and the Agent shall have, in addition to the rights and remedies which they may have under this Agreement and the Collection Agent Agreement, all other rights and remedies provided after default under the UCC of the appropriate jurisdiction or jurisdictions and under other applicable law, which rights and remedies shall be cumulative.

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ARTICLE III

INDEMNIFICATION, REPURCHASE, ETC.

SECTION 3.01. Indemnities by the Transferor. Without limiting any

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other rights that the Agent or any Transferee or any of their respective  
Affiliates or its agents (each, an "Indemnified Party") may have hereunder or

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under applicable law, the Transferor hereby agrees to indemnify each  
Indemnified Party from and against any and all claims, losses and liabilities  
(including reasonable attorneys' fees) (all of the foregoing being collectively  
referred to as "Indemnified Amounts") arising out of or resulting from this

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Agreement or the use of proceeds of any Transfer or the acceptance of the  
transfer of the Receivables or in respect of any Receivable, Related Contract or  
Related Security, excluding, however, (a) Indemnified Amounts to the extent  
resulting from gross negligence or willful misconduct on the part of such  
Indemnified Party, (b) recourse (except as otherwise specifically provided in  
this Agreement) for uncollectible Receivables or (c) any income taxes or  
franchise taxes imposed on such Indemnified Party by the jurisdiction under the  
laws of which such Indemnified Party is organized or any political subdivision  
thereof, arising out of or as a result of this Agreement or the acceptance of  
the transfer of the Receivables or in respect of any Receivable, Related  
Contract or Related Security. Without limiting or being limited by the  
foregoing, the Transferor shall pay on demand to each Indemnified Party any and  
all amounts necessary to indemnify such Indemnified Party from and against any  
and all Indemnified Amounts relating to or resulting from any of the following:

(i) any representation or warranty or statement made by the Transferor  
(or any of its officers) under or in connection with this Agreement and the  
other Transaction Documents which shall have been incorrect in any material  
respect when made;

(ii) the failure by the Transferor or the Originator to comply with any  
applicable law, rule or regulation (including, without limitation, usury or  
consumer law) with respect to any Receivable, the related Contract or

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the Related Security; or the failure of any Receivable or the related  
Contract to conform to any such applicable law, rule or regulation;

(iii) the failure of the Agent (for the benefit of the Transferees) to  
acquire a valid and perfected interest in the Receivables and the Related  
Security and Collections in respect thereof under Article 9 of the UCC, free  
and clear of any Adverse Claim;

(iv) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables or the Related Security and Collections in respect thereof, whether at the time of the transfer of an interest therein or at any subsequent time;

(v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the lease or sale of the related Equipment or services related to such Receivable or the furnishing or failure to furnish such Equipment or other services or alleging violation by the Transferor of any laws in connection with such lease or sale activities;

(vi) any failure of the Transferor or the Originator (as Collection Agent or otherwise) to perform its duties or obligations in accordance with the provisions hereof or to perform its duties or obligations under the Related Contracts;

(vii) any products or personal liability claim arising out of or in connection with any Equipment or other merchandise, services or activities which are the subject of any Related Contract;

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(viii) the commingling by the Transferor or any of its Affiliates (including without limitation the Originator in its capacity as Collection Agent) of Collections of Receivables at any time with other funds;

(ix) any investigation, litigation or proceeding related to this Agreement or the use of proceeds of any Transfer or the acceptance of the transfer of Receivables or in respect of any Receivable, Related Security or Related Contract; or

(x) any fine, penalty, tax or other charge asserted against any Indemnified Party by any governmental authority or agency or any other Person resulting from any Obligor's use, possession or ownership of any Equipment.

SECTION 3.02. Recourse for Yield. The Transferor hereby agrees to

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pay to the Agent, for pro rata distribution to each Transferee, (a) on the last day of each Fixed Period, any deficiency between (i) Collections applied to payment of accrued but unpaid Yield on such last day pursuant to Section 1.03(c)(i), and (ii) the amount of accrued but unpaid Yield on such last day on the Capital of the relevant Receivables Pool, and (b) on each day on which

Collections are to be deposited into the Agent's Account pursuant to Section 1.03(b) (ii), any deficiency between (i) the amount of Collections so deposited on such day allocable to payment of accrued but unpaid Yield on the Capital associated with the relevant Fixed Period and (ii) the amount of accrued but unpaid Yield on such Capital on such day.

SECTION 3.03. Repurchase of Ineligible and Certain Other Receivables.  
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(a) The Transferor shall, upon not less than two Business Days' notice from the Agent, repurchase (at the repurchase price specified in Section 3.03(b) below) on the next succeeding Settlement Date:

(i) any Receivable that was not an Eligible Receivable at the time of the related Transfer or that thereafter ceases to be an Eligible Receivable; and

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(ii) any Receivable as to which the Agent (for the benefit of the Transferees) does not have a first priority perfected interest free and clear of any Adverse Claim.

(b) Each repurchase of a Receivable under Section 3.03(a) above shall include the repurchase of all other Receivables relating to the same Contract. The repurchase price shall be an amount equal to the Outstanding Balance of the related Contract plus accrued but unpaid Yield thereon to the date of repurchase. The proceeds of any such repurchase shall be deemed to be a Collection in respect of such Receivables received during the Settlement Period preceding such Settlement Date and the amount of each such Collection shall be applied as provided in Section 1.03.

ARTICLE IV

ADMINISTRATION AND COLLECTION  
OF RECEIVABLES

SECTION 4.01. Designation of Collection Agent. The servicing,  
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administration and collection of the Receivables shall be conducted by the Collection Agent so designated hereunder from time to time. Until the Agent gives notice to the Transferor of the designation of a new Collection Agent, the Originator is hereby designated as, and hereby agrees to perform the duties and obligations of, the Collection Agent pursuant to the terms hereof. The Agent at any time may designate as Collection Agent any Person (including itself) to succeed the Originator or any successor Collection Agent, if such Person shall consent and agree to the terms hereof. The Collection Agent may, with the prior consent of the Agent, subcontract with any other Person for the servicing, administration or collection of the Receivables. Any such subcontract shall not

affect the Collection Agent's liability for performance of its duties and obligations pursuant to the terms hereof.

SECTION 4.02. Duties of Collection Agent. (a) The Collection Agent

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shall take or cause to be taken all such actions as may be necessary or

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advisable to collect each Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy. The Transferor and the Agent hereby appoint the Collection Agent, from time to time designated pursuant to Section 4.01, as agent for themselves and for the Transferees to enforce their respective rights and interests in the Receivables, the Related Security and the related Contracts. In performing its duties as Collection Agent, the Collection Agent shall exercise the same care and apply the same policies as it would exercise and apply if it owned such Receivables and shall act in the best interests of the Transferor and the Transferees.

(b) The Collection Agent shall administer the Collections in accordance with the procedures described in Section 1.03.

(c) If no Special Event shall have occurred and be continuing, the Originator, while it is the Collection Agent, may, in accordance with the Credit and Collection Policy, extend the maturity or adjust the Outstanding Balance of any Receivable as the Originator deems appropriate to maximize Collections thereof.

(d) The Collection Agent shall hold in trust for the Transferor and each Transferee, in accordance with their respective interests, all documents, instruments and records (including, without limitation, computer tapes or disks) which evidence or relate to Receivables.

(e) The Collection Agent shall, as soon as practicable following receipt, turn over to the Transferor any cash collections or other cash proceeds received with respect to receivables not transferred to the Transferees pursuant to the Agreement constituting Receivables.

(f) The Collection Agent shall, from time to time at the request of the Agent, furnish to the Agent (promptly after any such request) a calculation of the amounts set aside for the Agent and the Transferees pursuant to Section 1.03.

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(g) Prior to the 15th calendar day of each month, the Collection Agent shall prepare and forward to the Agent a Transferor Report relating to the Receivables outstanding on the last day of the immediately preceding month.

SECTION 4.03. Certain Rights of the Agent.  
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Following the occurrence of a Special Event,

(a) The Agent may direct the Obligors that all payments thereunder be made directly to the Agent or its designee.

(b) At the Agent's request and at the Transferor's expense, the Transferor shall notify each Obligor of the interest of the Agent in the Receivables under this Agreement and direct that payments be made directly to the Agent or its designee.

(c) At the Agent's request and at the Transferor's expense, the Transferor and the Collection Agent shall (A) assemble all of the documents, instruments and other records (including, without limitation, computer tapes and disks) that evidence or relate to the Receivables and the Related Contracts and Related Security, or that are otherwise necessary or desirable to collect the Receivables, and shall make the same available to the Agent at a place selected by the Agent or its designee, and (B) segregate all cash, checks and other instruments received by it from time to time constituting Collections in a manner acceptable to the Agent and, promptly upon receipt, remit all such cash, checks and instruments, duly indorsed or with duly executed instruments of transfer, to the Agent or its designee.

(d) The Transferor authorizes the Agent to take any and all steps in the Transferor's name and on behalf of the Transferor that are necessary or desirable, in the determination of the Agent, to collect amounts due under the Receivables, including, without limitation, endorsing the Transferor's name on checks and other

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instruments representing Collections and enforcing the Receivables and the Related Security and related Contracts.

SECTION 4.04. Rights and Remedies. (a) If the Collection Agent fails to  
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perform any of its obligations under this Agreement, the Agent may (but shall not be required to) itself perform, or cause performance of, such obligation; and the Agent's costs and expenses incurred in connection therewith shall be payable by the Transferor (if the Collection Agent that fails to so perform is the Transferor or its designee).

(b) The Transferor and the Originator shall perform their respective obligations under the Related Contracts to the same extent as if the Receivables had not been transferred and the exercise by the Agent on behalf of the Transferees of their rights under this Agreement shall not release the

Collection Agent or the Transferor from any of their duties or obligations with respect to any Receivables or Related Contracts. Neither the Agent nor the Transferees shall have any obligation or liability with respect to any Receivables or Related Contracts, nor shall any of them be obligated to perform the obligations of the Transferor thereunder.

(c) In the event of any conflict between the provisions of Article V of this Agreement and Article VI of the Transfer Agreement, the provisions of this Agreement shall control.

SECTION 4.05. Further Actions Evidencing Transfers. The Originator agrees

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from time to time, at its expense, to promptly execute and deliver all further instruments and documents, and to take all further actions, that may be reasonably necessary or desirable, or that the Agent may reasonably request, to perfect, protect or more fully evidence the Receivables transferred hereunder, or to enable the Transferees or the Agent to exercise and enforce their respective rights and remedies hereunder. Without limiting the foregoing, the Originator will upon the request of the Agent (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments and documents, that may be reasonably necessary or desirable, or that the Agent may reasonably request, to perfect, protect or evidence such Receivable Interests;

(ii) mark conspicuously each invoice evidencing each Receivable and the Related Contract with a legend, acceptable to the Agent, evidencing that such Receivables have been transferred; and (iii) mark its master data processing records evidencing such Receivables and the Related Contracts with such a legend.

SECTION 4.06. Covenants of the Collection Agent and the Originator. (a)

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Audits. The Collection Agent will, from time to time during regular business

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hours as requested by the Agent, permit the Agent, or its agents or representatives (including independent public accountants, which may be the Collection Agent's independent public accountants), (i) to conduct periodic audits of the Receivables, the Related Security and the related books and records and collections systems of the Collection Agent, (ii) to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of the Collection Agent relating to Receivables and the Related Security, including, without limitation, the Contracts, and (iii) to visit the offices and properties of the Collection Agent for the purpose of examining such materials described in clause (ii) above, and to discuss matters relating to Receivables and the Related Security or the Collection Agent's performance hereunder with any of the officers or employees of the Collection Agent having knowledge of such matters.

(b) Change in Credit and Collection Policy. The Originator will not make

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any change in the Credit and Collection Policy that would impair the collectibility of any Receivable or the ability of the Originator (if it is acting as Collection Agent) to perform its obligations under this Agreement.

SECTION 4.07. Indemnities by the Collection Agent. Without limiting any

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other rights that the Agent, any Transferee or any of their respective Affiliates (each, a "Special Indemnified Party") may have hereunder or under

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applicable law, and in consideration of its appointment as Collection Agent, the Collection Agent hereby agrees to indemnify each Special Indemnified Party from and against any and all claims, losses and liabilities (including reasonable attorneys' fees) (all of the foregoing being collectively referred to as

"Special Indemnified Amounts") arising out of or resulting from any of the

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following (excluding, however, (a) Special Indemnified Amounts to the extent resulting

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from gross negligence or willful misconduct on the part of such Special Indemnified Party, (b) recourse for uncollectible Receivables or (c) any income taxes or any other tax or fee measured by income incurred by such Special Indemnified Party arising out of or as a result of this Agreement or the ownership of interests in the Receivables or in respect of any Receivable or any Contract):

(i) any representation or warranty or statement made or deemed made by the Collection Agent under or in connection with this Agreement which shall have been incorrect in any material respect when made;

(ii) the failure by the Collection Agent to comply with any applicable law, rule or regulation with respect to any Receivable or Contract; or the failure of any Receivable or Contract to conform to any such applicable law, rule or regulation;

(iii) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables in, or purporting to be in, the Receivables Pools, the Contracts and the Related Security and Collections in respect thereof, whether at the time of any purchase or reinvestment or at any subsequent time;

(iv) any failure of the Collection Agent to perform its duties or obligations in accordance with the provisions of this Agreement;

(v) the commingling of Collections at any time by the Collection Agent with other funds;

(vi) any action or omission by the Collection Agent reducing or impairing the rights of the Transferees with respect to any Receivable or the value of any Receivable;

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(vii) any Collection Agent Fees or other costs and expenses payable to any replacement Collection Agent, to the extent in excess of the Collection Agent Fees payable to the Collection Agent hereunder; or

(viii) any claim brought by any Person other than a Special Indemnified Party arising from any activity by the Collection Agent or its Affiliates in servicing, administering or collecting any Receivable.

## ARTICLE V

### MISCELLANEOUS

SECTION 5.01. Amendments, Etc. No amendment or waiver of any  
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provision of this Agreement and no consent to any departure by the Transferor therefrom shall be effective unless in a writing signed by the Agent, as agent for the Transferees and, in the case of any amendment, also signed by the Transferor, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of any Transferee or the Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

SECTION 5.02. Notices, Etc. All notices, demands and other  
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communications provided for hereunder shall, unless otherwise stated herein, be in writing (which shall include electronic transmission), shall be personally delivered, express couriered, electronically transmitted (in which case a hard copy shall also be sent by regular mail) or mailed by registered or certified mail and shall, unless otherwise expressly provided herein, be effective when received at the address specified below for the listed parties or at such other address as shall be specified in a written notice furnished to the other parties hereunder.

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If to the Transferor:

IKON FUNDING INC.  
501 Silverside Road, Suite 28,  
Wilmington, Delaware 19809  
Attention: Robert McLain

If to the Originator or Collection Agent:

IKON CAPITAL INC.  
1738 Bass Road  
Macon, Georgia 31210  
Attention: Harry G. Kozee  
Tel. No.: (912) 471-2306  
Facsimile No.: (912) 471-2376

with a copy to:

ALCO STANDARD CORPORATION  
925 Duportail Road  
Wayne, Pennsylvania 19087  
Attention: Jack Quinn  
Tel. No.: (610) 296-8000  
Facsimile: (610) 296-3248

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If to the Agent:

ROYAL BANK OF CANADA  
One Financial Square (corner of Front Street  
and Old Slip)  
23rd Floor  
New York, NY 10005-3531  
Attention: Managing Director,  
North American Securitization Group  
Tel. No.: (212) 428-6474  
Facsimile No.: (212) 428-2304

If to the Issuer:

OLD LINE FUNDING CORP.  
c/o Lord Securities Corporation  
Two Wall Street, 19th Floor  
New York, New York 10005  
Attention: Andrew L. Stidd  
Vice President  
Tel. No.: (212) 346-9000  
Facsimile No.: (212) 346-9012

SECTION 5.03. Assignability. (a) This Agreement and each  
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Transferee's rights and obligations herein (including rights in the Receivables) shall be assignable by each Transferee and its successors and assigns. Each assignor of Receivables or any interest therein shall notify the Agent and the Transferor of any such assignment. Each assignor of Receivables may, in connection with the assignment or participation, disclose to the assignee or participant any information, relating to the Transferor or the Receivables, which was furnished to such assignor by or on behalf of the Transferor or by the Agent; provided that, prior to any such disclosure, the assignee or participant agrees to preserve the confidentiality of any confidential information relating to the Transferor received by it from any of the foregoing entities.

(b) This Agreement and the rights and obligations of the Agent herein shall be assignable by the Agent and its successors and assigns; provided that any ----- costs incurred by the Agent in connection with such assignment shall be for the account of the Agent.

(c) The Transferor may not assign its rights or obligations hereunder or any interest herein without the prior written consent of the Agent, which consent will not be unreasonably withheld.

(d) Without limiting any other rights that may be available under applicable law, the rights of the Transferees may be enforced through them or by their agents.

SECTION 5.04. Costs, Expenses and Taxes. (a) In addition to the ----- rights of indemnification granted under Section 3.01 hereof, the Transferor agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery and administration (including periodic auditing of Receivables) of this Agreement, any transfer agreement or similar agreement relating to the transfer of interests in Receivables and the other documents and agreements to be delivered hereunder and thereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Agent, the Issuer and their respective Affiliates and agents with respect thereto and with respect to advising the Agent, the Issuer and their respective Affiliates and agents as to their rights and remedies under this Agreement and all costs and expenses, if any (including reasonable counsel fees and expenses) of the Agent, the Transferees and their respective Affiliates and agents, in connection with the enforcement of this Agreement, and the other documents and agreements to be delivered hereunder.

(b) The Transferor shall pay any and all stamp and other taxes and fees payable in connection with the execution, delivery, filing and recording of this Agreement or the other documents or agreements to be delivered hereunder. The Transferor agrees to save each Indemnified Party harmless from and against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees, any and all stamp and other taxes and fees payable in

connection with the execution, delivery, filing and recording of this Agreement or the other documents or agreements to be delivered hereunder. The Transferor agrees to save each Indemnified Party harmless from and against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

SECTION 5.05. No Proceedings. Each of the Originator, the

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Transferor, the Agent, each Transferee, each assignee of a Receivable or any interest therein and each entity which enters into a commitment to acquire Receivables or interests therein hereby agrees that it will not institute against, or join any other person in instituting against, the Issuer any proceeding of the type referred to in paragraph (i) of Exhibit V so long as any commercial paper issued by the Issuer shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such commercial paper shall have been outstanding.

SECTION 5.06. Confidentiality. Unless otherwise required by

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applicable law, the Transferor agrees to maintain the confidentiality of this Agreement (and all drafts thereof) in communications with third parties and otherwise; provided, that this Agreement may be disclosed to (a) third parties

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to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Agent, and (b) the Transferor's legal counsel and auditors if they agree to hold it confidential.

SECTION 5.07. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY,

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AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF), EXCEPT TO THE EXTENT THAT THE PERFECTION OF THE INTERESTS OF THE TRANSFEREES IN THE RECEIVABLES OR REMEDIES HEREUNDER, IN RESPECT THEREOF, ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

SECTION 5.08. Execution in Counterparts. This Agreement may be executed

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in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 5.09. Termination. (a) Except as provided in subsection (b)

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below, this Agreement shall terminate on the date on which each Transferee receives an amount equal to its pro rata portion of the Capital plus accrued Yield thereon plus all other amounts due to it under this Agreement and the Agent receives all amounts due to it under this Agreement (the "Termination Date"). Upon such termination, the Agent will, at the Transferor's cost and expense, take such actions as are reasonably requested to terminate this Agreement and the Transfer contemplated thereby (including, without limitation, executing UCC termination statements).

(b) The provisions of Sections 1.06, 1.08, 1.09, 1.10, 1.11, 3.01, 4.07, 5.04, 5.05 and 5.06 shall survive any termination of this Agreement.

SECTION 5.10. Tax Treatment. It is the intention of the Transferor

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and the Agent that for federal, state and local income and franchise tax purposes, the Capital will be treated as evidence of indebtedness of the Transferor secured by the Receivables, the Related Security and Collections and other proceeds thereof. The Transferor, the Agent and the Issuer, by entering into this Agreement, intend to treat the Capital as indebtedness.

The provisions of this Agreement and all related Transaction Documents shall be construed to further such intentions of the parties hereto.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

TRANSFEROR: IKON FUNDING INC.

By: /s/ Robert K. McLain

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Name: Robert K. McLain  
Title: President

ORIGINATOR AND  
COLLECTION AGENT: IKON CAPITAL INC.

By: /s/ Robert M. Kearns II

-----  
Name: Robert M. Kearns II  
Title: Vice President

ISSUER: OLD LINE FUNDING CORP.

By: Royal Bank of Canada,  
as Attorney in Fact

By: /s/ Lynne M. Lowen  
-----

Name: Lynne M. Lowen  
Title: Senior Manager

By: [SIGNATURE APPEARS HERE]  
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Name:  
Title:

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AGENT: ROYAL BANK OF CANADA

By: /s/ Lynne M. Lowen  
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Name: Lynne M. Lowen  
Title: Senior Manager

By: [SIGNATURE APPEARS HERE]  
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Name:  
Title:

#### EXHIBIT I

#### DEFINITIONS

As used in the Agreement (including its Exhibits), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Adverse Claim" means a lien, security interest or other charge or  
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encumbrance, or any other type of preferential arrangement.

"Affiliate" means, as to any Person, any other Person that, directly or  
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indirectly, is in control of, is controlled by or is under common control with such Person or is a director or officer of such Person.

"Agent's Account" means the special account (account number 04-872-850; ABA

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number 021001033) of the Agent in the name of Old Line Funding Corporation maintained at the office of Bankers Trust Company at Four Albany Street, New York, New York for the benefit of the Transferees.

"Aggregate Adjusted Outstanding Balance" means, with respect to any  
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Receivables to be transferred pursuant to Section 1.02, the aggregate Outstanding Balance of the Contracts related to such Receivables less the Discount with respect to such Receivables.

"Alternate Base Rate" means a fluctuating interest rate per annum as shall  
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be in effect from time to time, which rate shall be at all times equal to the highest of:

(a) the rate of interest announced publicly by Royal Bank of Canada in New York, New York, from time to time as its base commercial lending rate;

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(b) 1/2 of one percent above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Royal Bank of Canada on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Royal Bank of Canada from three New York certificate of deposit dealers of recognized standing selected by Royal Bank of Canada, in either case adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent; and

(c) the Federal Funds Rate.

"Applicable Percentage" means, with respect to the Consideration payable  
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with respect to Receivables, a percentage equal to the product of (a) four, (b) the weighted average life of such Receivables expressed in years and fractions thereof and as reported in the most recent Transferor Report and (c) the product of (i) average of the Default Ratios for the twelve months preceding the related Transfer Date and (ii) 12.

"Assignee Rate" for any Fixed Period for any Receivables Pool means an

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interest rate per annum equal to 1 1/2% per annum above the Eurodollar Rate for such Fixed Period; provided, however, that in the case of  
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(i) any Fixed Period on or prior to the first day of which any Transferee shall have notified the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for such Transferee to fund the Transfer or the maintenance of its interest in such Receivables Pool at the Assignee Rate set forth above

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(and such Transferee shall not have subsequently notified the Agent that such circumstances no longer exist),

(ii) any Fixed Period of one to (and including) 29 days,

(iii) any Fixed Period as to which the Agent does not receive notice, by no later than 12:00 noon (New York City time) on the third Business Day preceding the first day of such Fixed Period that the associated Receivables Pool will not be funded by issuance of commercial paper, or

(iv) any Fixed Period for which any Transferee's interest in the Capital allocated thereto is less than \$250,000,

the "Assignee Rate" for each such Fixed Period shall be an interest rate per  
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annum equal to 1 1/2% per annum above the Alternate Base Rate in effect on the first day of such Fixed Period.

"Business Day" means any day on which (i) banks are not authorized or  
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required to close in New York City and (ii) if this definition of "Business Day" is utilized in connection with the Eurodollar Rate, dealings are carried out on the London interbank market.

"Capital" means the aggregate Consideration for all Transfers that have  
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occurred on or prior to such date, reduced from time to time by Collections distributed on account of Receivables and applied to reduce Capital pursuant to Section 1.03(c) (iii) of the Agreement; provided, that if such Capital shall have  
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been reduced by any distribution and thereafter all or a portion of such distribution is rescinded or must otherwise be returned for any reason, such Capital shall be increased by the amount of such rescinded or returned distribution, as though it had not been made.

"Collection Agent" means at any time the Person then authorized pursuant to  
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Section 4.01 of the Agreement to administer and collect Receivables.

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"Collection Agent Fee" has the meaning specified in Section 1.04(c) of the  
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Agreement.

"Collections" means, with respect to any Receivable, (i) all cash  
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collections and other cash proceeds of such Receivable, including, without  
limitation, all cash proceeds of Related Security with respect to such  
Receivable (including, without limitation, payments under the related Contract  
due upon or in connection with (a) Obligor's default under the Contract, (b)  
loss, theft or damage to the related Equipment, or (c) renewal of the Contract),  
provided, that Collections shall not include collections which represent the  
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payment of (x) maintenance charges or (y) insurance premiums, and (ii) any  
Collection of such Receivable deemed to have been received pursuant to the  
Agreement.

"Consideration" has the meaning set forth in Section 1.02(a) of the  
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Agreement.

"Contract" means a closed-end lease agreement between the Originator and an  
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Obligor having an original lease/loan term not exceeding 60 months, in  
substantially the form of one of the forms of written contract set forth in  
Annex A hereto or otherwise approved by the Agent, which has been sold to  
Transferor pursuant to the Transfer Agreement, pursuant to or under which such  
Obligor shall be obligated to pay for the lease of Equipment.

"Credit and Collection Policy" means those receivables collection policies  
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and practices of the Originator in effect on the date of the Agreement and  
described in Schedule I hereto, as modified in compliance with the Agreement.

"Dealer" means each of the Persons set forth on Exhibit VI hereto, as such  
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Exhibit may be amended from time to time by the Transferor with the consent of  
the Agent.

"Debt" means (i) indebtedness for borrowed money, (ii) obligations  
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evidenced by bonds, debentures, notes or other similar instruments, (iii)

obligations to pay the deferred purchase price of property or services, (iv) obligations as lessee under leases which shall have been or should be, in

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accordance with generally accepted accounting principles, recorded as capital leases, (v) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) above, and (vi) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

"Default Ratio" means the ratio (expressed as a percentage) computed as of  
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the last day of each calendar month by dividing (i) the aggregate Outstanding Balance of all Related Contracts having one or more Receivables that were Defaulted Receivables on such day or that would have been Defaulted Receivables on such day had they not been written off the books of the Transferor during such month by (ii) the aggregate Outstanding Balance of all Related Contracts on such day.

"Defaulted Receivable" means a Receivable:  
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(i) as to which any payment, or part thereof, remains unpaid for 120 or more days from the original due date for such payment;

(ii) as to which the Obligor thereof or any other Person obligated thereon or owning any Related Security in respect thereof has taken any action, or suffered any event to occur, of the type described in paragraph (i) of Exhibit V; or

(iii) which, consistent with the Credit and Collection Policy, would be retransferred to the related Dealer as uncollectible.

"Delinquency Ratio" means the ratio (expressed as a percentage) computed as  
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of the last day of each calendar month by dividing (i) the aggregate amount of all Receivables that were Delinquent Receivables on such day by (ii) the aggregate Outstanding Balance of all Related Contracts on such day.

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"Delinquent Receivable" means a Receivable that is not a Defaulted  
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Receivable and:

(i) as to which any payment, or part thereof, remains unpaid for 30 or more days from the original due date for such payment; or

(ii) which, consistent with the Credit and Collection Policy, would be classified as delinquent by the Originator or the Transferor.

"Designated Account" means an account in the name of and owned by the  
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Agent, designated by the Agent in a writing delivered to the Transferor, for the purpose of receiving Collections of Receivables.

"Designated States" means the states set forth on Exhibit VIII hereto, as  
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such Exhibit may be amended from time to time by the Transferor with the consent of the Agent.

"Discount" means, with respect to any group of Receivables, the product of  
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(a) the aggregate Outstanding Balance of the Related Contracts relating to such Receivables and (b) the Applicable Percentage in respect of such Receivables.

"Eligible Receivable" means, at the relevant time of determination, a  
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Receivable:

(i) the Obligor of which is a United States resident, is not an Affiliate of any of the parties hereto, and is not the federal government, the government of a Designated State or a governmental subdivision or agency of the federal government or the government of a Designated State;

(ii) the Obligor of which has not been disapproved by the Agent on or prior to the date of the Transfer and which, at the time of the Transfer, is not the Obligor of any Defaulted Receivables;

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(iii) which at the time of the Transfer is not a Defaulted Receivable;

(iv) (a) which arises under a Contract with a remaining term of not more than 60 months and (b) which, according to such Contract, consists of substantially equal monthly Periodic Payments which are required to be paid within 30 days of the billing date therefor;

(v) which arose pursuant to a Contract which is "chattel paper" within the meaning of Section 9-105 of the UCC of the applicable jurisdictions governing the perfection of the interest created in the Receivables;

(vi) which is denominated and payable in United States dollars in the United States;

(vii) which arises under a Contract (a) which has been duly authorized and which, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the Obligor of such Receivable enforceable against such Obligor in accordance with its terms and is not subject to any dispute, offset, counterclaim or defense whatsoever (except as limited by applicable bankruptcy law), (b) in respect of which, prior to the date it is transferred hereunder, the Equipment has been delivered and accepted and (c) which pursuant to its terms is not cancellable by the lessee before the end of its stated term;

(viii) which, together with the Contract related thereto, does not contravene in any material respect any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to usury, consumer protection, truth in lending, consumer leasing, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which none of the Transferor, the Originator or the

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related Obligor is in violation of any such law, rule or regulation in any material respect;

(ix) with regard to which there exists only one executed original Contract, which is in the possession of Transferor on the Transfer Date of such Receivable;

(x) which represents payments due to the Originator and does not represent any payments payable for the account of any Person other than the Originator under the Contract relating to such Receivable or any sales or use tax payable under such Contact;

(xi) which satisfies all applicable requirements of the Credit and Collection Policy;

(xii) which, after giving effect to the acquisition thereof, would not result in the aggregate Outstanding Balance of Related Contracts of any single Obligor exceeding 2% of the aggregate Outstanding Balance of all Related Contracts;

(xiii) as to which, at or prior to the time of the Transfer, the Agent has not notified the Transferor that such Receivable (or class of Receivables) is not acceptable for transfer to the Issuer hereunder;

(xiv) the transfer or assignment of which does not contravene any applicable law, rule or regulation; and

(xv) which was originated by a Dealer.

"Equipment" with respect to any Receivable means office, business or other  
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equipment leased or sold to an Obligor by the Originator pursuant to a Contract (including any modifications or substitutions of equipment pursuant to the original Contract giving rise to such Receivable).

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"ERISA" means the Employee Retirement Income Security Act of 1974, as  
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amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Eurocurrency Liabilities" has the meaning assigned to that term in  
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Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Rate" means, for any Fixed Period for any Receivables Pool, an  
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interest rate per annum (expressed as a decimal and rounded upwards, if necessary, to the nearest one hundredth of a percentage point) equal to the offered rate per annum for deposits in U.S. dollars in a principal amount of not less than \$1,000,000 for such Fixed Period as of 11:00 A.M., London time, two Business Days before the first day of such Fixed Period, which appears on the display designated as "Page 3750" on the Telerate Service (or such other page as may replace "Page 3750" on that service for the purpose of displaying London interbank offered rates of major banks) (the "Telerate LIBO Page"); provided

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that if on any Business Day on which the Eurodollar Rate is to be determined, no offered rate appears on the Telerate LIBO Page, the Agent will request the principal London office of Royal Bank of Canada (the "Eurodollar Reference

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Bank"), to provide the Agent with its quotation at approximately 11:00 A.M., London time, on such date of the rate per annum it offers to prime banks in the London interbank market for deposits in U.S. dollars for the requested Fixed Period in an amount substantially equal to the Capital associated with such Fixed Period if the Eurodollar Reference Bank does not furnish timely information to the Agent for determining the Eurodollar Rate, then the Eurodollar Rate shall be considered to be the Alternate Base Rate for such Fixed Period.

"Eurodollar Rate Reserve Percentage" of any Transferee for any Fixed Period

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in respect of which Yield is computed by reference to the Eurodollar Rate means the reserve percentage applicable two Business Days before the first day of such Fixed Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) (or if more than one such percentage shall be applicable, the daily average of such percentages for those days in such Fixed Period during which any such

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percentage shall be so applicable) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Transferee with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Liabilities is determined) having a term equal to such Fixed Period.

"Facility Termination Date" means the earlier of the Scheduled Termination  
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Date, or the Termination Date.

"Federal Funds Rate" means, with respect to any day, the rate set forth in  
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H.15(519) for that day opposite the caption "Federal Funds (Effective)."

If on any date of determination, such rate is not published in H.15(519), such rate will be the rate set forth in Composite 3:30 P.M. Quotations for U.S. Government Securities for that day under the caption "Federal Funds/Effective Rate". If on any date of determination, the appropriate rate is not published in either H.15(519) or Composite 3:30 P.M. Quotations for U.S. Government Securities, such rate will be the arithmetic mean of the rates for the last transaction in overnight federal funds arranged by three leading brokers of federal funds transactions in New York City prior to 9:00 a.m., New York City time, on that day.

"Fixed Period" means for any Receivables Pool:  
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(a) initially the period commencing on the date of the Transfer of such Receivables Pool and ending such number of days as the Transferor shall select and the Agent shall approve, up to 270 days from such date; and

(b) thereafter each period commencing on the last day of the immediately preceding Fixed Period for such Receivables Pool and ending such number of days (not to exceed 270 days) as the Transferor shall select and the Agent shall approve on notice by the

Transferor selecting the Yield Rate and received by the Agent (including notice by telephone, confirmed in writing) not later than 11:00 A.M. (New York City time) on such last day, except that if the Agent shall not have

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received such notice or approved such period on or before 11:00 A.M. (New York City time) on such last day, such period shall be one day;

provided that

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(i) any Fixed Period in respect of which Yield is computed by reference to the Transferee Rate shall be a period from one to and including 270 days, as the Transferor shall select and the Agent shall approve on notice received by the Agent (including notice by telephone, confirmed in writing) not later than 11:00 A.M. (New York City time) on the last day of the immediately preceding Fixed Period;

(ii) any Fixed Period in respect of which Yield is computed by reference to the Assignee Rate shall be a period from one to and including 29 days, or a period of one, two, three or six months, as the Transferor shall select and the Agent shall approve on notice received by the Agent (including notice by telephone, confirmed in writing) not later than 11:00 A.M. on (a) the third Business Day before the first day of such Fixed Period (in the case of Fixed Periods of one, two, three or six months) or (b) the first day of such Fixed Period (in the case of Fixed Periods of one to 29 days);

(iii) any Fixed Period (other than one day) which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day (provided, however, that if Yield in respect of

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such Fixed Period is calculated by reference to the Eurodollar Rate, and such Fixed Period would otherwise end on a day which is not a Business Day, and there is no subsequent Business Day in the same calendar month as such day, such Fixed Period shall end on the next preceding Business Day);

(iv) in the case of any Fixed Period of one day, (a) if such Fixed Period is the initial Fixed Period, such Fixed Period shall be the date of the Transfer; (b) if the immediately preceding Fixed Period is more than one day, such Fixed Period shall be the last day of such immediately preceding Fixed Period, and, if the immediately preceding Fixed Period is one day, such Fixed Period shall be the day next following such immediately preceding Fixed Period, or (c) if such Fixed Period occurs on a day

immediately preceding a day which is not a Business Day, such Fixed Period shall be extended to the next succeeding Business Day; and

(v) in the case of any Fixed Period for any Receivables Pool which commences before the Fixed Period Termination Date and would otherwise end after the Fixed Period Termination Date, such Fixed Period shall end on the Fixed Period Termination Date; provided, however, that the duration of each

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Fixed Period which commences on or after the Fixed Period Termination Date shall be of such duration as shall be selected by the Agent.

"Fixed Period Termination Date" means the earlier of the day specified

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pursuant to Section 2.02 of the Agreement and the Termination Date.

"IKON Group" means, collectively, the Transferor, the Originator and the

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Parent.

"Indemnified Amounts" has the meaning specified in Section 3.01 of the

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Agreement.

"Indemnified Party" has the meaning specified in Section 3.01 of the

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Agreement.

"Investment Grade" means, with respect to any entity's long-term public

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senior debt securities, a rating of at least BBB- by Standard & Poor's Ratings Group and, if rated by Fitch Investors Service, L.P., a rating of at least BBB-; provided, that if such entity's long-term public senior debt securities are

rated by more than one of the rating agencies set forth above, then each rating agency which rates such securities shall have given them a rating at least equal to the categories specified above.

"Issuer" means Old Line Funding Corp. and any successor or assign of the

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Issuer that is a receivables investment company which in the ordinary course of its business issues commercial paper or other securities to fund its acquisition and maintenance of receivables.

"Obligor" means a Person obligated to make payments pursuant to a Contract;

provided that in the event that any payments in respect of a Contract are made  
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by any other Person, such other Person shall be deemed to be an Obligor.

"Other Corporations" means the Parent, the Originator and all of its  
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Subsidiaries except the Transferor.

"Originator" means IKON Capital Inc., a Delaware corporation, in its  
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capacity as originator under the Transfer Agreement.

"Outstanding Balance" of any Contract at any date means the net present  
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value of the total Periodic Payments due to Transferor over the remaining term  
of the Contract (net of any security deposits or advance rental payments  
received by Transferor) and not yet paid by the Collection Agent pursuant to the  
provisions of Section 1.03(b) determined by discounting on a monthly basis each  
such Periodic Payment from the Settlement Date immediately following the  
calendar month in which such Periodic Payment is due to the Settlement Date as  
of which such present value calculation is made at a rate equal to the implied  
interest rate used by the Originator or the applicable Dealer in originating  
such Contract (assuming a calendar year consisting of twelve 30-day months).

"Parent" means Alco Standard Corporation, an Ohio corporation.  
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"Periodic Payments" means the aggregate base rental amounts coming due on a  
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monthly basis pursuant to the Contracts giving rise to

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Receivables, excluding any maintenance charges or, with respect to Contracts  
covering photocopiers, any per copy charges.

"Person" means an individual, partnership, corporation (including a  
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business trust), joint stock company, trust, unincorporated association, joint  
venture or other entity, or a government or any political subdivision or agency  
thereof.

"Receivable" means the obligations of any Obligor under a Related Contract,  
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and includes monies received subsequent to the related Transfer Date with  
respect to (i) all Periodic Payments, (ii) any amounts payable by the Obligor  
under such Contract upon exercise of purchase options included in such Contract  
or upon other disposition of the related Equipment and (iii) all obligations of  
such Obligor to pay interest or finance charges and other obligations of such

Obligor (other than obligations in respect of taxes or insurance or similar escrow arrangements of any kind) with respect thereto, and all other payments (other than in respect of taxes or insurance or similar escrow arrangements of any kind) received by the Transferor in respect of such Equipment pursuant to such Contract. Each Periodic Payment with respect to each Related Contract shall constitute a separate Receivable except as otherwise stated. A Receivable arising under a Related Contract for which the Outstanding Balance has been collected shall no longer constitute a "Receivable" outstanding hereunder.

"Receivables Pool" has the meaning set forth in Section 1.03(f), provided,  
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that prior to the allocation of Receivables to Receivables Pools referred to therein, all of the Receivables shall be deemed to constitute a single Receivables Pool.

"Related Contract" means a Contract included in the List of Contracts  
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delivered to the Agent pursuant to paragraph (j) of Exhibit IV hereof; provided,  
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that after the Outstanding Balance of such Contract has been collected, it shall no longer constitute a "Related Contract" hereunder.

"Related Security" means with respect to any Receivable:  
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(i) all other security interests or liens and property subject thereto (other than Equipment) from time to time purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements signed by an Obligor describing any collateral securing such Receivable;

(ii) all guaranties (other than the Support Agreement), insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable (or insuring for loss or liability with respect to the related Equipment), whether pursuant to the Contract related to such Receivable or otherwise and all of the Transferor's rights (if any) to recourse, repurchase or indemnity against any dealer or other Person from which the Transferor purchased the Contract related to such Receivable; and

(iii) the related Contract and all other books, records and other information (including, without limitation, computer programs, tapes, discs, punch cards, data processing software and related property and rights) relating to such Receivable and the related Obligor.

"Required Balance" means, with respect to any Settlement Date, an amount  
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equal to the product of (a) the Capital on such Settlement Date and (b) one plus the Applicable Percentage.

"Scheduled Termination Date" shall mean September 30, 1997; provided that

unless the Agent notifies the Transferor in writing not less than 30 days prior to the then-current Scheduled Termination Date, the Scheduled Termination Date shall be automatically extended to the date that is 364 days following such Scheduled Termination Date.

"Settlement Date" means, for each Receivables Pool, the fifteenth calendar

day of each month, commencing October 15, 1996; provided, that if

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such fifteenth day of any calendar month shall not be a Business Day, then the Settlement Date shall be the next succeeding Business Day; and provided,

further, that on and after the Fixed Period Termination Date, the Settlement

Date shall mean the last day of each Fixed Period.

"Settlement Period" means the period beginning on the first day of each

calendar month and ending on the last day of such calendar month; provided, that

notwithstanding the foregoing, the first Settlement Period shall begin on the initial Transfer Date and provided, further, that in the case of any Settlement

Period which commences before the Fixed Period Termination Date and would otherwise end after the Fixed Period Termination Date, such Settlement Period shall end on the Fixed Period Termination Date, and on and after the Fixed Period Termination Date, "Settlement Period" shall mean each Fixed Period.

"Special Event" means a Trigger Event or an event that but for notice or

lapse of time or both would constitute a Trigger Event or the Agent's deeming itself reasonably insecure.

"Special Indemnified Amounts" has the meaning specified in Section 5.07 of

the Agreement.

"Special Indemnified Party" has the meaning specified in Section 5.07 of

the Agreement.

"Subsidiary" means any corporation of which securities having ordinary  
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voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Transferor, the Originator or the Parent, as the case may be, or one or more Subsidiaries, or by the Transferor, the Originator or the Parent, as the case may be, and one or more Subsidiaries.

"Support Agreement" means the operating agreement dated August 15, 1994  
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between the Originator and the Parent, as such agreement may be amended or supplemented from time to time.

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"Termination Date" has the meaning specified in Section 5.09(a) of the  
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Agreement.

"Transaction Document" means any of the Agreement, the Transfer Agreement  
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and all other agreements and documents delivered and/or related hereto or thereto.

"Transfer" has the meaning specified in Section 1.01 of the Agreement.  
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"Transfer Agreement" means the Transfer Agreement dated as of the date  
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hereof between the Transferor and the Originator, as such agreement may be amended from time to time.

"Transfer Date" has the meaning specified in Section 1.02(a) of the  
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Agreement.

"Transfer Limit" means \$150,000,000.  
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"Transferee" means the Issuer and all other owners by assignment or  
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otherwise of Receivables or any interest therein and, to the extent of the undivided interests so purchased, shall include any participants.

"Transferee Rate" means, for any Fixed Period for any Receivables Pool, to  
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the extent the Issuer funds such Receivable Interest for such Fixed Period by issuing commercial paper, the rate per annum (or if more than one rate, the

weighted average of the rates) at which commercial paper notes of the Issuer, issued to fund the acquisition or maintenance of such Receivables Pool may be sold by any placement agent or commercial paper dealer selected by the Agent on behalf of the Issuer as agreed between each such agent or dealer and the Agent and notice of which has been given by the Agent to the Collection Agent, which rate shall reflect and give effect to the commissions of placement agents and dealers in respect of such commercial paper notes, to the extent such commissions are allocated, in whole or in part, to such commercial paper notes by the Agent (on behalf of the Issuer); provided, that if the rate (or rates) as

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agreed between any such agent or dealer and the Agent is a discount rate (or rates), then such rate shall be the rate (or if more than one rate, the weighted average of the rates) resulting from converting such discount rate (or rates) to an interest-bearing equivalent rate per annum.

"Transferor Report" means a report, in substantially the form of Annex B

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hereto, furnished by the Collection Agent to the Agent pursuant to Section 5.02 of the Agreement.

"Trigger Event" has the meaning specified in Exhibit V.

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"UCC" means the Uniform Commercial Code as from time to time in effect in

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the specified jurisdiction.

"Yield" means:

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(i) for any Fixed Period for any Receivables Pool to the extent the Issuer will be funding the Transfer or the maintenance of its interest in the Receivables during such Fixed Period through the issuance of commercial paper,

TR x C x ED

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(ii) for any Fixed Period for any Receivables Pool to the extent a Transferee will not be funding the Transfer or the maintenance of its interest in the Receivables during such Fixed Period through the issuance of commercial paper,

AR x C x ED

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where:

- AR = the Assignee Rate for such Fixed Period for such Receivables Pool;
- C = the Capital of such Receivables Pool during such Fixed Period;
- TR = the Transferee Rate for the Issuer for such Fixed Period for such Receivables Pool;
- ED = the actual number of days elapsed during such Fixed Period;

provided, that no provision of the Agreement shall require the payment or permit  
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 the collection of Yield in excess of the maximum permitted by applicable law;  
 and provided, further, that Yield shall not be considered paid by any  
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 distribution to the extent that at any time all or a portion of such  
 distribution is rescinded or must otherwise be returned for any reason.

"Yield Rate" for any Receivables Pool for any Fixed Period means the  
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 Transferee Rate or the Assignee Rate with regard to which Yield for such  
 Receivables Pool for such Fixed Period is calculated.

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Other Terms. All accounting terms not specifically defined herein shall be  
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 construed in accordance with generally accepted accounting principles. All terms  
 used in Article 9 of the UCC in the State of New York, and not specifically  
 defined herein, are used herein as defined in such Article 9.

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## EXHIBIT II

## CONDITIONS OF TRANSFERS

1. Conditions Precedent to the Initial Transfer. The initial Transfer is

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subject to the conditions precedent that the Agent shall have received on or before the date of such Transfer the following, each (unless otherwise indicated) dated such date, in form and substance satisfactory to the Agent:

(a) Certified copies of the resolutions of the Board of Directors of the Transferor approving the Transaction Documents and all related actions, and certified copies of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the Transaction Documents and such actions.

(b) Certified copies of the resolutions of the Board of Directors of the Originator approving the Transaction Documents and all related actions, and certified copies of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the Transaction Documents and such actions.

(c) A certificate of the Secretary or Assistant Secretary of the Transferor certifying the names and true signatures of the officers of the Transferor, authorized to sign the Transaction Documents and the other documents to be delivered by it thereunder.

(d) A certificate of the Secretary or Assistant Secretary of the Originator certifying the names and true signatures of the officers of the Originator authorized to sign the Transaction Documents and the other documents to be delivered by it thereunder.

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(e) A copy of the certificate or articles of incorporation of the Transferor, and a certificate as to the good standing of the Transferor from such Secretary of State or other official, dated as of a recent date.

(f) Acknowledgment copies or time stamped receipt copies of proper financing statements, duly filed on or before the of the Transfer under the UCC of all jurisdictions that the Agent may deem necessary or desirable in order to perfect the interests contemplated by the Agreement.

(g) Acknowledgment copies or time stamped receipt copies of proper financing statements, if any, necessary to release all security interests and other rights of any Person in the (i) Receivables, Related Contracts or Related Security previously granted by the Transferor and the Originator and (ii) the collateral security referred to in Section 1.13.

(h) Completed requests for information, listing the financing statements referred to in subsection (f) above and all other effective financing statements filed in the jurisdictions referred to in subsection (f) above that name the Transferor as debtor, together with copies of such other financing statements (none of which shall cover any Receivables, Related Contracts, Related Security

or the collateral security referred to in Section 1.13).

(i) A favorable opinion of Karin M. Kinney, Esq., counsel for the Transferor and the Originator, substantially in the form of Annex C hereto and as to such other matters as the Agent may reasonably request.

(j) The fee agreement referred to in Section 1.04, duly executed by all parties thereto.

(k) The Transfer Agreement, duly executed by all parties thereto.

(l) Satisfactory results of a review and audit by the Agent of the Originator's collection, operating and reporting systems, Credit and Collection Policy, historical receivables data and accounts.

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Payment of the Consideration for the initial Transfer hereunder shall constitute acknowledgment by the Agent that all of the conditions set forth have been fulfilled or waived.

2. Additional Conditions Precedent. Each Transfer shall be subject to  
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the further conditions precedent that

(a) on or prior to the date of such Transfer, the Collection Agent shall have delivered to the Agent, in form and substance satisfactory to the Agent, a completed Transferor Report dated within 30 days prior to the date of the Transfer together with a listing by Obligor of all Receivables and such additional information as may reasonably be requested by the Agent;

(b) on the date of the Transfer the following statements shall be true (and acceptance of the proceeds of the Transfer shall be deemed a representation and warranty by the Transferor that such statements are then true):

(i) The representations and warranties of the Transferor contained in Exhibit III are correct on and as of the date of the Transfer as though made on and as of such date;

(ii) No event has occurred and is continuing, or would result from the Transfer, that constitutes a Special Event;

(iii) The representations and warranties of the Originator contained in the Transaction Documents are correct on and as of the date of the Transfer as though made on and as of such date; and

(iv) All of the Originator's long-term public senior debt securities are rated Investment Grade;

(c) the Agent shall have received such other approvals, opinions or

documents as it may reasonably request; and

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(d) the Transferor shall not have received written notice from the Agent at least one Business Day prior to the proposed Transfer Date that the Agent shall not accept any further Transfers.

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### EXHIBIT III

#### REPRESENTATIONS AND WARRANTIES

The Transferor represents and warrants as follows:

(a) The Transferor is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware, and is duly qualified to do business, and is in good standing, in every jurisdiction where the nature of its business requires it to be so qualified.

(b) The execution, delivery and performance by the Transferor of the Transaction Documents (i) are within the Transferor's corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) do not contravene (1) the Transferor's charter or by-laws, (2) any law, rule or regulation applicable to the Transferor, (3) any contractual restriction binding on or affecting the Transferor or its property or (4) any order, writ, judgment, award, injunction or decree binding on or affecting the Transferor or its property, and (iv) do not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties; and no transaction contemplated by the Agreement requires compliance with any bulk sales act or similar law. Each of the Transaction Documents has been duly executed and delivered by the Transferor.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Transferor of the Transaction Documents, except for the filing of the UCC financing statements which are referred to therein.

(d) Each of the Transaction Documents constitutes the legal, valid and binding obligation of the Transferor enforceable against the Transferor in accordance with its terms.

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(e) The balance sheets of the Originator and its Subsidiaries as at September 30, 1995 and June 30, 1996 and the related statements of income and

retained earnings of the Originator and its Subsidiaries for the fiscal year then ended, copies of which have been furnished to the Agent, fairly present the financial condition of the Originator and its Subsidiaries as at such date and the results of the operations of Originator and its Subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied, and since June 30, 1996 there has been no material adverse change in the business, operations, property or financial or other condition of the Originator. Since the date of its incorporation, there has not been a material adverse change in the business, operations, property or financial or other condition of the Transferor.

(f) There is no pending or threatened action or proceeding affecting the Originator or any of its Subsidiaries before any court, governmental agency or arbitrator which may materially adversely affect the financial condition or operations of the Originator or any of its Subsidiaries or the ability of the Transferor or the Originator to perform their respective obligations under the Transaction Documents, or which purports to affect the legality, validity or enforceability of the Transaction Documents; neither the Originator nor any Subsidiary is in default with respect to any order of any court, arbitration or governmental body.

(g) No proceeds of any Transfer will be used to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.

(h) The Transferor has the right to transfer each Receivable and all Related Security together with the Contract and the Equipment related thereto, free and clear of any Adverse Claim except, in the case of Equipment only, the interest therein of the Obligor created pursuant to the Related Contract or the interest of contract originators or in the residual value of the Equipment other than the effect of the Agreement and the transactions contemplated hereby. Upon the Transfer, the Agent (for the benefit of the Transferees) will acquire a valid and perfected first priority interest in each Receivable and in the Related Security

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(except to the extent noted above) and Collections with respect thereto. No effective financing statement or other instrument similar in effect covering any Related Contract or any Receivable or the Related Security or Collections with respect thereto is on file in any recording office except for those filed in favor of the Agent relating to the Agreement, UCC Financing Statements, if any, filed in favor of Transferor, as secured party, which cover only Equipment, accessories, attachments and additions thereto, and substitutions and proceeds thereof and those filed by the Transferor pursuant to the Transfer Agreement.

(i) Each Transferor Report (if prepared by the Originator or one of its Affiliates, or to the extent that information contained therein is supplied by the Transferor, the Originator or any Affiliate thereof), information, exhibit, financial statement, document, book, record or report furnished or to be

furnished at any time by or on behalf of the Transferor or the Originator to the Agent or any Transferee in connection with the Agreement is or will be accurate in all material respects as of its date or (except as otherwise disclosed to the Agent or the Transferees, as the case may be, at such time) as of the date so furnished, and no such document contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(j) The principal place of business and chief executive office of the Transferor and the office where the Transferor keeps its records concerning the Receivables are located at the respective addresses identified on Exhibit VII.

(k) The Outstanding Balance with respect to each Receivable, as of the date of Transfer of such Receivable, is correctly set forth on Schedule II.

(l) Schedule II sets forth accurately and completely in all material respects, as of the date of Transfer of each Receivable, the information with respect to each such Receivable transferred on such date.

(m) Each Contract giving rise to a Receivable provides for Periodic Payments that will fully amortize such Receivable over the term of the

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Contract related thereto and, except in accordance with the Credit and Collection Policy, the Transferor has not extended or amended, modified or waived the terms of any Receivable or any Contract relating to any Receivable.

(n) The Transferor is not known by and does not use any tradename or doing-business-as name.

(o) The Transferor was incorporated on September 12, 1996 and the Transferor did not engage in any business activities prior to the date of the Agreement. The Transferor has no Subsidiaries.

(p) (i) The fair value of the property of the Transferor is greater than the total amount of liabilities, including contingent liabilities, of the Transferor, (ii) the present fair salable value of the assets of the Transferor is not less than the amount that will be required to pay all probable liabilities of the Transferor on its debts as they become absolute and matured, (iii) the Transferor does not intend to, and does not believe that it will, incur debts or liabilities beyond the Transferor's abilities to pay such debts and liabilities as they mature and (iv) the Transferor is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which the Transferor's property would constitute unreasonably small capital.

(q) With respect to each Receivable, the Transferor shall have received such Receivable from the Originator in exchange for payment (made by the

Transferor to the Originator in accordance with the provisions of the Transfer Agreement) of cash in an amount which constitutes fair consideration and reasonably equivalent value. Each such transfer referred to in the preceding sentence shall not have been made for or on account of an antecedent debt owed by the Originator to the Transferor and no such transfer is or may be voidable or subject to avoidance under any section of the Federal Bankruptcy Code.

(r) With respect to each Receivable transferred hereunder, such Receivable is representative of all of the Receivables owned by the Transferor.

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EXHIBIT IV

COVENANTS

Until the Termination Date, unless the Agent shall otherwise consent in writing:

(a) Compliance with Laws, Etc. The Transferor will comply in all material

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respects with all applicable laws, rules, regulations and orders and preserve and maintain its corporate existence, rights, franchises, qualifications and privileges except to the extent that the failure so to comply with such laws, rules and regulations or the failure so to preserve and maintain such existence, rights, franchises, qualifications and privileges would not materially adversely affect the collectibility of the Receivables or the ability of the Transferor to perform its obligations under the Transaction Documents.

(b) Offices, Records and Books of Account. The Transferor will keep its

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principal place of business and chief executive office and the office where it keeps its records concerning the Receivables (and all original documents relating thereto) at the respective addresses set forth on Exhibit VII of the Agreement or, upon 30 days' prior written notice to the Agent, at any other locations in jurisdictions where all actions reasonably requested by the Agent to protect and perfect the interest in the Receivables have been taken and completed. The Transferor also will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing the Receivables and Related Contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the daily identification of each Receivable and all Collections of and adjustments to each Receivable).

(c) Performance and Compliance with Related Contracts and Credit and

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Collection Policy. The Transferor will, at its expense, timely and

fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the Related Contracts, and timely and fully comply in all material respects with the Credit and Collection Policy in regard to each Receivable and the Related Contract.

(d) Sales, Liens, Etc. The Transferor will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, its interest in any Receivable transferred to the Agent or the Transferees under the Agreement or any Related Security, Related Contract or Collections, or assign any right to receive income in respect thereof.

(e) Extension or Amendment of the Receivables. Except as provided in Article IV of the Agreement, the Transferor will not, and will not permit the Collection Agent to, extend the maturity or adjust the Outstanding Balance or otherwise modify the terms of any Receivable, or amend, modify or waive any term or condition of any Related Contract.

(f) Change in Business or Credit and Collection Policy. (i) The Transferor will not make any change in the character of its business, and (ii) the Transferor will not make, and will not permit the Originator to make, any change in the Credit and Collection Policy that would, in either case, materially adversely affect the collectibility of the Receivables or the ability of the Transferor or the Originator to perform their respective obligations under the Transaction Documents.

(g) Change in Payment Instructions to Obligors. The Transferor will not make any change in its instructions to Obligors of Related Contracts regarding payments to be made to the Transferor unless the Agent shall have received notice of and agreed to such addition, termination or change.

(h) Further Action Evidencing the Transfer. The Transferor will from time to time, execute and deliver all further instruments and documents and take all further action that the Agent may reasonably request in order to perfect, protect or more fully evidence the interest in the Receivables transferred to the

Agent (for the benefit of the Transferees) under the Agreement or to enable the Agent or any Transferee to exercise or enforce any of its rights under the

Transaction Documents. Without limiting the generality of the foregoing, the Transferor will, or will cause the Collection Agent to, (i) execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate; and (ii) upon the occurrence of a Special Event, (x) mark conspicuously each Related Contract with a legend, acceptable to the Agent, evidencing that an interest in the Receivable has been transferred to the Agent (for the benefit of the Transferees) under the Agreement; and (y) code the Collection Agent's master data processing records evidencing Receivables and Related Contracts to the foregoing effect. The Transferor hereby authorizes the Agent to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relative to all or any of the Receivables and the Related Security without the signature of the Transferor where permitted by law. A photocopy or other reproduction of this Agreement shall be sufficient as a financing statement where prohibited by law. If the Transferor fails after notice to perform any of its agreements or obligations under the Transaction Documents, the Agent may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the expenses of the Agent incurred in connection therewith shall be payable as provided in the Agreement.

(i) Assembly of Documents. The Transferor will, or will cause the  
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Collection Agent to, at the Agent's request following the occurrence of a Special Event, (A) assemble all documents, instruments and other records (including, without limitation, computer tapes and disks) which evidence or relate to the Receivables, and the Related Contracts and Related Security, or which are otherwise necessary or desirable to collect the Receivables, and make the same available to the Agent at a place selected by the Agent or its designee, and (B) segregate all cash, checks and other instruments received by it or the Collection Agent from time to time constituting Collections of Receivables in a manner acceptable to the Agent and shall, promptly upon receipt, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Agent or its designee.

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(j) Delivery of List of Related Contracts. The Transferor will on or prior  
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to the date of each Transfer, deliver to the Agent a complete and accurate list of each Related Contract, together with the contract number, the name of the Obligor and the Outstanding Balance thereof.

(k) Reporting Requirements. The Transferor will provide to the Agent (in  
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multiple copies, if requested by the Agent) the following:

(i) as soon as available and in any event within 60 days after the end of the first three quarters of each fiscal year of the Originator, balance sheets of the Originator and its Subsidiaries as of the end of such quarter and statements of income and retained earnings of the Originator and its

Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of the Originator;

(ii) as soon as available and in any event within 120 days after the end of the each fiscal year of the Originator, a copy of the annual report for such year for the Parent and the Annual Report on Form 10-K for the Originator and its Subsidiaries, containing financial statements for such year audited by Ernst & Young, or other independent public accountants acceptable to the Agent;

(iii) as soon as possible and in any event within five days after the occurrence of each Special Event, a statement of the chief financial officer of the Transferor setting forth details of such Special Event and the action that the Transferor has taken and proposes to take with respect thereto;

(iv) promptly after the sending or filing thereof, copies of all reports that the Originator sends to any of its securityholders, and copies of all reports and registration statements that the Originator or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange;

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(v) promptly after the filing or receiving thereof, copies of all reports and notices that the Originator, the Transferor or any Affiliate files under ERISA with the Internal Revenue Service or the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or that the Originator, the Transferor or any Affiliate receives from any of the foregoing or from any multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) to which the Originator, the Transferor or any Affiliate is or was, within the preceding five years, a contributing employer, in each case in respect of the assessment of withdrawal liability or an event or condition which could, in the aggregate, result in the imposition of liability on the Originator, the Transferor and/or any such Affiliate in excess of \$5,000,000;

(vi) at least ten Business Days prior to any change in the Transferor's or Originator's name, a notice setting forth the new name and the effective date thereof;

(vii) promptly, from time to time, such other information, documents, records or reports respecting the Receivables or the condition or operations, financial or otherwise, of the Originator, the Transferor or any of its subsidiaries as the Agent may from time to time reasonably request;

(viii) promptly after the Transferor obtains knowledge thereof, notice of any (a) litigation, investigation or proceeding which may exist at any time between the Transferor or the Originator and any governmental authority which, in either case, if not cured or if adversely determined, as the case may be, would have a material adverse effect on the business, operations, property or financial or other condition of the Transferor or the Originator; (b) litigation

or proceeding adversely affecting the Transferor's ability to perform its obligations under the Transaction Documents or the Originator's ability to perform their obligations under the Transaction Documents or (c) litigation or proceeding adversely affecting the Transferor or the Originator in which the amount involved is \$10,000,000

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or more and not covered by insurance or in which injunctive or similar relief is sought;

(ix) promptly after the occurrence thereof, notice of a material adverse change in the business, operations, property or financial or other condition of the Transferor or the Originator;

(x) promptly after the Transferor obtains knowledge thereof, notice of any "Event of Termination", "Incipient Event of Termination" or "Facility Termination Date" under the Transfer Agreement;

(xi) so long as any Capital shall be outstanding, as soon as possible and in any event no later than the day of occurrence thereof, notice that the Originator has stopped selling or contributing to the Transferor, pursuant to the Transfer Agreement, newly arising Receivables;

(xii) at the time of the delivery of the financial statements provided for in clauses (i) and (ii) of this paragraph, a certificate of the chief financial officer or the treasurer of the Transferor to the effect that, to the best of such officer's knowledge, no Special Event has occurred and is continuing or, if any such Special Event has occurred and is continuing, specifying the nature and extent thereof; and

(xiii) promptly after receipt thereof, copies of all notices received by the Seller from the Originator under the Transfer Agreement.

(l) Corporate Separateness. (i) The Transferor shall at all times

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maintain at least one independent director who (x) is not currently and has not been during the five years preceding the date of the Agreement an officer, director or employee of an Affiliate of the Originator or any Other Corporation, (y) is not a current or former officer or employee of the Originator and (z) is not a stockholder of any Other Corporation or any of their respective Affiliates.

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(ii) The Transferor shall not direct or participate in the management of any of the Other Corporations' operations.

(iii) The Transferor shall conduct its business from an office separate from that of the Other Corporations (but which may be located in the same

facility as one or more of the Other Corporations). The Transferor shall have stationery and other business forms and a mailing address and a telephone number separate from that of the Other Corporations.

(iv) The Transferor shall at all times be adequately capitalized in light of its contemplated business.

(v) The Transferor shall at all times provide for its own operating expenses and liabilities from its own funds.

(vi) The Transferor shall maintain its assets and transactions separately from those of the Other Corporations and reflect such assets and transactions in financial statements separate and distinct from those of the Other Corporations and evidence such assets and transactions by appropriate entries in books and records separate and distinct from those of the Other Corporations. The Transferor shall hold itself out to the public under the Transferor's own name as a legal entity separate and distinct from the Other Corporations. The Transferor shall not hold itself out as having agreed to pay, or as being liable, primarily or secondarily, for, any obligations of the Other Corporations.

(vii) The Transferor shall not become liable as a guarantor or otherwise with respect to any Debt or contractual obligation of any Other Corporation.

(viii) The Transferor shall not make any payment or distribution of assets with respect to any obligation of any Other Corporation or grant an Adverse Claim on any of its assets to secure any obligation of any Other Corporation.

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(ix) The Transferor shall not make loans, advances or otherwise extend credit to any of the Other Corporations.

(x) The Transferor shall hold regular duly noticed meetings of its Board of Directors and make and retain minutes of such meetings.

(xi) The Transferor shall have bills of sale (or similar instruments of assignment) and, if appropriate, UCC-1 financing statements, with respect to all assets purchased from any of the Other Corporations.

(xii) The Transferor shall not engage in any transaction with any of the Other Corporations, except as permitted by its certificate of incorporation.

(m) Transfer Agreement. The Transferor will not amend, waive or modify any  
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provision of the Transfer Agreement or waive the occurrence of any "Event of Termination" under the Transfer Agreement, without in each case the prior written consent of the Agent. The Transferor will perform all of its

obligations under the Transfer Agreement in all material respects and will enforce the Transfer Agreement in accordance with its terms in all material respects.

(n) Nature of Business. The Transferor will not engage in any business  
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other than the purchase of Receivables, Related Security and Collections from the Originator and the transactions contemplated by this Agreement. The Transferor will not create or form any Subsidiary.

(o) Mergers, Etc. The Transferor will not merge with or into or  
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consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions), all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets or capital stock or other ownership interest of, or enter into any joint venture or partnership agreement with, any Person, other than as contemplated by the Agreement and the Transfer Agreement.

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(p) Distributions, Etc. The Transferor will not declare or make any  
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dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of capital stock of the Transferor, or return any capital to its shareholders as such, or purchase, retire, defease, redeem or otherwise acquire for value or make any payment in respect of any shares of any class of capital stock of the Transferor or any warrants, rights or options to acquire any such shares, now or hereafter outstanding; provided, however, that the Transferor may declare and pay cash

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dividends on its capital stock to its shareholders so long as (i) no Special Event shall then exist or would occur as a result thereof, (ii) such dividends are in compliance with all applicable law including the corporate law of the state of Delaware, and (iii) such dividends have been approved by all necessary and appropriate corporate action of the Transferor.

(q) Debt. The Transferor will not incur any Debt, other than any Debt  
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incurred pursuant to the Agreement and the Transfer Agreement.

(r) Certificate of Incorporation. The Transferor will not amend or delete  
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Articles III, X or XI of its certificate of incorporation.

(s) Covenant of the Transferor and the Originator. Until the latest of the  
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Facility Termination Date, the date on which no Capital of or Yield on any Receivable shall be outstanding or the date all other amounts owed by the

Transferor hereunder to the Transferees or the Agent are paid in full, each of the Transferor and the Originator will, at their respective expense, from time to time during regular business hours as requested by the Agent, permit the Agent or its agents or representatives (including independent public accountants, which may be the Transferor's or the Originator's independent public accountants), (i) to conduct periodic audits of the Receivables, the Related Security and the related books and records and collections systems of the Transferor or the Originator, as the case may be, (ii) to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of the Transferor or the Originator, as the case may be, relating to Receivables and the Related Security, including, without limitation, the Contracts, and (iii) to visit the offices and properties of the

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Transferor or the Originator, as the case may be, for the purpose of examining such materials described in clause (ii) above, and to discuss matters relating to the Receivables and the Related Security or the Transferor's or the Originator's performance under the Transaction Documents or under the Contracts with any of the officers or employees of the Transferor or the Originator, as the case may be, having knowledge of such matters. In addition, upon the Agent's request at least once per year, the Transferor will, at its expense, appoint independent public accountants (which may, with the consent of the Agent, be the Transferor's regular independent public accountants), or utilize the Agent's representatives or auditors, to prepare and deliver to the Agent a written report with respect to the Receivables and the Credit and Collection Policy (including, in each case, the systems, procedures and records relating thereto) on a scope and in a form reasonably requested by the Agent.

(t) Hedge Agreement. Within fifteen Business Days of the earlier of

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(i) the date on which the rate set forth in the weekly statistical release designated as "H-15(519)" or any successor publication, published by the Board of Governors of the Federal Reserve System exceeds 9% or (ii) the occurrence of a Special Event, the Transferor shall obtain an interest rate cap or other hedging arrangement the payments due from the counterparty of which are for the exclusive benefit of the Agent and which is satisfactory to the Agent in its sole discretion with a notional amount at least equal to the aggregate Outstanding Balance of the Related Contracts with a counterparty the short-term debt obligations of which are rated at least "A-1" by S&P and "P-1" by Moody's.

(u) Opinion of Counsel. The Transferor shall deliver to the agent not more

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than four Business Days following the date of the initial Transfer hereunder an opinion of Karin M. Kinney, Esq., General Counsel of the Originator and counsel to the Transferor, acceptable to the Agent to the effect that all required financing statements have been filed resulting in the perfection and first priority of each Undivided Interest (as such terms are defined in the opinion of Karin M. Kinney delivered on or prior to the initial Transfer Date) and the

perfection and first priority of the security interest contemplated by Section 1.13 of the Agreement and by Section 5.02 of the Transfer Agreement.

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(v) Collections. At all times following the designation by the Agent of  
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any Designated Account, the Transferor will deposit, or cause to be deposited,  
all Collections to such Designated Account.

(w) Deposits to Designated Accounts. The Transferor will not deposit or  
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otherwise credit, or cause or permit to be so deposited or credited, to any  
Designated Account cash or cash proceeds other than Collections of Pool  
Receivables.

(x) Changes in Implied Interest Rate. The Transferor shall notify the  
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Agent promptly upon any change in the implied interest rate used by the  
Originator or any Dealer in originating Contracts.

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EXHIBIT V

TRIGGER EVENTS

Each of the following, unless waived in writing by the Agent (other than as  
set forth in clause (i) which cannot be waived), shall be a "Trigger Event":  
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(a) The Collection Agent (if the Originator or any of its Affiliates)  
(i) shall fail to perform or observe any term, covenant or agreement under the  
Collection Agent Agreement (other than as referred to in clause (ii) of this  
para graph (a)) and such failure shall remain unremedied for three Business Days  
or (ii) shall fail to make when due any payment or deposit to be made by it  
under the Collection Agent Agreement; or

(b) The Transferor or the Originator shall fail (i) to transfer to the  
Agent when requested any rights pursuant to the Agreement which the Transferor  
or the Originator then has as Collection Agent or otherwise or (ii) to make any  
payment required under Section 1.03, 3.02, 3.03 or 3.04 of the Agreement; or

(c) Any representation or warranty made by the Transferor or the Originator  
(or any of their respective officers) under or in connection with the  
Transaction Documents, or any information or report delivered by the Transferor  
or the Originator pursuant to the Transaction Documents shall prove to have been  
incorrect or untrue in any material respect when made or delivered; or

(d) The Transferor shall fail to deliver to the Agent the opinion of counsel referred to in paragraph (u) of Exhibit IV hereof within the time period prescribed in such paragraph.

(e) The Transferor shall fail to perform or observe any other term, covenant or agreement contained in the Transaction Documents on its part to be performed or observed and any such failure shall remain unremedied for ten

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days after written notice thereof shall have been given to the Transferor by the Agent; or

(f) The Originator shall fail to perform or observe any term, covenant or agreement contained in the Transaction Documents on its part to be performed or observed and any such failure shall remain unremedied for ten days after written notice thereof shall have been given to the Originator by the Agent (or, with respect to a failure to deliver the Transferor Report pursuant to Section 4.02 of the Agreement such failure shall remain unremedied for three days, without a requirement for notice); or

(g) Any member of the IKON Group or any Subsidiary thereof shall fail to pay any principal of or premium or interest on any of its Debt which is outstanding in a principal amount of at least \$10,000,000 in the aggregate when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(h) The Transfer shall for any reason cease to create, or the interest of the Agent (for the benefit of the Transferees) in any Receivable shall for any reason cease to be, a valid and perfected first priority interest in each Receivable and the Related Security and Collections with respect thereto; or the security interest created pursuant to Section 1.13 shall for any reason cease to be a valid first priority security interest in the collateral security referred to in such Section; or

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(i) Any member of the IKON Group or any Subsidiary thereof shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the

benefit of creditors; or any proceeding shall be instituted by or against any such member or any of its Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or any member of the IKON Group or any of its Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this paragraph (i); or

(j) As of the last day of any calendar month: (i) the Default Ratio averaged over the twelve-month period ending on such day exceeds 3.50%; (ii) the Delinquency Ratio averaged over the three-month period ending on such day exceeds 18% or (iii) the Delinquency Ratio averaged over the twelve-month period ending on such day exceeds 15%; or

(k) There shall have occurred any material adverse change in the business, operations, property or financial or other condition of the Originator since June 30, 1996 or the Transferor since the date of its incorporation; or there shall have occurred any event which may materially adversely affect the collectibility of the Receivables, the ability of the Collection Agent or the Transferor to collect the Receivables or the ability of the Originator or the Transferor to perform its respective obligations under the Transaction Documents; or

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(l) Any rating of the long-term debt obligations of the Originator are withdrawn or reduced below Investment Grade; or

(m) An "Event of Termination" or "Facility Termination Date" shall occur under the Transfer Agreement, or the Transfer Agreement shall cease to be in full force and effect; or

(n) All of the outstanding capital stock of the Transferor shall cease to be owned, directly or indirectly, by the Originator; or

(o) On any Settlement Date, the aggregate Outstanding Balance of the Related Contracts is less than the Required Balance.

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## EXHIBIT VI

DEALERS

Allegheny Business Machines  
Foster Plaza Three  
601 Holiday Drive  
Pittsburgh, PA 15220

Mirex 5317 Mirex Drive  
5317 Mirex Drive  
St. Louis, MO 63119

Redden-Miller Office

Machines  
American Business Machines  
5701 Mayfair Road  
North Canton, OH

P.O. Box 910  
107 South 3rd Avenue  
Marshalltown, IA 50158

Kex Copysource  
350 South Avenue  
Rochester, NY 14620

Decoursey Business Systems  
P.O. Box 15329  
Lenexa, KS 66215-5329  
Street Address  
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Copier Consultants  
7009 Albert Pick Road  
Greensboro, NC 27409

9120 Barton  
Overland Park, KS 66214

Omni Business Systems  
2725 Center Place  
Melbourne, FL 32940

Colorado Copier  
637 South Pierce  
Louisville, CO 80027

Unitech of Mississippi  
P.O. Box 20639  
5345 Highway 18S  
Jackson, MS 39289-1639

American Business Machines-  
Portland  
2720 S.W. Corbett  
Portland, OR 97201

Paul B. Williams  
1035 Winston Street  
Greensboro, NC 27405

Xtec Office Systems  
901 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403

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EXHIBIT VII

The principal place of business and chief executive offices of the Transferor are located at:

IKON FUNDING, INC.  
501 Silverside Road, Suite 28  
Wilmington, Delaware 19809

The Origin records concerning the Receivables (and all original documents related thereto) are located at the offices of the Collection Agent at:

IKON CAPITAL INC.  
1738 Bass Road  
Macon, Georgia 31210

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EXHIBIT VIII

DESIGNATED STATES

Delaware  
Hawaii  
Kansas  
Maryland  
Minnesota  
Montana  
New Mexico  
New York  
North Carolina

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TRANSFER AGREEMENT

Dated as of September 30, 1996

IKON CAPITAL, INC., a Delaware corporation (the "Originator"), and IKON  
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FUNDING INC., a Delaware corporation (the "Transferee"), agree as follows:  
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PRELIMINARY STATEMENTS. (1) Certain terms which are capitalized and used throughout this Agreement (in addition to those defined above) are defined in Article I of this Agreement.

(2) The Originator has Receivables that it wishes to transfer to the Transferee, and the Transferee is prepared to accept such Receivables on the terms set forth herein.

NOW, THEREFORE, the parties agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the  
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following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Adverse Claim" means a lien, security interest, or other charge or  
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encumbrance, or any other type of preferential arrangement.

"Affiliate" means, as to any Person, any other Person that, directly  
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or indirectly, is in control of, is controlled by or is under common control with such Person or is a director or officer of such Person.

"Aggregate Adjusted Outstanding Balance" means, with respect to any  
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Receivables to be transferred pursuant to Section 2.02, the aggregate Outstanding Balance of the Contracts related to such Receivables less the Discount with respect to such Receivables as set forth in the Originator's General Trial Balance.

"Alternate Base Rate" means a fluctuating interest rate per annum as  
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shall be in effect from time to time, which rate shall be at all times equal to the highest of:

(a) the rate of interest announced publicly by Royal Bank of Canada in New York, New York, from time to time as its base commercial lending rate;

(b) 1/2 of one percent above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Royal Bank of Canada on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Royal Bank of Canada from three New York certificate of deposit dealers of recognized standing selected by Royal Bank of Canada, in either case adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent; and

(c) the Federal Funds Rate.

"Applicable Percentage" means, with respect to any Transfer Amount

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payable with respect to Receivables, a percentage equal to the product of (a) four, (b) the weighted average life of such Receivables expressed in years and fractions thereof and as reported in the most recent Originator Report and (c) the product of (i) average of the Default Ratios for the twelve months preceding the related Transfer Date and (ii) 12.

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"Business Day" means any day on which banks are not authorized or

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required to close in New York City.

"Collection Agent" means at any time the Person then authorized

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pursuant to Section 6.01 to service, administer and collect Transferred Receivables.

"Collection Agent Fee" has the meaning specified in Section 6.03.

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"Collections" means, with respect to any Receivable, (a) all cash

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collections and other cash proceeds of such Receivable, including, without limitation, all cash proceeds of Related Security with respect to such Receivable (including, without limitation, payments under the related Contract due upon or in connection with (i) Obligor's default under the Contract, (ii) loss, theft or damage to the related Equipment, or (iii) renewal of the Contract); provided, that Collections shall not include collections which

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represent the payment of (x) maintenance charges or (y) insurance premiums, (b) all Collections deemed to have been received pursuant to Section 2.04 and (c) all other proceeds of such Receivable.

"Contract" means a closed-end lease agreement between the Originator

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and an Obligor having an original lease term not exceeding 60 months, substantially in the form of one of the written contracts or (in the case of any open account agreement) one of the written contracts approved by the Transferee, pursuant to or under which such Obligor shall be obligated to pay for the lease of equipment from time to time.

"Credit and Collection Policy" means those receivables credit and

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collection policies and practices of the Originator in effect on the date of this Agreement applicable to the Receivables and described in Exhibit A hereto, as modified in compliance with this Agreement.

"Dealer" means each of the Persons set forth on Exhibit B hereto, as

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such Exhibit may be amended from time to time by the Originator with the consent of the Transferee.

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"Debt" means (i) indebtedness for borrowed money, (ii) obligations

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evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or services, (iv) obligations as lessee under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, (v) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) above, and (vi) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

"Default Ratio" means the ratio (expressed as a percentage) computed

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as of the last day of each calendar month by dividing (i) the aggregate Outstanding Balance of all Related Contracts having one or more Receivables that were Defaulted Receivables on such day or that would have been Defaulted Receivables on such day had they not been written off the books of the Transferor during such month by (ii) the aggregate Outstanding Balance of all Related Contracts on such day.

"Defaulted Receivable" means a Receivable:

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- (i) as to which any payment, or part thereof, remains unpaid for 120 more days from the original due date for such payment; or
  - (ii) as to which the Obligor thereof or any other Person obligated thereon or owning any Related Security in respect thereof has taken any action, or suffered any event to occur, of the type described in Section 7.01(g); or
  - (iii) which, consistent with the Credit and Collection Policy, would be retransferred to the related Dealer as uncollectible.

"Designated Obligor" means, at any time, each Obligor: provided,

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however, that any Obligor shall cease to be a Designated Obligor upon notice by  
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the Transferee to the Originator.

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"Designated States" means the states set forth on Exhibit C hereto,

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as such Exhibit may be amended from time to time by the Originator with the consent of the Transferee.

"Dilution" means, with respect to any Receivable, the aggregate

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amount of any reductions or adjustments in the Outstanding Balance of such Receivable as a result of any defective, rejected, returned or repossessed Equipment or services or any cash discount or other adjustment or setoff.

"Discount" means, with respect to any group of Receivables, the product

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of (a) the aggregate Outstanding Balance of the Related Contracts relating to such Receivables and (b) the Applicable Percentage in respect of such Receivables.

"Eligible Receivable" means, at the relevant time of determination, a

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Receivable:

- (i) the Obligor of which is a United States resident, is not an Affiliate of any of the parties hereto, and is not the federal government, the government of a Designated State or a governmental subdivision or agency of the federal government or the government of a Designated State;
- (ii) the Obligor of which has not been disapproved by the Transferee on or prior to the date of the Transfer and which, at the time of the Transfer, is not the Obligor of any Defaulted Receivables;
- (iii) which at the time of the Transfer is not a Defaulted Receivable;
- (iv) (a) which arises under a Contract with a remaining term of not more than 60 months and (b) which, according to such Contract, consists of substantially equal monthly Periodic Payments which are required to be paid within 30 days of the billing date therefor;

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- (v) which arose pursuant to a Contract which is "chattel paper" within the

meaning of Section 9-105 of the UCC of the applicable jurisdictions governing the perfection of the interest created in the Receivables;

- (vi) which is denominated and payable in United States dollars in the United States;
- (vii) which arises under a Contract (a) which has been duly authorized and which, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the Obligor of such Receivable enforceable against such Obligor in accordance with its terms and is not subject to any dispute, offset, counterclaim or defense whatsoever (except as limited by applicable bankruptcy law), (b) in respect of which, prior to the date it is transferred hereunder, the Equipment has been delivered and accepted and (c) which pursuant to its terms is not cancellable by the lessee before the end of its stated term;
- (viii) which, together with the Contract related thereto, does not contravene in any material respect any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to usury, consumer protection, truth in lending, consumer leasing, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which none of the Transferor, the Originator or the related Obligor is in violation of any such law, rule or regulation in any material respect;
- (ix) with regard to which there exists only one executed original Contract, which is in the possession of the Originator on the Transfer Date of such Receivable;
- (x) which represents payments due to the Originator and does not represent any payments payable for the account of any Person other than the Originator under the Contract relating to such Receivable or any sales or use tax payable under such Contract;

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- (xi) which satisfies all applicable requirements of the Credit and Collection Policy;
- (xii) which, after giving effect to the acquisition thereof, would not result in the aggregate Outstanding Balance of Related Contracts of any single Obligor exceeding 2% of the aggregate Outstanding Balance of all Related Contracts;
- (xiii) as to which, at or prior to the time of the Transfer, the Transferee has not notified the Originator that such Receivable (or class of Receivables) is not acceptable for transfer to the Transferee;
- (xiv) the transfer or assignment of which does not contravene any applicable law, rule or regulation; and
- (xv) which was originated by a Dealer.

"Equipment" means, with respect to any Receivable, office, business  
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or other equipment leased or sold to an Obligor by the Originator pursuant to a Contract (including any modifications or substitutions of equipment pursuant to the Original Contract giving rise to such Receivable).

"ERISA" means the Employee Retirement Income Security Act of 1974, as  
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amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Event of Termination" has the meaning specified in Section 7.01.  
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"Facility" means the willingness of the Transferee to consider  
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accepting Transfers of Receivables from the Originator from time to time

pursuant to the terms of this Agreement.

"Facility Termination Date" means the earliest of (i) the Scheduled  
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Termination Date, (ii) the date of termination of the Facility pursuant to Section 7.01 and (iii) the date which the Originator designates by at least two Business Days' notice to the Transferee.

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"Federal Funds Rate" means, with respect to any day, the rate set  
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forth in H.15(519) for that day opposite the caption "Federal Funds  
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(Effective)." If on any date of determination, such rate is not published in  
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H.15(519), such rate will be the rate set forth in Composite 3:30 P.M. Quotations for U.S. Government Securities for that day under the caption "Federal Funds/Effective Rate." If on any date of determination, the appropriate  
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rate is not published in either H.15(519) or Composite 3:30 P.M. Quotations for U.S. Government Securities, such rate will be the arithmetic mean of the rates for the last transaction in overnight federal funds arranged by three leading brokers of federal funds transactions in New York City prior to 9:00 a.m., New York City time, on that day.

"General Trial Balance" of the Originator on any date means the  
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Originator's accounts receivable trial balance (whether in the form of a computer printout, magnetic tape or diskette) on such date, listing Obligors and the Receivables respectively owed by such Obligors on such date together with the aged Outstanding Balances of such Receivables, in form and substance satisfactory to the Transferee.

"Incipient Event of Termination" means an event that but for notice  
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or lapse of time or both would constitute an Event of Termination.

"Indemnified Amounts" has the meaning specified in Section 8.01.  
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"Obligor" means a Person obligated to make payments to the Originator  
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pursuant to a Contract; provided that in the event that any payments in respect of a Contract are made by any other person, such other Person shall be deemed to be an Obligor.

"Originator Report" means a report, in form and substance satisfactory  
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to the Transferee, furnished by the Collection Agent to the Transferee pursuant to Section 6.02(b).

"Outstanding Balance" of any Contract at any date means the net  
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present value of the total Periodic Payments due to Transferor over the remaining

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term of the Contract (net of any security deposits or advance rental payments received by Transferor) and not yet paid by the Obligor determined by discounting on a monthly basis each such Periodic Payment from the Settlement Date immediately following the calendar month in which such Periodic Payment is due to the Settlement Date as of which such present value calculation is made at a rate equal to the implied interest rate used by the Originator or the applicable Dealer in originating such Contract (assuming a calendar year consisting of twelve 30-day months).

"Parent" means Alco Standard Corporation, an Ohio corporation.  
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"Periodic Payments" means the aggregate base rental amounts coming

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due on a monthly basis pursuant to the Contracts giving rise to Receivables, excluding any maintenance charges or, with respect to Contracts covering photocopiers, any per copy charges.

"Person" means an individual, partnership, corporation (including a

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business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Receivable" means the indebtedness of any Obligor under a Contract,

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and includes the right to payment of any interest or finance charges and other obligations of such Obligor with respect thereto.

"Receivables Transfer Agreement" means that certain Receivables

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Transfer Agreement, dated as of the date hereof, among the Transferee, as Originator, Old Line Funding Corp., as issuer, Royal Bank of Canada, as agent, and the Originator, as originator and collection agent, as amended or restated from time to time.

"Receivables Transfer Request" has the meaning specified in Section

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2.02(a).

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"Related Contract" means, with respect to a Transfer Date, any

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Contract included in the Contracts transferred to the Transferee pursuant to Section 2.02 on such Transfer Date; provided, that after the Outstanding Balance

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of such Contract has been collected, it shall no longer constitute a "Related Contract" hereunder.

"Related Security" means with respect to any Receivable:

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- (i) all other security interests or liens and property subject thereto (other than Equipment) from time to time purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements signed by an Obligor describing any collateral securing such Receivable;
- (ii) all guaranties (other than the Support Agreement) insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable (or insuring for loss or liability with respect to the related Equipment), whether pursuant to the Contract related to such Receivable or otherwise and all of the Transferor's rights (if any) to recourse, repurchase or indemnity against any dealer or other Person from which the Transferor purchased the Contract related to such Receivable; and
- (iii) the related Contract and all other books, records and other information (including, without limitation, computer programs, tapes, discs, punch cards, data processing software and related property and rights) relating to such Receivable and the related Obligor.

"Scheduled Termination Date" shall mean September 30, 1997; provided

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that unless the Transferee notifies the Originator in writing not less than 30 days prior to the then-current Scheduled Termination Date, the Scheduled Termination Date shall be automatically extended to the date that is 364 days following such Scheduled Termination Date.

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"Settlement Date" means the fifteenth calendar day of each month (or

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if such day is not a Business Day, the immediately succeeding Business Day);  
provided, however, that following the occurrence of an Event of Termination,  
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Settlement Dates shall occur on such days as are selected from time to time by  
the Transferee or its designee in a written notice to the Collection Agent.

"Support Agreement" means the operating agreement, dated August 15,  
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1994 between the Originator and the Parent.

"Transfer" means a transfer by the Originator of Receivables to the  
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Transferee pursuant to Article II.

"Transfer Date" has the meaning specified in Section 2.02(a).  
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"Transferee's Interest" means the sum of amounts paid by the  
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Transferee to the Originator for each Transfer of Receivables from the  
Originator pursuant to Section 2.02, reduced from time to time by Collections of  
such Receivables actually received by the Transferee in excess of the applicable  
portion of the Collections representing yield (assumed to be 10.75% unless  
otherwise mutually agreed); provided, however, that such Transferee's Interest  
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shall not be reduced by any Collections to the extent that at any time such  
Collections are rescinded or must otherwise be returned for any reason.

"Transferred Receivable" means any Receivable which, pursuant to the  
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procedure described in Section 2.02(c), has been identified as a Transferred  
Receivable.

"UCC" means the Uniform Commercial Code as from time to time in  
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effect in the specified jurisdiction.

SECTION 1.02. Other Terms. All accounting terms not specifically  
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defined herein shall be construed in accordance with generally accepted  
accounting principles. All terms used in Article 9 of the UCC in the State of  
New York, and not specifically defined herein, are used herein as defined in  
such Article 9.

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## ARTICLE II

### AMOUNTS AND TERMS OF TRANSFERS AND CONTRIBUTIONS

SECTION 2.01. Facility. On the terms and conditions hereinafter set  
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forth and without recourse (except to the extent as is specifically provided  
herein), the Transferee may accept from the Originator Eligible Receivables of  
the Originator from time to time during the period from the date hereof to the  
Facility Termination Date. Each Transfer of Receivables shall include the  
transfer to the Transferee of the Related Security and Collections with respect  
thereto.

SECTION 2.02. Making Transfers.  
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(a) Transfers. Each Transfer from the Originator shall be made on  
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notice from the Originator to the Transferee given no later than 10:00 A.M. (New  
York City time) on the date of such Transfer. Each such request for a Transfer  
(each a "Receivables Transfer Request") shall specify the date of such Transfer  
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(which shall be a Business Day) and the proposed transfer amount (as determined  
pursuant to Section 2.02(b)) for such Transfer. The Transferee shall promptly  
notify the Originator whether it has determined to accept such Transfer. On the

date of each Transfer (each a "Transfer Date"), the Transferee shall, upon

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satisfaction of the applicable conditions set forth in Article III, make available to the Originator the Transfer Amount for such Transfer by deposit of such amount in same day funds to the Originator's account designated by the Originator.

(b) Determination of Transfer Amount. The Transfer Amount for the

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Receivables that are the subject of any Transfer hereunder shall be determined on or prior to the date of such Transfer, and shall be equal to the Aggregated Adjusted Outstanding Balance of such Receivables.

(c) Identification of Transferred Receivables. On each Transfer Date,

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a sufficient number of Eligible Receivables (that do not already constitute Transferred Receivables hereunder) of the Originator shall be identified as

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Transferred Receivables so that the Outstanding Balance of such Transferred Receivables so identified shall result in the Transfer Amount determined in accordance with Section 2.02(b). The Transferred Receivables will be identified by reference to the General Trial Balance of the Originator. Starting with the first Obligor listed on the General Trial Balance, each Eligible Receivable owed by such Obligor (that does not already constitute a Transferred Receivable hereunder) shall constitute a Transferred Receivable. Additional Transferred Receivables shall be identified in a similar manner by proceeding down the General Trial Balance of the Originator, in alphabetical or numerical sequence for subsequent Obligors.

(d) Reconstruction of General Trial Balance. If at any time the

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Originator fails to generate its General Trial Balance, the Transferee shall have the right to reconstruct such General Trial Balance so that a determination of the Transferred Receivables can be made pursuant to Section 2.02(c). The Originator agrees to cooperate with such reconstruction of the General Trial Balance, including, without limitation, the delivery to the Transferee, upon the Transferee's request, of copies of all Contracts and all records relating to the Contracts and the Receivables.

SECTION 2.03. Collections. (a) Unless otherwise agreed, the

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Collection Agent shall, on each Settlement Date, deposit into an account of the Transferee or the Transferee's assignee all Collections of Transferred Receivables then held by the Collection Agent.

(b) In the event that the Originator believes that Collections which are not Collections of Transferred Receivables have been deposited into an account of the Transferee or the Transferee's assignee, the Originator shall so advise the Transferee and, on the Business Day following such identification, the Transferee shall remit, or shall cause to be remitted, all Collections so deposited which are identified, to the Transferee's satisfaction, to be Collections of Receivables which are not Transferred Receivables to the Originator.

SECTION 2.04. Settlement Procedures. (a) If on any day the Outstanding

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Balance of any Transferred Receivable is reduced or adjusted as a

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result of any defective, rejected, returned or repossessed Equipment or services or any cash discount or other adjustment made by the Originator, or any setoff or dispute between the Originator and an Obligor due to a claim arising out of the same or any other transaction, the Originator shall be deemed to have received on such day a Collection of such Transferred Receivable in the amount of such reduction or adjustment. If the Originator is not the Collection Agent, the Originator shall pay to the Collection Agent on or prior to the next Settlement Date all amounts deemed to have been received pursuant to this subsection.

(b) Upon discovery by the Originator or the Transferee of a breach of any of the representations and warranties made by the Originator in Section 4.01(i) with respect to any Transferred Receivable, such party shall give prompt written notice thereof to the other party, as soon as practicable and in any event within three Business Days following such discovery. The Originator shall be deemed to have received a Collection in full of such Transferred Receivable, and all other Receivables relating to the same Contract, and make available to the Transferee on the next succeeding Settlement Date an amount equal to the Outstanding Balance of such Transferred Receivable. Upon such amount being made available, the Transferee shall retransfer such Transferred Receivables to the Originator. Each retransfer of a Transferred Receivable shall include the Related Security with respect to such Transferred Receivable. If the Originator is not the Collection Agent, the Originator shall pay to the Collection Agent on or prior to the next Settlement Date the amount required to be paid pursuant to this subsection.

(c) Except as stated in subsection (a) or (b) of this Section 2.04 or as otherwise required by law or the underlying Contract, all Collections from an Obligor of any Transferred Receivable shall be applied to the Receivables of such Obligor in the order of the age of such Receivables, starting with the oldest such Receivable, unless such Obligor designates its payment for application to specific Receivables.

SECTION 2.05. Fees. The Originator agrees to pay to the Transferee a  
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fee on the date of the initial Transfer of \$100,000.

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SECTION 2.06. Payments and Computations, Etc. (a) All amounts to be  
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paid or deposited by the Originator or the Collection Agent hereunder shall be paid or deposited no later than 11:00 A.M. (New York City time) on the day when due in same day funds to an account designated in writing by the Transferee to the Originator on or prior to the initial Transfer hereunder.

(b) The Originator shall, to the extent permitted by law, pay to the Transferee interest on any amount not paid or deposited by the Originator (whether as Collection Agent or otherwise) when due hereunder at an interest rate per annum equal to 2% per annum above the Alternate Base Rate, payable on demand.

(c) All computations of interest and all computations of fees hereunder shall be made on the basis of a year of 360 days for the actual number of days elapsed. Whenever any payment or deposit to be made hereunder shall be due on a day other than a Business Day, such payment or deposit shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of such payment or deposit.

### ARTICLE III

#### CONDITIONS OF TRANSFERS

SECTION 3.01. Conditions Precedent to Initial Transfer from the  
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Originator. The initial Transfer of Receivables from the Originator hereunder  
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is subject to the conditions precedent that the Transferee shall have received on or before the date of such Transfer the following, each (unless otherwise indicated) dated such date, in form and substance satisfactory to the Transferee:

(a) Certified copies of the resolutions of the Board of Directors of the Originator approving this Agreement and certified copies of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement.

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(b) A certificate of the Secretary or Assistant Secretary of the Originator certifying the names and true signatures of the officers of the Originator authorized to sign this Agreement and the other documents to be delivered by it hereunder.

(c) Acknowledgment copies or time stamped receipt copies of proper financing statements, duly filed on or before the date of the initial Transfer, naming the Originator as the debtor and the Transferee as the secured party, or other similar instruments or documents, as the Transferee may deem necessary or desirable under the UCC of all appropriate jurisdictions or other applicable law to perfect the Transferee's security interest in the Transferred Receivables and Related Security and Collections with respect thereto.

(d) Acknowledgment copies or time stamped receipt copies of proper financing statements, if any, necessary to release all security interests and other rights of any Person in the Transferred Receivables, Contracts or Related Security previously granted by the Originator.

(e) Completed requests for information, dated on or before the date of such initial Transfer, listing the financing statements referred to in subsection (c) above and all other effective financing statements filed in the jurisdictions referred to in subsection (c) above that name the Originator as debtor, together with copies of such other financing statements (none of which shall cover any Transferred Receivables, Contracts or Related Security).

(f) Payment by the Transferee to the Originator for the initial Transfer hereunder will constitute acknowledgment that the conditions set forth above have been satisfied or waived.

SECTION 3.02. Conditions Precedent to All Transfers. Each Transfer

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(including the initial Transfer) hereunder shall be subject to the further conditions precedent that:

(a) With respect to any such Transfer, on or prior to the date of such Transfer, the Originator shall have delivered to the Transferee, (i) if

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requested by the Transferee, the Originator's General Trial Balance (which if in magnetic tape or diskette format shall be compatible with the Transferee's computer equipment) as of a date not more than 31 days prior to the date of such Transfer, and (ii) a written report identifying, among other things, the Receivables to be included in such Transfer and the then outstanding Transferred Receivables and the aged balance thereof, in each case correlated to Transfers;

(b) With respect to any such Transfer, on or prior to the date of such Transfer, the Collection Agent shall have delivered to the Transferee, in form and substance satisfactory to the Transferee, a completed Originator Report for the most recently ended reporting period for which information is required pursuant to Section 6.02(b) and containing such additional information as may reasonably be requested by the Transferee;

(c) At the request of the Transferee or its assignee, the Originator shall have marked its master data processing records and each Contract giving rise to Transferred Receivables and all other relevant records evidencing the Receivables which are the subject of such Transfer with a legend, acceptable to the Transferee, stating that such Receivables, the Related Security and Collections with respect thereto, have been transferred in accordance with this Agreement; and

(d) On the date of such Transfer the following statements shall be true (and the Originator, by accepting the amount of such Transfer, shall be deemed to have certified that):

- (i) The representations and warranties contained in Section 4.01 are correct on and as of the date of such Transfer as though made on and as of such date,
- (ii) No event has occurred and is continuing, or would result from such Transfer, that constitutes an Event of Termination or would constitute

an Incipient Event of Termination; and

(iii) The Transferee shall not have delivered to the Originator a notice that the Originator shall not make any further Transfers hereunder; and

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(e) The Transferee shall have received such other approvals, opinions or documents as the Transferee may reasonably request.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES

###### SECTION 4.01. Representations and Warranties of the Originator. The

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Originator represents and warrants as follows:

(a) The Originator is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware, and is duly qualified to do business, and is in good standing, in every jurisdiction where the nature of its business requires it to be so qualified, unless the failure to so qualify would not have a material adverse effect on (i) the interests of the Transferee hereunder, (ii) the collectibility of the Transferred Receivables, or (iii) the ability of the Originator or the Collection Agent to perform their respective obligations hereunder.

(b) The execution, delivery and performance by the Originator of this Agreement and the other documents to be delivered by it hereunder, including the Originator's transfer of Receivables hereunder, (i) are within the Originator's corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) do not contravene (1) the Originator's charter or by-laws, (2) any law, rule or regulation applicable to the Originator, (3) any contractual restriction binding on or affecting the Originator or its property or (4) any order, writ, judgment, award, injunction or decree binding on or affecting the Originator or its property, and (iv) do not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties (except for the transfer of the Originator's interest in the Transferred Receivables pursuant to this Agreement). This Agreement has been duly executed and delivered by the Originator.

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(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Originator of this Agreement or any other document to be delivered thereunder.

(d) This Agreement constitutes the legal, valid and binding obligation of the Originator enforceable against the Originator in accordance with its terms.

(e) The balance sheets of the Originator and its subsidiaries as at September 30, 1995 and June 30, 1996, and the related statements of income and retained earnings of the Originator and its subsidiaries for the fiscal year then ended, copies of which have been furnished to the Transferee, fairly present the financial condition of the Originator and its subsidiaries as at such date and the results of the operations of the Originator and its subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied, and since June 30, 1996 there has been no material adverse change in the business, operations, property or financial or other condition of the Originator.

(f) There is no pending or threatened action or proceeding affecting the Originator or any of its subsidiaries before any court, governmental agency or arbitrator which may materially adversely affect the financial condition or operations of the Originator or any of its subsidiaries or the ability of the Originator to perform its obligations under this Agreement, or which purports to affect the legality, validity or enforceability of this Agreement.

(g) No proceeds of any Transfer will be used to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.

(h) No transaction contemplated hereby requires compliance with any bulk sales act or similar law.

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(i) Each Receivable purported to be transferred by the Originator hereunder is an Eligible Receivable, the Originator has the right to transfer each Transferred Receivable, together with the Related Security, free and clear of any Adverse Claim (other than any Adverse Claim arising solely as the result of any action taken by the Transferee). When the Transferee accepts a Transfer, it shall acquire a valid and perfected first priority security interest in each Transferred Receivable and the Related Security and Collections with respect thereto free and clear of any Adverse Claim (other than any Adverse Claim arising solely as the result of any action taken by the Transferee), and no effective financing statement or other instrument similar in effect covering any Transferred Receivable, any interest therein, the Related Security or Collections with respect thereto is on file in any recording office except for those filed in favor of the Originator, as secured party, which cover only Equipment, accessories, attachments and additions thereto (and substitutions and proceeds thereof) and such as may be filed in favor of Transferee in accordance with this Agreement or in connection with any Adverse Claim arising solely as the result of any action taken by the Transferee.

(j) Each Originator Report (if prepared by the Originator, or to the extent that information contained therein is supplied by the Originator), information, exhibit, financial statement, document, book, record or report furnished or to be furnished at any time by the Originator to the Transferee in connection with this Agreement is or will be accurate in all material respects as of its date or (except as otherwise disclosed to the Transferee at such time) as of the date so furnished, and no such document contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(k) The principal place of business and chief executive office of the Originator and the office where the Originator keeps its records concerning the Transferred Receivables are located at the respective addresses set forth on Exhibit D hereof.

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(m) The Originator is not known by and does not use any trade name or doing-business-as name.

(n) With respect to any programs used by the Originator in the servicing of the Receivables, no sublicensing agreements are necessary in connection with the designation of a new Collection Agent pursuant to Section 6.01(b) so that such new Collection Agent shall have the benefit of such programs (it being understood that, however, the Collection Agent, if other than

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the Originator, shall be required to be bound by a confidentiality agreement reasonably acceptable to the Originator).

(o) The transfers of Receivables by the Originator to the Transferee pursuant to this Agreement, and all other transactions between the Originator and the Transferee, have been and will be made in good faith and without intent to hinder, delay or defraud creditors of the Originator.

(p) If less than all of the Receivables of the Originator have been transferred to the Transferee pursuant to this Agreement, no selection procedure was utilized by the Originator in selecting the Transferred Receivables to be transferred to the Transferee hereunder which is adverse to the interests of the Transferee or would reasonably be expected to result in the Transferred Receivables containing a higher percentage of Defaulted Receivables than the percentage of Defaulted Receivables in the Receivables retained by the Originator. With respect to each Transferred Receivable, such Receivable is representative of all of the Receivables owned by the Originator.

(q) Each Contract giving rise to a Receivable provides for Periodic Payments that will fully amortize such Receivable over the term of the Contract related thereto and, except in accordance with the Credit and Collection Policy, the Originator has not extended or amended, modified or waived the terms of any Receivable or any Contract relating to any Receivable.

(r) The principal place of business and chief executive office of the Transferor and the office where the Transferor keeps its records concerning

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the Receivables are located at the respective addresses set forth on Exhibit D hereof.

## ARTICLE V

### COVENANTS

#### SECTION 5.01. A. Covenants of the Originator. From the date hereof

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until the first day following the Facility Termination Date on which all of the Transferred Receivables are either collected in full or become Defaulted Receivables:

##### (a) Compliance with Laws, Etc. The Originator will comply in all material

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respects with all applicable laws, rules, regulations and orders and preserve and maintain its corporate existence, rights, franchises, qualifications and privileges except to the extent that the failure so to comply with such laws, rules and regulations or the failure so to preserve and maintain such existence, rights, franchises, qualifications, and privileges would not materially adversely affect the collectibility of the Transferred Receivables or the ability of the Originator to perform its obligations under this Agreement.

##### (b) Offices, Records and Books of Account. The Originator will keep its

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principal place of business and chief executive office and the office where it keeps its records concerning the Transferred Receivables at the respective addresses set forth on Exhibit D hereof or, upon 30 days' prior written notice to the Transferee, at any other locations in jurisdictions where all actions required by Section 5.01(i) shall have been taken and completed. The Originator also will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Transferred Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Transferred Receivables (including, without limitation, records adequate to permit the daily identification of each new Transferred Receivable and all

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Collections of and adjustments to each existing Transferred Receivable). The Originator shall make a notation in its books and records, including its computer files, to indicate which Receivables have been transferred to the Transferee hereunder.

##### (c) Performance and Compliance with Contracts and Credit and Collection

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Policy. The Originator will, at its expense, timely and fully perform and

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comply with all material provisions, covenants and other promises required to be observed by it under the Contracts related to the Transferred Receivables, and timely and fully comply in all material respects with the Credit and Collection Policy in regard to each Transferred Receivable and the related Contract.

##### (d) Sales, Liens, Etc. Except for the transfers contemplated herein, the

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Originator will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect

to, any Transferred Receivable, Related Security, related Contract or Collections, or upon or with respect to any account to which any Collections of any Transferred Receivables are sent, or assign any right to receive income in respect thereof.

(e) Extension or Amendment of Transferred Receivables. Except as provided

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in Section 6.02(c), the Originator will not extend, amend or otherwise modify the terms of any Transferred Receivable, or amend, modify or waive any term or condition of any Contract related thereto. The Originator shall notify the Transferee promptly upon any change in the implied interest rate used by the Originator or any Dealer in originating Contracts.

(f) Change in Business or Credit and Collection Policy. The Originator

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will not make any change in the character of its business or in the Credit and Collection Policy that would, in either case, materially adversely affect the collectibility of the Transferred Receivables or the ability of the Originator to perform its obligations under this Agreement.

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(g) Audits. The Originator will, from time to time during regular

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business hours as requested by the Transferee or its assigns, permit the Transferee, or its agents, representatives or assigns, (i) to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of the Originator relating to Transferred Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of the Originator for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Transferred Receivables and the Related Security or the Originator's performance hereunder or under the Contracts with any of the officers or employees of the Originator having knowledge of such matters.

(h) Change in Payment Instructions to Obligors. The Originator will

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not make any change in its instructions to Obligors regarding payments to be made by it unless the Transferee shall have received notice of such change.

(i) Further Assurances.

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(i) The Originator agrees from time to time, at its expense, promptly to execute and deliver all further instruments and documents, and to take all further actions, that may be necessary or desirable, or that the Transferee or its assignee may reasonably request, to perfect, protect or more fully evidence the transfer of Receivables under this Agreement, or to enable the Transferee or its assignee to exercise and enforce its respective rights and remedies under this Agreement. Without limiting the foregoing, the Originator will, upon the request of the Transferee or its assignee, (A) execute and file such financing or continuation statements, or amendments thereto, and such other instruments and documents, that may be necessary or desirable to perfect, protect or evidence such Transferred Receivables; and (B) deliver to the Transferee copies of all Contracts relating to the Transferred Receivables and all records relating to such Contracts and the Transferred Receivables, whether in hard copy or in magnetic tape or diskette format (which if in magnetic tape or diskette format shall be compatible with the Transferee's computer equipment).

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(ii) The Originator authorizes the Transferee or its assignee to file financing or continuation statements, and amendments thereto and assignments thereof, relating to the Transferred Receivables and the Related Security, the related Contracts and the Collections with respect thereto without the signature of the Originator where permitted by law. A photocopy or other reproduction of this Agreement shall be sufficient as a financing statement where permitted by law.

(iii) The Originator shall perform its obligations under the Contracts related to the Transferred Receivables to the same extent as if the Transferred Receivables had not been transferred.

(j) Reporting Requirements. The Originator will provide to the

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Transferee the following:

- (i) as soon as available and in any event within 60 days after the end of the first three quarters of each fiscal year of the Originator, balance sheets of the Originator and its subsidiaries as of the end of such quarter and statements of income and retained earnings of the Originator and its subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of the Originator;
- (ii) as soon as available and in any event within 120 days after the end of each fiscal year of the Originator, a copy of the annual report for such year for Alco Standard Corporation and the Annual Report on Form 10-K for the Originator and its subsidiaries, containing financial statements for such year audited by Ernst & Young or other independent public accountants acceptable to the Agent;
- (iii) as soon as possible and in any event within five days after the occurrence of each Event of Termination or Incipient Event of Termination, a statement of the chief financial officer of the Originator setting forth details of such Event of Termination or Incipient Event of Termination and the

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action that the Originator has taken and proposes to take with respect thereto;

- (iv) promptly after the sending or filing thereof, copies of all reports that the Originator sends to any of its securityholders, and copies of all reports and registration statements that the Originator or any subsidiary files with the Securities and Exchange Commission or any national securities exchange;
- (v) promptly after the filing or receiving thereof, copies of all reports and notices that the Originator or any Affiliate files under ERISA with the Internal Revenue Service or the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or that the Originator or any Affiliate receives from any of the foregoing or from any multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) to which the Originator or any Affiliate is or was, within the preceding five years, a contributing employer, in each case in respect of the assessment of withdrawal liability or an event or condition which could, in the aggregate, result in the imposition of liability on the Originator and/or any such Affiliate in excess of \$5,000,000;
- (vi) at least ten Business Days prior to any change in the Originator's name, a notice setting forth the new name and the effective date thereof;
- (vii) concurrently with the delivery of each Originator Report by the Collection Agent, a statement as to whether or not all of the Receivables under all Contracts arising during the immediately preceding month have been transferred by the Originator to the Transferee and, if less than all of such Receivables have been transferred, a summary of those Receivables not transferred; and
- (viii) such other information respecting the Transferred Receivables or the condition or operations, financial or otherwise, of the Originator as the Transferee may from time to time reasonably request.

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(k) Separate Conduct of Business. The Originator will:

- (i) maintain separate corporate records and books of account from those of the Transferee;
- (ii) conduct its business from an office separate from that of the Transferee;
- (iii) ensure that all oral and written communications, including without limitation, letters, invoices, purchase orders, contracts, statements and applications, will be made solely in its own name;
- (iv) have stationery and other business forms and a mailing address and a telephone number separate from those of the Transferee;
- (v) not hold itself out as having agreed to pay, or as being liable for, the obligations of the Transferee;
- (vi) not engage in any transaction with the Transferee except as contemplated by this Agreement or as permitted by the Receivables Transfer Agreement;
- (vii) continuously maintain as official records the resolutions, agreements and other instruments underlying the transactions contemplated by this Agreement; and
- (viii) disclose on its annual financial statements the effects of the transactions contemplated by this Agreement in accordance with generally accepted accounting principles.

B. Covenants of the Transferee. From the date hereof until the  
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termination of this Agreement, the Transferee will:

- (a) maintain separate corporate records and books of account from those of the Originator;
- (b) conduct its business from an office separate from that of the Originator;

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- (c) ensure that all oral and written communications, including without limitation, letters, invoices, purchase orders, contracts, statements and applications, will be made solely in its own name;
- (d) have stationery and other business forms and a mailing address and a telephone number separate from those of the Originator;
- (e) not hold itself out as having agreed to pay, or as being liable for, the obligations of the Originator; and
- (f) continuously maintain as official records the resolutions, agreements and other instruments underlying the transactions contemplated by this Agreement.

SECTION 5.02. Grant of Security Interest. To secure all obligations  
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of the Originator arising in connection with this Agreement, and each other agreement entered into in connection with this Agreement, including, without limitation, Indemnified Amounts, payments on account of Collections received or deemed to be received, and any other amounts due the Transferee hereunder, the Originator hereby assigns and grants to Transferee, a security interest in all of the Originator's right, title and interest now or hereafter existing in, to and under all Receivables originated by Dealers, the Related Security and all Collections with respect thereto which do not constitute Transferred Receivables.

ARTICLE VI

ADMINISTRATION AND COLLECTION

SECTION 6.01. Designation of Collection Agent. The servicing,  
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administration and collection of the Transferred Receivables shall be conducted by such Person (the "Collection Agent") so designated hereunder from time to

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time. Until the Transferee or its assignee gives notice to the Originator of the designation of a new Collection Agent, the Originator is hereby designated as,

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and hereby agrees to perform the duties and obligations of, the Collection Agent pursuant to the terms hereof. The Originator agrees that such notice may be given at any time in the Transferee's or assignee's discretion. Upon the Originator's receipt of such notice, the Originator agrees that it will terminate its activities as Collection Agent hereunder in a manner which the Transferee (or its designee) believes will facilitate the transition of the performance of such activities to the new Collection Agent, and the Originator shall use its best efforts to assist the Transferee (or its designee) to take over the servicing, administration and collection of the Transferred Receivables, including, without limitation, providing access to and copies of all computer tapes or disks and other documents or instruments that evidence or relate to Transferred Receivables maintained in its capacity as Collection Agent and access to all employees and officers of the Originator responsible with respect thereto. The Transferee at any time after giving such notice may designate as Collection Agent any Person (including itself) to succeed the Originator or any successor Collection Agent, if such Person shall consent and agree to the terms hereof. The Collection Agent may, with the prior consent of the Transferee, subcontract with any other Person for the servicing, administration or collection of Transferred Receivables. Any such subcontract shall not affect the Collection Agent's liability for performance of its duties and obligations pursuant to the terms hereof.

SECTION 6.02. Duties of Collection Agent. (a) The Collection Agent

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shall take or cause to be taken all such actions as may be necessary or advisable to collect each Transferred Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy. The Transferee hereby appoints the Collection Agent, from time to time designated pursuant to Section 6.01, as agent to enforce its rights in the Transferred Receivables, the Related Security and the Collections with respect thereto. In performing its duties as Collection Agent, the Collection Agent shall exercise the same care and apply the same policies as it would exercise and apply if it owned the Transferred Receivables and shall act in the best interests of the Transferee and its assignees.

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(b) Prior to the 15th calendar day of each month, the Collection Agent shall prepare and forward to the Transferee (i) an Originator Report, relating to all then outstanding Transferred Receivables, and the Related Security and Collections with respect thereto, in each case, as of the close of business of the Collection Agent on the last day of the immediately preceding month, and (ii) if requested by the Transferee, a listing by Obligor of all Transferred Receivables correlating Transferred Receivables and Transfers, together with an aging report of such Transferred Receivables.

(c) If no Event of Termination or Incipient Event of Termination shall have occurred and be continuing, the Originator, while it is the Collection Agent, may, in accordance with the Credit and Collection Policy, extend the maturity or adjust the Outstanding Balance of any Transferred Receivable as the Originator deems appropriate to maximize Collections thereof.

(d) The Originator shall deliver to the Collection Agent, and the Collection Agent shall hold in trust for the Originator and the Transferee in accordance with their respective interests, all documents, instruments and records (including, without limitation, computer tapes or disks) which evidence or relate to Transferred Receivables.

(e) The Collection Agent shall as soon as practicable following receipt turn over to the Originator any cash collections or other cash proceeds received with respect to Receivables not constituting Transferred Receivables less all reasonable and appropriate out-of-pocket costs and expenses of the Collection Agent of servicing, collecting and administering the Receivables to

the extent not covered by the Collection Agent Fee received by it.

(f) The Collection Agent also shall perform the other obligations of the "Collection Agent" set forth in this Agreement with respect to the Transferred Receivables.

SECTION 6.03. Collection Agent Fee. The Transferee shall pay to the

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Collection Agent, so long as it is acting as the Collection Agent hereunder, a periodic collection fee (the "Collection Agent Fee") of 1.50% per annum on the

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average daily outstanding Transferee's Interest with respect to the Transferred Receivables, payable on the fifteenth calendar day of each month (or, if such day is not a Business Day, the immediately succeeding Business Day) or such other day during each calendar month as the Transferee and the Collection Agent shall agree. The Collection Agent Fee shall be payable from Collections. So long as the Originator is acting as the Collection Agent hereunder, amounts paid as the Collection Agent Fee pursuant to this Section 6.03 shall reduce, on a dollar-for-dollar basis, the obligation of the Transferee to pay the "Collection

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Agent Fee" pursuant to Section 1.04(c) of the Receivables Transfer Agreement,

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provided that such obligation of the Transferor shall in no event be reduced below zero.

SECTION 6.04. Certain Rights of the Transferee. (a) The Transferee

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may, at any time, give notice of the transfer of Transferred Receivables and/or direct the Obligors of Transferred Receivables and any Person obligated on any Related Security, or any of them, that payment of all amounts payable under any Transferred Receivable shall be made directly to the Transferee or its designee.

(b) The Originator shall, at any time upon the Transferee's request and at the Originator's expense, give notice of the transfer of Transferred Receivables to each Obligor of Transferred Receivables and direct that payments of all amounts payable under such Transferred Receivables be made directly to the Transferee or its designee.

(c) At the Transferee's request and at the Originator's expense, the Originator and the Collection Agent shall (i) assemble all of the documents, instruments and other records (including, without limitation, computer tapes and disks) that evidence or relate to the Transferred Receivables, and the related Contracts and Related Security, or that are otherwise necessary or desirable to collect the Transferred Receivables, and shall make the same available to the Transferee at a place selected by the Transferee or its designee, and (ii) segregate all cash, checks and other instruments received by it from time to time constituting Collections of Transferred Receivables in a manner acceptable to the Transferee and, promptly upon receipt, remit all such cash, checks and instruments, duly indorsed or with duly executed instruments of transfer, to the

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Transferee or its designee. The Transferee shall also have the right to make copies of all such documents, instruments and other records at any time.

(d) The Originator authorizes the Transferee to take any and all steps in the Originator's name and on behalf of the Originator that are necessary or desirable, in the determination of the Transferee, to collect amounts due under the Transferred Receivables.

SECTION 6.05. Rights and Remedies. (a) If the Originator or the

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Collection Agent fails to perform any of its obligations under this Agreement, the Transferee may (but shall not be required to) itself perform, or cause performance of, such obligation, and, if the Originator (as Collection Agent or otherwise) fails to so perform, the costs and expenses of the Transferee incurred in connection therewith shall be payable by the Originator as provided in Section 8.01 or Section 9.04 as applicable.

(b) The Originator shall perform all of its obligations under the Contracts related to the Transferred Receivables to the same extent as if the Originator had not transferred Receivables hereunder and the exercise by the Transferee of its rights hereunder shall not relieve the Originator from such obligations or its obligations with respect to the Transferred Receivables. The Transferee shall not have any obligation or liability with respect to any Transferred Receivables or related Contracts, nor shall the Transferee be obligated to perform any of the obligations of the Originator thereunder.

(c) The Originator shall cooperate with the Collection Agent in collecting amounts due from Obligor in respect of the Transferred Receivables.

SECTION 6.06. Transfer of Records to Transferee. Each Transfer and

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contribution of Receivables hereunder shall include the transfer to the Transferee of all of the Originator's right and title to and interest in the records relating to such Receivables and shall include an irrevocable non-exclusive license to the use of the Originator's computer software system to access and create such records. Such license shall be without royalty or payment of any kind, is coupled with an interest, and shall be irrevocable until all of the

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Transferred Receivables are either collected in full or become Defaulted Receivables.

The Originator shall take such action requested by the Transferee, from time to time hereafter, that may be necessary or appropriate to ensure that the Transferee has an enforceable interest in the records relating to the Transferred Receivables and rights to the use of the Originator's computer software system to access and create such records.

In recognition of the Originator's need to have access to the records transferred to the Transferee hereunder, the Transferee hereby grants to the Originator an irrevocable license to access such records in connection with any activity arising in the ordinary course of the Originator's business or in performance of its duties as Collection Agent, provided that (i) the Originator shall not disrupt or otherwise interfere with the Transferee's use of and access to such records during such license period and (ii) the Originator consents to the assignment and delivery of the records (including any information contained therein relating to the Originator or its operations) to any assignees or transferees of the Transferee provided they agree to hold such records confidential.

ARTICLE VII

EVENTS OF TERMINATION

SECTION 7.01. Events of Termination. If any of the following events

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("Events of Termination") shall occur and be continuing:  
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(a) The Collection Agent (if the Originator or any of its Affiliates) (i) shall fail to perform or observe any term, covenant or agreement under this Agreement (other than as referred to in clause (ii) of this subsection (a)) and such failure shall remain unremedied for three Business Days of the receipt of notice or actual knowledge thereof or (ii) shall fail to make when due any payment or deposit to be made by it under this Agreement; or

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(b) The Originator shall fail (i) to transfer to the Transferee when requested any rights, pursuant to this Agreement, which the Originator then has as Collection Agent, or (ii) to make any payment required under Section 2.04(a) or 2.04(b); or

(c) Any representation or warranty made or deemed made by the

Originator (or any of its officers) under or in connection with this Agreement or any information or report delivered by the Originator pursuant to this Agreement shall prove to have been incorrect or untrue in any material respect when made or deemed made or delivered; or

(d) The Originator shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and any such failure shall remain unremedied for 10 days after written notice thereof shall have been given to the Originator by the Transferee; or

(e) The Originator or any of its subsidiaries shall fail to pay any principal of or premium or interest on any of its Debt which is outstanding in a principal amount of at least \$10,000,000 in the aggregate when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) [Reserved]

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(g) The Originator or any of its subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Originator or any of its subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Originator or any of its subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (g); or

(h) An Event of Termination shall have occurred under the Receivables Transfer Agreement; or

(i) There shall have occurred any material adverse change in the financial condition or operations of the Originator since June 30, 1996; or there shall have occurred any event which may materially adversely affect the collectibility of the Transferred Receivables or the ability of the Originator to collect Transferred Receivables or otherwise perform its obligations under this Agreement;

then, and in any such event, the Transferee may, by notice to the Originator, take either or both of the following actions: (x) declare the Facility Termination Date to have occurred (in which case the Facility Termination Date shall be deemed to have occurred) and (y) without limiting any right under this Agreement to replace the Collection Agent, designate another Person to succeed the Originator as Collection Agent; provided, that, automatically upon the

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occurrence of any event (without any requirement for the passage of time or the giving of notice)

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described in paragraph (g) of this Section 7.01, the Facility Termination Date shall occur, the Originator (if it is then serving as the Collection Agent) shall cease to be the Collection Agent, and the Transferee (or its assigns or designees) shall become the Collection Agent. Upon any such declaration or designation or upon such automatic termination, the Transferee shall have, in addition to the rights and remedies under this Agreement, all other rights and remedies with respect to the Receivables provided after default under the UCC and under other applicable law, which rights and remedies shall be cumulative.

ARTICLE VIII

INDEMNIFICATION

SECTION 8.01. Indemnities by the Originator. Without limiting any

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other rights which the Transferee may have hereunder or under applicable law, the Originator hereby agrees to indemnify the Transferee and its assigns and transferees (each, an "Indemnified Party") from and against any and all damages,

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claims, losses, liabilities and related costs and expenses, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts"), awarded against or incurred by any

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Indemnified Party in connection with the transactions contemplated by this Agreement. It is expressly agreed and understood by the parties hereto (i) that the foregoing indemnification is not intended to, and shall not, constitute a guarantee of the collectibility or payment of the Transferred Receivables and (ii) that nothing in this Section 8.01 shall require the Originator to indemnify any Person (a) for Receivables which are not collected, not paid or uncollectible on account of the insolvency, bankruptcy, or financial inability to pay of the applicable Obligor, (b) for damages, losses, claims or liabilities or related costs or expenses resulting from such Person's gross negligence or willful misconduct, or (c) for any income taxes or franchise taxes incurred by such Person arising out of or as a result of this Agreement or in respect of any Transferred Receivable or any Contract.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Amendments, Etc. No amendment or waiver of any

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provision of this Agreement or consent to any departure by the Originator therefrom shall be effective unless in a writing signed by the Transferee and, in the case of any amendment, also signed by the Originator, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Transferee to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

SECTION 9.02. Notices, Etc. All notices and other communications

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hereunder shall, unless otherwise stated herein, be in writing (which shall include facsimile communication) and be faxed or delivered, to each party hereto, at its address set forth under its name on the signature pages hereof or at such other address as shall be designated by such party in a written notice to the other parties hereto. Notices and communications by facsimile shall be effective when sent (and shall be followed by hard copy sent by regular mail), and notices and communications sent by other means shall be effective when received.

SECTION 9.03. Binding Effect; Assignability. (a) This Agreement shall

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be binding upon and inure to the benefit of the Originator, the Transferee and their respective successors and assigns; provided, however, that the Originator

may not assign its rights or obligations hereunder or any interest herein without the prior written consent of the Transferee. In connection with any assignment by the Transferee of all or a portion of the Transferred Receivables, the assignee shall, to the extent of its assignment, have all rights of the Transferee under this Agreement (as if such buyer or assignee, as the case may be, were the Transferee hereunder) except to the extent specifically provided in the agreement between the Transferee and such assignee.

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(b) This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until such time, after the Facility Termination Date, when all of the Transferred Receivables are either collected in full or become Defaulted Receivables; provided, however, that rights and remedies with respect

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to any breach of any representation and warranty made by the Originator pursuant to Article IV and the provisions of Article VIII and Sections 9.04, 9.05 and 9.06 shall be continuing and shall survive any termination of this Agreement.

SECTION 9.04. Costs, Expenses and Taxes. (a) In addition to the

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rights of indemnification granted to the Transferee pursuant to Article VIII hereof, the Originator agrees to pay on demand all costs and expenses in connection with the preparation, execution and delivery of this Agreement and the other documents and agreements to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Transferee (including the reasonable allocable fees of the Transferee's in-house counsel) with respect thereto and with respect to advising the Transferee as to its rights and remedies under this Agreement, and the Originator agrees to pay all costs and expenses, if any (including reasonable counsel fees and expenses), in connection with the enforcement of this Agreement and the other documents to be delivered hereunder excluding, however, any costs of enforcement or

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collection of Transferred Receivables.

(b) In addition, the Originator agrees to pay any and all stamp and other taxes and fees payable in connection with the execution, delivery, filing and recording of this Agreement or the other documents or agreements to be delivered hereunder, and the Originator agrees to save each Indemnified Party harmless from and against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

SECTION 9.05. No Proceedings. The Originator hereby agrees that it

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will not institute against the Transferee any proceeding of the type referred to in Section 7.01(g) so long as there shall not have elapsed one year plus one day since the later of (i) the Facility Termination Date and (ii) the date on which all

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of the Transferred Receivables are either collected in full or become Defaulted Receivables.

SECTION 9.06. Confidentiality. Unless otherwise required by

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applicable law, each party hereto agrees to maintain the confidentiality of this Agreement in communications with third parties and otherwise; provided that this Agreement may be disclosed to (i) third parties to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the other party hereto, and (ii) such party's legal counsel and auditors and the Transferee's assignees, if they agree in each case to hold it confidential.

SECTION 9.07. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND

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CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF), EXCEPT TO THE EXTENT THAT THE PERFECTION OF THE TRANSFEREE'S INTEREST IN THE RECEIVABLES OR REMEDIES HEREUNDER, IN RESPECT THEREOF, ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER

SECTION 9.08. Third Party Beneficiary. Each of the parties hereto

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hereby acknowledges that the Transferee may assign all or any portion of its rights under this Agreement and that such assignees may (except as otherwise agreed to by such assignees) further assign their rights under this Agreement, and the Originator hereby consents to any such assignments. All such assignees, including parties to the Receivables Transfer Agreement in the case of assignment to such parties, shall be third party beneficiaries of, and shall be entitled to enforce the Transferee's rights and remedies under, this Agreement to the same extent as if they were parties thereto, except to the extent specifically limited under the terms of their assignment.

SECTION 9.09. Tax Treatment. It is the intention of the Originator

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and the Transferee that for federal, state and local income and

franchise tax purposes, the Transferee's Interest will be treated as evidence of indebtedness of the Originator secured by the Receivables, the Related Security and Collections and other proceeds thereof. The Originator and the Transferee, by entering into this Agreement, intend to treat the Transferee's Interest as indebtedness. The provisions of this Agreement and all related Transaction Documents shall be construed to further such intentions of the parties hereto.

SECTION 9.10. Execution in Counterparts. This Agreement may be

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executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ORIGINATOR: IKON CAPITAL, INC.

By: \_\_\_\_\_

Name:  
Title:

Address:

1738 Bass Road  
Macon, Georgia 31210  
Attn: Harry G. Kozee  
Tel. No.: (912) 471-2306  
Facsimile No.: (912) 471-2376

for purposes of notices, with a copy to:

Alco Standard Corporation  
925 Duportail Road  
Wayne, Pennsylvania 19087  
Attention: Jack Quinn  
Facsimile No.: (610) 296-3248

TRANSFEEE: IKON FUNDING INC.

By: \_\_\_\_\_

Name:  
Title:

Address:

501 Silverside Road, Suite 28  
Wilmington, Delaware 19809  
Attention: Robert McLain  
Facsimile No.: (302) 798-2779

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EXHIBIT A

CREDIT AND COLLECTION POLICY

A-1

EXHIBIT B

DEALERS

Allegheny Business Machines  
Foster Plaza Three  
601 Holiday Drive  
Pittsburgh, PA 15220

American Business Machines  
5701 Mayfair Road  
North Canton, OH

Kex Copysource  
350 South Avenue  
Rochester, NY 14620

Copier Consultants  
7009 Albert Pick Road  
Greensboro, NC 27409

Omni Business Systems  
2725 Center Place  
Melbourne, FL 32940

Unitech of Mississippi  
P.O. Box 20639  
5345 Highway 18S  
Jackson, MS 39289-1639

Paul B. Williams  
1035 Winston Street  
Greensboro, NC 27405

Mirex 5317 Mirex Drive  
5317 Mirex Drive  
St. Louis, MO 63119

Redden-Miller Office Machines  
P.O. Box 910  
107 South 3rd Avenue  
Marshalltown, IA 50158

Decoursey Business Systems  
P.O. Box 15329  
Lenexa, KS 66215-5329  
Street Address  
-----

9120 Barton  
Overland Park, KS 66214

Colorado Copier  
637 South Pierce  
Louisville, CO 80027

American Business Machines-  
Portland  
2720 S.W. Corbett  
Portland, OR 97201

Xtec Office Systems  
901 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403

B-1

EXHIBIT C

DESIGNATED STATES

Delaware  
Hawaii  
Kansas  
Maryland  
Minnesota  
Montana

EXHIBIT D

The principal place of business and chief executive offices of the Transferor are located at:

IKON FUNDING INC.  
501 Silverside Road, Suite 28  
Wilmington, Delaware 19809

The original records concerning the Receivables (and all original documents related thereto) are located at the offices of the Collection Agent at:

IKON CAPITAL, INC.  
1738 Bass Road  
Macon, Georgia 31210

TRANSFER AGREEMENT

Dated as of September 30, 1996

Between

IKON CAPITAL, INC.

as Originator  
-----

and

IKON FUNDING INC.

as Transferee  
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ALCO STANDARD CORPORATION

1994 DEFERRED COMPENSATION PLAN

(as amended and restated effective January 1, 1997)

1. Purpose. The purpose of the Alco Standard Corporation 1994 Deferred Compensation Plan is to permit certain eligible employees of Alco Standard Corporation and its affiliated companies to defer a portion of their compensation and to participate in a program under which they are provided supplemental income after their retirement. The program is intended to constitute an unfunded deferred compensation arrangement for a select group of management or highly compensated employees.

2. Definition. Unless the context otherwise requires, the following words as used herein shall have the following meanings:

(a) "Administrator" shall mean the person or persons so designated and acting under Paragraph 16 hereof.

(b) "Affiliated Employer" shall mean any domestic corporation of which Alco (directly or through any subsidiary) owns 80% or more of the outstanding voting stock.

(c) "Alco" shall mean Alco Standard Corporation, an Ohio corporation.

(d) "Compensation" shall mean all salaries, bonuses, commissions and incentive compensation from Alco or an Affiliated Employer, but shall not include company contributions under Alco's Partners' Stock Purchase Plan or the Alco Retirement Savings Plan or any fringe benefits.

(e) "Effective Date" shall mean January 1, 1997, the effective date of this amended and restated Plan. The rights of a Participant whose participation in the Plan commenced prior to the Effective Date and who remains a Participant on the Effective Date shall be governed by the terms of the amended and restated Plan as set forth herein.

(f) "Employer" shall mean Alco or an Affiliated Employer or Unisource Worldwide, Inc.

(g) "Participant" shall mean any person employed by an Employer who is eligible, and who has elected, to participate in the Plan.

(h) "Participation Agreement" shall mean the agreement executed by each Participant and Alco or an Affiliated Employer, as the case may be, setting forth certain information relating to the Participant's participation in the Plan.

(i) "Plan" shall mean the Alco Standard Corporation 1994 Deferred Compensation Plan, as amended from time to time.

(j) "Plan Year" shall mean the period beginning on January 1 and ending on December 31 of each year.

(k) "Total Disability" shall mean a total disability as defined in the long term disability plan adopted by the Participant's Employer (or, if the Participant's Employer does not have such a plan, the long term disability plan of Alco).

3. Participation. Any person who (a) is employed by Alco or an Affiliated Employer on a full-time basis, (b) is "highly compensated" (employees who received Compensation from Alco or an Affiliated Employer in the 1995 calendar year, or who expect to receive Compensation from Alco or an Affiliated Employer in the 1996 calendar year, in excess of \$110,000 are considered "highly compensated" for purposes of the Plan) or has been designated by Alco as a "Partner" and (c) is a United States taxpayer, shall be eligible to participate herein. In addition, other persons who satisfy conditions (a) and (c) of the foregoing sentence shall be eligible to participate in the Plan if selected by the President of Alco prior to the Effective Date. A person eligible under this Paragraph 3 shall become a Participant by executing a Participation Agreement and such other forms as may be required by the Administrator.

4. Deferral of Compensation. Prior to the Effective Date and prior to the beginning of each Plan Year during the term of the Plan, an employee of Alco or an Affiliated Employer who meets the eligibility requirements of Paragraph 3 may irrevocably elect to defer or forgo a portion of his Compensation for each of the next five Plan Years (or, if less, for each of the Plan Years while he is an active employee of Alco or an Affiliated Employer). The amount of the deferral for each Plan Year may vary, subject to the minimum and maximum limitations set forth below.

The amount of salary and/or bonus (stated as a dollar amount or as a percentage in the case of deferrals from a Participant's bonus) to be deferred for the first Plan Year shall be designated on the Participant's Participation Agreement, subject to the minimum and maximum limitations set forth below. For each of the next four Plan Years after a Participant's initial deferral election (or, if less, for each Plan Year while he is an active employee of Alco or an Affiliated Employer), the Participant will be given the opportunity, prior to the beginning

of each Plan Year, to elect the amount of Compensation to be deferred, subject to the minimum and maximum limitations set forth below. For each Plan Year, the amount of a Participant's deferrals from salary may be no less than \$3,000 and the aggregate amount of a Participant's deferrals from salary and bonus may be no more than \$100,000. In the event that a Participant fails to specify the

amount to be deferred in any Plan Year, he shall be deemed to have elected to defer \$3,000 of salary for such Plan Year. The Administrator shall have the right to waive the future deferral obligation for a Participant who has suffered an unforeseeable emergency.

The amount to be deferred for a Plan Year will be deducted from the Participant's Compensation otherwise payable by Alco or an Affiliated Employer, in substantially equal installments during the applicable deferral period in the case of deferrals from salary, and in a lump sum in the case of deferrals from bonuses.

5. Investment Accounts. Amounts deferred by a Participant pursuant to Paragraph 4 will be credited to an account established by Alco in the name of the Participant. A Participant's account will be credited with earnings based on the performance of various investment alternatives selected by the Participant from among those made available by Alco from time to time.

A Participant may request a change in his allocation among the various investment alternatives once during any calendar month. Any such changes requested by the 25th day of the month will become effective as of the first day of the next calendar month.

6. Vesting. A Participant shall vest in the benefits to be provided hereunder on the fifth anniversary of the date of his initial participation in the Plan (or, in the case of Participants whose participation in the Plan began as of July 1, 1995, on December 31, 1999) or when he attains age 65, whichever shall first occur, provided the Participant has been a full-time employee of an Employer for the entire period.

A Participant who incurs a Total Disability while still employed by an Employer shall become immediately vested in the benefits to be provided hereunder (as described in Paragraph 8, below).

Each other Participant whose employment with an Employer terminates prior to vesting (other than on account of death, as described in Paragraph 7, below) shall be entitled to receive, in a lump sum payment, an amount equal to the lesser of (i) the Participant's deferrals to the date of termination, without interest, or (ii) the value of the Participant's account as of

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the last day of the calendar month coincident with or next following the date of termination. No other benefits shall be payable under the Plan to such Participant.

7. Death Benefits. If a Participant dies (whether before or after he begins to receive benefit payments), his beneficiary shall be entitled to receive, in a lump sum payment, the value of the Participant's account as of the last day of the calendar month coincident with or next following the Participant's date of death.

8. Disability Benefits. If a Participant incurs a Total Disability while still employed by an Employer, he shall be entitled to receive the benefits described in Paragraph 9, which shall commence in the January following the year in which he attains age 60. A Participant who has incurred a Total Disability may begin to receive benefits before reaching age 60 if the Committee (as defined in Paragraph 16) determines, upon application by the Participant, that the Participant has a financial hardship that cannot reasonably be relieved by use of other resources available to him.

9. Amount and Timing of Benefit Payments. Except as otherwise provided in Paragraphs 6, 7 and 8, payment of benefits under the Plan shall be paid in ten annual payments and shall commence in the January following the later of the Participant's attaining age 60 or the Participant's retirement from the employ of an Employer, unless the Participant has notified the Administrator, in writing, by December 31 of the second year prior to such date, of his election to defer commencement of such benefits until a later date or his election to receive benefits in five or fifteen annual payments.

A. Ten Payments. If the Participant's benefits are to be paid to him  
-----  
in ten annual payments, such payments shall be made as follows:

(a) 1/10 of the value of his account as of the preceding December 31 in the first year.

(b) 1/9 of the value of his account as of the preceding December 31 in the second year.

(c) 1/8 of the value of his account as of the preceding December 31 in the third year.

(d) 1/7 of the value of his account as of the preceding December 31 in the fourth year.

(e) 1/6 of the value of his account as of the preceding December 31 in the fifth year.

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(f) 1/5 of the value of his account as of the preceding December 31 in the sixth year.

(g) 1/4 of the value of his account as of the preceding December 31 in the seventh year.

(h) 1/3 of the value of his account as of the preceding December 31 in the eighth year.

(i) 1/2 of the value of his account as of the preceding December 31 in the

ninth year.

(j) All amounts remaining in his account in the tenth year.

B. Five Payments. If the Participant elects (in accordance with the  
-----  
procedure specified herein) to have his benefits paid in five annual payments,  
such payments shall be made as follows:

(a) 1/5 of the value of his account as of the preceding December 31 in the first year.

(b) 1/4 of the value of his account as of the preceding December 31 in the second year.

(c) 1/3 of the value of his account as of the preceding December 31 in the third year.

(d) 1/2 of the value of his account as of the preceding December 31 in the fourth year.

(e) All amounts remaining in his account in the fifth year.

C. Fifteen Payments. If the Participant elects (in accordance with the  
-----  
procedure specified herein) to have his benefits paid in fifteen annual payments, such payments shall be made as follows:

(a) 1/15 of the value of his account as of the preceding December 31 in the first year.

(b) 1/14 of the value of his account as of the preceding December 31 in the second year.

(c) 1/13 of the value of his account as of the preceding December 31 in the third year.

(d) 1/12 of the value of his account as of the preceding December 31 in the fourth year.

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(e) 1/11 of the value of his account as of the preceding December 31 in the fifth year.

(f) 1/10 of the value of his account as of the preceding December 31 in the sixth year.

(g) 1/9 of the value of his account as of the preceding December 31 in the seventh year.

(h) 1/8 of the value of his account as of the preceding December 31 in the eighth year.

(i) 1/7 of the value of his account as of the preceding December 31 in the ninth year.

(j) 1/6 of the value of his account as of the preceding December 31 in the tenth year.

(k) 1/5 of the value of his account as of the preceding December 31 in the eleventh year.

(l) 1/4 of the value of his account as of the preceding December 31 in the twelfth year.

(m) 1/3 of the value of his account as of the preceding December 31 in the thirteenth year.

(n) 1/2 of the value of his account as of the preceding December 31 in the fourteenth year.

(o) All amounts remaining in his account in the fifteenth year.

10. Beneficiary Designation. A Participant shall designate in his Participation Agreement the beneficiary or beneficiaries who shall, in the event of his death, receive the benefits payable in accordance with Paragraph 7. This designation may be amended in writing and filed with the Administrator from time to time by the Participant. In the event that there is no effective beneficiary designation when such benefits are payable, payments shall be made to the members of the first surviving class of the Participant in the following priority:

(a) spouse;

(b) the living children (including adopted children) in equal amounts;

(c) estate.

11. Incapacity of Recipient. Any payment required to be made under the Plan to a person who is under a legal disability

may be made to or for the benefit of such person in such of the following ways as the Administrator shall determine:

(a) to such person;

(b) to the legal representatives of such person;

(c) to a near relative of such person to be used for his benefit; or

(d) to pay the expenses of support, maintenance or education of such person.

The Administrator shall not be required to see to the application by any third party of payments made pursuant to this Paragraph 11.

12. Responsibility for Payment. All benefits under the Plan shall be paid by Alco. Alco may, in its sole discretion, determine the manner in which it shall finance its obligation to pay such benefits.

13. Non-Assignment. Except as hereinafter provided with respect to marital or family support disputes, no amount payable under the Plan shall be subject to assignment, transfer, sale, pledge, encumbrance, alienation or charge by the Participant or any beneficiary. Any attempt to assign, transfer, sell, pledge, encumber, alienate or charge any amount hereunder shall be without effect. In cases of marital or family support disputes, the Administrator will observe the terms of the Plan unless and until ordered to do otherwise by a state or federal court. As a condition of participation in the Plan, the Participant shall agree to hold the Employer harmless from any claim that arises out of obeying an order of any state or federal court with respect to marital or family support disputes, whether such order effects a judgment of such court or is issued to enforce a judgment or order of another court.

14. No Funding. Alco shall not segregate or physically set aside any funds or assets as a result of this Plan. Neither a Participant, nor his beneficiary, nor any other person shall be deemed to have, pursuant to this Plan, any property interest, legal or equitable, in any specific asset of Alco or an Employer. To the extent that any person acquires any right to receive benefits under this Plan or a Participation Agreement, such right shall be no greater than, nor shall it have any preference or priority over, the rights of any unsecured general creditor of Alco or Affiliated Employer.

15. Ownership of Life Insurance Policies. Alco may, but is not obligated to, purchase life insurance policies to assist it

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in meeting its obligation to pay benefits under the Plan. Alco will retain all incidents of ownership in such policies.

As a condition of participation in the Plan, the Participant shall agree that Alco or an Affiliated Employer may, at their expense, purchase life insurance on the life of the Participant.

16. Administration. The Plan shall be administered by a Committee selected from time to time by the Board of Directors of Alco (the "Committee").

The Committee shall select an Administrator from time to time to administer the Plan under the general policy guidance of the Committee. The Administrator shall be one or more persons who shall be responsible for:

- (a) maintaining any records necessary in connection with the Plan;
- (b) making calculations under the Plan;
- (c) interpreting the provisions of the Plan; and
- (d) otherwise administering the Plan in accordance with its terms.

17. Claims Procedures. At any time the Administrator makes a determination adverse to a Participant or beneficiary with respect to a claim for benefits or participation under the Plan, the Administrator shall notify the claimant in writing of such determination, setting forth:

- (a) the specific reason for such determination;
- (b) a reference to the specific provision or provisions of the Plan on which such determination is based;
- (c) a description of any additional material or information necessary to perfect the claim, and an explanation of the reason that such material is required; and
- (d) an explanation of the rights and procedures set forth in this Paragraph 17.

A person who receives notice of an adverse determination by the Administrator with respect to a claim may request, within 60 days of receipt of such notice, that the Committee review the Administrator's determination. This request may be made on behalf of a claimant by a duly authorized representative. The claimant or representative may review pertinent documents and submit issues and comments with respect to the controversy to the Committee. The Committee shall render a decision within 60 days of a request for review (or within 120 days under special circumstances), which decision shall be in writing and shall set

forth the specific reasons for the decision reached and the specific provisions of the Plan on which the decision is based. A copy of the ruling shall be forwarded to the claimant.

18. Employee Benefit Plans. This Plan shall not in any way affect a Participant's right to participate in any pension, profit-sharing, incentive, thrift, group health insurance, stock option, termination pay or similar plan of an Employer, which is now in effect or may hereafter be adopted, to the extent that the Participant is entitled to participate under the applicable terms and

provisions of such plan, except that the amounts deferred herein shall not be included in determining a Participant's benefits under any retirement plans qualified under section 401(a) of the Internal Revenue Code. Deferrals under this Plan will be included as compensation for purposes of calculating the level of contributions under Alco's Partners' Stock Purchase Plan.

19. Amendment. This Plan shall remain in effect until termination by the Board of Directors of Alco. The Board of Directors shall have the power to amend this Plan at any time; provided, however, that, except as set forth in Paragraph 20 and/or Paragraph 21, no amendment or termination of the Plan shall have a material adverse effect upon a Participant unless he consents to such amendment or termination in writing.

20. Termination. The Board of Directors of Alco shall have the right to terminate the Plan in its entirety, and not in part, at any time it determines that proposed or pending tax law changes or other events cause, or are likely in the future to cause, the Plan to have an adverse financial impact upon Alco. In such event, Alco shall have no liability or obligation under the Plan or the Participant's Participation Agreement (or any other document), provided that Alco distributes to each Participant, in a lump sum payment, the value of his account, valued as of the end of the month in which such termination occurs.

21. Acceleration. Alco shall have the right at any time to (a) accelerate the vesting of benefits to be provided under the Plan or (b) cause the payment of all amounts thereafter due to a Participant to be paid in a single lump sum or in such other accelerated manner as Alco shall deem appropriate. The amount of any lump sum payment shall be the value of a Participant's account, valued as of the end of the month following Alco's determination to accelerate benefits. If Alco accelerates the payment of benefits to more than 70% of all Participants pursuant to this provision, it must accelerate the payment of benefits to all Participants under the Plan in a comparable manner.

22. Change in Control. In the event that a Flip-in Transaction or Event or a Flip-over Transaction or Event occurs

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(as defined in the Alco Standard Corporation Preferred Share Purchase Rights Plan, as amended from time to time), the Plan shall terminate, and the Participant shall receive, in a lump sum payment, the value of his account, valued as of the end of the month in which such transaction or event occurs.

23. Miscellaneous.

(a) The existence of this Plan and the Participation Agreements hereunder, and any actions undertaken pursuant hereto, shall not confer upon the Participant any right to continued employment by any Employer.

(b) This Plan shall be administered under and in accordance with the laws of the Commonwealth of Pennsylvania, in which Alco's principal place of

business is located.

(c) The terms of this Plan and the Participation Agreements and other documents executed in accordance herewith shall be binding upon Alco, its successors and assigns, and each Participant, his heirs and legal representatives.

(d) Any taxes imposed on a Participant shall be the sole responsibility of the Participant. Employers shall have the right to deduct from any benefits payable under the Plan any federal, state or local taxes required to be deducted or withheld from such benefits.

(e) No expenses of administering the Plan shall be charged against the Participants or their benefits hereunder.

(f) As used herein, the singular shall include the plural, the masculine shall include the feminine, and vice versa.

## ALCO STANDARD CORPORATION

## EXECUTIVE DEFERRED COMPENSATION PLAN

1. Purpose. The purpose of the Alco Standard Corporation Executive Deferred Compensation Plan is to permit certain eligible employees of Alco Standard Corporation to defer a portion of their compensation and to participate in a program under which they are provided income at a specified time in the future. The program is intended to constitute an unfunded deferred compensation arrangement for a select group of management or highly compensated employees.

2. Definition. Unless the context otherwise requires, the following words as used herein shall have the following meanings:

(a) "Administrator" shall mean the person or persons so designated and acting under Paragraph 16 hereof.

(b) "Alco" shall mean Alco Standard Corporation, an Ohio corporation.

(c) "Compensation" shall mean all salaries and bonuses payable by Alco and all shares of Alco common stock or cash payable pursuant to awards under the LTIP, but shall not include company contributions under Alco's Partners' Stock Purchase Plan or the Alco Retirement Savings Plan or any fringe benefits.

(d) "Effective Date" shall mean January 1, 1996.

(e) "Election Form" shall mean the election form executed by each Participant and Alco setting forth certain information relating to the Participant's participation in the Plan.

(f) "LTIP" shall mean Alco's Long Term Incentive Compensation Plan, as amended from time to time.

(g) "Participant" shall mean any person employed by Alco who is eligible, and who has elected, to participate in the Plan.

(h) "Plan" shall mean the Alco Standard Corporation Executive Deferred Compensation Plan, as amended from time to time.

(i) "Plan Year" shall mean the period beginning on January 1 and ending on December 31 of each year.

3. Participation. Any person who (a) is employed by Alco, (b) is holding an unvested award under the LTIP and (c) is a United States taxpayer shall be eligible to participate herein. A person eligible under this Paragraph 3 shall become a Participant by executing an Election Form and such other forms as may

be required by the Administrator.

4. Deferral of Compensation. Prior to the Effective Date and prior to the beginning of each Plan Year during the term of the Plan, an employee who meets the eligibility requirements of Paragraph 3 may irrevocably elect to defer or forgo a portion of his Compensation for the following Plan Year.

The amount of the deferral for each Plan Year may vary, but cash deferrals may be no less than \$5,000 for any Plan Year. The amount to be deferred for a Plan Year will be deducted from the Participant's Compensation otherwise payable by Alco. In the case of deferrals from salary, such deferrals will be made in substantially equal installments.

A Participant may specify the length of time for which receipt of cash and/or shares of Alco common stock may be deferred, provided that (i) the deferral period must extend at least until the January following the end of the calendar year in which the Compensation would otherwise have been paid (but for the election to defer) and (ii) distributions must commence no later than the January following the year in which the Participant attains age 60 or the January following the year in which the Participant retires or otherwise terminates employment with Alco, whichever is later. A Participant may elect to defer the distribution of benefits to a later date by providing written notice of such election to the Administrator by December 31 of the second year prior to the date on which benefits would otherwise have been paid; provided, however, that such election may be made only once with respect to the deferral pursuant to any Election Form.

5. Investment Accounts. Amounts deferred by a Participant pursuant to Paragraph 4 will be credited to a cash deferral account and/or a stock deferral account established by Alco in the name of the Participant. A Participant's cash deferral account will be denominated in dollars and will be credited with earnings based on the performance of various investment alternatives selected by the Participant from among those made available by Alco from time to time. A Participant's stock deferral account will be denominated in share units (representing the right to receive an equivalent number of shares of Alco common stock) and will be credited with additional share units to reflect cash dividends paid by Alco in respect of its common stock.

A Participant may request a change in the allocation of his cash deferral account among the various alternatives once during any calendar month. Any such change requested by the 25th day of a month will become effective as of the first day of the next calendar month.

A Participant may request that amounts deferred into in his stock deferral account prior to January 1, 1997 (valued as of the end of the calendar month in which the request is made) be transferred into his cash deferral account. Any such change will become effective as of the first day of the next calendar month. Any portion of a Participant's stock deferral account that is

transferred to a cash deferral account may not thereafter be transferred back into a stock deferral account. Amounts deferred into a Participant's stock deferral account on or after January 1, 1997 must remain in his stock deferral account and may not be transferred into his cash deferral account.

6. Rabbi Trust. Alco intends to contribute all Participant deferrals of Alco common stock to a "rabbi trust" (the "Trust") to be established for this purpose. Assets held in the Trust will be subject to the claims of creditors of Alco.

The Trust shall be deemed to be the owner of all shares held in the Trust for tax purposes. The trustee of the Trust (the "Trustee") shall retain all incidents of ownership in any shares held in the Trust, including the right to vote such shares and to receive dividends paid in respect of such shares. The Trustee may, but is not obligated to, reinvest any cash dividends received in respect of shares of Alco common stock held in the Trust to purchase additional shares of Alco common stock.

7. Vesting. A Participant shall be immediately vested in all amounts deferred hereunder.

8. Amount and Timing of Payments. Except as otherwise provided in Paragraphs 9 and 10, amounts to which a Participant is entitled under the Plan shall be paid to him in a lump sum in January of the year specified in his Election Form, valued as of the end of the preceding Plan Year. Alternatively, if the Participant so elects, distributions may be made in substantially equal annual installments over a period not to exceed ten years, beginning in January of the year specified in the Participant's Election Form. All distributions from the Trust shall be made in shares of Alco common stock, unless the Participant elects, subject to the approval of the Plan Administrator, to receive such distribution(s) in cash.

9. Death. Notwithstanding any contrary election in a Participant's Election Form, if a Participant dies before receiving full payment of all amounts to which he is entitled under the Plan, the beneficiary or beneficiaries designated by

the Participant in his Election Form shall receive the balance in the Participant's cash deferral account and stock deferral account (valued as of the end of the calendar month in which the Participant dies), in a lump sum payment, as soon as administratively practicable following the Participant's date of death. Distributions from a Participant's stock deferral account will be made in shares of Alco common stock (and cash in lieu of fractional shares) unless the beneficiary elects, subject to the approval of the Administrator, to have the distribution paid in cash.

10. Termination of Employment. Notwithstanding any contrary election in a Participant's Election Form, if a Participant terminates employment with Alco,

he shall receive the balance in his cash deferral account and stock deferral account (valued as of the end of the Plan Year in which the Participant's employment terminates), in a lump sum payment, in January of the year following his employment termination date. Distributions from a participant's stock deferral account will be made in shares of Alco common stock (and cash in lieu of fractional shares) unless the Participant elects, subject to the approval of the Administrator, to have the distribution paid in cash. For purposes of this Paragraph 10, a Participant will not be treated as having terminated employment with Alco if he continues to be an employee of Unisource Worldwide, Inc.

11. Beneficiary Designation. A Participant shall designate in his Election Form the beneficiary or beneficiaries, who shall, in the event of his death, receive the payments to which the Participant would otherwise have been entitled. This designation may be amended in writing and filed with the Administrator from time to time by the Participant. In the event that there is no effective beneficiary designation when such amounts are payable, payment shall be made to the members of the first surviving class of the Participant in the following priority:

- (a) spouse;
- (b) the living children (including adopted children) in equal amounts;
- (c) estate.

12. Incapacity of Recipient. Any payment required to be made under the Plan to a person who is under a legal disability may be made to or for the benefit of such person in such of the following ways as the Administrator shall determine:

- (a) to such person;
- (b) to the legal representatives of such person;

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- (c) to a near relative of such person to be used for his benefit; or
- (d) to pay the expenses of support, maintenance or education of such person.

The Administrator shall not be required to see to the application by any third party of payments made pursuant to this Paragraph 12.

13. Responsibility for Payment. All amounts payable under the Plan shall be paid by Alco. Alco may, in its sole discretion, determine the manner in which it shall finance its obligation to pay such amounts.

14. Non-Assignment. Except as hereinafter provided with respect to

marital or family support disputes, no amount payable under the Plan shall be subject to assignment, transfer, sale, pledge, encumbrance, alienation or charge by the Participant or any beneficiary. Any attempt to assign, transfer, sell, pledge, encumber, alienate or charge any amount hereunder shall be without effect. In cases of marital or family support disputes, the Administrator will observe the terms of the Plan unless and until ordered to do otherwise by a state or federal court. As a condition of participation in the Plan, the Participant shall agree to hold Alco harmless from any claim that arises out of obeying an order of any state or federal court with respect to marital or family support disputes, whether such order effects a judgment of such court or is issued to enforce a judgment or order of another court.

15. Unsecured Obligation. Other than the assets contributed to the Trust pursuant to Paragraph 6, Alco shall not segregate or physically set aside any funds or assets as a result of this Plan. Neither a Participant, nor his beneficiary, nor any other person shall be deemed to have, pursuant to this Plan, any property interest, legal or equitable, in any specific asset of Alco or any specific asset in the Trust. To the extent that any person acquires any right to receive payments under this Plan or an Election Form, such right shall be no greater than, nor shall it have any preference or priority over, the rights of any unsecured general creditor of Alco.

16. Administration. The Plan shall be administered by a Committee selected from time to time by the Board of Directors of Alco (the "Committee"). The Committee shall select an Administrator from time to time to administer the Plan under the general policy guidance of the Committee. The Administrator shall be one or more persons who shall be responsible for:

(a) maintaining any records necessary in connection with the Plan;

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(b) making calculations under the Plan;

(c) interpreting the provisions of the Plan; and

(d) otherwise administering the Plan in accordance with its terms.

17. Claims Procedures. At any time the Administrator makes a determination adverse to a Participant or beneficiary with respect to a claim for payment or participation under the Plan, the Administrator shall notify the claimant in writing of such determination, setting forth:

(a) the specific reason for such determination;

(b) a reference to the specific provision or provisions of the Plan on which such determination is based;

(c) a description of any additional material or information necessary to perfect the claim, and an explanation of the reason that such material is

required; and

(d) an explanation of the rights and procedures set forth in this Paragraph 17.

A person who receives notice of an adverse determination by the Administrator with respect to a claim may request, within 60 days of receipt of such notice, that the Committee review the Administrator's determination. This request may be made on behalf of a claimant by a duly authorized representative. The claimant or representative may review pertinent documents and submit issues and comments with respect to the controversy to the Committee. The Committee shall render a decision within 60 days of a request for review (or within 120 days under special circumstances), which decision shall be in writing and shall set forth the specific reasons for the decision reached and the specific provisions of the Plan on which the decision is based. A copy of the ruling shall be forwarded to the claimant.

18. Employee Benefit Plans. This Plan shall not in any way affect a Participant's right to participate in any pension, profit-sharing, incentive, thrift, group health insurance, stock option, termination pay or similar plan of Alco, which is now in effect or may hereafter be adopted, to the extent that the Participant is entitled to participate under the applicable terms and provisions of such plan, except that the amounts deferred herein shall not be included in determining a Participant's benefits under any retirement plans qualified under section 401(a) of the Internal Revenue Code. Deferrals under this Plan will be included as compensation for purposes of calculating the level of contributions under Alco's Partners' Stock Purchase Plan.

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19. Amendment. The Board of Directors shall have the power to amend this Plan at any time; provided, however, that, except as set forth in Paragraphs 20, 21 and 22, no amendment or termination of the Plan shall have a material adverse effect upon a Participant unless he consents to such amendment or termination in writing.

20. Termination. This Plan shall remain in effect until terminated by the Board of Directors of Alco. The Board of Directors of Alco shall have the right to terminate the Plan in whole or in part, for any reason, including pursuant to a determination that proposed or pending tax law changes or other events cause, or are likely in the future to cause, the Plan to have an adverse financial impact upon Alco. In such event, Alco shall have no liability or obligation under the Plan or the Participant's Election Form (or any other document), provided that Alco distributes to each Participant, in a lump sum payment, the balance in his cash deferral account and stock deferral account, valued as of the end of the month in which such termination occurs. Distributions from a Participant's stock deferral account will be made in shares of Alco common stock (and cash in lieu of fractional shares) unless the Participant elects, subject to the approval of the Plan Administrator, to receive such distribution in cash.

21. Acceleration. Alco shall have the right at any time to cause the payment of all amounts thereafter due to a Participant to be paid in a single lump sum or in such other accelerated manner as Alco shall deem appropriate. The amount of any lump sum payment shall be the value of a Participant's cash deferral account and stock deferral account, valued as of the end of the month following Alco's determination to accelerate payments. If Alco accelerates payment to more than 70% of all Participants pursuant to this provision, it must accelerate payment to all Participants under the Plan in a comparable manner.

22. Change in Control. In the event that a Flip-in Transaction or Event or a Flip-over Transaction or Event occurs (as defined in the Alco Standard Corporation Preferred Share Purchase Rights Plan, as amended from time to time), the Plan shall terminate, and the Participant shall receive, in a lump sum payment, the balance in his cash deferral account and stock deferral account, valued as of the end of the month in which such transaction or event occurs. Distributions from a Participant's stock deferral account will be made in shares of Alco common stock (and cash in lieu of fractional shares) unless the Participant elects, subject to the approval of the Plan Administrator, to receive such distribution in cash.

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23. Miscellaneous.

(a) The existence of this Plan and the Elections Forms hereunder, and any actions undertaken pursuant hereto, shall not confer upon the Participant any right to continued employment by Alco.

(b) This Plan shall be administered under and in accordance with the laws of the Commonwealth of Pennsylvania, in which Alco's principal place of business is located.

(c) The terms of this Plan and the Election Forms and other documents executed in accordance herewith shall be binding upon Alco, its successors and assigns, and each Participant, his heirs and legal representatives.

(d) Any taxes imposed on a Participant shall be the sole responsibility of the Participant. Alco shall have the right to deduct from any amounts payable under the Plan any federal, state or local taxes required to be deducted or withheld from such payments.

(e) No expenses of administering the Plan shall be charged against the Participants or any payments made hereunder, except that Alco may, in its discretion, allocate certain taxes to the accounts of Participants.

(f) As used herein, the singular shall include the plural, the masculine shall include the feminine, and vice versa.

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## EXHIBIT 11

ALCO STANDARD CORPORATION  
 COMPUTATIONS OF EARNINGS PER SHARE  
 (In thousands, except earnings (loss) per share)

	1996		1995		1994	
	Primary	Fully Diluted (1)	Primary	Fully Diluted(1)	Primary	Fully Diluted(1)
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>
Fiscal Year Ended September 30						
Average Shares Outstanding						
Common shares	125,856	125,856	114,296	114,296	109,336	109,336
Preferred stock						
Considered common equivalents					10	10
Senior securities		2,396		9,016	2,066	2,372
Convertible loan notes		374				
Options	1,793	1,912	2,178	2,472		
Total shares	127,649	130,538	116,474	125,784	111,412	111,718
Income						
Continuing operations	\$ 164,893	\$ 164,893	\$ 115,011	\$ 115,011	\$ 1,996	\$ 1,996
Discontinued operations	45,848	45,848	88,661	88,661	74,476	74,476
Net Income	210,741	210,741	203,672	203,672	76,472	76,472
Less: Preferred dividends	22,319	19,540	15,209	3,637	11,572	11,572
Net Income available to common shareholders	188,422	\$ 191,201	188,463	\$ 200,035	\$ 64,900	\$ 64,900
Earnings (Loss) per share	\$1.12	\$1.11	\$0.86	\$0.89	(\$0.09)	(\$0.09)
Continuing operations	0.36	0.35	0.76	0.70	0.67	0.67
Discontinued operations	\$1.48	\$1.46	\$1.62	\$1.59	\$0.58	\$0.58

(1) This calculation is submitted in accordance with Regulation S-K item 601 (b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No.15 because it results in dilution of less than 3%.

## EXHIBIT 12.1

ALCO STANDARD CORPORATION  
 RATIO OF EARNINGS TO FIXED CHARGES  
 (dollars in thousands)

	1996	1995	1994	1993	1992
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Earnings					
Income from continuing operations	\$ 164,893	\$ 115,011	\$ 1,996	\$ 61,276	\$ 51,612
Add:					
Loss from unconsolidated affiliate			117,158	2,538	
Provision for income taxes	107,984	75,501	41,315	40,093	33,488
Fixed charges	127,557	82,354	60,367	49,418	39,761
	-----	-----	-----	-----	-----
Earnings, as adjusted	(A) \$ 400,434	\$ 272,866	\$ 220,836	\$ 153,325	\$ 124,861
	=====	=====	=====	=====	=====
Fixed Charges					
Other interest expense, including interest on capital leases	\$ 105,222	\$ 61,888	\$ 44,096	\$ 39,044	\$ 30,923
Estimated interest component of rental expense	22,335	20,466	16,271	10,374	8,838
	-----	-----	-----	-----	-----
Total fixed charges	(B) \$ 127,557	\$ 82,364	\$ 60,367	\$ 49,418	\$ 39,761
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges (A)/(B)	3.1	3.3	3.7	3.1	3.1
	===	===	===	===	===

&lt;/TABLE&gt;

## EXHIBIT 12.2

ALCO STANDARD CORPORATION  
 RATIO OF EARNINGS TO FIXED CHARGES  
 (EXCLUDING CAPTIVE FINANCE SUBSIDIARIES)  
 (DOLLARS IN THOUSANDS)

<TABLE>  
 <CAPTION>

		1996	1995	1994	1993	1992
		-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings						
Income from continuing operations		\$ 140,656	\$ 100,539	\$ (11,351)	\$ 53,174	\$ 45,557
Add:						
Loss from unconsolidated affiliate				117,158	2,538	
Provision for income taxes		85,512	63,938	32,904	34,621	29,777
Fixed charges		59,514	42,138	32,389	25,707	20,188
		-----	-----	-----	-----	-----
Earnings, as adjusted	(A)	\$ 285,682	\$ 206,615	\$ 171,100	\$116,040	\$ 95,522
		=====	=====	=====	=====	=====
Fixed Charges						
Other interest expense, including interest on capital leases		\$ 37,179	\$ 21,672	\$ 16,118	\$ 15,382	\$ 11,400
Estimated interest component of rental expense		22,335	20,466	16,271	10,325	8,788
		-----	-----	-----	-----	-----
Total fixed charges	(B)	\$ 59,514	\$ 42,138	\$ 32,389	\$ 25,707	\$ 20,188
		=====	=====	=====	=====	=====
Ratio of earnings to fixed charges						
(A)/(B)		4.8	4.9	5.3	4.5	4.7
		===	===	===	===	===

</TABLE>

## EXHIBIT 12.3

ALCO STANDARD CORPORATION  
 RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS  
 (DOLLARS IN THOUSANDS)

<TABLE> <CAPTION>	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Earnings					
Income from continuing operations	\$ 164,893	\$ 115,011	\$ 1,996	\$ 61,276	\$ 51,612
Add:					
Loss from unconsolidated affiliate			117,158	2,538	
Provision for income taxes	107,984	75,501	41,315	40,093	33,488
Fixed charges	127,557	82,354	60,367	49,418	39,761
	-----	-----	-----	-----	-----
Earnings, as adjusted	(A) \$ 400,434	\$ 272,866	\$ 220,836	\$ 153,325	\$ 124,861
	=====	=====	=====	=====	=====
Fixed Charges					
Other interest expense, including interest on capital lessees	\$ 105,222	\$ 61,888	\$ 44,096	\$ 39,044	\$ 30,923
Estimated interest component of rental expense	22,335	20,466	16,271	10,374	8,838
	-----	-----	-----	-----	-----
Total fixed charges	127,557	82,354	60,367	49,418	39,761
Preferred stock dividends, as adjusted	36,952	25,180	18,908	15,846	129
	-----	-----	-----	-----	-----
Total fixed charges and preferred stock dividends	(B) \$ 164,509	\$ 107,534	\$ 79,275	\$ 65,264	\$ 39,890
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges and (A)/(B) preferred stock dividends	2.4	2.5	2.8	2.3	3.1
	===	===	===	===	===

&lt;/TABLE&gt;

## EXHIBIT 12.4

ALCO STANDARD CORPORATION  
 RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS  
 (EXCLUDING CAPTIVE FINANCE SUBSIDIARIES)  
 (dollars in thousands)

	1996	1995	1994	1993	1992
	-----	-----	-----	-----	-----
<TABLE>					
<CAPTION>					
<S>	<C>	<C>	<C>	<C>	<C>
Earnings					
Income from continuing operations	\$ 140,656	\$ 100,539	\$ (11,351)	\$ 53,174	\$ 45,557
Add:					
Loss from unconsolidated affiliate			117,158	2,538	
Provision for Income taxes	85,512	63,938	32,904	34,621	29,777
Fixed charges	59,514	42,138	32,389	25,707	20,188
	-----	-----	-----	-----	-----
Earnings, as adjusted	(A) \$ 285,682	\$ 206,615	\$ 171,100	\$ 116,040	\$ 95,522
	=====	=====	=====	=====	=====
Fixed Charges					
Other interest expense, including interest on capital leases	\$ 37,179	\$ 21,672	\$ 16,118	\$ 15,382	\$ 11,400
Estimated interest component of rental expense	22,335	20,466	16,271	10,325	8,788
	-----	-----	-----	-----	-----
Total fixed charges	59,514	42,138	32,389	25,707	20,188
Preferred stock dividends, as adjusted	35,883	24,892	18,908	15,794	129
	-----	-----	-----	-----	-----
Total fixed charges and preferred stock dividends	(B) \$ 95,397	\$ 67,030	\$ 51,297	\$ 41,501	\$ 20,317
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges and preferred Stock dividends					
(A) / (B)	3.0	3.1	3.3	2.8	4.7
	===	===	===	===	===
</TABLE>					

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22	Report of Ernst & Young LLP, Independent Auditors
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40	Corporate Financial Summary
42	Quarterly Financial Summary (Unaudited)

IKON OFFICE SOLUTIONS 21

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Alco Standard Corporation is responsible for the preparation and presentation of the financial statements and related financial information included in this annual report. The financial statements include amounts that are based on management's best estimates and judgements. These statements have been prepared in conformity with generally accepted accounting principles consistently applied and have been audited by Ernst & Young LLP, independent auditors.

Management is also responsible for maintaining systems of internal accounting controls that are designed to provide reasonable assurance as to the integrity of the financial records and the protection of corporate assets. Alco Standard Corporation supports an active program of auditing to monitor the proper functioning of its systems. The reports issued by Alco, as well as comment letters from Ernst & Young LLP, are reviewed regularly by the Audit Committee of the Board of Directors, which is composed of three directors who are not employees of the Company. The Audit Committee meets periodically with Ernst & Young LLP, Alco and management to review audit scope, timing and results.

/s/ John E. Stuart

John E. Stuart

Chairman and Chief Executive Officer

/s/ Kurt E. Dinkelacker

Kurt E. Dinkelacker

President and Chief Operating Officer

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Board of Directors and Shareholders

Alco Standard Corporation

We have audited the accompanying consolidated balance sheets of Alco Standard Corporation and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alco Standard Corporation and subsidiaries at September 30, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1996, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania  
October 16, 1996,  
except for note 2,  
as to which the date is

## IKON OFFICE SOLUTIONS 22

## CONSOLIDATED STATEMENTS OF INCOME

Alco Standard Corporation and Subsidiaries

<TABLE> <CAPTION> Fiscal Year Ended September 30 (in thousands, except per share data)	1996	1995	1994
<S>	<C>	<C>	<C>
Revenues			
Net sales	\$2,381,151	\$1,807,408	\$1,397,271
Service and rentals	1,560,915	1,191,175	927,065
Finance income	157,707	93,019	66,731
	4,099,773	3,091,602	2,391,067
Costs and Expenses			
Cost of goods sold	1,552,183	1,189,533	905,933
Service and rental costs	794,686	603,664	457,983
Finance interest expense	68,043	40,216	27,978
Selling and administrative	1,374,805	1,046,005	822,586
Loss from unconsolidated affiliate			117,158
	3,789,717	2,879,418	2,331,638
Operating Income	310,056	212,184	59,429
Interest Expense	37,179	21,672	16,118
Income from Continuing Operations Before Taxes	272,877	190,512	43,311
Taxes on Income	107,984	75,501	41,315
Income from Continuing Operations	164,893	115,011	1,996
Discontinued Operations	45,848	88,661	74,476
Net Income	210,741	203,672	76,472
Less Preferred Dividends	22,319	15,209	11,572
Net Income Available to Common Shareholders	\$ 188,422	\$ 188,463	\$ 64,900
Earnings (Loss) Per Share			
Continuing operations	\$ 1.12	\$ .86	\$ (.09)
Discontinued operations	.36	.76	.67
	\$ 1.48	\$ 1.62	\$ .58
Cash Dividends Per Share of Common Stock	\$ .56	\$ .52	\$ .50

See notes to consolidated financial statements.

## IKON OFFICE SOLUTIONS 23

## CONSOLIDATED BALANCE SHEETS

Alco Standard Corporation and Subsidiaries

<TABLE> <CAPTION> September 30 (dollars in thousands)	1996	1995
<S>	<C>	<C>
Assets		
Current Assets		
Cash	\$ 46,056	\$ 66,413
Accounts receivable, less allowances of:		
1996 - \$35,308; 1995 - \$32,856	513,378	368,518
Finance receivables, net	435,434	326,315
Inventories	350,774	267,756
Prepaid expenses	80,352	46,626
Deferred taxes	83,161	56,323
Total current assets	1,509,155	1,131,951
Investments and Long-Term Receivables	48,165	47,185
Long-Term Finance Receivables, net	878,324	587,789

Equipment on Operating Leases, net of accumulated amortization of: 1996 - \$153,909; 1995 - \$134,848	95,043	68,488
Property and Equipment, at cost		
Land	9,412	4,966
Buildings and improvements	72,709	58,101
Machinery and equipment	276,113	187,350
-----	358,234	250,417
Less accumulated depreciation	169,416	126,155
-----	188,818	124,262
Other Assets		
Goodwill	1,087,210	792,850
Miscellaneous	88,679	22,829
-----	1,175,889	815,679
-----		
Net Assets of Discontinued Operations	1,489,201	1,334,976
-----		
	\$ 5,384,595	\$ 4,110,330

</TABLE>

IKON OFFICE SOLUTIONS 24

<TABLE>

<CAPTION>

September 30 (dollars in thousands)	1996	1995
-----	-----	-----
<S>	<C>	<C>
Liabilities and Shareholders' Equity		
Current Liabilities		
Current portion of long-term debt	\$ 62,697	\$ 37,457
Current portion of long-term debt, finance subsidiaries	314,000	171,232
Notes payable	186,462	256,601
Trade accounts payable	123,571	68,827
Accrued salaries, wages and commissions	101,632	82,382
Deferred revenues	200,225	182,172
Other accrued expenses	269,400	188,593
-----	1,257,987	987,264
Long-Term Debt	721,923	316,688
Long-Term Debt, Finance Subsidiaries	813,026	646,353
Deferred Taxes	191,272	108,706
Other Long-Term Liabilities	144,883	159,957
Shareholders' Equity		
Series AA convertible preferred stock, no par value: 1995 - 4,025,000 depositary shares issued and outstanding		201,924
Series BB conversion preferred stock, no par value: 3,877,200 depositary shares issued and outstanding	290,170	290,170
Common stock, no par value: authorized 300,000,000 shares; issued 1996 - 131,930,000 shares; 1995 - 116,136,000 shares	1,305,413	643,998
Retained earnings	701,771	781,536
Foreign currency translation adjustment	(25,187)	(21,540)
Cost of common shares in treasury: 1996 - 374,000 shares; 1995 - 118,000 shares	(16,663)	(4,726)
-----	2,255,504	1,891,362
-----		
	\$5,384,595	\$4,110,330

See notes to consolidated financial statements.

</TABLE>

IKON OFFICE SOLUTIONS 25

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
Alco Standard Corporation and Subsidiaries

<TABLE>

<CAPTION>

Fiscal Year Ended September 30 (in thousands, except per share data)	1996	1995	1994
-----	-----	-----	-----
<S>	<C>	<C>	<C>

	Shares	Amounts	Shares	Amounts	Shares	Amounts
<b>Series AA Convertible Preferred Stock</b>						
Balance, beginning of year	4,025	\$ 201,924	4,025	\$ 199,912	4,025	\$ 197,900
Dividend accretion		503		2,012		2,012
Preferred stock conversion	(4,025)	(202,427)				
Balance, end of year			4,025	\$ 201,924	4,025	\$ 199,912
<b>Series BB Conversion Preferred Stock</b>						
Balance, beginning of year	3,877	\$ 290,170				
Issued in public offering			3,877	\$ 290,170		
Balance, end of year	3,877	\$ 290,170	3,877	\$ 290,170		
<b>Common Stock</b>						
Balance, beginning of year	116,136	\$ 643,998	112,998	\$ 551,711	101,498	\$ 259,527
Issued in public offering					11,500	293,500
Series AA preferred stock conversion	8,198	368,382				
Mergers, acquisitions and other	7,596	285,836	3,138	87,566		(4,104)
Tax benefit relating to stock plans		7,197		4,721		2,788
Balance, end of year	131,930	\$ 1,305,413	116,136	\$ 643,998	112,998	\$ 551,711
<b>Retained Earnings</b>						
Balance, beginning of year		\$ 781,536		\$ 659,526		\$ 664,910
Net income		210,741		203,672		76,472
Cash dividends declared:						
Series AA preferred stock, per share: 1996 - \$.719; 1995 - \$2.875; 1994 - \$2.875		(2,779)		(11,572)		(11,572)
Series BB preferred stock, per share: 1996 - \$5.04; 1995 - \$.938		(19,540)		(3,637)		
Common stock, per share: 1996-\$.56; 1995 - \$.52; 1994 - \$.50		(70,010)		(57,267)		(52,222)
Pooled companies, prior to merger		(177)		(2,159)		(4,916)
Series AA preferred stock conversion		(199,108)				
Credits (charges) from issuance of treasury shares and other		1,108		(7,027)		(13,146)
Balance, end of year		\$ 701,771		\$ 781,536		\$ 659,526
<b>Foreign Currency Translation Adjustment</b>						
Balance, beginning of year		\$ (21,540)		\$ (22,609)		\$ (23,602)
Translation adjustment		(3,647)		1,069		(1,444)
Sale of investment in unconsolidated affiliate						2,437
Balance, end of year		\$ (25,187)		\$ (21,540)		\$ (22,609)
<b>Cost of Common Shares in Treasury</b>						
Balance, beginning of year	118	\$ (4,726)	148	\$ (4,067)	3,616	\$ (64,048)
Purchases	2,004	(86,084)	2,783	(91,430)	1,774	(47,733)
Reissued for:						
Exercise of options	(395)	17,287	(544)	16,652	(908)	18,027
Sales to employee stock plans	(534)	23,710	(2,267)	74,067	(2,344)	47,799
Mergers, acquisitions and other			(2)	52	(1,990)	41,888
Series AA preferred stock conversion	(819)	33,150				
Balance, end of year	374	\$ (16,663)	118	\$ (4,726)	148	\$ (4,067)

</TABLE>

See notes to consolidated financial statements.

## 26 IKON OFFICE SOLUTIONS

### CONSOLIDATED STATEMENTS OF CASH FLOWS Alco Standard Corporation and Subsidiaries

<TABLE> <CAPTION> Fiscal Year Ended September 30 (in thousands)	1996	1995	1994
<S>	<C>	<C>	<C>
Operating Activities			
Income from continuing operations	\$ 164,893	\$ 115,011	\$ 1,996
Additions (deductions) to reconcile net income from continuing operations to net cash provided by operating activities of continuing operations			
Depreciation	84,447	62,064	48,881
Amortization	34,107	25,309	18,548
Provisions for losses on accounts receivable	18,296	10,051	7,133
Provision for deferred income taxes	62,174	42,106	6,106
Loss on sale of investment in unconsolidated affiliate			115,265
Changes in operating assets and liabilities, net of			

effects from acquisitions and divestitures:			
Increase in accounts receivable	(83,783)	(66,184)	(35,003)
(Increase) decrease in inventories	(41,445)	(41,698)	13,840
Increase in prepaid expenses	(52,733)	(18,508)	(2,154)
Increase in accounts payable, deferred revenues and accrued expenses	77,430	73,552	32,700
Miscellaneous	4,475	5,166	7,052
-----			
Net cash provided by operating activities of continuing operations	267,861	206,869	214,364
Net cash provided by (used in) operating activities of discontinued operations	205,914	(66,618)	94,538
-----			
Net cash provided by operating activities	473,775	140,251	308,902
-----			
Investing Activities			
Cost of companies acquired, net of cash acquired	(171,804)	(260,975)	(46,112)
Expenditures for property and equipment	(146,634)	(91,112)	(79,026)
Proceeds from sale of property and equipment	34,482	18,427	20,098
Purchase of miscellaneous assets	(19,054)	(8,729)	(3,360)
Finance receivables - additions	(1,005,270)	(665,058)	(408,412)
Finance receivables - collections	389,384	241,886	210,969
Proceeds from sale (net of cash retained) of investment in unconsolidated affiliate			8,226
-----			
Net cash used in investing activities of continuing operations	(918,896)	(765,561)	(297,617)
Net cash used in investing activities of discontinued operations	(201,356)	(131,628)	(59,554)
-----			
Net cash used in investing activities	(1,120,252)	(897,189)	(357,171)
-----			
Financing Activities			
Proceeds from:			
Issuance of long-term debt	436,800	30,035	11,150
Issuance of Series BB conversion preferred stock, net		290,170	
Issuance of common stock, net			293,500
Option exercises and sale of treasury shares	55,084	91,848	69,914
Sale of finance subsidiaries' lease receivables	202,713	66,677	125,000
Life insurance borrowings	2,349	3,342	31,055
Issuance (repayment) of short-term borrowings, net	(69,883)	158,569	(68,278)
Long-term debt repayments	(74,546)	(40,394)	(344,511)
Finance subsidiaries' debt - issuance	515,673	534,717	248,098
Finance subsidiaries' debt - repayments	(206,232)	(182,014)	(196,308)
Dividends paid	(91,826)	(70,464)	(61,900)
Purchase of treasury shares	(86,084)	(91,430)	(47,733)
-----			
Net cash provided by financing activities of continuing operations	684,048	791,056	59,987
Net cash used in financing activities of discontinued operations	(57,928)	(4,706)	(7,257)
-----			
Net cash provided by financing activities	626,120	786,350	52,730
-----			
Net (decrease) increase in cash	(20,357)	29,412	4,461
Cash at beginning of year	66,413	37,001	32,540
-----			
Cash at end of year	\$ 46,056	\$ 66,413	\$ 37,001
=====			

</TABLE>

See notes to consolidated financial statements.

IKON OFFICE SOLUTIONS 27

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Alco Standard Corporation and Subsidiaries

Alco Standard Corporation (Alco or the Company), through its IKON Office Solutions business (IKON), sells, rents and leases photocopiers, fax machines and other automated office equipment for use in both traditional and integrated office environments. IKON, which operates as one business segment, also provides equipment service and supplies, equipment financing and facilities management and specialized document copying services. IKON has locations throughout the United States and Canada and in Europe (primarily in the United Kingdom), which comprise the largest network of independent copier and office equipment dealers in North America and in the United Kingdom. IKON has built upon these strengths in recent years to expand into outsourcing and networking services to provide one-stop shopping to customers who seek quality, accessible office productivity solutions.

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Alco and its wholly owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. As a result of the decision to spin off

Unisource Worldwide, Inc. (Unisource), the Company's printing and imaging and supply systems distribution business, as discussed in note 2, and the mergers with two companies that have been accounted for as poolings of interests, as discussed in note 3, prior-period amounts have been restated. All of the following notes, unless otherwise stated, reflect data on a continuing operations basis.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and notes. Actual results could differ from those estimates and assumptions.

#### Revenue Recognition

Revenues are recorded at the time of shipment of products or performance of services. Revenues from service contracts are recognized in earnings over the term of the contract. The present values of payments due under sales-type lease contracts are recorded as revenues and cost of goods sold is charged with the book value of the equipment at the time of shipment. Future interest income is deferred and recognized over the related lease term.

#### Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method and consist of finished goods available for sale.

#### Goodwill

Substantially all goodwill (excess of purchase price over net assets acquired) is amortized over 40 years by the straight-line method. The recoverability of goodwill is evaluated at the operating unit level by an analysis of operating results and consideration of other significant events or changes in the business environment. If an operating unit has current operating losses and based upon projections there is a likelihood that such operating losses will continue, the Company will evaluate whether impairment exists on the basis of undiscounted expected future cash flows from operations before interest for the remaining amortization period. If impairment exists, the carrying amount of the goodwill is reduced by the estimated shortfall of cash flows.

#### Depreciation

Properties and equipment are depreciated over their useful lives by the straight-line method.

#### Earnings (Loss) Per Share

Earnings (Loss) per share are based on 127,649,000 weighted average shares in 1996, 116,474,000 shares in 1995 and 111,412,000 shares in 1994, and include the dilutive effect of common stock equivalents, principally stock options. All common shares and per share amounts have been adjusted to give retroactive effect to a two-for-one stock split effected in the form of a stock dividend distributed on November 9, 1995 to holders of record on October 27, 1995.

#### Reclassifications

Certain prior-year amounts have been reclassified to conform with the current-year presentation.

#### Foreign Currency Translation

All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at fiscal year-end exchange rates. Income and expense items are translated at average exchange rates prevailing during the fiscal year. The resulting translation adjustments are recorded as a component of shareholders' equity.

#### Accounting Changes

During fiscal 1994, the Company changed its methods of accounting for income taxes and retiree healthcare benefits. The cumulative effect of adopting each of these new accounting methods was immaterial.

#### Pending Accounting Changes

In March 1995, the Financial Accounting Standards Board (FASB) issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (FAS 121), which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. FAS 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company will adopt FAS 121 in the first quarter of fiscal 1997 and, based on current circumstances, does not believe the effect of adoption will be material.

## 28 IKON OFFICE SOLUTIONS

### 1 SIGNIFICANT ACCOUNTING POLICIES (cont)

In October 1995, the FASB issued Statement No. 123, "Accounting for Stock-Based Compensation" (FAS 123). This statement establishes a fair value method of accounting for stock-based compensation plans. Adoption of the fair value method

is encouraged; however, entities may elect to continue to account for stock-based compensation plans according to the provisions of Accounting Principles Board Statement No. 25, "Accounting for Stock Issued to Employees" (APB 25), while providing additional disclosures required by FAS 123. The Company is required to adopt FAS 123 in the first quarter of fiscal 1997, and intends to account for stock-based compensation according to APB 25 and provide FAS 123 disclosures as required.

In June 1996, the FASB issued Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 125), which establishes accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities based on consistent application of a financial components approach that focuses on control. FAS 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996. The Company does not believe the effect of adoption will be material.

#### Interest Rate Swap Agreements

The Company has entered into several interest rate swap agreements as a means of managing its interest rate exposure. These agreements have the effect of converting certain of the Company's variable rate obligations to fixed rate obligations. Net amounts paid or received are reflected as adjustments to interest expense.

## 2 DISCONTINUED OPERATIONS

On June 19, 1996, the Company announced that it would separate Unisource, its printing and imaging and supply systems distribution business from IKON, its office solutions business, with each business operating as a stand-alone, publicly traded company. In order to effect the separation of these businesses, Alco has declared a dividend payable to holders of record of Alco common stock at the close of business on December 13, 1996 (the Record Date) of one share of common stock, no par value, of Unisource Worldwide, Inc. (Unisource Common Stock), for every two shares of Alco stock owned on the Record Date. The actual number of shares of Unisource Common Stock to be distributed will be determined as of the Record Date. As a result of the distribution, 100% of the outstanding shares of Unisource Common Stock will be distributed to Alco shareholders. The Internal Revenue Service has issued a ruling letter which provides that, except for any cash received in lieu of fractional shares, the spin-off of Unisource will be tax-free to Alco and to Alco's U.S. shareholders. Alco expects to complete the spin-off by December 31, 1996 (the Distribution Date) and to mail the Unisource shares during the last week of December 1996.

In conjunction with the separation of their businesses, Unisource and Alco entered into various agreements that address the allocation of assets and liabilities between them and define their relationship after the separation, including a Distribution Agreement (Distribution Agreement), a Benefits Agreement (Benefits Agreement) and a Tax Sharing and Indemnification Agreement (Tax Sharing Agreement).

The Distribution Agreement provides for, among other things, the principal transactions required to effect the Distribution, the conditions to the Distribution, the allocation between Alco and Unisource of certain assets and liabilities, and cooperation by Alco and Unisource in the provision of information and certain facilities necessary to perform the administrative functions incident to their respective businesses. The Distribution Agreement includes cross indemnification provisions pursuant to which Unisource and Alco indemnify each other for damages that may arise out a breach of their respective obligations under the agreement.

Under the Benefits Agreement, the wages, salaries and employee benefits of all employees of Unisource will be the responsibility of Unisource. Generally, Unisource's obligation to provide benefits will include all obligations with respect to Unisource employees under pension plans, savings plans and multiemployer plans, welfare plans (retiree medical plans), supplemental benefit plans, certain deferred compensation plans, incentive plans, stock-based plans and other plans covering Unisource employees and will include liabilities that arose while the individuals were employed by Alco. The Benefits Agreement requires Alco to reimburse Unisource for a portion of any payments made by Unisource to former Unisource employees under Alco's 1985, 1991 and 1994 deferred compensation plans. Unisource will assume certain Alco pension plans covering Unisource employees, and assets and liabilities attributable to Unisource employees under Alco's participating companies pension plan and Alco's 401(k) plan will be transferred to a new Unisource pension plan and 401(k) plan, respectively.

Under the Tax Sharing Agreement, Unisource will bear its respective share of (i) Alco's Federal consolidated income tax liability (or benefit), (ii) any unitary state income tax liability, and (iii) Alco's consolidated personal property tax liability for all tax periods that end before or that include the Distribution Date. For the taxable year ended September 30, 1996, Unisource's share of Alco's Federal consolidated tax liability (or benefit) will be 40% of such liability (or benefit) and Alco's share of such liability (or benefit) will be 60%. Unisource is responsible for paying any tax liabilities arising for any tax

returns that it files separately. If any tax year ending before or including the Distribution Date is subsequently examined by the IRS, and an adjustment results from such examination, then Unisource's share of Alco's additional Federal consolidated income tax liability (or benefit for that tax year) shall be computed and agreed to by the parties. The Tax Sharing Agreement generally provides that in the event

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Alco Standard Corporation and Subsidiaries

2 DISCONTINUED OPERATIONS (CONT)

either Alco or Unisource takes any action inconsistent with, or fails to take any action required by, or in accordance with the qualification of the Distribution as tax-free, then Alco or Unisource, as the case may be, will be liable for and indemnify and hold the other harmless from any tax liability resulting from such action.

The Company has accounted for Unisource as a discontinued operation for all periods presented in these financial statements. Prior-year amounts for Unisource have been restated to reflect interest and other expenses allocated by Alco. Unisource has been charged corporate interest expense based on the relationship of its net assets to total Alco net assets, excluding corporate debt, in amounts of \$29,572,000 in 1996, \$26,586,000 in 1995 and \$19,813,000 in 1994. The Company recorded a charge against earnings of \$50,000,000 in the third quarter of fiscal 1996 for new restructuring activities at Unisource. The charge includes facility closures costs of \$33,000,000 and severance costs for approximately 900 employees of \$17,000,000 associated with the announced regional realignment from ten to five regions in the United States and facilities mergers in the U.S. and Canada. An \$18,000,000 charge against earnings was recorded in the third quarter of fiscal 1996 for costs associated with the spin-off of Unisource consisting primarily of investment banking fees, legal and accounting fees, filing fees and employee termination costs directly related to the spin-off.

The Company has owned several manufacturing and industrial businesses, all of which have been sold. There are currently environmental remediation claims pending for manufacturing or landfill sites in the United States that relate to these discontinued operations. As a result of several environmental remediation claims, and increased estimated costs associated with existing environmental remediation sites, primarily related to discontinued manufacturing operations divested by the Company in 1991 and prior, the Company took a fourth quarter charge in fiscal 1995 to increase its liabilities for environmental remediation. The discontinued operations charge was \$23,630,000 (\$16,541,000 net of tax) or \$.14 per share.

During 1995, the Company agreed to pay \$10,000,000 to settle a claim by a former subsidiary, which had asserted that the Company was liable for certain employee liabilities. This amount was primarily charged against existing reserves for discontinued operations. The Company paid \$5,000,000 during 1995 and \$2,000,000 in 1996, with the remaining \$3,000,000 to be paid over the next three years.

The results of discontinued operations were:

Fiscal year ended September 30 (in thousands)

<TABLE>

<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Revenues (Unisource)	\$7,022,808	\$6,987,274	\$5,756,519
Income (loss) before taxes			
Unisource			
(including \$50,000 restructuring charge in 1996)	\$ 103,003	\$ 172,745	\$ 122,293
Spin-off costs	(18,000)		
Environmental charge		(23,630)	
	85,003	149,115	122,293
Tax expense (benefit)			
Unisource	43,005	67,543	47,817
Spin-off costs	(3,850)		
Environmental charge		(7,089)	
	39,155	60,454	47,817
Net income (loss)			
Unisource	59,998	105,202	74,476/(1)/

Spin-off costs	(14,150)		
Environmental charge		(16,541)	
	\$ 45,848	\$ 88,661	\$ 74,476

</TABLE>

/(1)/ Before cumulative effect of accounting change.

The net assets of discontinued operations consist of:

<TABLE>  
<CAPTION>

September 30 (in thousands)	1996	1995
<S>	<C>	<C>
Working capital	\$ 750,792	\$ 815,102
Net property and equipment	224,168	227,137
Other assets	637,062	367,694
Long-term debt and other liabilities	(122,821)	(74,957)
Unisource equity and intercompany debt	\$1,489,201	\$1,334,976

</TABLE>

In the first quarter of fiscal 1997, Unisource is expected to borrow under a credit facility amounts sufficient to repay \$553,700,000 of intercompany notes and advances due to Alco as of September 30, 1996 and additional advances that may be made subsequent to that date. Intercompany notes and advances of \$456,420,000 were contributed to Unisource's equity as of September 30, 1996.

### 30 IKON OFFICE SOLUTIONS

### 3 MERGERS

During the second quarter of fiscal 1996, the Company completed two mergers accounted for as poolings-of-interests by issuing common stock for all the shares of Legal Copies International, Inc. and JMM Enterprises, Inc. Total common shares issued in connection with these mergers were 3,953,990.

Components of the operating results from continuing operations for periods prior to the mergers were:

<TABLE>  
<CAPTION>

	Three Months Ended		Fiscal Year Ended	
	12/31/95	9/30/95	9/30/94	
<S>	(Unaudited)	<C>	<C>	<C>
Revenues				
Alco Standard Corporation	\$852,396	\$2,911,626	\$2,240,398	
Pooled companies	48,183	179,976	150,669	
	\$900,579	\$3,091,602	\$2,391,067	
Income (loss) from continuing operations				
Alco Standard Corporation	\$ 35,186	\$ 114,071	\$ (3,867)	
Pooled companies	1,751	940	5,863	
	\$ 36,937	\$ 115,011	\$ 1,996	

</TABLE>

The mergers reduced fiscal 1995 earnings per share by \$.02 and increased fiscal 1994 earnings per share by \$.05.

### 4 ACQUISITIONS

In addition to the mergers described in note 3, 97 acquisitions were made in fiscal 1996 for an aggregate purchase price of \$358,568,000 in cash, notes and stock. Total assets related to these 97 acquisitions were \$499,729,000,

including goodwill of \$313,495,000. The Company also issued 486,304 common shares for an acquisition accounted for as a pooling-of-interests whose results of operations were included from the beginning of the fiscal year. An additional \$4,086,000 was paid and capitalized in fiscal 1996 relating to prior years' acquisitions.

In June 1995, Erskine Limited, a U.K. subsidiary of the Company, purchased all of the outstanding shares of Southern Business Group PLC (renamed A:Copy (UK) PLC on October 1, 1995), for approximately \$133,800,000. A:Copy (UK) sells, leases, services and remanufactures copiers and other office equipment in Southern England. Total assets acquired were \$163,359,000, which includes goodwill of \$119,556,000. In addition, 99 other acquisitions were made in fiscal 1995 for an aggregate purchase price of \$228,258,000 in cash, notes and stock. Total assets related to these 99 acquisitions were \$313,966,000, including goodwill of \$218,549,000. The Company also issued 675,106 common shares for two acquisitions accounted for as poolings-of-interests and their results of operations were included from the beginning of the fiscal year. \$4,648,000 of additional cash was paid and capitalized in fiscal 1995 relating to prior years' acquisitions.

In fiscal 1994, the Company issued 1,397,350 common shares from treasury for three acquisitions accounted for as poolings-of-interests and their results of operations were included from the beginning of the fiscal year. Also during fiscal 1994, 46 other acquisitions were made for an aggregate purchase price of \$58,466,000 in cash, notes and stock. Total assets related to these 46 acquisitions were \$105,643,000, including goodwill of \$53,045,000. An additional \$4,300,000 was paid and capitalized in fiscal 1994 relating to prior years' acquisitions.

All acquisitions, unless otherwise noted, are included in results of operations from their dates of acquisition.

Had the purchase acquisitions been made at the beginning of the fiscal year prior to their acquisition, pro forma results from continuing operations would have been:

<TABLE>  
<CAPTION>

Fiscal Year Ended September 30 (in thousands, except per share data)			
	1996	1995	1994
<S>	<C>	<C>	<C>
Revenues	\$4,438,191	\$3,847,045	\$2,997,171
Income from continuing operations	175,359	146,589	25,494
Earnings per share from continuing operations	1.19	.95	.05

</TABLE>

The pro forma results assume that \$261,000,000 of the purchase price of 1995 acquisitions was funded by the proceeds from issuance of Series BB conversion preferred stock, while \$46,000,000 of the total purchase price of 1994 acquisitions was funded by the proceeds from issuance of common stock in December 1993.

#### 5 LOSS FROM UNCONSOLIDATED AFFILIATE

In September 1994, the Company completed the sale of its 49.9% interest in IMM Office Systems GmbH (IMMOS) for cash plus a passive interest in any subsequent sale of IMMOS for five years. The Company retains no ongoing liability relating to the joint venture and the parties exchanged complete mutual releases for past actions. As part of the transaction, the Company acquired operations in Denmark and France and retained limited operations in Germany. The Company recognized a loss on the sale of its investment in IMMOS of \$115,300,000 (\$95,100,000, net of tax) or \$.85 per share in fiscal year 1994.

#### 6 NOTES PAYABLE AND LONG-TERM DEBT

Notes payable consisted of:

<TABLE>  
<CAPTION>

September 30 (in thousands)		
	1996	1995
<S>	<C>	<C>
Notes payable to banks at average interest rate:		
1996- 6.0%; 1995- 6.9%	\$184,358	\$252,852
Other notes payable at average interest rate:		
1996- 8.2%; 1995- 8.3%	2,104	3,749

</TABLE>

IKON OFFICE SOLUTIONS 31

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Alco Standard Corporation and Subsidiaries

6 NOTES PAYABLE AND LONG-TERM DEBT (cont)

<TABLE>

<CAPTION>

Long-term debt consisted of:

September 30 (in thousands)	1996	1995
<S>	<C>	<C>
Bond issue at stated interest rate of 6.75%, net of \$4,519 premium, due 2025, effective interest rate of 6.87%	\$ 295,481	
Bond issue at interest rate of 8 7/8% due 2001	150,000	\$150,000
Private placement debt at average interest rate: 1996- 7.7%; 1995- 8.3%, due 1998 and 2005	105,000	50,000
Bank debt at average interest rate of 7.6% due 2000	72,721	
Notes payable to insurance company at average interest rate of 9.7% due 1997-2005	60,000	60,000
Sundry notes, bonds and mortgages at average interest rate: 1996- 6.9% 1995- 8.0% due 1997-2005	74,929	73,899
Present value of capital lease obligations (gross amount: 1996-\$30,201; 1995-\$22,752)	26,489	20,246
	784,620	354,145
Less current maturities	62,697	37,457
	\$ 721,923	\$316,688

Long-term debt, finance subsidiaries consisted of:

September 30 (in thousands)	1996	1995
Medium term notes at average interest rate: 1996- 6.8%; 1995-7.0%	\$969,900	\$602,000
Notes payable to banks at average interest rate: 1996- 6.4%; 1995-5.6%	157,126	215,585
	1,127,026	817,585
Less current maturities	314,000	171,232
	\$ 813,026	\$646,353

Long-term debt and long-term debt, finance subsidiaries mature as follows:

</TABLE>

<TABLE>

<CAPTION>

(in thousands)	Long-Term Debt, Finance	
	Long-Term Debt	Subsidiaries
<S>	<C>	<C>
(fiscal year)		
1997	\$ 62,697	\$314,000
1998	63,717	278,780
1999	10,968	311,842
2000	80,106	160,295
2001	189,048	58,978
2002 - 2025	378,084	3,131

On December 1, 1994, the Company entered into a credit agreement with several banks under which it may borrow up to \$500,000,000. The agreement has two parts:

\$150,000,000 is available for 364 days subject to annual renewal for successive 364-day periods through November 26, 1999; the other \$350,000,000 terminates on December 1, 1999. Facility fees of 8 basis points per annum on the 364-day portion and 10 basis points per annum on the five-year portion are charged for these commitments. The agreement provides that loans may be made under either domestic or Eurocurrency notes at rates computed under a selection of rate formulas including prime or Eurocurrency rates.

The Company may also borrow up to \$100,000,000 or the Canadian dollar equivalent under a credit agreement with four banks expiring in April 1997. Facility fees of 9 basis points per annum are charged for this commitment. Loans under the agreement may be made under a selection of rate formulas including prime, the Eurodollar rate in the United States or Canada, or the Canadian Bankers Acceptance rate. This credit agreement will be cancelled and amounts outstanding thereunder will be repaid after Unisource enters into its credit agreement.

At September 30, 1996, short-term borrowings supported by the combined lines of credit totaled \$187,345,000, including \$7,345,000 borrowed by discontinued operations, leaving \$412,655,000 unused and available.

IKON Capital, Inc. (IKON Capital), a wholly owned finance subsidiary of the Company, may offer to the public from time to time up to \$1,500,000,000 or the equivalent thereof in foreign currency under its medium term notes program. These notes are offered at varying maturities of nine months or more from their dates of issue and may be subject to redemption at the option of IKON Capital or repayment at the option of the holder, in whole or in part, prior to the maturity date in conjunction with meeting specified provisions. Interest rates are determined based on market conditions at the time of issuance. At September 30, 1996, \$500,100,000 is available for issuance under this program.

The Company is in compliance with all covenants, including financial, for all loan agreements. Capital lease obligations and mortgages are secured by property and equipment that had a net book value of \$21,650,000 at September 30, 1996.

Interest paid, including finance subsidiaries and corporate interest allocated to discontinued operations, approximated \$119,000,000, \$84,000,000 and \$68,000,000 for fiscal years 1996, 1995 and 1994, respectively.

The Company expects to receive \$553,700,000 from Unisource as repayment of intercompany notes. The proceeds are expected to be used to repay notes payable to banks and certain long-term debt obligations.

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### 7 SHAREHOLDERS' EQUITY

The Series AA Preferred Stock was issued in December 1992. Prior to October 1995, all of the 4,025,000 depositary shares issued, each representing 1/100th of a share of Series AA convertible preferred stock, were outstanding. The Series AA Preferred Stock was eligible for redemption by the Company anytime on or after January 9, 1996. The Series AA Preferred Stock had one vote per share (equivalent to 1/100th vote per depositary share) and was convertible at the option of the holder at any time prior to the Company's redemption at the exchange rate of 2.2402 shares of common stock for each depositary share. During the first quarter of fiscal 1996, 432,130 common shares were issued for Series AA Preferred Stock conversions by holders. On February 9, 1996, the Company redeemed the balance of its Series AA Preferred Stock for common stock at the conversion rate of 2.2402 shares of common stock for each depositary share. Common shares totaling 8,584,423 were issued in connection with this redemption. Dividends were cumulative at \$2.375 per year per depositary share through January 2, 1996 and \$3.25 per depositary share per year thereafter. The dividend was accrued on a straight-line basis (\$2.875 per depositary share) and accretion for the difference between the accrued and cash dividend, which amounted to \$6,092,000 at December 31, 1995, the last period before the redemption, was credited to Series AA convertible preferred stock.

On July 25, 1995, the Company sold 3,877,200 depositary shares, each representing 1/100th of a share of Series BB conversion preferred stock, for \$77.375 per depositary share totaling \$299,998,350, and used the net proceeds to reduce debt. Dividends are cumulative at \$5.04 per year per depositary share. This series of preferred stock has one vote per share (equivalent to 1/100th vote per depositary share) and has a liquidation preference of \$77.375 per depositary share plus an amount equal to accrued and unpaid dividends. Prior to October 1, 1998, each depositary share is convertible at the option of the holder into 1.6393 shares of common stock of the Company. On October 1, 1998, unless previously converted at the option of the holder, each of the outstanding depositary shares will automatically convert into a number of shares of common stock of the Company equal to (a) 1.6393 shares of common stock per depositary share if the current market price of the Company's common stock is greater than or equal to \$47.20 per share, (b) between 1.6393 and two shares, equivalent to the current market price of the common stock if the stock market price is between \$47.20 and \$38.6875, and (c) two shares of common stock per depositary share if the current market price of the Company's common stock is at or below \$38.6875

per share. The current market price to be used in the conversion calculation will be the average closing price per share of common stock of the Company on the twenty trading days immediately prior to, but not including, October 1, 1998. As a result of the spin-off of Unisource, there will be an adjustment in the number of common shares to be received upon conversion and the prices of the common stock used to determine the number of common shares received. Such adjustments will be effective on December 16, 1996. At September 30, 1996, 7,754,400 shares of common stock were reserved for conversion of the Series BB conversion preferred stock.

In December 1993, the Company issued 11,500,000 shares of common stock in a public offering. The net proceeds from the offering of \$293,500,000 were used for repayment of debt. Income from continuing operations for fiscal 1994 would have been \$3,283,000 and loss per share would have been (\$.07) if the offering had occurred on October 1, 1993.

Employee stock options are granted at the market price at dates of grant and expire in ten years. The proceeds of options exercised are credited to shareholders' equity. There are no charges or credits to income in connection with these options. A 1989 plan for the Company's directors enables participants to receive their annual directors' fees in the form of options to purchase shares of common stock at a discount. The discount is equivalent to the annual directors' fees and is charged to expense.

<TABLE>  
<CAPTION>  
Changes in common shares under option were:

	Directors		Employees	
	Shares	Option Price Range	Shares	Option Price Range
<S>	<C>	<C>	<C>	<C>
September 30, 1993	188,256	\$9.77 to \$20.13	4,447,562	\$8.06 to \$20.13
Granted	34,832	21.14 to 28.19	924,670	24.50 to 31.00
Exercised	(42,630)	9.77 to 20.13	(865,482)	8.06 to 20.13
Cancelled	(1,520)	15.09	(21,102)	8.06 to 28.81
September 30, 1994	178,938	9.77 to 28.19	4,485,648	9.09 to 31.00
Granted	32,604	24.56 to 32.75	789,632	28.62 to 40.31
Exercised	(39,852)	9.77 to 15.09	(814,398)	9.09 to 28.19
Cancelled			(46,214)	14.31 to 32.81
September 30, 1995	171,690	9.77 to 32.75	4,414,668	9.09 to 40.31
Granted	24,962	29.16 to 38.88	1,557,805	14.31 to 58.12
Exercised	(48,024)	9.77 to 32.75	(765,384)	9.09 to 32.81
Cancelled			(72,077)	15.38 to 58.12
September 30, 1996	148,628	\$9.77 to \$38.88	5,135,012	\$9.69 to \$58.12

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Alco Standard Corporation and Subsidiaries

7 SHAREHOLDERS' EQUITY (CONT)

At September 30, 1996, options to purchase 2,410,210 shares were exercisable (1996: employees-2,280,144, directors- 130,066; 1995: employees-2,144,162, directors-147,086) and 4,365,980 shares were available for grant (1996: employees- 3,493,816, directors-872,164; 1995: employees-5,131,744, directors-897,126).

In connection with the separation of Unisource from Alco, stock options which are not exercised prior to the effective date of the Distribution will be adjusted. Optionholders who remain employees of Alco will retain their options to purchase Alco shares, while optionholders who become employees of Unisource after the Distribution will be given the opportunity to receive options to purchase shares of Unisource Common Stock in lieu of their Alco options. The number of shares subject to, and the exercise price of, each Alco option that is not converted to a Unisource option will be adjusted based upon a formula that preserves the inherent intrinsic value and vesting and term provisions of such Alco options. The Alco stock options held by optionholders expected to become Unisource employees at September 30, 1996 were 1,287,683, with a range of exercise price from \$9.69 to \$57.50. The ultimate number of remaining Alco stock options as of the Distribution date and the number and exercise prices of the Alco stock options to be outstanding after the Distribution cannot yet be determined.

In fiscal 1995, with Board of Director and shareholder approvals, the Company amended and restated its Long-Term Incentive Compensation Plan (LTIP). The plan

is intended to motivate, recognize and reward key management employees for long-term performance. Under the plan, key management employees are granted stock or cash awards, which are earned upon achieving predetermined performance objectives during three-year intervals. The value of these awards is charged to expense over the related plan period. In fiscal 1995, the Company granted 602,530 stock awards under the plan, including 403,824 to replace stock options granted under the original LTIP. At September 30, 1996, 207,446 of these awards had been earned. In 1996, the Company changed the form of the LTIP award granted from a stock award to a fixed cash award. In fiscal 1996, cash awards totaling \$6,123,000 were granted to LTIP participants, none of which have been earned as of September 30, 1996.

One preferred share purchase right (Right) exists for each outstanding share of common stock (the Shares). The Rights become exercisable ten days after the earlier of a public announcement by another entity that it has acquired beneficial ownership of 20% or more of the Shares or a public announcement of another entity's intention to commence a tender offer to acquire beneficial ownership of 30% or more of the Shares.

When the Rights become exercisable, each Right will entitle a holder to purchase 1/100th of a share of Series 12 preferred stock for an exercise price of \$75. If the Company consolidates or merges with another entity, or sells assets that aggregate 50% of its consolidated assets or generates more than 50% of its consolidated operating income or cash flow, then each Right holder will have the right to purchase, for the exercise price, a number of shares of the other entity having a then-current market value equal to twice the exercise price.

If another entity owning 20% or more of the Shares (a) engages in certain transactions with the Company, or (b) causes the Company to forgo or reduce quarterly dividends or take an action that would result in a more than 2% increase in the other entity's proportionate share of the outstanding shares; or if another entity becomes the beneficial owner of 30% or more of the outstanding shares; then each Right holder (other than the other entity) will have the right to purchase, for the exercise price, a number of shares of the Company having a then-current market value equal to twice the exercise price.

The Rights are redeemable by the Company prior to becoming exercisable at \$.05 per Right and expire on February 10, 1998.

#### 8 TAXES ON INCOME

Effective October 1, 1993, the Company adopted FASB Statement No. 109, "Accounting for Income Taxes" (FAS 109). FAS 109 permitted the Company to recognize the benefit of certain deferred tax assets that could not be recognized under the previous standard, FAS 96. The cumulative effect of adopting FAS 109 as of October 1, 1993 was to increase net income by \$1,421,000 or \$.01 per share in fiscal 1994. As permitted under FAS 109, prior years' financial statements were not restated.

Provision for income taxes:

<TABLE>  
<CAPTION>

Fiscal Year Ended September 30 (in thousands)	1996		1995		1994	
	Current	Deferred	Current	Deferred	Current	Deferred
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Federal	\$21,144	\$58,540	\$8,832	\$41,723	\$21,365	\$7,543
Foreign	13,496	528	8,923	1,653	8,585	(2,463)
State	11,170	3,106	15,640	(1,270)	5,259	1,026
Taxes on income	\$45,810	\$62,174	\$33,395	\$42,106	\$35,209	\$6,106

</TABLE>

#### 34 IKON OFFICE SOLUTIONS

#### 8 TAXES ON INCOME (CONT)

The components of deferred income tax assets and liabilities, including finance subsidiaries, were as follows:

<TABLE>  
<CAPTION>

September 30 (in thousands)	1996	1995
<S>	<C>	<C>
Deferred tax liabilities:		
Depreciation and amortization	\$ 32,284	\$ 43,759
Lease income recognition	227,003	119,228
Total deferred tax liabilities	259,287	162,987
Deferred tax assets:		

Nondeductible reserves	137,982	112,857
Net operating loss carryforwards	17,939	8,561
Other-net	21,902	8,814
-----		
Total deferred tax assets	177,823	130,232
Valuation allowance	26,647	19,628
-----		
Net deferred tax assets	151,176	110,604
-----		
Net deferred tax liabilities	\$108,111	\$ 52,383
=====		

</TABLE>

Net operating loss carryforwards, including discontinued operations, consist primarily of foreign carryforwards of \$42,543,000 principally expiring in years 1997 through 2000. Credit carryforwards consist principally of federal and state alternative minimum tax credits of approximately \$7,600,000 (with no expiration date) and affordable housing credits of approximately \$1,017,000 (expiring in 2010 and 2011).

Components of the effective income tax rate:

<TABLE>

<CAPTION>

Fiscal Year Ended September 30	1996	1995	1994
-----			
<S>	<C>	<C>	<C>
Federal	35.0%	35.0%	35.0%
State	3.4	4.9	9.4
Goodwill	2.1	2.5	9.1
Foreign including credits	(.3)	1.2	3.8
Effect of sale of IMMOS			46.6
Other	(.6)	(4.0)	(8.5)
-----			
Effective income tax rate	39.6%	39.6%	95.4%
=====			

</TABLE>

The effective tax rate for the fiscal year ended September 30, 1994, excluding the effects of the loss on the sale of the investment in IMMOS, is 38.8%.

Income tax payments for all operations, including discontinued, amounted to \$46,231,000 in 1996, \$30,436,000, net of \$30,000,000 refund, in 1995, and \$62,270,000 in 1994.

Undistributed earnings of the Company's foreign subsidiaries, including discontinued operations, were approximately \$59,102,000 at September 30, 1996. Those earnings are considered to be indefinitely reinvested and, therefore, no provision has been recorded for US federal and state income taxes.

#### 9 PENSION AND STOCK PURCHASE PLANS

The Company sponsors defined benefit pension plans for the majority of its employees. The benefits generally are based on years of service and compensation. The Company funds at least the minimum amount required by government regulations. The cost of these plans, together with contributions to multiemployer and defined contribution pension plans (\$1,338,000 in 1996, \$1,346,000 in 1995 and \$2,074,000 in 1994) charged to continuing operations amounted to \$20,215,000 for 1996, \$12,846,000 for 1995 and \$6,248,000 for 1994.

The components of net periodic pension cost for the Company-sponsored defined benefit pension plans are:

<TABLE>

<CAPTION>

Fiscal Year Ended September 30 (in thousands)

	1996	1995	1994
-----			
<S>	<C>	<C>	<C>
Service cost	\$ 15,734	\$ 10,610	\$ 5,330
Interest cost on projected benefit obligation	7,448	7,429	5,533
Actual return on plan assets	(15,663)	(18,409)	(3,345)
Net amortization and deferral	11,358	11,870	(3,344)
-----			
Net pension cost	\$ 18,877	\$ 11,500	\$ 4,174
=====			

</TABLE>

Assumptions used in accounting for the Company-sponsored defined benefit pension plans were:

<TABLE>  
<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Weighted average discount rates	7.75%	7.50%	7.75%
Rates of increase in compensation levels	6.25%	6.00%	6.25%
Expected long-term rate of return on assets	10.00%	10.00%	10.00%

</TABLE>

The funded status and amounts recognized in the Consolidated Balance Sheets for the Company-sponsored defined benefit pension plans are:

<TABLE>  
<CAPTION>

September 30 (in thousands)	1996	1995
<S>	<C>	<C>
Actuarial present value of benefit obligations		
Vested	\$170,642	\$ 77,823
Accumulated	\$174,731	\$80,184
Projected	\$222,215	\$100,352
Plan assets at fair value	214,077	83,212
Plan assets less than projected benefits	(8,138)	(17,140)
Items not yet recognized		
Net gain	(28,362)	(6,487)
Prior service cost	10,907	14,646
Net asset existing at transition date	(8,096)	(4,469)
Adjustment required to recognize minimum liability	(3,237)	(7,120)
Net pension liability	\$ (36,926)	\$ (20,570)

</TABLE>

Under the Benefits Agreement with Unisource, Alco will assume certain benefit obligations and related assets for retirees and terminated vested employees of Unisource, which are estimated to be \$101,000,000 and have been included in the September 30, 1996 balances reflected in the table above. Substantially all of the Alco and Unisource plan assets, totaling \$346,721,000 at September 30, 1996, are invested in listed stocks, bonds and government securities, including common stock of the Company having a fair value of \$59,850,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Alco Standard Corporation and Subsidiaries

9 PENSION AND STOCK PURCHASE PLANS (CONT)

The majority of the Company's employees were eligible to participate in the Company's Stock Participation Plan through fiscal 1995, under which they were permitted to invest 2% to 6% of regular compensation before taxes. The Company contributed an amount equal to two-thirds of the employees' investments and all amounts were invested in the Company's common shares. Effective October 2, 1995, the Stock Participation Plan was replaced by a Retirement Savings Plan (RSP). The RSP allows employees to invest 1% to 16% of regular compensation before taxes in six different investment funds. The Company contributes an amount equal to two-thirds of the employees' investments, up to 6% of regular compensation, for a maximum company match of 4%. All Company contributions are invested in the Company's common shares. Employees vest in a percentage of the Company's contribution after two years of service, with full vesting at the completion of five years of service. There is a similar plan for eligible management employees. The cost of the plans charged to continuing operations amounted to \$23,596,000 in 1996, \$16,983,000 in 1995 and \$14,125,000 in 1994.

10 GEOGRAPHIC INFORMATION

Revenues, income before taxes and identifiable assets by geographic area from continuing operations for the fiscal years ended September 30 are as follows:

<TABLE>  
<CAPTION>

(in millions)	1996	1995	1994
<S>	<C>	<C>	<C>
<b>Revenues</b>			
Domestic	\$3,559.7	\$2,802.2	\$2,196.9
Europe	360.6	178.4	100.7
Canada	177.7	111.0	93.5
Other	1.8	--	--
<b>Total</b>	<b>\$4,099.8</b>	<b>\$3,091.6</b>	<b>\$2,391.1</b>
<b>Income Before Taxes</b>			
Domestic	\$ 251.1	\$ 186.7	\$ 161.0
Europe	38.3	9.0	2.0
Canada	20.6	16.5	13.6
Other	.1	--	--
<b>Operating</b>	<b>\$ 310.1</b>	<b>212.2</b>	<b>176.6</b>
Unconsolidated affiliate			(117.2)
Interest expense	(37.2)	(21.7)	(16.1)
<b>Total</b>	<b>\$ 272.9</b>	<b>\$ 190.5</b>	<b>\$ 43.3</b>
<b>Assets</b>			
Domestic	\$3,096.2	\$2,313.4	1,610.4
Europe	560.2	300.5	123.6
Canada	227.5	161.5	154.9
Other	11.5	--	--
<b>Total</b>	<b>\$3,895.4</b>	<b>\$2,775.4</b>	<b>1,888.9</b>

</TABLE>

#### 11 LEASES

Equipment acquired under capital leases is included in property and equipment in the amount of \$33,141,000 in 1996 and \$22,404,000 in 1995 and the related amounts of accumulated amortization are \$11,491,000 in 1996 and \$6,925,000 in 1995. Related obligations are in long-term debt and related amortization is included in depreciation.

At September 30, 1996, future minimum payments under noncancelable operating leases with initial or remaining terms of more than one year were:

1997-\$65,763,000; 1998-\$50,977,000; 1999-\$36,662,000; 2000-\$22,125,000; 2001-\$15,664,000; thereafter-\$37,181,000.

Total rental expense was \$67,006,000 in 1996, \$61,398,000 in 1995 and \$48,812,000 in 1994.

#### 12 CONTINGENCIES

There are contingent liabilities for taxes, guarantees, lawsuits, environmental remediation claims relating to continuing and discontinued operations (see note 2) and various other matters occurring in the ordinary course of business. On the basis of information furnished by counsel and others, management believes that none of these contingencies will materially affect the Company.

#### 13 FINANCE RECEIVABLES

The Company's wholly owned finance subsidiaries are engaged in purchasing office equipment from Company dealers and leasing the equipment to customers under direct financing leases.

Components of finance receivables, net, are as follows:

<TABLE>		
<CAPTION>		
September 30 (in thousands)	1996	1995
<S>	<C>	<C>
Gross receivables	\$1,538,183	\$1,068,117
Unearned income	(272,279)	(165,793)
Unguaranteed residuals	108,338	58,774
Allowance for doubtful accounts	(60,484)	(46,994)
Lease receivables	1,313,758	914,104
Less: Current portion	435,434	326,315
Long-term lease receivables	\$ 878,324	\$ 587,789

</TABLE>

At September 30, 1996, future minimum payments to be received under direct financing leases were: 1997-\$540,732,000; 1998-\$473,645,000; 1999-\$300,166,000;

## 36 IKON OFFICE SOLUTIONS

## 13 FINANCE RECEIVABLES (cont)

In September 1996, IKON Capital entered into a new agreement, which expires in September 1997, to sell, under an asset securitization program, an undivided ownership interest in \$150,000,000 of eligible direct financing lease receivables. The September 1994 agreement for \$125,000,000 expires in March 1997. Both agreements contain limited recourse provisions that require IKON Capital to assign an additional amount of undivided interest in leases as a reserve to cover any potential losses to the purchaser due to uncollectible leases. As collections reduce previously sold interests, new leases can be sold up to the agreement amount. The weighted average interest rate on the 1994 agreement, which is partially fixed by two interest rate swap agreements totaling a principal/notional amount of \$60,000,000, is 6.7% at September 30, 1996. In fiscal year 1996, IKON Capital sold an additional \$52,712,000 in leases, replacing leases liquidated during the year under the 1994 agreement and \$150,000,000 in leases under the 1996 agreement.

## 14 FINANCIAL INSTRUMENTS

The Company uses financial instruments in the normal course of its business. These financial instruments include debt, commitments to extend credit and interest rate and currency swap agreements. The notional or contractual amounts of these commitments and other financial instruments are discussed below.

## Concentration of Credit Risk

The Company is subject to credit risk through trade receivables and short-term cash investments. Credit risk with respect to trade receivables is minimized because of a large customer base and its geographic dispersion. Short-term cash investments are placed with high credit quality financial institutions and in short duration corporate and government debt securities funds. By policy, the Company limits the amount of credit exposure in any one type of investment instrument.

## Interest Rate and Currency Swap Agreements

In addition to the interest rate swap agreements related to finance subsidiaries financial instruments, the Company has several other interest rate swap agreements. U.S. dollar denominated agreements have a total principal/notional amount of \$47,000,000 and have fixed rates from 6.99% to 7.74%. Canadian dollar denominated agreements have a total principal/notional amount of \$72,163,000 (CN\$98,248,000) and have fixed rates from 7.43% to 7.74%. The Company is required to make payments to the counterparties at the fixed rate stated in the agreements and in return the Company receives payments at variable rates.

The Company has also entered into five cross currency swap agreements. These agreements have a total principal/notional amount of \$72,163,000 (CN\$98,248,000) and have fixed rates from 9.53% to 9.90%. The Company is required to make payments to counterparties at the fixed rate stated in the agreements and in return the Company receives payments at fixed rates from 9.02% to 9.375%.

The Company is exposed to credit loss in the event of nonperformance by the counterparties to the swap agreements. However, the Company does not anticipate nonperformance by the counterparties.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments.

## Cash, Notes Payable and Long-Term Receivables

The carrying amounts reported in the consolidated balance sheets approximate fair value.

## Long-Term Debt

The fair value of long-term debt instruments is estimated using a discounted cash flow analysis. For more information on these instruments, refer to note 6.

## Off-Balance-Sheet Instruments

Fair values for the Company's off-balance-sheet instruments (interest rate and currency swaps) are based on the termination of the agreements.

The carrying amounts and fair values of the Company's financial instruments are as follows:

September 30 (in thousands)	1996		1995	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<S>	<C>	<C>	<C>	<C>
Long-term debt:				
Bond issues	\$ 445,481	\$ 423,667	\$150,000	\$165,311
Private placement debt	105,000	103,538	50,000	52,043

Bank debt	72,721	73,406		
Notes payable to insurance company	60,000	61,813	60,000	65,286
Sundry notes, bonds and mortgages	74,929	75,900	73,899	76,401
Finance subsidiaries debt	1,127,026	1,124,395	817,585	824,989
Interest rate and currency swaps	(5,074)			(3,671)

IKON OFFICE SOLUTIONS 37

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Alco Standard Corporation and Subsidiaries

On June 19, 1996, the Company announced that it would split its two operating units into independent companies by spinning off its paper and supply systems distribution group, Unisource Worldwide, Inc. (Unisource), as a separate publicly owned company. The Company will accomplish the transaction through a tax-free distribution of Unisource stock to Company shareholders, and expects to complete the separation by the end of calendar year 1996. As a result of the decision to spin off Unisource, the Company has accounted for Unisource as a discontinued operation. Continuing operations of the Company consist of IKON Office Solutions (IKON), formerly Alco Office Products, the Company's office technology solutions group.

RESULTS OF OPERATIONS

Revenues and income before taxes for continuing operations for fiscal years ended September 30, 1996, 1995 and 1994 and the percentage change for 1996 versus 1995 and 1995 versus 1994 were:

<TABLE>  
<CAPTION>  
(in millions)

	1996	1995	% Change	1995	1994	% Change
Revenues	\$4,100	\$3,092	32.6%	\$3,092	\$2,391	29.3%
Income before taxes:						
Operating income	\$310.1	\$212.2	46.1%	\$212.2	\$ 59.4	
Interest expense	(37.2)	(21.7)		(21.7)	(16.1)	
	\$272.9	\$190.5	43.3%	\$190.5	\$ 43.3	

</TABLE>

Fiscal 1996 Compared to Fiscal 1995

IKON's revenues increased \$1 billion, or 32.6% in fiscal 1996 compared to fiscal 1995, of which \$675 million relates to current and prior-year acquisitions and \$333 million is internal growth. In fiscal 1996, IKON completed 100 acquisitions with annualized revenues of \$878 million. Revenues from the Company's operations outside the U.S. were \$540 million in fiscal 1996 compared to \$289 million in fiscal 1995. IKON's European operations accounted for \$182 million of the increase, primarily the result of the acquisitions of A:Copy (UK) PLC and Copymore PLC in the latter half of fiscal 1995, while IKON's Canadian revenues increased \$67 million as a result of acquisitions and internal growth.

IKON's operating income increased by \$97.9 million, or 46.1% over the prior year. Current and prior-year acquisitions accounted for \$55.8 million, while the remaining \$42.1 was the result of internal growth. Finance subsidiaries contributed 15.1% of IKON's operating income in fiscal 1996 compared to 12.3% in fiscal 1995. IKON's operating margins were 7.6% in fiscal 1996 compared to 6.9% in fiscal 1995. Operating income from foreign operations was \$59 million in fiscal 1996, up \$33.5 million from the prior year of which \$29.3 million is attributable to European operations and \$4.1 million is attributable to Canadian operations.

Interest expense, net of corporate interest allocated to discontinued operations, increased \$15.5 million in fiscal 1996, primarily the result of increased borrowing levels. Income from continuing operations before taxes increased by \$82.4 million, or 43.3% over the prior year, primarily reflecting the combined result of internal growth along with earnings contributed by acquisitions, net of increased interest costs. The effective income tax rate is 39.6% in both fiscal 1996 and fiscal 1995. Earnings per share from continuing operations increased 30.2% from \$.86 per share in fiscal 1995 to \$1.12 per share in fiscal 1996. Weighted average shares of 127.6 million in fiscal 1996 were 11.1 million shares greater than the 116.5 million weighted average shares in fiscal 1995, primarily the result of acquisitions for stock (4.7 million weighted shares) and conversion of the Series AA Preferred Stock effective February 9, 1996 (6.6 million weighted shares).

Fiscal 1995 Compared to Fiscal 1994

IKON's revenues increased \$701 million, or 29.3% in fiscal 1995 compared to fiscal 1994, of which \$416 million is related to internal growth, while \$68 million relates to fiscal 1994 acquisitions and \$217 million relates to fiscal 1995 acquisitions. In fiscal 1995, IKON completed 102 acquisitions with annualized revenues of \$578 million. Revenues from the Company's operations outside the U.S. were \$289 million in fiscal 1995 compared to \$194 million in the prior year. IKON's European operations accounted for \$78 million of the increase, primarily the result of the acquisitions of A:Copy (UK) PLC and Copymore PLC in the third and fourth quarters of fiscal 1995, while IKON's Canadian revenues increased \$17 million as a result of internal growth.

IKON's operating income increase of \$152.8 million relates primarily to the \$117.2 million loss recorded in fiscal 1994 on the investment in IMMOS. Excluding the IMMOS loss, operating income increased \$35.6 million, or 20.2% which includes \$6.1 million from fiscal 1994 acquisitions and \$20.2 million from fiscal 1995 acquisitions. The remaining \$9.3 million increase is from internal growth. Finance subsidiaries contributed 12.3% of operating income in fiscal 1995 compared to 10.2% in fiscal 1994, excluding the IMMOS loss. Operating margins were 6.9% in 1995 compared to 7.4% in 1994, excluding the loss on IMMOS. Excluding costs related to IKON's transformation program discussed below, the operating margin for 1995 was 7.2%.

Operating income from foreign operations was \$25.5 million for 1995, up \$9.9 million from the prior year of which \$7 million is attributable to European operations and \$2.9 million is attributable to Canadian operations.

Interest expense, net of corporate interest allocated to discontinued operations, increased \$5.6 million from the comparable period in fiscal 1994, as a result of higher interest rates and borrowing levels during the year to fund acquisitions and working capital requirements, offset by the effect of the debt reductions resulting from the Company's conversion preferred stock offering in July 1995. The increase in income from continuing operations before taxes of \$147.2 million consists of \$30 million relating to the combined effect of internal growth and earnings contributed by acquisitions, net of increased interest costs and other corporate items and the \$117.2 million loss on the investment in IMMOS recorded in 1994. The effective income tax rate for fiscal 1995 was 39.6%. The effective tax rate for 1994 was 95.4%; however, excluding the IMMOS loss, the effective rate was 38.8%. Fiscal 1995 weighted average shares were 5.1 million shares greater

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than the 111.4 million shares for fiscal 1994, primarily the result of issuance of shares for acquisitions.

In fiscal 1995, IKON initiated a transformation program to change its organization into a more cohesive and efficient network by building a uniform information technology system and implementing best practices for critically important management functions throughout the IKON companies. The initiative includes the exploration of new vendor alliances, the establishment of a national identity for the group (IKON) and a targeted national accounts program.

### Discontinued Operations

Revenues of Unisource, the Company's discontinued operation, were flat at \$7 billion in both fiscal 1996 and 1995 as a result of price and volume declines, net of \$528 million contributed by acquisitions. Income before income taxes decreased \$69.7 million to \$103 million in fiscal 1996 compared to \$172.7 million in fiscal 1995. This decrease consists of a \$50 million restructuring charge recorded in the third quarter of fiscal 1996 and an operating income decrease of \$21.8 million, primarily related to the price and volume decreases experienced during the year, net of operating income contributed by acquisitions, while a reduction in interest expense of \$2.1 million in fiscal 1996 slightly offset the operating income decline.

Fiscal 1995 revenues of Unisource increased \$1.2 billion to \$7 billion from \$5.8 billion in fiscal 1994. The revenue increase primarily relates to substantial price increases experienced in the paper industry during 1995 as well as volume increases. Income before income taxes increased \$50.5 million, or 41.3% in fiscal 1995 compared to fiscal 1994, as a result of an operating income increase of \$57.8 million, which primarily reflects the impact of price and volume increases along with net benefits realized from the restructuring program initiated in 1993, net of an increase in interest expense of \$7.3 million.

An \$18 million charge against earnings was recorded in the third quarter of fiscal 1996 for costs associated with the spin-off of Unisource consisting primarily of investment banking fees, legal and accounting fees, filing fees and employee termination costs directly related to the spin-off.

The Company has owned several manufacturing and industrial businesses, all of which have been sold. There are currently environmental remediation claims pending for manufacturing or landfill sites in the United States that relate to

these discontinued operations. As a result of several environmental remediation claims and increased estimated costs associated with existing environmental remediation sites, primarily related to discontinued manufacturing operations divested by the Company in 1991 and prior, the Company took a fourth quarter charge in fiscal 1995 to increase its liabilities for environmental remediation. The discontinued operations charge was \$24 million (\$17 million net of tax), or \$.14 per share.

During 1995, the Company agreed to pay \$10 million to settle a claim by a former subsidiary, which had asserted that the Company was liable for certain employee liabilities. This amount was primarily charged against existing reserves for discontinued operations. The Company paid \$5 million during 1995 and \$2 million in 1996, with the remaining \$3 million to be paid over the next three years.

#### FINANCIAL CONDITION AND LIQUIDITY

Net cash provided by operating activities of continuing operations in fiscal 1996 was \$268 million. This cash, plus operating cash provided by discontinued operations and increased debt levels, funded the Company's cash usage for fiscal 1996, primarily acquisitions, capital expenditures, dividends and investing and financing activities of discontinued operations.

Debt of continuing operations, excluding finance subsidiaries, was \$971 million at September 30, 1996, an increase of \$360 million from continuing operations debt balance at September 30, 1995 of \$611 million. On August 6, 1996, the Board of Directors approved the capitalization of Unisource in connection with the spin-off, which will include intercompany notes repayment by Unisource to the Company in the first quarter of fiscal 1997 of \$554 million, the proceeds which will be used to retire debt of the continuing operation. Unisource intends to borrow funds to finance the intercompany debt repayment. The Company will also incur additional costs to retire its debt early, which will be recorded as an extraordinary charge when incurred.

On December 11, 1995, the Company issued to the public \$300 million of 30-year bonds with a stated interest rate of 6.75% and a discount of 98.48%. The proceeds were used to repay short-term borrowings. The Company had a total of \$600 million in bank credit commitments as of September 30, 1996. Short-term borrowings supported by these facilities totaled \$187.3 million leaving \$412.7 million unused and available. At September 30, 1996, debt as a percentage of capitalization was 31.4%, while the current ratio was 1.2 to 1. At the end of fiscal 1996, the Company's commitments for capital expenditures were approximately \$7.6 million, all of which are expected to be expended during fiscal 1997.

The Company filed shelf registrations for 10 million shares of common stock in January 1996 and 5 million shares of common stock in March 1996. Shares issued under these registration statements are being used primarily for acquisitions. Approximately 9.4 million shares have been issued under these shelf registrations through September 30, 1996.

Finance subsidiaries' debt grew by \$309.4 million from September 30, 1995, a result of increased leasing activity. During the fiscal year ended September 30, 1996, IKON Capital issued an additional \$397.9 million under its medium term notes program that began in July 1994. At September 30, 1996, \$969.9 million of medium term notes were outstanding with a weighted interest rate of 6.8%, leaving \$500.1 million available under this program.

In September 1996, IKON Capital entered into a new asset securitization agreement for \$150 million and completed the sale of \$150 million in direct financing leases by September 30, 1996. Under its \$125 million asset securitization agreement commenced in September 1994, IKON Capital sold \$52.7 million in direct financing leases during fiscal 1996, replacing those leases liquidated and leaving the amount of contracts sold unchanged.

The Company believes that its operating cash flow together with unused lines of credit and other financing arrangements will be sufficient to finance current operating requirements, including capital expenditures, acquisitions and discontinued operations through the end of calendar 1996.

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#### CORPORATE FINANCIAL SUMMARY

Alco Standard Corporation and Subsidiaries

(in millions, except per share data, shareholders of record, employees)	Nine-Year Compound Growth	1996	1995	1994
<S>	<C>	<C>	<C>	<C>
Continuing Operations				
Revenues	18.1%	\$4,099.8	\$3,091.6	\$2,391.1

Gross profit	23.2	1,684.9	1,258.2	999.2
% of revenues		41.1	40.7	41.8
Selling and administrative	21.7	1,374.8	1,046.0	822.6
% of gross profit		81.6	83.1	82.3
Operating income	25.4	310.1	212.2	59.4
% of revenues		7.6	6.9	2.5
Income before taxes	29.9	272.9	190.5	43.3
% of revenues		6.7	6.2	1.8
Effective income tax rate (%)		39.6	39.6	95.4
Income	30.6	164.9	115.0	2.0
% of revenues		4.0	3.7	0.1
Earnings (loss) per share				
Primary		1.12	0.86	(0.09)
Fully diluted		(e)	(e)	(e)
Capital expenditures	19.7	146.6	91.1	79.0
Depreciation and amortization	17.9	118.6	87.4	67.4
-----				
Discontinued Operations				
Income (loss)		\$45.8	\$88.7	\$74.5
Earnings (loss) per share				
Primary		.36	0.76	0.67
Fully diluted		(e)	(e)	(e)
-----				
Total Operations				
Net income	11.0%	\$210.7	\$203.7	\$76.5
Earnings (loss) per share				
Primary		1.48	1.62	0.58
Fully diluted		(e)	(e)	(e)
-----				
Share Activity				
Dividends per share	6.3%	\$0.56	\$0.52	\$0.50
Per share book value	10.4	14.94	12.06	10.50
Return on shareholders' equity		13.8	15.8	15.1
Average common and common equivalent shares		127.6	116.5	111.4
Shareholders of record		15,033	15,099	14,348
-----				
Supplementary Information				
Days sales outstanding (g)		34.2	33.6	30.2
Inventory turns (g)		5.7	6.3	5.7
Current ratio		1.2	1.1	1.3
Pretax return on capital employed		14.8	17.1	15.9 (b)
Pretax return on capital employed with finance subsidiaries on equity method		19.0	21.1	18.6 (b)
Working capital	(1.4)%	\$251.2	\$144.7	\$171.5
Total assets	19.3	5,384.6	4,110.3	2,897.7
Total debt	27.8	2,158.4	1,499.3	949.2
% of capitalization		48.9	44.2	40.7
Total debt, excluding finance subsidiaries	19.1	1,031.4	681.7	484.3
% of capitalization		31.4	26.5	25.9
Serial preferred stock				
Employees (h)		43,100	39,200	33,100

</TABLE>

- (a) Continuing operations include unrelated businesses sold in 1988.  
(b) Excludes the effect of the sale of IMMOS (note 5) in fiscal 1994 and Unisource restructuring costs in fiscal 1993.  
(c) Includes the sale of an automobile leasing subsidiary that resulted in a pretax gain of \$17,637,000.  
(d) Includes unusual pretax charges relating to the Hillman Companies of \$10,323,000.  
(e) Dilution is immaterial after 1987; therefore, no disclosure.  
(f) Excludes gain on sale of Alco Health Services Corporation of pretax - \$96,800,000; net income - \$61,900,000.  
(g) Continuing operations only.  
(h) Includes discontinued operations.

Note: Unless otherwise noted, ratios and operating results include the effect of: fiscal 1994 - loss on sale of investment in IMMOS (note 5), pretax income (\$115,265,000), net income (\$95,086,000), earnings per share (\$.85); fiscal 1993 - Unisource restructuring costs, operating income (\$175,000,000), net income (\$112,875,000), earnings per share (\$1.14).

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<TABLE> <CAPTION>		1993	1992	1991	1990	1989	1988	1987
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	\$1,723.1	\$1,354.2	\$1,127.4	\$1,018.6	\$789.3	\$667.0 (a)	\$917.9 (a)	
	732.7	594.4	489.2	445.4	324.8	245.8 (a)	256.8 (a)	

42.5	43.9	43.4	43.7	41.2	36.9	28.0
613.4	504.6	431.4	411.9	300.9	231.2 (a)	234.1 (a)
83.7	84.9	88.2	92.5	92.6	94.1	91.2
116.8	96.5	57.8	28.8	23.9	22.5 (a)	40.3 (a)
6.8	7.1	5.1	2.8	3.0	3.4	4.4
101.4	85.1	40.4	8.3 (d)	9.1	10.7 (a)	26.0 (a) (c)
5.9	6.3	3.6	0.8	1.2	1.6	2.8
39.6	39.4	39.0	40.7	20.0	25.5	42.5
61.3	51.6	24.6	4.9 (d)	7.3	8.0 (a)	14.9 (a) (c)
3.6	3.8	2.2	0.5	0.9	1.2	1.6
0.52	0.53	0.26	0.06 (d)	0.08	0.08 (a)	0.16 (a) (c)
(e)	(e)	(e)	(e)	(e)	(e)	(e)
64.3	36.9	33.4	40.5	35.1	26.3 (a)	29.1 (a)
51.3	42.3	43.1	38.0	32.1	25.3 (a)	27.0 (a)

-----

(\$58.6)	\$47.5	\$94.1	\$88.6	\$160.2	\$103.4	\$67.4
----------	--------	--------	--------	---------	---------	--------

(0.59)	0.49	1.00	0.95	1.70	1.04	0.73
(e)	(e)	(e)	(e)	(e)	(e)	0.68

-----

\$2.6	\$99.1	\$118.7	\$93.5 (d)	\$167.5	\$111.4	\$82.3 (c)
-------	--------	---------	------------	---------	---------	------------

(0.07)	1.01	1.26	1.01	1.78	1.12	0.89 (c)
(e)	(e)	(e)	(e)	(e)	(e)	0.84 (c)

-----

\$0.48	\$0.46	\$0.44	\$0.42	\$0.38	\$0.34	\$0.32
8.55	9.11	8.91	8.20	7.25	6.98	6.15
11.6	11.6	15.0	13.4	16.6 (f)	17.1	16.2
98.7	97.7	94.1	93.1	94.3	99.5	92.3
13,999	13,726	14,096	14,152	13,410	14,103	12,875

-----

32.9	32.3	33.8	34.8	37.6	37.9	45.0
5.1	5.2	4.8	4.7	4.3	4.1	3.6
1.1	1.3	1.9	1.7	1.5	2.2	2.4
13.5 (b)	15.1	15.3	18.5	19.4 (f)	19.2	21.6

15.8 (b)	17.5	17.6	20.9	21.1 (f)	20.0	22.2
\$87.2	\$140.4	\$299.9	\$216.9	\$161.9	\$209.8	\$284.5
2,734.2	1,944.0	1,703.0	1,544.0	1,295.8	1,182.1	1,099.8
1,240.0	805.4	548.1	469.2	391.2	261.5	237.1
54.5	48.0	39.8	38.3	37.8	27.4	27.9
825.7	504.9	327.4	309.6	296.7	209.3	213.4
44.4	36.6	28.3	29.0	31.5	23.2	25.9
0.3	1.6	2.9	4.9	7.4	9.9	11.4
30,200	24,800	19,800	21,700	20,500	17,900	17,800

</TABLE>

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QUARTERLY FINANCIAL SUMMARY  
Alco Standard Corporation and Subsidiaries

<TABLE>  
<CAPTION>  
(unaudited, in millions except per share data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<S>	<C>	<C>	<C>	<C>	<C>
1996					
Revenues	\$ 900.6	\$ 1,015.4	\$ 1,059.1	\$ 1,124.7	\$ 4,099.8
Gross profit	371.8	403.8	446.5	462.8	1,684.9
Income before taxes	61.3	66.3	72.8	72.5	272.9
Income (loss)					
Continuing operations	36.9	40.5	43.7	43.8	164.9
Discontinued operations	26.3	28.6	(20.2) (a)	11.1	45.8 (a)
Net income	\$ 63.2	\$ 69.1	\$ 23.5	\$ 54.9	\$ 210.7
Earnings (loss) per share					
Continuing operations	\$ .25	\$ .28	\$ .30	\$ .30	\$ 1.12
Discontinued operations	.22	.22	(.16) (a)	.08	.36 (a)
	\$ .47	\$ .50	\$ .14	\$ .38	\$ 1.48
Dividends per share	\$ .14	\$ .14	\$ .14	\$ .14	\$ .56

Common stock price High/Low	46 3/8 - 42	54 5/8 - 37 3/8	66 - 44 5/8	49 7/8 - 38	66 - 37 3/8
-----					
1995					
Revenues	\$ 678.7	\$ 740.8	\$ 812.0	\$ 860.1	\$ 3,091.6
Gross profit	279.7	300.0	332.9	345.6	1,258.2
Income before taxes	45.2	44.5	51.2	49.6	190.5
Income					
Continuing operations	27.4	26.3	30.9	30.4	115.0
Discontinued operations	19.6	23.4	29.0	16.7 (b)	88.7 (b)
-----					
Net income	\$ 47.0	\$ 49.7	\$ 59.9	\$ 47.1	\$ 203.7
-----					
Earnings per share					
Continuing operations	\$ .21	\$ .21	\$ .24	\$ .20	\$ .86
Discontinued operations	.17	.20	.25	.14 (b)	.76 (b)
-----					
	\$ .38	\$ .41	\$ .49	\$ .34	\$ 1.62
-----					
Dividends per share	\$ .13	\$ .13	\$ .13	\$ .13	\$ .52
Common stock price					
High/Low	31 7/8 - 26 1/2	36 7/8 - 30 7/8	40 1/8 - 34 3/8	43 5/8 - 38 1/4	43 5/8 - 26 1/2

</TABLE>

(a) Discontinued operations in the third quarter and year-to-date fiscal 1996 includes a pretax charge of \$50,000,000 (\$32,500,000 net of taxes or \$.25 per share) for restructuring activities of Unisource and a pretax charge of \$18,000,000 (\$14,150,000 net of taxes or \$.11 per share) for expenses related to the spin-off of Unisource.

(b) Discontinued operations in the fourth quarter and year-to-date fiscal 1995 include a pretax charge of \$23,630,000 (\$16,541,000 net of taxes or \$.14 per share) for environmental liabilities of discontinued operations.

## Subsidiaries of Alco Standard Corporation (Alco)

<TABLE> <CAPTION>		
Subsidiary	% Voting Securities Owned (by whom)	State of other jurisdiction of incorporation or organization
<S>	<C>	<C>
Alco Cash Management Company	100% Alco	Delaware
The Alco Standard Foundation	100% Alco	Pennsylvania
Alco-Texas Realty, Inc.	100% Alco	Texas
Alco Realty, Inc. (AR)	100% Alco	Delaware
Alco Canada Realty, Inc.	100% AR	Canada
Ikon Realty, Inc.	100% AR	Delaware
AOS Acquisition Company, Inc.	100% Alco	New York
Alco Office Products (U.K.) Plc (AOPUK)	100% IKON	England
Alco Standard House	100% AOPUK	England
IKON Capital Europe	100% AOPUK	England
A-Copy (UK) PLC	100% AOPUK	England
Copymore PLC	100% AOPUK	England
Erskine House GmbH	100% AOPUK	Germany
Eskofot Kontersystermer AS	100% AOPUK	Denmark
Axion S.A.	100% AOPUK	France
Erskine House Group PLC (EHG)	100% AOPUK	England
Erskine Limited	100% PLC	England
Alco Standard Acquisition Capital Company, Inc. (ASACC)	100% Alco	Delaware
Alco Standard Limited	100% Alco	Delaware
Alco Standard Petroleum Corporation	100% Alco	Delaware
Alco Venture Capital Company	100% Alco	Delaware
Alco Texas Realty, Inc.	100% Alco	Texas
Chesterbrook Insurance Limited	100% Alco	Bermuda
IKON, Inc.	100% Alco	Delaware
IKON Office Solutions, Inc. (IKON)	100% Alco	Delaware
IKON Brands, Inc.	100% IKON	Delaware
IKON North America, Inc. (INA)	100% IKON	Delaware
OCLA Corporation	100% Alco	Delaware
RMA/Kolko Corporation	100% Alco	New York
The Unisource Corporation	100% Alco	Texas
Unisource Worldwide Holdings, Inc.	100% Alco	Delaware
Upshur Coals Corporation	100% Alco	West Virginia
Alco Office Products Group, Inc.	100% IKON	Delaware
Erskine House Group, Inc.	100% IKON	Delaware
Ikon Capital, Inc.	100% IKON	Canada

&lt;TABLE&gt;

<S>	<C>	<C>
IKON Baja (U.S.) Corporation	100% INA IKON	Delaware
IKON Office Solutions Pty Ltd.	100% INA	Australia
IKON de Mexico, S.A. de C.V. (IM)	99.99% INA & .01% IKON	Mexico
IKON Servicios, S.A. de C.V. (IS)	99.99% IM & .01% INS	Mexico
IKON Copiroyal, S.A. de C.V.	99.99% IM & .01% IS	Mexico
IKON Enmuebles	99.99% IM & .01% IS	Mexico
IKON Office Solutions Inc. and Bureau-Tech IKON, Inc.	100% IKON	Canada
IKON Capital, Inc. (IC)	100% IKON	Delaware
IKON Funding, Inc.	100% IC	Delaware
Office Group, Inc.	100% IKON	Delaware
Office Products, Inc.	100% IKON	Delaware
Office World Trade, Inc.	100% IKON	Florida
Partners Securities Company	100% Alco	Delaware
TDFC Corporation	100% Alco	Delaware
Unisource Worldwide, Inc.	100% Alco	Delaware
Paper Corporation of North America (PCNA)	100% UWI	Delaware
AOP Canada Limited	98% PCNA & 2% Alco	Canada
Unisource Canada, Inc.	100% PCNA	Canada
Unisource Distribudora S.A. de C.V. (UDSA)	99% PCNA & 1% UWI	Mexico
Unisource Servicios S.A. de C.V. (US)	99.99% UDSA & .01% PCNA	Mexico
Unisource DePapel, S.A. de C.V.	99.99% UDSA & .01% US	Mexico
Unisource Global Paper, S.A. de C.V.	99.99% UDSA & .01% US	Mexico

Unisource Feyra, S.A. de C.V.	99.99% UDSA & .01% US	Mexico
Unisource Multiplasticos S.A. de C.V.	99.99% UDSA & .01% US	Mexico
Unisource Empaque S.A. de C.V.	99.99% UDSA & .01% US	Mexico
Servicios Corporativos Unisource S.A. de C.V.	99.99% UDSA & .01% US	Mexico
Unisource Planeacion S.A. de C.V.	99.99% UDSA & .01% US	Mexico
Unisource Pimsa, S.A. de C.V.	99.99% UDSA & .01% US	Mexico
Unisource Sinie, S.A. de C.V.	99.99% UDSA & .01% US	Mexico
Unisource Grafipapel, S.A. de C.V.	99.99% UWI & .01% US	Mexico

</TABLE>

<TABLE>

<S>	<C>	<C>
Unisource Centro del Papel, S.A. de C.V.	99.99% UWI & .01% US	Mexico
Unisource Megapapel, S.A. de C.V.	99.99% UWI & .01% US	Mexico
Mercantil Papelera, S.A. de C.V.	99.99% UWI & .01% US	Mexico
Unisource Direct, Inc.	100% UWI	Delaware
Unisource International, Inc.	100% UWI	Delaware
Unisource Sales Corporation	100% UWI	Delaware
Unisource Realty, Inc.	100% UWI	Delaware
Unisource Acquisition Capital Corporation	100% UWI	Delaware
Unisource Brands, Inc.	100% UWI	Delaware

</TABLE>

## Consent of Ernst &amp; Young LLP, Independent Auditors

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Alco Standard Corporation of our report dated October 16, 1996 (except for Note 2, as to which the date is November 20, 1996), included in the 1996 Annual Report to the Shareholders of Alco Standard Corporation.

Our audits also included the financial statement schedule of Alco Standard Corporation listed in item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the incorporation by reference in the following registration statements on Form S-3, Form S-4 and Form S-8 of Alco Standard Corporation and in the related Prospectuses of our report dated October 16, 1996, (except for Note 2, as to which the date is November 20, 1996), with respect to the consolidated financial statements of Alco Standard Corporation incorporated by reference in its Annual Report (Form 10-K) for the fiscal year ended September 30, 1996, and the related financial statement schedule included therein, filed with the Securities and Exchange Commission.

<TABLE>

<CAPTION>

Registration Number	Filing Date	Description
<S>	<C>	<C>
2-66880	March 10, 1980	Alco Standard Corporation 1980 Deferred Compensation Plan
2-75296	December 11, 1982	Alco Standard Corporation 1982 Deferred Compensation Plan
33-00120	September 6, 1985	Alco Standard Corporation 1985 Deferred Compensation Plan
33-3046	February 10, 1987	Alco Standard Corporation 1986 Stock Option Plan

</TABLE>

1

<TABLE>  
<CAPTION>

Registration Number	Filing Date	Description
<S> 33-26732	<C> January 27, 1989	<C> Alco Standard Corporation 1989 Directors' Stock Option Plan
33-36745	September 10, 1990	Alco Standard Corporation 1991 Deferred Compensation Plan
33-38193	December 10, 1990	Alco Standard Corporation 1986 Stock Option Plan
33-84376	June 4, 1992	Alco Standard Corporation Stock Award Plan
33-55096	November 24, 1992	Alco Standard Corporation 1993 Directors' Stock Option Plan
33-51183	November 24, 1993	Alco Standard Corporation Partners' Stock Purchase Plan
33-53711	May 19, 1994	Alco Standard Corporation 496,090 Shares of Common Stock

</TABLE>

2

<TABLE>  
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Registration Number	Filing Date	Description
<S> 33-54779	<C> July 28, 1994	<C> Alco Standard Corporation 365,871 Shares of Common Stock
33-54781	July 28, 1994	Alco Standard Corporation

Stock Award Plan

33-55947	October 7, 1994	Alco Standard Corporation 122,409 Shares of Common Stock
33-56455	November 14, 1994	Alco Standard Corporation 25,655 Shares of Common Stock
33-56457	November 14, 1994	Alco Standard Corporation 46,774 Shares of Common Stock
33-56469	November 15, 1994	Alco Standard Corporation 1995 Stock Option Plan
33-56471	November 15, 1994	Alco Standard Corporation Long Term Incentive Compensation Plan
33-64177	November 14, 1995	Alco Standard Corporation \$750,000,000 Debt Securities Preferred Stock or Common Stock
33-64739	January 5, 1996	Alco Standard Corporation 10,000,000 Shares of Common Stock
333-01743	March 14, 1996	Alco Standard Corporation 5,000,000 Shares of Common Stock

</TABLE>

Philadelphia, Pennsylvania  
December 30, 1996

POWER OF ATTORNEY  
-----

The undersigned certifies that he is a Director of Alco Standard Corporation ("Alco").

The undersigned hereby appoints each of William F. Drake, Jr., Karin M. Kinney and Michael J. Dillon as his attorneys-in-fact, each with the power of substitution, to execute, on his behalf the foregoing Report on Form 10-K, and any and all amendments thereto, for filing with the Securities and Exchange Commission ("SEC"), and to do all such other acts and execute all such other documents which said attorney may deem necessary or desirable.

Dated this 30th day of December, 1996.

/s/JAMES R. BIRLE  
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POWER OF ATTORNEY  
-----

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Dated this 30th day of December, 1996.

/s/KURT E. DINKELACKER  
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POWER OF ATTORNEY  
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any and all amendments thereto, for filing with the Securities and Exchange Commission ("SEC"), and to do all such other acts and execute all such other documents which said attorney may deem necessary or desirable.

Dated this 30th day of December, 1996.

/s/PAUL J. DARLING, II  
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POWER OF ATTORNEY  
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Dated this 30th day of December, 1996.

/s/WILLIAM F. DRAKE, JR.  
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POWER OF ATTORNEY  
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Dated this 30th day of December, 1996.

/s/JAMES J. FORESE  
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POWER OF ATTORNEY

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Dated this 30th day of December, 1996.

/s/FREDERICK S. HAMMER

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POWER OF ATTORNEY

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The undersigned certifies that her is a Director of Alco Standard Corporation ("Alco").

The undersigned hereby appoints each of William F. Drake, Jr., Karin M. Kinney and Michael J. Dillon as her attorneys-in-fact, each with the power of substitution, to execute, on her behalf the foregoing Report on Form 10-K, and any and all amendments thereto, for filing with the Securities and Exchange Commission ("SEC"), and to do all such other acts and execute all such other documents which said attorney may deem necessary or desirable.

Dated this 30th day of December, 1996.

/s/BARBARA BARNES HAUPTFUHRER

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POWER OF ATTORNEY

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The undersigned certifies that he is a Director of Alco Standard Corporation ("Alco").

The undersigned hereby appoints each of William F. Drake, Jr., Karin M. Kinney and Michael J. Dillon as his attorneys-in-fact, each with the power of substitution, to execute, on his behalf the foregoing Report on Form 10-K, and any and all amendments thereto, for filing with the Securities and Exchange

Commission ("SEC"), and to do all such other acts and execute all such other documents which said attorney may deem necessary or desirable.

Dated this 30th day of December, 1996.

/s/ RICHARD A. JALKUT  
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POWER OF ATTORNEY  
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The undersigned certifies that he is a Director of Alco Standard Corporation ("Alco").

The undersigned hereby appoints each of William F. Drake, Jr., Karin M. Kinney and Michael J. Dillon as his attorneys-in-fact, each with the power of substitution, to execute, on his behalf the foregoing Report on Form 10-K, and any and all amendments thereto, for filing with the Securities and Exchange Commission ("SEC"), and to do all such other acts and execute all such other documents which said attorney may deem necessary or desirable.

Dated this 30th day of December, 1996.

/s/ DANA G. MEAD  
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POWER OF ATTORNEY  
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The undersigned certifies that he is a Director of Alco Standard Corporation ("Alco").

The undersigned hereby appoints each of William F. Drake, Jr., Karin M. Kinney and Michael J. Dillon as his attorneys-in-fact, each with the power of substitution, to execute, on his behalf the foregoing Report on Form 10-K, and any and all amendments thereto, for filing with the Securities and Exchange Commission ("SEC"), and to do all such other acts and execute all such other documents which said attorney may deem necessary or desirable.

Dated this 30th day of December, 1996.

/s/ RAY B. MUNDT  
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POWER OF ATTORNEY

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The undersigned certifies that he is a Director of Alco Standard Corporation ("Alco").

The undersigned hereby appoints each of William F. Drake, Jr., Karin M. Kinney and Michael J. Dillon as his attorneys-in-fact, each with the power of substitution, to execute, on his behalf the foregoing Report on Form 10-K, and any and all amendments thereto, for filing with the Securities and Exchange Commission ("SEC"), and to do all such other acts and execute all such other documents which said attorney may deem necessary or desirable.

Dated this 30th day of December, 1996.

/s/ PAUL C. O'NEILL

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POWER OF ATTORNEY

-----

The undersigned certifies that he is a Director of Alco Standard Corporation ("Alco").

The undersigned hereby appoints each of William F. Drake, Jr., Karin M. Kinney and Michael J. Dillon as his attorneys-in-fact, each with the power of substitution, to execute, on his behalf the foregoing Report on Form 10-K, and any and all amendments thereto, for filing with the Securities and Exchange Commission ("SEC"), and to do all such other acts and execute all such other documents which said attorney may deem necessary or desirable.

Dated this 30th day of December, 1996.

/s/ ROGELIO G. SADA

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POWER OF ATTORNEY

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The undersigned certifies that he is a Director of Alco Standard Corporation ("Alco").

The undersigned hereby appoints each of William F. Drake, Jr., Karin M. Kinney and Michael J. Dillon as his attorneys-in-fact, each with the power of substitution, to execute, on his behalf the foregoing Report on Form 10-K, and any and all amendments thereto, for filing with the Securities and Exchange Commission ("SEC"), and to do all such other acts and execute all such other documents which said attorney may deem necessary or desirable.

Dated this 30th day of December, 1996.

/s/ JAMES W. STRATTON  
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POWER OF ATTORNEY  
-----

The undersigned certifies that he is Chairman of the Board and Chief Executive Officer of Alco Standard Corporation ("Alco").

The undersigned hereby appoints each of William F. Drake, Jr., Karin M. Kinney and Michael J. Dillon as his attorneys-in-fact, each with the power of substitution, to execute, on his behalf the foregoing Report on Form 10-K, and any and all amendments thereto, for filing with the Securities and Exchange Commission ("SEC"), and to do all such other acts and execute all such other documents which said attorney may deem necessary or desirable.

Dated this 30th day of December, 1996.

/s/ JOHN E. STUART  
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CERTIFICATION

I, Karin M. Kinney, Secretary of Alco Standard Corporation, do hereby certify that the following resolutions were duly passed by the Board of Directors of the corporation on November 8, 1996, and that such resolutions are, as of the date hereof, in full force and effect:

RESOLVED, that each of the officers and directors of the corporation is hereby authorized to appoint William F. Drake, Jr., Karin M. Kinney and Michael J. Dillon as his or her attorneys-in-fact on behalf of each of them each attorney-in-fact with the power of substitution, to execute on such officer's or director's behalf, one or more registration statements and annual reports of the corporation for filing with the Securities and Exchange Commission ("SEC"), and any and all amendments to said documents which said attorney may deem necessary or desirable to enable the corporation to register the offering of debt securities and to further enable the corporation to file such reports as are necessary under Section 13 or 15(d) of the Securities Exchange Act of 1934 and such other documents as are necessary to comply with all rules, regulations or requirements of the SEC in respect thereto; and

FURTHER RESOLVED, that any officer of the corporation is hereby authorized to do and perform, or cause to be done or performed, any and all

things and to execute and deliver any and all agreements, certificates, undertakings, documents or instruments necessary or appropriate in order to carry out the purpose and intent of the foregoing resolutions.

IN WITNESS WHEREOF, I have hereunto set my hand this 30th day of December, 1996.

/s/ Karin M. Kinney

-----

<TABLE> <S> <C>

<ARTICLE> 5

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This schedule contains summary financial information extracted from the consolidated financial statements of Alco Standard corporation and subsidiaries and is qualified in its entirety by reference to such financial statements.

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<FN>

<F1> Includes equipment on operating leases, at cost of \$248,952,000.

<F2> Includes accumulated depreciation for equipment on operating leases of

\$153,909,000.

<F3> Includes net assets held for distribution to shareholders of \$1,489,201,000

<F4> Includes Finance Subsidiaries interest of \$68,043,000.

<F5> Represents selling, general and administrative expenses.

<F6> Continuing operations only.

</FN>

</TABLE>